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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 September 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: 001-39292

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

Delaware (State or other jurisdiction of incorporation or organization)	**84-4618156** (IRS Employer Identification No.)
1600 District Avenue **Burlington , Massachusetts** (Address of principal executive offices)	**01803** (Zip Code)

(781) 557-4800
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value $0.0001 per share	**BFLY**	**The New York Stock Exchange**
Warrants to purchase one share of Class A common stock, each at an exercise price of $11.50 per share	**BFLY WS**	**The New York Stock Exchange**

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 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	☐	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 October 18, 2024, the registrant had 186,635,110 shares of Class A common stock outstanding and 26,426,937 shares of Class B common stock outstanding.

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In this Quarterly Report on Form 10-Q, the terms "we," "us," "our," the "Company," and "Butterfly" mean Butterfly Network, Inc. and our subsidiaries.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that relate to future events or our future financial performance regarding, among other things, our plans, strategies, and prospects, both business and financial. These statements are based on the beliefs and assumptions of our management team. Generally, statements that are not historical facts, including statements concerning possible or assumed future actions, business strategies, events, or results of operations, are forward-looking statements. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- the success, cost, and timing of our product development activities;
- the potential attributes and benefits of our products and services;
- our ability to obtain and maintain regulatory approval for our products, and any related restrictions and limitations of any authorized product;
- our ability to identify, in-license, or acquire additional technology;
- our ability to maintain our existing license, manufacturing, and supply agreements;
- our ability to compete with other companies currently marketing or engaged in the development of ultrasound imaging devices, many of which have greater financial and marketing resources than us;
- the size and growth potential of the markets for our products and services, and the ability of each to serve those markets, either alone or in partnership with others;
- our estimates regarding expenses, revenue, capital requirements, and needs for additional financing;
- our ability to raise financing in the future; and
- our financial performance.

These statements may be preceded by, followed by, or include the words "believes," "estimates," "expects," "projects," "forecasts," "may," "will," "should," "seeks," "plans," "scheduled," "anticipates," "intends," similar expressions or phrases, or the negative of those expressions or phrases. The forward-looking statements are based on projections prepared by, and are the responsibility of, our management. Although we believe that our plans, intentions, and expectations reflected in or suggested by these forward-looking statements are reasonable, we cannot assure you that we will achieve or realize these plans, intentions, or expectations. Forward-looking statements are inherently subject to risks, uncertainties, and assumptions relating to, among other things:

- our growth depends on our ability to attract and retain customers;
- our business could be harmed if we fail to manage our growth effectively;
- our projections are subject to risks, assumptions, estimates, and uncertainties;
- our business is subject to a variety of U.S. and foreign laws, which are subject to change and could adversely affect our business;
- the pricing of our products and services, and reimbursement for medical procedures conducted using our products and services;
- changes in applicable laws or regulations;
- failure to protect or enforce our intellectual property rights could harm our business, results of operations, and financial condition;
- the ability to maintain the listing of our Class A common stock on the New York Stock Exchange; and
- economic downturns and political and market conditions beyond our control could adversely affect our business, financial condition, and results of operations.

These and other risks and uncertainties are described in greater detail under the caption "Risk Factors" in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2023 (the "2023 Annual Report on Form 10-K"), in Item 1A of Part II of this Quarterly Report on Form 10-Q, and in other filings that we make with the Securities and Exchange Commission ("SEC"). The risks described under the caption "Risk Factors" are not exhaustive. New risk factors emerge from time to time, and it is not possible to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statements. Forward-looking statements are not guarantees of performance. You should not put undue reliance on these statements, which speak only as of the date hereof. All forward-looking statements attributable to the Company or persons acting on the Company's behalf are expressly qualified in their entirety by the foregoing cautionary statements. We undertake no obligations to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

BUTTERFLY NETWORK, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)
(Unaudited)

	September 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 93,758	$ 134,437
Accounts receivable, net	20,621	13,418
Inventories	73,271	73,022
Current portion of vendor advances	4,351	2,815
Prepaid expenses and other current assets	7,492	7,571
Total current assets	**199,493**	**231,263**
Property and equipment, net	21,176	25,321
Intangible assets, net	9,266	10,317
Non-current portion of vendor advances	15,082	15,276
Operating lease assets	14,606	15,675
Other non-current assets	5,649	6,422
Total assets	**$ 265,272**	**$ 304,274**
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 3,651	$ 5,090
Deferred revenue, current	16,425	15,625
Accrued purchase commitments, current	131	131
Accrued expenses and other current liabilities	22,585	23,425
Total current liabilities	**42,792**	**44,271**
Deferred revenue, non-current	7,035	7,394
Warrant liabilities	1,652	826
Operating lease liabilities	21,030	22,835
Other non-current liabilities	10,931	8,895
Total liabilities	**83,440**	**84,221**
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Class A common stock $ .0001 par value; 600,000,000 shares authorized at September 30, 2024 and December 31, 2023; 186,557,521 and 181,221,794 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	19	18
Class B common stock $ .0001 par value; 27,000,000 shares authorized at September 30, 2024 and December 31, 2023; 26,426,937 shares issued and outstanding at September 30, 2024 and December 31, 2023	3	3
Additional paid-in capital	965,839	949,670
Accumulated deficit	(784,029)	(729,638)
Total stockholders' equity	**181,832**	**220,053**
Total liabilities and stockholders' equity	**$ 265,272**	**$ 304,274**

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

BUTTERFLY NETWORK, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(In thousands, except share and per share amounts)
(Unaudited)

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Revenue:				
Product	$ 13,538	$ 8,753	$ 39,478	$ 29,874
Software and other services	7,023	6,668	20,227	19,510
Total revenue	**20,561**	**15,421**	**59,705**	**49,384**
Cost of revenue:				
Product	6,065	3,929	17,739	13,765
Software and other services	2,263	2,110	6,870	6,226
Total cost of revenue	**8,328**	**6,039**	**24,609**	**19,991**
Gross profit	**12,233**	**9,382**	**35,096**	**29,393**
Operating expenses:				
Research and development	8,844	12,130	28,975	44,409
Sales and marketing	9,607	9,012	29,713	28,776
General and administrative	9,353	11,560	29,868	37,239
Other	1,675	9,243	3,639	17,848
Total operating expenses	**29,479**	**41,945**	**92,195**	**128,272**
Loss from operations	**(17,246)**	**(32,563)**	**(57,099)**	**(98,879)**
Interest income	1,221	1,903	4,023	5,714
Interest expense	(319)	—	(928)	—
Change in fair value of warrant liabilities	(1,239)	3,511	(826)	3,924
Other income (expense), net	717	(217)	517	(256)
Loss before provision for income taxes	**(16,866)**	**(27,366)**	**(54,313)**	**(89,497)**
Provision for income taxes	58	2	78	82
Net loss and comprehensive loss	**$ (16,924)**	**$ (27,368)**	**$ (54,391)**	**$ (89,579)**
Net loss per common share attributable to Class A and B common stockholders, basic and diluted	$ (0.08)	$ (0.13)	$ (0.26)	$ (0.44)
Weighted-average shares used to compute net loss per share attributable to Class A and B common stockholders, basic and diluted	212,774,085	206,740,234	211,109,792	204,749,108

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

BUTTERFLY NETWORK, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousands, except share amounts)
(Unaudited)

Three months ended September 30, 2024

	Class A Common Stock		Class B Common Stock		Additional Paid-In	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Equity
June 30, 2024	186,037,697	$ 19	26,426,937	$ 3	$ 961,363	$ (767,105)	$ 194,280
Net loss	—	—	—	—	—	(16,924)	(16,924)
Common stock issued upon vesting of restricted stock units	519,824	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	4,476	—	4,476
September 30, 2024	**186,557,521**	**$ 19**	**26,426,937**	**$ 3**	**$ 965,839**	**$ (784,029)**	**$ 181,832**

Three months ended September 30, 2023

	Class A Common Stock		Class B Common Stock		Additional Paid-In	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Equity
June 30, 2023	179,720,918	$ 18	26,426,937	$ 3	$ 935,833	$ (658,149)	$ 277,705
Net loss	—	—	—	—	—	(27,368)	(27,368)
Common stock issued upon exercise of stock options	55,807	—	—	—	92	—	92
Common stock issued upon vesting of restricted stock units	856,430	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	6,990	—	6,990
September 30, 2023	**180,633,155**	**$ 18**	**26,426,937**	**$ 3**	**$ 942,915**	**$ (685,517)**	**$ 257,419**

Nine months ended September 30, 2024

	Class A Common Stock		Class B Common Stock		Additional Paid-In	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Equity (Deficit)
December 31, 2023	181,221,794	$ 18	26,426,937	$ 3	$ 949,670	$ (729,638)	$ 220,053
Net loss	—	—	—	—	—	(54,391)	(54,391)
Common stock issued upon vesting of restricted stock units	5,335,727	1	—	—	—	—	1
Stock-based compensation expense	—	—	—	—	16,169	—	16,169
September 30, 2024	**186,557,521**	**$ 19**	**26,426,937**	**$ 3**	**$ 965,839**	**$ (784,029)**	**$ 181,832**

