REFINITIV

DELTA REPORT

10-Q

INSP - INSPIRE MEDICAL SYSTEMS,

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	880
CHANGES	220
DELETIONS	292
ADDITIONS	368

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 March 31, 2024 June 30, 2024 or

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

For the transition period from to

Commission File Number: 001-38468

Inspire logo.jpg

Inspire Medical Systems, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**26-1377674**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
5500 Wayzata Blvd., Suite 1600 **Golden Valley, MN**	**55416**
(Address of principal executive offices)	(Zip Code)

(844) 672-4357
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value per share	INSP	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 May 1, 2024 July 31, 2024, the registrant had 29,711,048 29,821,707 shares of common stock, $0.001 par value per share, outstanding.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (the "Quarterly Report") contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in 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"). All statements other than statements of historical fact contained in this Quarterly Report are forward-looking statements, including, without limitation, statements regarding our future results of operations and financial position, business strategy, the impact of macroeconomic trends on our business, financial results and financial position, prospective products, international product approvals and commercializations, our expectations regarding the final reimbursement levels for Inspire therapy procedures, research and development costs, timing and likelihood of success, other insurance providers' plans to begin approving our Inspire therapy, our sales and marketing initiatives, potential supply chain disruptions, and the plans and objectives of management for future operations.

In some cases, you can identify forward-looking statements by terms such as “anticipate,” “believe,” “can,” “continue,” “could,” “designed,” “estimate,” “expect,” “forecast,” “goal,” “intend,” “may,” “might,” “plan,” “possible,” “potential,” “predict,” “project,” “should,” “target,” “will,” “would,” or the negative of these terms or other similar expressions, although not all forward-looking statements contain these words. The forward-looking statements in this Quarterly Report are only predictions and are based largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition, and results of operations. These forward-looking statements speak only as of the date of this Quarterly Report and are subject to a number of known and unknown risks, uncertainties, and assumptions, including, but not limited to:

- our history of operating losses and dependency on our Inspire system for revenues;
- commercial success and market acceptance of our Inspire therapy;
- our ability to achieve and maintain adequate levels of coverage or reimbursement for our Inspire system or any future products we may seek to commercialize;
- competitive companies and technologies in our industry;
- the impact on our business, financial condition, and results of operation from public health crises and pandemics;
- our ability to expand our indications and develop and commercialize additional products and enhancements to our Inspire system;
- future results of operations, financial position, research and development costs, capital requirements, and our needs for additional financing;

- our ability to forecast customer demand for our Inspire system and manage our inventory;
- our dependence on third-party suppliers, vendors, and contract manufacturers;
- risks related to consolidation in the healthcare industry;
- our ability to expand, manage, and maintain our direct sales and marketing organization, and to market and sell our Inspire system in markets outside of the United States;
- our ability to manage our growth;
- our ability to hire and retain our senior management and other highly qualified personnel;
- risks related to product liability claims and warranty claims;
- our ability to address quality issues that may arise with our Inspire system;

- our ability to successfully integrate any acquired business, products, or technologies;
- changes in global macroeconomic conditions;
- any failure of key information technology systems, processes, or sites or damage to or inability to access our physical facilities;
- our ability to commercialize or obtain regulatory approvals or certifications for our Inspire therapy and system, including our next generation Inspire therapy system, or the effect of delays in commercializing or obtaining regulatory approvals or certifications;
- any violations of anti-bribery, anti-corruption, and anti-money laundering laws;
- our ability to use our net operating losses and research and development carryforwards;
- risks related to the increasing and evolving focus on sustainability and environmental, social, and governance initiatives;
- U.S. Food and Drug Administration ("FDA") or other United States or foreign regulatory actions affecting us or the healthcare industry generally, including risks associated with regulatory approvals, certifications, or healthcare reform measures in the United States and international markets;
- our ability to establish and maintain intellectual property protection for our Inspire therapy and system or avoid claims of infringement;
- changes in U.S. and foreign tax laws;
- risks related to our common stock; and
- other important factors that could cause actual results, performance, or achievements to differ materially from those contemplated that are found in "Part I, Item 1. Business," "Part I, Item 1A. Risk Factors," and "Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, as updated by “Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Part II, Item 1A. Risk Factors" in this Quarterly Report.

Moreover, we operate in an evolving environment. New risk factors and uncertainties may emerge from time to time, and it is not possible for management to predict all risk factors and uncertainties.

You should read this Quarterly Report and the documents that we reference in this Quarterly Report completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise.

Unless the context requires otherwise, references to “Inspire,” the “Company,” “we,” “us,” and “our,” refer to Inspire Medical Systems, Inc.