Nine months ended September 30, 2023

	Class A Common Stock		Class B Common Stock		Additional Paid-In	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Equity
December 31, 2022	174,459,956	$ 17	26,426,937	$ 3	$ 921,278	$ (595,938)	$ 325,360
Net loss	—	—	—	—	—	(89,579)	(89,579)
Common stock issued upon exercise of stock options	180,467	—	—	—	228	—	228
Common stock issued upon vesting of restricted stock units	5,992,732	1	—	—	—	—	1
Stock-based compensation expense	—	—	—	—	21,409	—	21,409
September 30, 2023	**180,633,155**	**$ 18**	**26,426,937**	**$ 3**	**$ 942,915**	**$ (685,517)**	**$ 257,419**

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

BUTTERFLY NETWORK, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine months ended September 30,	
	2024	**2023**
Cash flows from operating activities:		
Net loss	$ (54,391)	$ (89,579)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, amortization, and impairments	7,835	8,332
Non-cash interest expense	926	—
Write-down of inventories	15	—
Stock-based compensation expense	15,794	20,924
Change in fair value of warrant liabilities	826	(3,924)
Gain on lease termination	—	(214)
Other	945	(478)
Changes in operating assets and liabilities:		
Accounts receivable	(8,158)	711
Inventories	(264)	(34,046)
Prepaid expenses and other assets	681	2,354
Vendor advances	(1,342)	15,646
Accounts payable	(1,440)	1,092
Deferred revenue	441	(423)
Accrued purchase commitments	—	(1,934)
Change in operating lease assets and liabilities	(549)	(671)
Accrued expenses and other liabilities	94	(3,509)
Net cash used in operating activities	**(38,587)**	**(85,719)**
Cash flows from investing activities:		
Purchases of marketable securities	—	(297)
Sales of marketable securities	—	76,484
Purchases of property, equipment, and intangible assets, including capitalized software	(2,286)	(3,271)
Sales of property and equipment	36	10
Net cash (used in) provided by investing activities	**(2,250)**	**72,926**
Cash flows from financing activities:		
Proceeds from exercise of stock options and warrants	—	228
Net cash provided by financing activities	**—**	**228**
Net decrease in cash, cash equivalents, and restricted cash	**(40,837)**	**(12,565)**
Cash, cash equivalents, and restricted cash, beginning of period	138,650	166,828
Cash, cash equivalents, and restricted cash, end of period	$ 97,813	$ 154,263

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

BUTTERFLY NETWORK, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization and Description of Business

The Company is an innovative digital health business transforming care with hand-held, whole-body ultrasound. Powered by its proprietary Ultrasound-on-Chip™ technology, the Company's solution enables the acquisition of imaging information from an affordable, powerful device that fits in a healthcare professional's pocket with a combination of cloud-connected software and hardware technology that is easily accessed through a mobile app.

The Company was incorporated in Delaware on February 4, 2020 as Longview Acquisition Corp. ("Longview"). Following a business combination between the Company and BFLY Operations, Inc. (formerly Butterfly Network, Inc.) on February 12, 2021 (the "Business Combination"), the Company's legal name became Butterfly Network, Inc.

The Company operates wholly-owned subsidiaries in Australia, Germany, the Netherlands, Taiwan, and the United Kingdom.

The Company has incurred net losses and negative cash flows from operating activities in each year since inception, and we expect to continue to incur losses for at least the next few years. The Company expects its cash and cash equivalents of $ 93.8 million at September 30, 2024 will be sufficient to fund operations and capital requirements for at least the next twelve months from the date the condensed consolidated financial statements are issued. We may need to satisfy our future cash needs through the sale of equity securities, debt financings, working capital lines of credit or partnerships, or a combination of one or more of these sources.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries and have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and the accounting disclosure rules and regulations of the SEC regarding interim financial reporting. Certain information and note disclosures normally included in the annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the 2023 Annual Report on Form 10-K. All intercompany balances and transactions are eliminated upon consolidation.

The condensed consolidated balance sheet as of December 31, 2023, included herein, was derived from the audited consolidated financial statements as of that date but does not include all disclosures, including certain notes, required by U.S. GAAP for annual reporting.

In the opinion of management, the accompanying condensed consolidated financial statements reflect all normal and recurring adjustments necessary to present fairly the financial position, results of operations, and cash flows for the interim periods. The results for the three and nine months ended September 30, 2024 are not necessarily indicative of the results to be expected for any subsequent quarter, the year ending December 31, 2024, or any other period.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and cash equivalents and accounts receivable. As of September 30, 2024, substantially all of the Company's cash and cash equivalents were invested in money market accounts with one financial institution. The Company also maintains balances in various operating accounts above federally insured limits. The Company has not experienced any significant losses on such accounts and does not believe it is exposed to any significant credit risk of its cash and cash equivalents.

As of September 30, 2024 one customer accounted for more than 10 % of the Company's accounts receivables. As of December 31, 2023, no customer accounted for more than 10% of the Company's accounts receivable. No customer accounted for more than 10% of the Company’s total revenue for the three and nine months ended September 30, 2024 and 2023.

Segment Reporting

The Company’s Chief Operating Decision Maker (“CODM”), its Chief Executive Officer, reviews the Company’s financial information on a consolidated basis for purposes of allocating resources and evaluating its financial performance. Accordingly, the Company has determined that it operates as a single reportable segment. Substantially all of the Company’s long-lived assets are located in the United States. Since the Company operates as a single reporting segment, all required segment reporting disclosures can be found in the condensed consolidated financial statements.

Use of Estimates

The Company makes estimates and assumptions about future events that affect the amounts reported in its condensed consolidated financial statements and accompanying notes. Future events and their effects cannot be determined with certainty. On an ongoing basis, management evaluates these estimates and assumptions.

The Company bases these estimates on historical and anticipated results and trends and on various other assumptions that the Company believes are reasonable under the circumstances, including assumptions about future events. Changes in estimates are recorded in the period in which they become known. Actual results could differ from those estimates, and any such differences may be material to the Company’s condensed consolidated financial statements. There have been no material changes to the Company’s use of estimates as described in the consolidated financial statements for the year ended December 31, 2023.

Operating Expenses – Other

The Company classifies certain operating expenses that are not representative of the Company’s ongoing operations as other on the condensed consolidated statements of operations and comprehensive loss. These include costs related to the Company’s reductions in force, global workforce optimization, litigation, and legal settlements. The following table summarizes the types of expenses classified as other in the Company’s condensed consolidated statements of operations and comprehensive loss (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Employment-related expenses	$ 1,254	$ 4,755	$ 1,224	$ 8,634
Legal-related expenses	421	4,488	2,415	9,214
Total other	**$ 1,675**	**$ 9,243**	**$ 3,639**	**$ 17,848**

On July 1, 2024, the Company entered into an agreement with a third-party global technology and business transformation partner to optimize and lower the cost of certain non-specialized technical functions. As part of the transition into this new partnership, a portion of the Company's workforce will be in lower-cost geographies. The Company estimates it will incur approximately $ 1.0 million of severance costs for impacted employees that continue providing transition services to the Company through February 2025. These costs were recognized as other in the condensed consolidated statements of operations and comprehensive loss during the three and nine months ended September 30, 2024. As of September 30, 2024, a total of $ 1.0 million of accrued severance related to our global workforce optimization is included in accrued expenses and other current liabilities and other non-current liabilities on the condensed consolidated balance sheets.

Recent Accounting Pronouncements Issued but Not Yet Adopted

In November 2023, the Financial Accounting Standards Board issued Accounting Standards Update 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which introduced new guidance on disclosures for reportable segments and significant segment expenses, including for entities with a single reportable segment. This guidance is effective for the Company for annual reporting periods beginning January 1, 2024 and interim periods beginning January 1, 2025. The Company is currently evaluating the impact that the adoption of this pronouncement will have on the Company’s consolidated financial statements and disclosures.

In December 2023, the Financial Accounting Standards Board issued Accounting Standards Update 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* , which introduced new guidance on disclosures for income taxes, including enhancements to the rate reconciliation and income taxes paid disclosures. This guidance is effective for the Company for annual reporting periods beginning January 1, 2025. The Company is currently evaluating the impact that the adoption of this pronouncement will have on the Company's consolidated financial statements and disclosures.

Note 3. Revenue Recognition

Disaggregation of Revenue

The Company disaggregates revenue from contracts with customers by product type and by geographical market. The Company believes that these categories aggregate the payor types by nature, amount, timing, and uncertainty of its revenue streams. The following table summarizes the Company's disaggregated revenue (in thousands):

	Pattern of Recognition	Three months ended September 30,		Nine months ended September 30,	
		2024	2023	2024	2023
By product type:					
Devices and accessories	Point-in-time	$ 13,538	$ 8,753	$ 39,478	$ 29,874
Software and other services	Over time	7,023	6,668	20,227	19,510
Total revenue		**$ 20,561**	**$ 15,421**	**$ 59,705**	**$ 49,384**
By geographical market:					
United States		$ 15,366	$ 12,230	$ 46,141	$ 39,726
International		5,195	3,191	13,564	9,658
Total revenue		**$ 20,561**	**$ 15,421**	**$ 59,705**	**$ 49,384**

Contract Balances

Contract balances represent amounts presented in the condensed consolidated balance sheets when the Company has either transferred goods or services to the customer or the customer has paid consideration to the Company under the contract. These contract balances include trade accounts receivable and deferred revenue. The Company recognizes a receivable when it has an unconditional right to payment, and payment terms are typically 30 days for sales on credit of product, software, and other services. The allowance for doubtful accounts was $ 2.4 million and $ 1.8 million as of September 30, 2024 and December 31, 2023, respectively. For the three months ended September 30, 2024 and 2023, the Company recognized $ 5.7 million and $ 6.7 million, respectively, of revenue that was included in the deferred revenue balance at the beginning of the period. For the nine months ended September 30, 2024 and 2023, the Company recognized $ 14.3 million and $ 15.2 million, respectively, of revenue that was included in the deferred revenue balance at the beginning of the period.

Transaction Price Allocated to Remaining Performance Obligations

As of September 30, 2024 and December 31, 2023, the Company had $ 33.0 million and $ 32.0 million, respectively, of remaining performance obligations. As of September 30, 2024, the Company expects to recognize 61 % of its remaining performance obligations as revenue in the next twelve months and an additional 39 % thereafter.

Note 4. Fair Value of Financial Instruments

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair value.

The Company measures fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The Company utilizes a three-tier hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

- **Level 1** — Valuations based on quoted prices in active markets for identical assets or liabilities that an entity has the ability to access.
- **Level 2** — Valuations based on quoted prices for similar assets or liabilities, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.
- **Level 3** — Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The Company has no assets or liabilities valued with Level 3 inputs.

The carrying values of cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses approximate their fair values due to the short-term or on-demand nature of these instruments.

There were no transfers between fair value measurement levels during the periods ended September 30, 2024 and December 31, 2023.

The Company's outstanding warrants include publicly traded warrants (the "Public Warrants") which were issued as one-third of a warrant per unit during Longview's initial public offering and warrants sold in a private placement to Longview's sponsor (the "Private Warrants"). As of September 30, 2024, there were an aggregate of 13,799,357 and 6,853,333 outstanding Public Warrants and Private Warrants, respectively. Each whole warrant entitles the registered holder to purchase one share of Class A common stock at an exercise price of $ 11.50 per share, subject to adjustment per the warrant agreements. The warrants will expire on February 12, 2026 or earlier upon redemption or liquidation. The Company recognizes the change in fair value of warrant liabilities in the condensed consolidated statements of operations and comprehensive loss. During the three and nine months ended September 30, 2024 and 2023, the number of exercises and the amount reclassified into equity upon the exercise of the Public Warrants and Private Warrants were not significant.

The Company measures its Public Warrants using Level 1 fair value inputs based on quoted prices in active markets for the Public Warrants. Because any transfer of Private Warrants from the initial holder of the Private Warrants would result in the Private Warrants having substantially the same terms as the Public Warrants, management determined that the fair value of each Private Warrant is the same as that of a Public Warrant. Accordingly, the Company measures its Private Warrants using Level 2 fair value inputs based on quoted prices in active markets for the Public Warrants.

The following table summarizes the Company's assets and liabilities that are measured at fair value on a recurring basis, by level within the fair value hierarchy (in thousands):

		Fair Value Measurement Level		
	Total	Level 1	Level 2	Level 3
September 30, 2024:				
Warrants:				
Public Warrants	$ 1,104	$ 1,104	$ —	$ —
Private Warrants	548	—	548	—
Total liabilities at fair value on a recurring basis	**$ 1,652**	**$ 1,104**	**$ 548**	**$ —**
December 31, 2023:				
Warrants:				
Public Warrants	$ 552	$ 552	$ —	$ —
Private Warrants	274	—	274	—
Total liabilities at fair value on a recurring basis	**$ 826**	**$ 552**	**$ 274**	**$ —**

Note 5. Inventories

The following table summarizes the Company's inventories (in thousands):

	September 30, 2024	December 31, 2023
Raw materials	$ 49,038	$ 49,366
Work-in-progress	4,070	3,384
Finished goods	20,163	20,272
Total inventories	**$ 73,271**	**$ 73,022**

Work-in-progress represents inventory items in intermediate stages of production by third-party manufacturers. For the three and nine months ended September 30, 2024 and 2023, net realizable value inventory adjustments and excess and obsolete inventory charges were not significant and were recognized in product cost of revenue. See Note 12 "Commitments and Contingencies" for additional information regarding the Company's inventory supply arrangements.

Note 6. Property and Equipment, Net

The following table summarizes the Company's property and equipment, net (in thousands):

	September 30, 2024	December 31, 2023
Property and equipment, gross	$ 45,945	$ 43,516
Less: accumulated depreciation and amortization	(24,769)	(18,195)
Property and equipment, net	**$ 21,176**	**$ 25,321**

Note 7. Restricted Cash

The following table reconciles cash, cash equivalents, and restricted cash from the condensed consolidated balance sheets to the condensed consolidated statements of cash flows (in thousands):

	September 30, 2024	September 30, 2023
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	$ 93,758	$ 150,006
Restricted cash included within prepaid expenses and other current assets	40	243
Restricted cash included within other non-current assets	4,015	4,014
Total cash, cash equivalents and restricted cash shown in the condensed consolidated statements of cash flows	**$ 97,813**	**$ 154,263**

Restricted cash included within prepaid expenses and other current assets is restricted by an agreement with the Bill & Melinda Gates Foundation ("Gates Foundation"). The restriction on these funds lapses as the Company fulfills its obligations in the agreement. Restricted cash included within other non-current assets is held as collateral to secure a letter of credit for one of our office leases and is expected to be maintained as a security deposit throughout the duration of the lease.

Note 8. Accrued Expenses and Other Current Liabilities

The following table summarizes the Company's accrued expenses and other current liabilities (in thousands):

	September 30, 2024	December 31, 2023
Employee compensation	$ 8,038	$ 9,442
Customer deposits	1,836	1,613
Accrued warranty liability	508	297
Non-income tax	2,084	1,197
Professional fees	2,239	2,481
Current portion of operating lease liabilities	2,379	2,192
Other	5,501	6,203
Total accrued expenses and other current liabilities	**$ 22,585**	**$ 23,425**

The following table summarizes warranty expense activity (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Balance, beginning of period	$ 812	$ 787	$ 697	$ 873
Warranty provision charged to operations	401	227	884	176
Warranty claims	(242)	(293)	(610)	(328)
Balance, end of period	**$ 971**	**$ 721**	**$ 971**	**$ 721**

The Company classifies its accrued warranty liability based on the timing of expected warranty activity. The future costs of expected activity greater than one year are recorded within other non-current liabilities on the condensed consolidated balance sheets.

Note 9. Stock-Based Compensation

Equity Incentive Plans

For the three and nine months ended September 30, 2024, there were no significant changes to the Company's 2012 Employee, Director and Consultant Equity Incentive Plan, as amended, (the "2012 Plan") and the Company's Amended and Restated 2020 Equity Incentive Plan (the "2020 Plan"). On January 1, 2024, pursuant to the terms of the 2020 Plan, the number of shares reserved for issuance was increased automatically by 4 % of the number of outstanding shares of common stock as of January 1, 2024.

Stock Option Activity

The following table summarizes the changes in the Company's outstanding stock options:

	Number of Options
Outstanding at December 31, 2023	7,439,187
Granted	—
Exercised	—
Forfeited	(546,263)
Outstanding at September 30, 2024	6,892,924

Generally, each award vests based on continued service per the award agreement. The grant date fair value of the award is recognized as stock-based compensation expense over the requisite service period. The grant date fair value was determined using similar methods and assumptions as those previously disclosed by the Company.

Restricted Stock Unit Activity

The following table summarizes the changes in the Company's outstanding restricted stock units ("RSUs"):

	Number of RSUs
Outstanding at December 31, 2023	15,569,983
Granted	15,320,083
Vested	(5,335,727)
Forfeited	(2,801,651)
Outstanding at September 30, 2024	22,752,688

Generally, each award vests based on continued service per the award agreement. The grant date fair value of the award is recognized as stock-based compensation expense over the requisite service period. The grant date fair value was determined based on the fair market value of the Company's Class A common stock on the grant date.

Included in the table above are market-based RSUs granted in 2023 and 2024 that include a service condition. The market-based conditions for these awards are objective metrics related to the Company's stock price defined in the award agreement. The service condition for these awards is satisfied by providing service to the Company through the achievement date of the market-based conditions. The grant date fair value of the awards is recognized as stock-based compensation expense over the derived service period. The grant date fair value and derived service period were determined by using a Monte Carlo simulation with similar risk-free interest rate, expected dividend yield, and expected volatility assumptions as those used by the Company for determining the grant date fair value of its stock options.