PART I—FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements.

Inspire Medical Systems, Inc.

Consolidated Balance Sheets

(in thousands, except share and per share amounts)

	March 31, 2024	**December 31, 2023**
	June 30, 2024	**December 31, 2023**
	(unaudited)	
Assets		
Assets		
Assets		
Current assets:		
Current assets:		
Current assets:		
Cash and cash equivalents		
Cash and cash equivalents		
Cash and cash equivalents		
Investments, short-term		
Accounts receivable, net of allowance for credit losses of $256 and $1,648, respectively		
Accounts receivable, net of allowance for credit losses of $515 and $1,648, respectively		
Inventories, net		
Prepaid expenses and other current assets		
Total current assets		
Investments, long-term		
Property and equipment, net		
Operating lease right-of-use assets		
Other non-current assets		
Total assets		
Liabilities and stockholders' equity		
Current liabilities:		
Current liabilities:		
Current liabilities:		
Accounts payable		
Accounts payable		
Accounts payable		
Accrued expenses		
Total current liabilities		
Total current liabilities		
Total current liabilities		
Operating lease liabilities, non-current portion		
Operating lease liabilities, non-current portion		
Operating lease liabilities, non-current portion		
Other non-current liabilities		
Total liabilities		
Stockholders' equity:		
Preferred Stock, $0.001 par value, 10,000,000 shares authorized; no shares issued and outstanding		
Preferred Stock, $0.001 par value, 10,000,000 shares authorized; no shares issued and outstanding		
Preferred Stock, $0.001 par value, 10,000,000 shares authorized; no shares issued and outstanding		

Common Stock, $0.001 par value per share; 200,000,000 shares authorized; 29,676,095 and 29,560,464 issued and outstanding at March 31, 2024 and December 31, 2023, respectively
Common Stock, $0.001 par value per share; 200,000,000 shares authorized; 29,805,301 and 29,560,464 issued and outstanding at June 30, 2024 and December 31, 2023, respectively
Additional paid-in capital
Accumulated other comprehensive income
Accumulated other comprehensive (loss) income
Accumulated deficit
Total stockholders' equity
Total liabilities and stockholders' equity

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

Inspire Medical Systems, Inc.

Consolidated Statements of Operations and Comprehensive Loss Income (Loss) (unaudited)

(in thousands, except share and per share amounts)

	Three Months Ended March 31, Three Months Ended March 31, Three Months Ended March 31,				
	2024				
	2024				
		Three Months Ended June 30,	Six Months Ended June 30,		
	2024	2024	2023	2024	2023
Revenue					
Revenue					
Revenue					
Cost of goods sold					
Cost of goods sold					
Cost of goods sold					
Gross profit					
Gross profit					
Gross profit					
Operating expenses:					
Operating expenses:					
Operating expenses:					
Research and development					
Research and development					
Research and development					
Selling, general and administrative					
Selling, general and administrative					
Selling, general and administrative					
Total operating expenses					
Total operating expenses					
Total operating expenses					
Operating loss					
Operating loss					

Operating loss
Other (income) expense:
Other (income) expense:
Operating income (loss)
Other (income) expense:
Interest and dividend income
Interest and dividend income
Interest and dividend income
Other expense (income), net
Other expense (income), net
Other expense (income), net
Other expense, net
Other expense, net
Other expense, net
Total other income
Total other income
Total other income
Loss before income taxes
Loss before income taxes
Loss before income taxes
Income (loss) before income taxes
Income taxes
Income taxes
Income taxes
Net loss
Net loss
Net loss
Other comprehensive loss:
Other comprehensive loss:
Other comprehensive loss:
Net income (loss)
Other comprehensive income (loss):
Foreign currency translation (loss) gain
Foreign currency translation (loss) gain
Foreign currency translation (loss) gain
Unrealized (loss) gain on investments
Unrealized (loss) gain on investments
Unrealized (loss) gain on investments
Total comprehensive loss
Total comprehensive loss
Total comprehensive loss
Net loss per share, basic and diluted
Net loss per share, basic and diluted
Net loss per share, basic and diluted
Weighted average common shares used to compute net loss per share, basic and diluted
Weighted average common shares used to compute net loss per share, basic and diluted
Weighted average common shares used to compute net loss per share, basic and diluted
Total comprehensive income (loss)
Net income (loss) per share:

Basic
Basic
Basic
Diluted
Weighted average shares outstanding:
Basic
Basic
Basic
Diluted

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

Inspire Medical Systems, Inc.