Employee Stock Purchase Plan

The Company's 2024 Employee Stock Purchase Plan (the "ESPP") was approved by the Board and the Company's stockholders in the second quarter of 2024, with 4.2 million shares of common stock initially reserved and available for issuance. Under the ESPP, each eligible employee is granted an option to purchase shares of common stock, with the purchase price paid through payroll deductions, subject to the plan's limitations on the number and value of shares purchasable. Each offering period under the ESPP has an expected duration of 24 months, divided into four six-month purchase periods, with purchases occurring in June and December. The purchase price per share is equal to the lower of 85 % of the closing market price on the first day of the offering period, or 85 % of the closing market price on the applicable purchase date. Proceeds received from the issuance of shares are credited to stockholders' equity in the period that the shares are issued. The grant date fair value of the awards is recognized as stock-based compensation expense over the requisite service period. The grant date fair value was determined using similar methods and assumptions as those used for the Company's stock option awards granted under its equity incentive plans. As of September 30, 2024, no shares of common stock have been issued under the ESPP.

Stock-Based Compensation Expense

The following table summarizes the Company's stock-based compensation expense (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Research and development	$ 1,559	$ 2,158	5,521	7,549
Sales and marketing	905	1,109	3,166	3,046
General and administrative	1,948	3,548	7,107	10,329
Total stock-based compensation expense	**$ 4,412**	**$ 6,815**	**$ 15,794**	**$ 20,924**

Note 10. Net Loss Per Share

We compute net loss per share of Class A and Class B common stock using the two-class method. Basic net loss per share is computed by dividing the net loss by the weighted-average number of shares of each class of the Company's common stock outstanding during the period. Diluted net loss per share is computed by giving effect to all potential shares of the Company's common stock, including those presented in the table below, to the extent dilutive. Basic and diluted net loss per share were the same for each period presented as the inclusion of all potential shares of the Company's common stock outstanding would have been anti-dilutive.

As the Company uses the two-class method required for companies with multiple classes of common stock, the following tables present the calculation of basic and diluted net loss per share for each class of the Company's common stock outstanding (in thousands, except share and per share amounts):

Three months ended September 30, 2024

	Class A	Class B	Total Common Stock
Numerator:			
Allocation of undistributed earnings	$ (14,822)	$ (2,102)	$ (16,924)
Numerator for basic and diluted net loss per share – loss available to common stockholders	**$ (14,822)**	**$ (2,102)**	**$ (16,924)**
Denominator:			
Weighted-average common shares outstanding	186,347,148	26,426,937	212,774,085
Denominator for basic and diluted net loss per share – weighted-average common stock	**186,347,148**	**26,426,937**	**212,774,085**
Basic and diluted net loss per share	**$ (0.08)**	**$ (0.08)**	**$ (0.08)**

Three months ended September 30, 2023

	Class A	Class B	Total Common Stock
Numerator:			
Allocation of undistributed earnings	$ (23,870)	$ (3,498)	$ (27,368)
Numerator for basic and diluted net loss per share – loss available to common stockholders	**$ (23,870)**	**$ (3,498)**	**$ (27,368)**
Denominator:			
Weighted-average common shares outstanding	180,313,297	26,426,937	206,740,234
Denominator for basic and diluted net loss per share – weighted-average common stock	**180,313,297**	**26,426,937**	**206,740,234**
Basic and diluted net loss per share	**$ (0.13)**	**$ (0.13)**	**$ (0.13)**

Nine months ended September 30, 2024

	Class A	Class B	Total Common Stock
Numerator:			
Allocation of undistributed earnings	$ (47,582)	$ (6,809)	$ (54,391)
Numerator for basic and diluted net loss per share – loss available to common stockholders	**$ (47,582)**	**$ (6,809)**	**$ (54,391)**
Denominator:			
Weighted-average common shares outstanding	184,682,855	26,426,937	211,109,792
Denominator for basic and diluted net loss per share – weighted-average common stock	**184,682,855**	**26,426,937**	**211,109,792**
Basic and diluted net loss per share	**$ (0.26)**	**$ (0.26)**	**$ (0.26)**

Nine months ended September 30, 2023

	Class A	Class B	Total Common Stock
Numerator:			
Allocation of undistributed earnings	$ (78,017)	$ (11,562)	$ (89,579)
Numerator for basic and diluted net loss per share – loss available to common stockholders	**$ (78,017)**	**$ (11,562)**	**$ (89,579)**
Denominator:			
Weighted-average common shares outstanding	178,322,171	26,426,937	204,749,108
Denominator for basic and diluted net loss per share – weighted-average common stock	**178,322,171**	**26,426,937**	**204,749,108**
Basic and diluted net loss per share	**$ (0.44)**	**$ (0.44)**	**$ (0.44)**

For the periods presented above, the net loss per share amounts are the same for Class A and Class B common stock because the holders of each class are entitled to equal per share dividends or distributions in liquidation in accordance with the Certificate of Incorporation. The undistributed earnings for each year are allocated based on the contractual participation rights of the Class A and Class B common stock as if the earnings for the year had been distributed. As the liquidation and dividend rights are identical, the undistributed earnings are allocated on a proportionate basis.

The following table summarizes the Company's anti-dilutive common equivalent shares:

	September 30,	
	2024	2023
Outstanding options to purchase common stock	6,892,924	8,594,069
Outstanding restricted stock units	22,752,688	15,972,763
Outstanding warrants	20,652,690	20,652,690
Total anti-dilutive common equivalent shares	**50,298,302**	**45,219,522**

Note 11. 401(k) Retirement Plan

The Company sponsors a 401(k) defined contribution plan covering all eligible U.S. employees. Contributions to the 401(k) plan are discretionary. For the three months ended September 30, 2024 and 2023, expenses for matching 401(k) contributions were $ 0.1 million and $ 0.2 million, respectively. For the nine months ended September 30, 2024 and 2023, expenses for matching 401(k) contributions were $ 0.4 million and $ 0.6 million, respectively.

Note 12. Commitments and Contingencies

Commitments

Leases:

The Company primarily enters into leases for office space that are classified as operating leases. For the three months ended September 30, 2024 and 2023, total lease cost was $ 0.7 million and $ 0.6 million, respectively. For the nine months ended September 30, 2024 and 2023, total lease cost was $ 2.2 million and $ 2.5 million, respectively. Total lease cost was primarily composed of operating lease costs.

Purchase Commitments:

The Company enters into inventory purchase commitments with third-party manufacturers in the ordinary course of business, including a non-cancellable inventory supply agreement with a certain third-party manufacturing vendor. The provisions of the agreement allowed the Company, once it reached a certain cumulative purchase threshold in the fourth quarter of 2021, to pay for a portion of the subsequent inventory purchases using an advance previously paid to the vendor. As of September 30, 2024, the aggregate amount of minimum inventory purchase commitments is $ 8.6 million, and the Company has a vendor advance asset of $ 1.8 million, net of write-downs, and an accrued purchase commitment liability of $ 0.1 million related to the agreement. The portion of the balances that is expected to be utilized in the next 12 months is included in current assets and current liabilities in the accompanying condensed consolidated balance sheets.

The Company applied the guidance in Topic 330, *Inventory* to assess the purchase commitment and related loss, using such factors as Company-specific forecasts which are reliant on the Company's limited sales history, agreement-specific provisions, macroeconomic factors, and market and industry trends. For the three and nine months ended September 30, 2024 and 2023, the Company did not recognize any additions to the accrued purchase commitment liability, or any related losses, based on its purchase commitment assessment as there were no significant changes to the assessment factors.

The Company reviews its inventory on hand, including inventory acquired under the purchase commitments, for excess and obsolescence ("E&O") on a quarterly basis. Any E&O inventory acquired that was previously accounted for as a purchase commitment liability accrual or vendor advance write down is recorded at zero value. During the three and nine months ended September 30, 2024, the Company did not acquire a significant amount of such E&O inventory. During the three months ended September 30, 2023, the Company utilized $ 0.3 million of the accrued purchase commitment liability and $ 0.3 million of the vendor advance that was previously written down to acquire such E&O inventory. During the nine months ended September 30, 2023, the Company utilized $ 1.9 million of the accrued purchase commitment liability and $ 4.8 million of the vendor advance that was previously written down to acquire such E&O inventory.

Contingencies

The Company is involved in litigation and legal matters from time to time, which have arisen in the normal course of business. Although the ultimate results of these matters are not currently determinable, management does not expect that they will have a material effect on the Company's condensed consolidated balance sheets, statements of operations and comprehensive loss, or statements of cash flows. The Company accrues an estimated liability for legal contingencies when the Company considers a potential loss probable and can reasonably estimate the amount of the potential loss.

On February 16, 2022, a putative class action lawsuit, styled *Rose v. Butterfly Network, Inc., et al.* was filed in the United States District Court for the District of New Jersey. The claims are against the Company and certain of its directors and previous management as well as Longview and members of its then board of directors, alleging that the defendants made false and misleading statements and/or omissions about its post-Business Combination business and financial prospects. The alleged class consists of all persons or entities who purchased or otherwise acquired the Company's stock between January 12, 2021 and November 15, 2021, persons who exchanged Longview shares for the Company's common stock, and persons who purchased Longview stock pursuant, or traceable to, the Proxy/Registration Statement filed with the SEC on November 27, 2020 or any amendment thereto. The Company intends to vigorously defend against this action. The lawsuit seeks unspecified damages, together with interest thereon, as well as the costs and expenses of litigation. There is no assurance that the Company will be successful in the defense of the litigation or that insurance will be available or adequate to fund any potential settlement or judgment or the litigation costs of the action. The Company is unable to predict the outcome or reasonably estimate a range of possible loss at this time.

On June 21, 2022, a stockholder derivative action, styled *Koenig v. Todd M. Fruchterman, et al.* was filed in the United States District Court for the District of Delaware against the Company's board of directors and the Company as nominal defendant. On November 28, 2023, a stockholder derivative action, styled *Bhavsar v. Todd M. Fruchterman, et al.* was filed in the United States District Court for the District of Delaware against the board of directors and the Company as nominal defendant. Both these actions allege violation of Section 14(a) of the Exchange Act, as amended, and Rule 14a-9 promulgated thereunder, and claims for breach of fiduciary duty, contribution and indemnification, aiding and abetting, and gross mismanagement. The lawsuits are premised upon allegedly inadequate internal controls and purportedly misleading representations regarding the Company's financial condition, business prospects, and the Company's November 2021 earnings announcement. The Company intends to vigorously defend against these actions. The lawsuit seeks unspecified damages, disgorgement, and restitution, together with interest thereon, as well as the costs and expenses of litigation. There is no assurance that the Company will be successful in the defense of the litigation or that insurance will be available or adequate to fund any potential settlement or judgment or the litigation costs of the action. The Company is unable to predict the outcome or reasonably estimate a range of possible loss at this time.

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

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of our condensed consolidated results of operations and financial condition. The discussion should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto contained in this Quarterly Report on Form 10-Q and the consolidated financial statements and notes thereto contained in our 2023 Annual Report on Form 10-K. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described under the caption "Risk Factors" in Item 1A of Part I of our 2023 Annual Report on Form 10-K and in Item 1A of Part II of this Quarterly Report on Form 10-Q as filed with the SEC. Actual results may differ materially from those contained in any forward-looking statements.

Overview

We are an innovative digital health business transforming care through a unique combination of portable, semiconductor-based ultrasound technology, intuitive software, services and educational offerings that can make medical imaging more accessible than ever before. Butterfly's solution enables the practical application of ultrasound information into the clinical workflow through affordable hardware that fits in a healthcare professional's pocket and is paired with cloud-connected software that is easily accessed through a mobile application.

Butterfly iQ+ and iQ3 are ultrasound devices that can perform whole-body imaging in a single handheld probe using semiconductor technology. Our Ultrasound-on-Chip™ makes ultrasound more accessible outside of large healthcare institutions, while our software is intended to make the product easy to use, fully integrated with the clinical workflow, and accessible on a user's smartphone, tablet, and almost any hospital computer system connected to the Internet. We aim to enable the delivery of imaging information anywhere at point-of-care to drive earlier detection throughout the body and remote management of health conditions. We market and sell the Butterfly system, which includes probes, related accessories, and software subscriptions, to healthcare systems, physicians, and healthcare providers through a direct sales force, distributors, and our eCommerce channel.

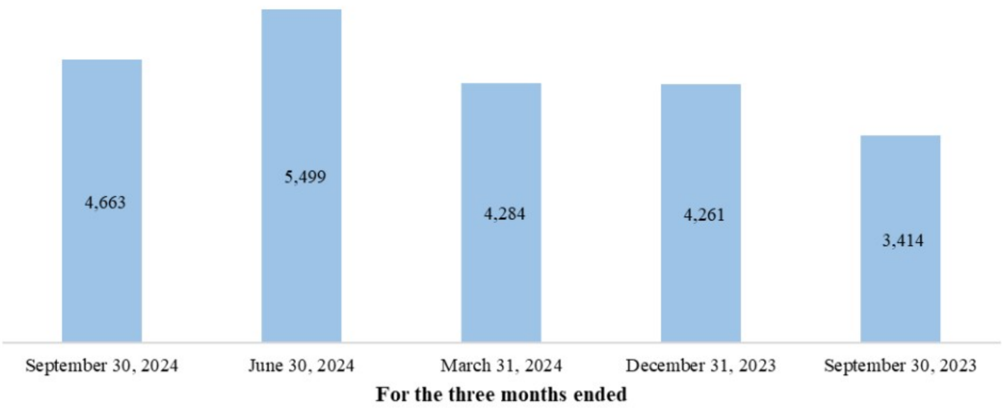
Since 2022, we have taken significant actions to reduce our cost of operations and extend our cash runway and have reduced our annual cash requirements by approximately $180 million, to less than $50 million annually. As such, we conservatively expect our cash to last into 2027. As we look forward, we expect to continue to invest in our business in order to grow revenue. Before we reach 2027, we may need to raise capital in order to reach profitability. We will first seek nondilutive capital in the form of licensing, grants, or debt and then potentially in the form of equity securities.

Key Performance Measures

We review the key performance measures discussed below to evaluate the business and measure performance, identify trends, formulate plans, and make strategic decisions. Our key performance measures may fluctuate over time as the adoption of our devices increases, which may shift the revenue mix more toward software and other services. The quarterly metrics may be impacted by the timing of device sales.

Units fulfilled

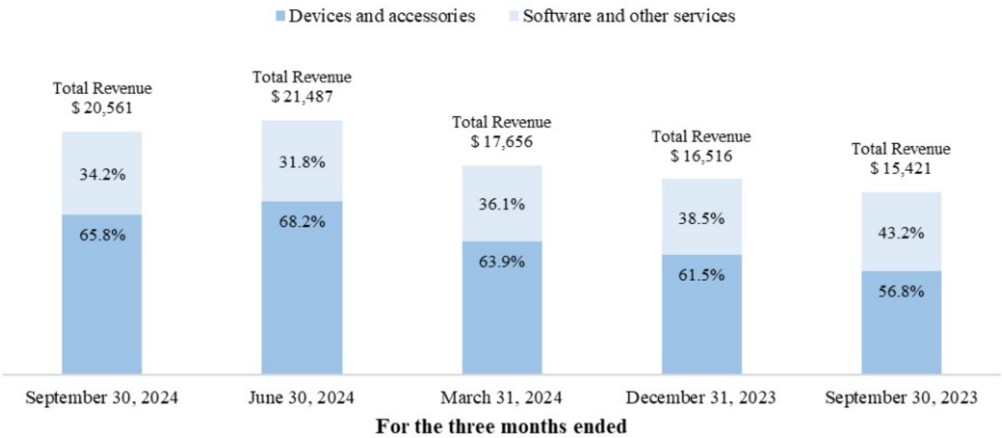
We define units fulfilled as the number of devices whereby control is transferred to a customer. We do not adjust this measure for returns as our volume of returns has historically been low. We view units fulfilled as a key indicator of the growth of our business. We believe that this metric is useful to investors because it presents our core growth and the performance of our business period over period.



Units fulfilled increased by 1,249 units, or 36.6%, for the three months ended September 30, 2024 compared to the three months ended September 30, 2023. The increase was led by international where distributor volume more than quadrupled year-over-year from the onboarding of several new distribution territories in the current year. In the U.S., volume increased across all sales channels.

Software and other services mix

We define software and other services mix as a percentage of our total revenue recognized in a reporting period that is based on software subscriptions and other related services, consisting primarily of our software as a service ("SaaS") offering. We view software and other services mix as a key indicator of the profitability of our business, and thus we believe that this measure is useful to investors.



Software and other services mix decreased by 9.0 percentage points, to 34.2% for the three months ended September 30, 2024 compared to the three months ended September 30, 2023. Although our software and other services revenue increased in the current year, our software and other services mix decreased due to the even larger increase in product revenue realized in the current year.

Description of Certain Components of Financial Data

Revenue

Revenue consists of revenue from the sale of products, such as medical devices and accessories, and the sale of software and related services, classified as software and other services revenue on our condensed consolidated statements of operations and comprehensive loss, which are SaaS subscriptions and product support and maintenance ("Support"). SaaS subscriptions include licenses for teams and individuals as well as enterprise-level subscriptions. For sales of products, revenue is recognized at a point in time upon transfer of control to the customer. SaaS subscriptions and Support are generally related to stand-ready obligations and are recognized ratably over time.

Over time, as adoption of our devices increases through further market penetration and as practitioners in the Butterfly network continue to use our devices, we expect our annual revenue mix to shift more toward software and other services. The quarterly revenue mix may be impacted by the timing of device sales. In 2024, due to the launch of our next generation iQ3 device, we are expecting our software and other services as a percentage of total revenue to remain flat or decrease.

To date, we have invested heavily in building out our direct salesforce, with the ultimate goal of growing adoption at large-scale healthcare systems. As we expand our healthcare system software offerings and develop relationships with larger healthcare systems, we continue to expect a higher proportion of our sales in healthcare systems compared to eCommerce.