Consolidated Statements of Stockholders' Equity (unaudited)

(in thousands, except share amounts)

	Three Months Ended March 31, 2024						**Six Months Ended June 30, 2024**				
	Common Stock										
	Shares										
	Shares										
	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
Balance at December 31, 2023											
Stock options exercised											
Vesting of restricted stock units											
Shares held for tax withholdings											
Issuance of common stock											
Stock-based compensation expense											
Other comprehensive loss											
Net loss											
Balance at March 31, 2024											
Stock options exercised											
Vesting of restricted stock units											
Shares held for tax withholdings											
Issuance of common stock											
Issuance of common stock for employee stock purchase plan											
Stock-based compensation expense											
Other comprehensive loss											
Net income											
Balance at June 30, 2024											

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

	Three Months Ended March 31, 2023					
	Common Stock					
	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total Stockholders' Equity
Balance at December 31, 2022	29,008,368	$ 29	$ 820,335	$ (86)	$ (324,270)	$ 496,008
Stock options exercised	142,167	—	7,377	—	—	7,377
Vesting of restricted stock units	18,852	—	—	—	—	—
Shares held for tax withholdings	(6,750)	—	(1,746)	—	—	(1,746)
Issuance of common stock	364	—	90	—	—	90
Stock-based compensation expense	—	—	18,225	—	—	18,225
Other comprehensive income	—	—	—	118	—	118
Net loss	—	—	—	—	(15,424)	(15,424)
Balance at March 31, 2023	29,163,001	$ 29	$ 844,281	$ 32	$ (339,694)	$ 504,648

Inspire Medical Systems, Inc.

Consolidated Statements of Stockholders' Equity (unaudited)

(in thousands, except share amounts)

	Six Months Ended June 30, 2023					
	Common Stock					
	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total Stockholders' Equity
Balance at December 31, 2022	29,008,368	$ 29	$ 820,335	$ (86)	$ (324,270)	$ 496,008
Stock options exercised	142,167	—	7,377	—	—	7,377
Vesting of restricted stock units	18,852	—	—	—	—	—
Shares held for tax withholdings	(6,750)	—	(1,746)	—	—	(1,746)
Issuance of common stock	364	—	90	—	—	90
Stock-based compensation expense	—	—	18,225	—	—	18,225
Other comprehensive income	—	—	—	118	—	118
Net loss	—	—	—	—	(15,424)	(15,424)
Balance at March 31, 2023	29,163,001	29	844,281	32	(339,694)	504,648
Stock options exercised	143,693	—	13,113	—	—	13,113
Vesting of restricted stock units	9,349	—	—	—	—	—
Shares held for tax withholdings	(3,237)	—	(971)	—	—	(971)
Issuance of common stock	390	—	91	—	—	91
Issuance of common stock for employee stock purchase plan	12,983	—	2,792	—	—	2,792
Stock-based compensation expense	—	—	21,567	—	—	21,567
Other comprehensive income	—	—	—	71	—	71
Net loss	—	—	—	—	(11,952)	(11,952)
Balance at June 30, 2023	29,326,179	$ 29	$ 880,873	$ 103	$ (351,646)	$ 529,359

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

Inspire Medical Systems, Inc.

Consolidated Statements of Cash Flows (unaudited)

(in thousands)

		Three Months Ended March 31,		Six Months Ended June 30,	
		2024	2023	2024	2023
Operating activities	**Operating activities**		**Operating activities**		
Net loss					
Adjustments to reconcile net loss:	Adjustments to reconcile net loss:		Adjustments to reconcile net loss:		
Depreciation and amortization					
Accretion of investment discount					
Non-cash lease expense					
Stock-based compensation expense					
Non-cash stock issuance for services rendered					
Provision (benefit) for estimated credit losses					
Changes in operating assets and liabilities:	Changes in operating assets and liabilities:		Changes in operating assets and liabilities:		
Accounts receivable					
Inventories					
Prepaid expenses and other current assets					
Accounts payable					
Accrued expenses and other liabilities					
Net cash provided by (used in) operating activities					
Net cash provided by operating activities					
Investing activities	**Investing activities**		**Investing activities**		
Purchases of property and equipment					
Purchases of investments					
Proceeds from sales or maturities of investments					
Net cash used in investing activities					
Net cash used in investing activities					
Net cash used in investing activities					
Purchases of strategic investments					
Net cash (used in) provided by investing activities					
Financing activities	**Financing activities**		**Financing activities**		
Proceeds from the exercise of stock options					
Proceeds from the exercise of stock options					
Proceeds from the exercise of stock options					
Payment of taxes on net share settlement of equity awards					
Net cash provided by financing activities					
Net cash provided by financing activities					
Proceeds from issuance of common stock from employee stock purchase plan					
Net cash provided by financing activities					
Effect of exchange rate on cash					
(Decrease) increase in cash and cash equivalents					
Increase in cash and cash equivalents					
Cash and cash equivalents at beginning of period					
Cash and cash equivalents at end of period					
Supplemental cash flow information	**Supplemental cash flow information**		**Supplemental cash flow information**		