Cost of revenue

Cost of product revenue consists of product costs including manufacturing costs, personnel costs and benefits, inbound freight, packaging, warranty replacement costs, payment processing fees, and inventory obsolescence and write-offs. We expect our cost of product revenue to fluctuate over time due to the level of units fulfilled in any given period and fluctuate as a percentage of product revenue over time as our focus on operational efficiencies in our supply chain may be offset by increased prices of certain inventory components.

Cost of software and other services revenue consists of personnel costs, cloud hosting costs, and payment processing fees. Because the costs and associated expenses to deliver our SaaS offerings are less than the costs and associated expenses of manufacturing and selling our device, we anticipate an improvement in profitability and margin expansion over time as our revenue mix shifts increasingly towards software and other services. We plan to continue to invest additional resources to expand and further develop our SaaS and other service offerings.

Research and development

Research and development expenses primarily consist of personnel costs and benefits, facilities-related expenses and depreciation, fabrication services, and software costs. Most of our research and development expenses are related to developing new products and services that have not reached the point of commercialization and improving our products and services that have been commercialized. Fabrication services include certain third-party engineering costs, product testing, and test boards. Research and development expenses are expensed as incurred. We expect to continue to make substantial investments in our product and software development, clinical, and regulatory capabilities.

Sales and marketing

Sales and marketing expenses primarily consist of personnel costs and benefits, advertising, conferences and events, facilities-related expenses, and software costs. We expect to increase our investments in our sales capabilities.

General and administrative

General and administrative expenses primarily consist of personnel costs and benefits, insurance, patent fees, software costs, facilities-related expenses, and outside services. Outside services consist of professional services, legal fees, and other professional fees.

Other

Operating expenses classified as other are expenses which we do not consider representative of our ongoing operations. These other expenses primarily consist of employee severance and benefits costs related to our reductions in force, global workforce optimization, litigation costs, and legal settlements.

Results of Operations

We operate as a single reportable segment to reflect the way our CODM reviews and assesses the performance of the business. The accounting policies are described in Note 2 “Summary of Significant Accounting Policies” in our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

	Three months ended September 30,				Nine months ended September 30,			
	2024		2023		2024		2023	
(in thousands)	Dollars	% of revenue	Dollars	% of revenue	Dollars	% of revenue	Dollars	% of revenue
Revenue:								
Product	$ 13,538	65.8 %	$ 8,753	56.8 %	$ 39,478	66.1 %	$ 29,874	60.5 %
Software and other services	7,023	34.2	6,668	43.2	20,227	33.9	19,510	39.5
Total revenue	**20,561**	**100.0**	**15,421**	**100.0**	**59,705**	**100.0**	**49,384**	**100.0**
Cost of revenue:								
Product	6,065	29.5	3,929	25.5	17,739	29.7	13,765	27.9
Software and other services	2,263	11.0	2,110	13.7	6,870	11.5	6,226	12.6
Total cost of revenue	**8,328**	**40.5**	**6,039**	**39.2**	**24,609**	**41.2**	**19,991**	**40.5**
Gross profit	**12,233**	**59.5**	**9,382**	**60.8**	**35,096**	**58.8**	**29,393**	**59.5**
Operating expenses:								
Research and development	8,844	43.0	12,130	78.7	28,975	48.5	44,409	89.9
Sales and marketing	9,607	46.7	9,012	58.4	29,713	49.8	28,776	58.3
General and administrative	9,353	45.5	11,560	75.0	29,868	50.0	37,239	75.4
Other	1,675	8.1	9,243	59.9	3,639	6.1	17,848	36.1
Total operating expenses	**29,479**	**143.4**	**41,945**	**272.0**	**92,195**	**154.4**	**128,272**	**259.7**
Loss from operations	**(17,246)**	**(83.9)**	**(32,563)**	**(211.2)**	**(57,099)**	**(95.6)**	**(98,879)**	**(200.2)**
Interest income	1,221	5.9	1,903	12.3	4,023	6.7	5,714	11.6
Interest expense	(319)	(1.6)	—	—	(928)	(1.6)	—	—
Change in fair value of warrant liabilities	(1,239)	(6.0)	3,511	22.8	(826)	(1.4)	3,924	7.9
Other expense, net	717	3.5	(217)	(1.4)	517	0.9	(256)	(0.5)
Loss before provision for income taxes	**(16,866)**	**(82.0)**	**(27,366)**	**(177.5)**	**(54,313)**	**(91.0)**	**(89,497)**	**(181.2)**
Provision (benefit) for income taxes	58	0.3	2	0.0	78	0.1	82	0.2
Net loss and comprehensive loss	**$ (16,924)**	**(82.3)%**	**$ (27,368)**	**(177.5)%**	**$ (54,391)**	**(91.1)%**	**$ (89,579)**	**(181.4)%**

Comparison of the three months ended September 30, 2024 and 2023

Revenue

	Three months ended September 30,			
(in thousands)	2024	2023	Change	% Change
Product	$ 13,538	$ 8,753	$ 4,785	54.7 %
Software and other services	7,023	6,668	355	5.3
	$ 20,561	$ 15,421	$ 5,140	33.3 %

Product revenue increased by $4.8 million, or 54.7%, for the three months ended September 30, 2024 compared to the three months ended September 30, 2023. This increase was primarily driven by higher product revenue across nearly all of our sales channels, including the impact of the iQ3 probe’s higher selling price as well as an increase in probe sales internationally.

Software and other services revenue increased by $0.4 million, or 5.3%, for the three months ended September 30, 2024 compared to the three months ended September 30, 2023. This increase was primarily driven by higher enterprise software revenue and increased licensing revenue from our *Butterfly Garden* and *Powered by Butterfly* partnerships, partially offset by lower renewals of individual subscriptions. Enterprise as a percentage of software revenue increased by approximately 5 percentage points year-over-year.

Cost of revenue

	Three months ended September 30,			
(in thousands)	**2024**	**2023**	**Change**	**% Change**
Product	$ 6,065	$ 3,929	$ 2,136	54.4 %
Software and other services	2,263	2,110	153	7.3
	$ 8,328	$ 6,039	$ 2,289	37.9 %
Percentage of revenue	40.5 %	39.2 %		

Cost of product revenue increased by $2.1 million, or 54.4%, for the three months ended September 30, 2024 compared to the three months ended September 30, 2023. This increase was primarily driven by higher devices sales in the current year. This increase was further driven by a higher warranty accrual and related expenses and increased royalties and payment processing fees all associated with higher device sales. Cost of software and other services revenue increased by $0.2 million, or 7.3%, for the three months ended September 30, 2024 compared to the three months ended September 30, 2023, largely due to increased software amortization expense.

Research and development

	Three months ended September 30,			
(in thousands)	**2024**	**2023**	**Change**	**% Change**
Research and development	$ 8,844	$ 12,130	$ (3,286)	(27.1)%
Percentage of revenue	43.0 %	78.7 %		

Research and development expenses decreased by $3.3 million, or 27.1%, for the three months ended September 30, 2024 compared to the three months ended September 30, 2023. This decrease was primarily driven by reductions of $1.4 million in personnel costs due to our reductions in force in the prior year. Additionally, there was a reduction of $1.3 million in facilities and software costs related to reduced headcount and efficiencies.

Sales and marketing

	Three months ended September 30,			
(in thousands)	**2024**	**2023**	**Change**	**% Change**
Sales and marketing	$ 9,607	$ 9,012	$ 595	6.6 %
Percentage of revenue	46.7 %	58.4 %		

Sales and marketing expenses increased by $0.6 million, or 6.6%, for the three months ended September 30, 2024 compared to the three months ended September 30, 2023. This increase was primarily driven by an increase of $0.5 million in sales commissions due to higher sales and changes in plan structure.

General and administrative

	Three months ended September 30,			
(in thousands)	**2024**	**2023**	**Change**	**% Change**
General and administrative	$ 9,353	$ 11,560	$ (2,207)	(19.1)%
Percentage of revenue	45.5 %	75.0 %		

General and administrative expenses decreased by $2.2 million, or 19.1%, for the three months ended September 30, 2024 compared to the three months ended September 30, 2023. This decrease was primarily driven by reductions of $1.6 million in stock-based compensation expense and $0.4 million in professional service fees for legal services.

Other

(in thousands)	Three months ended September 30, 2024	2023	Change	% Change
Other	$ 1,675	$ 9,243	$ (7,568)	(81.9)%
Percentage of revenue	8.1 %	59.9 %		

Other decreased by $7.6 million, or 81.9%, for the three months ended September 30, 2024 compared to the three months ended September 30, 2023. This decrease was primarily driven by reductions of $4.1 million in legal costs due to litigation and other legal matters and $3.5 million in employee severance and benefits costs resulting from our reduction in force in July 2023. These costs are not representative of our ongoing operations.

Comparison of the nine months ended September 30, 2024 and 2023

Revenue

(in thousands)	Nine months ended September 30, 2024	2023	Change	% Change
Product	$ 39,478	$ 29,874	$ 9,604	32.1 %
Software and other services	20,227	19,510	717	3.7
	$ 59,705	$ 49,384	$ 10,321	20.9 %

Product revenue increased by $9.6 million, or 32.1%, for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. This increase was primarily driven by higher product revenue across nearly all sales channels, including the impact of our iQ3 probe's higher selling price as well as an increase in probe sales internationally. The increase in product revenue was negatively impacted by two large grant-based deployments to medical schools that occurred in the prior year and did not repeat in 2024. Excluding the prior-year large medical school deployments, product revenue increased 44.2% for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023.

Software and other services revenue increased by $0.7 million, or 3.7%, for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. This increase was primarily driven by higher enterprise software revenue, higher revenue from medical school subscriptions, and increased licensing revenue from our *Butterfly Garden* and *Powered by Butterfly* partnerships, partially offset by lower renewals of individual subscriptions. Enterprise as a percentage of software revenue increased by approximately 7 percentage points year-over-year.

Cost of revenue

(in thousands)	Nine months ended September 30, 2024	2023	Change	% Change
Product	$ 17,739	$ 13,765	$ 3,974	28.9 %
Software and other services	6,870	6,226	644	10.3
	$ 24,609	$ 19,991	$ 4,618	23.1 %
Percentage of revenue	41.2 %	40.5 %		

Cost of product revenue increased by $4.0 million, or 28.9%, for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. This increase was primarily driven by higher devices sales in the current year. This increase was further driven by a higher warranty accrual and related expenses and increased royalties and payment processing fees all associated with higher device sales and the release of the iQ3 probe. Cost of software and other services revenue increased by $0.6 million, or 10.3%, for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023, largely due to increased software amortization expense.

Research and development

(in thousands)	Nine months ended September 30, 2024	2023	Change	% Change
Research and development	$ 28,975	$ 44,409	$ (15,434)	(34.8)%
Percentage of revenue	48.5 %	89.9 %		

Research and development expenses decreased by $15.4 million, or 34.8%, for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. This decrease was primarily driven by reductions of $10.6 million in personnel costs resulting from our reductions in force in the prior year, $4.2 million in engineering, facilities and software costs related to reduced headcount, and $0.5 million in consulting fees resulting from continued execution of our plan to better align our commercial objectives and prioritization with our existing strengths and offerings.

Sales and marketing

(in thousands)	Nine months ended September 30, 2024	2023	Change	% Change
Sales and marketing	$ 29,713	$ 28,776	$ 937	3.3 %
Percentage of revenue	49.8 %	58.3 %		

Sales and marketing expenses increased by $0.9 million, or 3.3%, for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. This increase was primarily driven by a $0.9 million increase in marketing and event expenses related to the iQ3 and iQ+ Bladder launches in 2024.

General and administrative

(in thousands)	Nine months ended September 30, 2024	2023	Change	% Change
General and administrative	$ 29,868	$ 37,239	$ (7,371)	(19.8)%
Percentage of revenue	50.0 %	75.4 %		

General and administrative expenses decreased by $7.4 million, or 19.8%, for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. This decrease was primarily driven by reductions of $3.2 million in stock-based compensation expense, $2.7 million in other personnel costs resulting from our reductions in force in the prior year, and $1.3 million in professional service fees for legal services.

Other

(in thousands)	Nine months ended September 30, 2024	2023	Change	% Change
Other	$ 3,639	$ 17,848	$ (14,209)	(79.6)%
Percentage of revenue	6.1 %	36.1 %		

Other decreased by $14.2 million, or 79.6%, for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. This decrease was primarily driven by reductions of $7.4 million of employee severance and benefits costs related to our reduction in forces in the prior year and $6.8 million in legal costs due to litigation and other legal matters. These costs are not representative of our ongoing operations.

Liquidity and Capital Resources

Since our inception, our primary sources of liquidity are cash flows from operations, proceeds from the Business Combination, and issuances of preferred stock and convertible notes. Our primary uses of liquidity are operating expenses, working capital requirements, and capital expenditures. The Company has incurred net losses and negative cash flows from operating activities in each year since inception, and we expect to continue to incur losses and negative cash flows for a few years as we continue to commercialize existing and new products and services. We expect that our existing cash and cash flows from operations will be sufficient to meet our liquidity, capital expenditure, and anticipated working capital requirements and fund our operations for at least the next 12 months.

During the three months ended September 30, 2024, the Company utilized $8.3 million of cash and cash equivalents. In the third quarter, we paid $0.4 million of legal payments due to litigation and other legal matters. As of September 30, 2024, our cash and cash equivalents balance was $93.8 million. Our future spending on capital resources may vary from those currently planned and will depend on various factors, including our rate of revenue growth and the timing and extent of spending on strategic business initiatives.

As of September 30, 2024, we have restricted cash of $4.0 million to secure a letter of credit for one of our leases, which is expected to be maintained as a security deposit for the duration of the lease.

Our material cash requirements include contractual obligations with third parties for office leases, technology licensing agreements, and inventory supply agreements. Our fixed office lease payment obligations were $28.9 million as of September 30, 2024, with $3.6 million payable within the next 12 months. Our fixed technology license payment obligations were $15.5 million as of September 30, 2024, with $1.5 million payable within the next 12 months. Our fixed purchase obligations for inventory supply agreements were $8.6 million as of September 30, 2024, all of which is payable within the next 12 months and approximately 20% of which we expect to pay using vendor advances.

As of September 30, 2024, we had no obligations, assets or liabilities, which would be considered off-balance sheet arrangements.

Cash flows

Comparison of the nine months ended September 30, 2024 and 2023

The following table summarizes our sources and uses of cash for the nine months ended September 30, 2024 and 2023:

	Nine months ended September 30,	
(in thousands)	**2024**	**2023**
Net cash used in operating activities	$ (38,587)	$ (85,719)
Net cash (used in) provided by investing activities	(2,250)	72,926
Net cash provided by financing activities	—	228
Net decrease in cash, cash equivalents and restricted cash	$ (40,837)	$ (12,565)

Net cash used in operating activities

Net cash used in operating activities represents the cash receipts and disbursements related to our activities other than investing and financing activities. We expect cash provided by historical financing activities will continue to be our primary source of funds to support operating and capital expenditure needs for the foreseeable future.

Net cash used in operating activities decreased by $47.1 million, or 55.0%, for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. The decrease was driven by reductions of $36.9 million in net loss adjusted for certain non-cash items and $10.2 million in net working capital cash usage. The decrease in net loss adjusted for certain non-cash items was primarily driven by a reduction of $35.2 million in net loss. The decrease in net working capital cash usage was primarily driven by reductions of $18.7 million in cash used for changes in our inventory and the related vendor advances and accrued purchase commitments, $1.1 million in cash used for changes in accounts payable and accrued expenses, and $0.9 million in cash used for changes in deferred revenue. These reductions were partially offset by an $8.9 million increase in cash used for changes in accounts receivable and a $1.7 million decrease in cash provided by changes in our prepaid expenses and other assets.

Net cash used in investing activities

Net cash provided by investing activities decreased by $75.2 million for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. The decrease was primarily due to the sale of our marketable securities in 2023.

Net cash provided by financing activities

Net cash provided by financing activities decreased by $0.2 million for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. We did not have any significant financing activities during the nine months ended September 30, 2024.

Critical Accounting Policies and Significant Judgments and Estimates

This discussion and analysis of our financial condition and results of operations are based on our condensed consolidated financial statements which have been prepared in accordance with U.S. GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, contingent assets and liabilities, and related disclosures. Our estimates are based on our historical experience and various other factors that we believe are reasonable under the circumstances, and these form the basis for making judgments about items that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

For our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, there have been no material changes to the critical accounting policies and estimates disclosed in our 2023 Annual Report on Form 10-K.

Recently Adopted Accounting Pronouncements

The Company did not identify any significant recently issued accounting pronouncements that may potentially impact our financial position and results of operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We did not have any floating rate debt as of September 30, 2024. Our cash and cash equivalents are comprised primarily of bank deposits and money market accounts. The primary objective of our investments is the preservation of capital to fulfill liquidity needs. We do not enter into investments for trading or speculative purposes. Due to the short-term nature and low risk profile of these investments, we do not expect cash flows to be affected to any significant degree by a sudden change in market interest rates, including an immediate change of 100 basis points, or one percentage point. Declines in interest rates, however, would reduce future investment income.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition, or results of operations, other than its impact on the general economy. Nonetheless, to the extent our costs are impacted by general inflationary pressures, we may not be able to fully offset such higher costs through price increases or manufacturing efficiencies. Our inability or failure to do so could harm our business, financial condition, and results of operations.

Foreign Exchange Risk

We operate our business primarily within the United States and currently execute the majority of our transactions in U.S. dollars. We have not utilized hedging strategies with respect to such foreign exchange exposure. This limited foreign currency translation risk is not expected to have a material impact on our condensed consolidated financial statements.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this Quarterly Report on Form 10-Q.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in our company's reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial & Operating Officer, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on the evaluation of our disclosure controls and procedures, our Chief Executive Officer and Chief Financial & Operating Officer concluded that our disclosure controls and procedures were effective as of September 30, 2024.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the three months ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

We are currently and may in the future be subject to legal proceedings, claims, and regulatory actions arising in the ordinary course of business. The outcome of any such matters, regardless of the merits, is inherently uncertain.

For more information about our legal proceedings and this item, see Note 12 "Commitments and Contingencies" in the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 "Financial Statements" of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

Item 1A. Risk Factors

Our business, results of operations, and financial condition are subject to various risks and uncertainties including the risk factors described under the caption "Risk Factors" in our 2023 Annual Report on Form 10-K. There have been no material changes to the risk factors described in the 2023 Annual Report on Form 10-K.

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

Unregistered Sales of Equity Securities

Not applicable.

Issuer Purchases of Equity Securities

We did not repurchase any of our equity securities during the three months ended September 30, 2024.

Item 5. Other Information

Rule 10b5-1 Trading Plans

On August 28, 2024 , entities owned by trusts created for the benefit of the children of Dr. Jonathan Rothberg , a member of our board of directors , terminated a " Rule 10b5-1 trading arrangement " (as such term is defined in Item 408 of Regulation S-K), which was adopted on September 11, 2023 , pursuant to which they had authorized the sale of up to 6,202,545 shares of our Class A common stock during a period ending on December 27, 2024. This trading plan was entered into and terminated in accordance with the Company's policies regarding transactions in our securities. No sales occurred pursuant to this Rule 10b5-1 trading arrangement prior to termination.

During the three months ended September 30, 2024, none of our other directors or officers adopted , modified or terminated a " Rule 10b5-1 trading arrangement " or " non-Rule 10b5-1 trading arrangement ", as each term is defined in Item 408 of Regulation S-K.

Item 6. Exhibits

See Exhibit Index.

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference herein from Form or Schedule	Filing Date	SEC File/ Reg. Number
3.1	Third Amended and Restated Certificate of Incorporation, as amended, of the Registrant, as filed with the Secretary of the State of Delaware on June 7, 2024.		Form 8-K (Exhibit 3.1)	6/13/2024	001-39292
3.2	Amended and Restated Bylaws of Butterfly Network, Inc.		Form 8-K (Exhibit 3.2)	2/16/2021	001-39292
10.1+	Offer Letter, dated as of August 20, 2024, by and between Butterfly Network, Inc. and Steve Cashman	X			
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
32.1*	Certifications of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X			
101.INS	Inline XBRL Instance Document - The instance document does not appear in the Interactive Data File because its Inline XBRL tags are embedded within the Inline XBRL document.	X			

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference herein from Form or Schedule	Filing Date	SEC File/ Reg. Number
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	X			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	X			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.	X			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.	X			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	X			
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)	X			

+ Management contract or compensatory plan or arrangement.
* 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.

BUTTERFLY NETWORK, INC.

Date: November 1, 2024	By: /s/ Joseph DeVivo Joseph DeVivo President, Chief Executive Officer, and Chairman of the Board
Date: November 1, 2024	By: /s/ Heather C. Getz, CPA Heather C. Getz, CPA Executive Vice President and Chief Financial & Operations Officer

1600 District Ave
Burlington, MA 01803

(781) 557-4800

August 20, 2024

Steve Cashman

Dear Steve,

Pending approval from Butterfly Network's Compensation Committee, we are pleased to offer you a position of Executive Vice-President, Chief Business Officer as soon as practical. You will report to Joe DeVivo, Chief Executive Officer.

Your annualized compensation in this position will consist of an annual base salary of $525,000 paid in biweekly pay periods, less required deductions.

You are eligible to receive an annual discretionary bonus with a target of 70% based on goals, objectives, and performance metrics to be determined by Butterfly Network's management, prorated for 2024. It will be a condition of your eligibility to receive any bonus that you remain employed with Butterfly Network through the scheduled date of payment of such bonus.

In addition to the outlined cash compensation, you will receive 1,000,000 restricted stock units (RSUs) of Butterfly Network, that will be subject to (i) the approval of Butterfly Network's Compensation Committee of the Board of Directors, (ii) the terms and conditions of a grant agreement entered into by you and Butterfly, and (iii) your continued service with the Company. Your RSUs will vest over a three-year period.

You will also receive 1,000,000 performance share units (Initial PSUs) subject to vesting upon the achievement of specified performance metrics described in this paragraph. The Initial PSU Grant shall vest as follows: 1/3 shall vest upon the achievement of a price for the Common Stock (the "Share Price") equal to or exceeding $2.00 per share, 1/3 shall vest upon the achievement of the Share Price equal to or exceeding $3.00, the final 1/3 shall vest upon the achievement of the Share Price equal to or exceeding $4.00, in each case, the closing stock price for 20 consecutive trading days (each, a "20-Day Consecutive Share Price") must equal or exceed the Share Price targets, and provided such Share Price is achieved prior to the fifth (5th) anniversary of the grant date of such Initial PSU Grant (each, an "Initial PSU Grant Vesting Date"). Notwithstanding the foregoing or any provision in the Agreement or 2020 Plan to the contrary, in the event of a Change of Control prior to an applicable Initial PSU Grant Vesting Date, the portion of the Initial PSUs that have achieved the applicable Share Price targets set forth in the Initial PSU Grant shall vest in accordance with the achievement of the applicable 20-Day Consecutive Share Price as described in this paragraph, except the applicable price per share in the applicable Change of Control transaction, as determined by the Board in its discretion, shall be substituted for the applicable 20-Day Consecutive Share Price to determine the number of Initial Grant PSUs that shall vest upon such a Change of Control. For the avoidance of doubt, any Initial PSUs that have not vested in accordance with this paragraph by such Change of Control shall be forfeited. The Executive must continue to have a service relationship with the Company on the applicable vesting dates to vest in any shares in the Initial Equity Grants. This is a summary only. The Initial Equity Grants shall be subject to, and governed by, the terms and conditions of the Company's 2020 Equity Incentive Plan, as may be amended or restated from time to time (the "2020 Plan"), and the applicable equity award agreements (collectively, the "Equity Documents").

You will receive a one-time taxable payment of $150,000.00 in your first payroll check, as a sign on bonus. The sign-on bonus is not earned unless or until you have remained employed for 12 months from the start date. Such payment will be recoverable in full by the company in the event you voluntarily terminate your employment prior to 12 months from your start date (whether such voluntary termination occurs on, before, or after your start date).

You will be based out of your home office in Ohio.

Butterfly Network recognizes the need for employees to take time away from the office to creatively recharge. We also believe in taking personal responsibility for managing our own time, workload and results. For these reasons our Flexible Paid Time Off (FPTO) policy affords eligible employees the flexibility to be given an indeterminate amount of paid time off from work for vacation, personal or family obligations and other personal requirements, subject to the requirements of the policy, including advance notice and prior approval in Butterfly Network's discretion. In no event will any employee be compensated for unused vacation time. You will also be eligible to participate in medical and other benefit plans in accordance with the rules and eligibility of those plans currently in effect. Health insurance shall commence on your start date.

Further, while we expect you to remain with Butterfly Network for a long time, this letter is not an employment contract and you will be an at-will employee and will be entitled to benefits under the executive severance plan as an executive vice-president.

You may be a member of up to three outside boards of directors, subject to approval by the Chief Executive Officer.

This letter is subject to successful completion of a background check and upon the completion of references. By signing this letter, you authorize Butterfly Network to conduct such background check.

Butterfly Network considers the protection of its confidential information, proprietary materials and goodwill to be extremely important. As a condition of this offer of employment, you are required to sign Butterfly Network's Non-competition/Non-solicit, Confidentiality and Intellectual Property Agreement.

Butterfly Network expects all employees to act ethically, legally and compliantly. Accordingly, all employees are expected to be familiar with and comply with its Code of Business Conduct and Ethics, which can be viewed on Butterfly Network's website.

Sincerely,

Butterfly Network, Inc.

By: /s/ Joseph M. DeVivo

Joseph M. DeVivo
Chief Executive Officer, President, and Chairman to the Board

ACCEPTED AND AGREED

/s/ Steve Cashman

Steve Cashman

Exhibit 31.1

CERTIFICATIONS UNDER SECTION 302

I, Joseph DeVivo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Butterfly Network, 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; and

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: November 1, 2024

/s/ Joseph DeVivo
Joseph DeVivo
President, Chief Executive Officer, and Chairman of the Board

Exhibit 31.2

CERTIFICATIONS UNDER SECTION 302

I, Heather C. Getz, CPA, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Butterfly Network, 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; and

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: November 1, 2024

/s/ Heather C. Getz, CPA
Heather C. Getz, CPA
Executive Vice President and Chief Financial & Operations Officer

Exhibit 32.1

CERTIFICATIONS UNDER SECTION 906

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Butterfly Network, Inc., a Delaware corporation (the “Company”), does hereby certify, to such officer’s knowledge, that:

The Quarterly Report for the quarter ended September 30, 2024 (the “Form 10-Q”) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 1, 2024

/s/ Joseph DeVivo
Joseph DeVivo
President, Chief Executive Officer, and Chairman of the Board

Dated: November 1, 2024

/s/ Heather C. Getz, CPA
Heather C. Getz, CPA
Executive Vice President and Chief Financial & Operations Officer