Property and equipment included in accounts payable and accrued expenses
Property and equipment included in accounts payable and accrued expenses
Property and equipment included in accounts payable and accrued expenses

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

1. Organization

Description of Business

Inspire Medical Systems, Inc. is a medical technology company focused on the development and commercialization of innovative, minimally invasive solutions for patients with obstructive sleep apnea ("OSA"). Our proprietary Inspire system is the first and only United States ("U.S.") Food and Drug Administration ("FDA") approved European Union ("EU"), Medical Devices Regulation ("MDR"), and Japan Pharmaceuticals and Medical Devices Agency ("PDMA")-approved neurostimulation technology of its kind that provides a safe and effective treatment for moderate to severe OSA. Inspire therapy received premarket approval ("PMA") from the FDA in 2014 and has been commercially available in certain European markets since 2011 and certain Asia Pacific markets since 2021.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (“GAAP”) for interim financial reporting and as required by the rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (including those which are normal and recurring) considered necessary for a fair presentation of the interim financial information have been included. When preparing financial statements in conformity with GAAP, we must make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosures at the date of the financial statements. Actual results could differ from those estimates. Additionally, the results of operations for the interim periods are not necessarily indicative of the operating results for the full fiscal year or any future periods. All intercompany accounts and transactions have been eliminated in consolidation.

For a complete discussion of our significant accounting policies and other information, the unaudited consolidated financial statements and notes thereto should be read in conjunction with the audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Cash and Cash Equivalents

We consider all highly liquid securities, readily convertible to cash, that have original maturities of 90 days or less from the date of purchase to be cash equivalents. Cash is carried at cost, which approximates fair value, and cash equivalents, which consist of money market funds, are stated at fair value.

Foreign Currency

Our functional and reporting currency is the U.S. dollar. Our subsidiaries have functional currency in Euro and Yen. The consolidated financial statements are translated to U.S. dollars. Non-monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the balance sheet date. Sales and expenses denominated in foreign currencies are translated at exchange rates in effect on the date of the transaction. Foreign currency transaction gains and losses and the impacts of foreign currency remeasurement are recognized in other expense, net in the consolidated statements of operations and comprehensive loss. income (loss). For the three-month periods ended March 31, 2024 June 30, 2024 and 2023, we recognized $0.1 million of loss and $0.0 million $0.1 million of gain, net, respectively. For the six-month period ended June 30, 2024, we recognized $0.2 million of loss, net, respectively. and for the six-month period ended June 30, 2023, we recognized no gain or loss. Any unrealized gains and losses due to translation adjustments are included in accumulated other comprehensive income (loss) within stockholders' equity in the consolidated balance sheets. We had $0.1 million and $0.2 million of unrecognized gain in our accumulated other comprehensive income (loss) balance as of March 31, 2024 and December 31, 2023, respectively.

and $0.2 million of unrecognized gain in our accumulated other comprehensive income (loss) balance as of June 30, 2024 and December 31, 2023, respectively.

Investments

(Table amounts in thousands, except share and per share amounts)

Our investments are classified as available-for-sale and consisted of the following:

	March 31, 2024					June 30, 2024			
	Amortized Cost	Amortized Cost	Unrealized Gross Gains	Losses	Aggregate Fair Value	Amortized Cost	Unrealized Gross Gains	Losses	Aggregate Fair Value
Short-Term:									
Commercial paper									
Commercial paper									
Commercial paper									
Corporate debt securities									
Certificates of deposit									
U.S. treasury debt securities									
U.S. treasury debt securities									
U.S. treasury debt securities									
Short-term investments									
Long-Term:									
Corporate debt securities									
Corporate debt securities									
Corporate debt securities									
Certificates of deposit									
Certificates of deposit									
Certificates of deposit									
Asset-backed securities									
U.S. treasury debt securities									
Long-term investments									

	December 31, 2023			
	Amortized Cost	Unrealized Gross Gains	Unrealized Gross Losses	Aggregate Fair Value
Short-Term:				
Commercial paper	$ 2,950	$ 1	$ —	$ 2,951
Corporate debt securities	30,154	61	—	30,215
Certificates of deposit	2,953	15	—	2,968
U.S. treasury debt securities	238,237	467	—	238,704
Short-term investments	$ 274,294	$ 544	$ —	$ 274,838
Long-Term:				
Corporate debt securities	$ 3,109	$ 13	$ —	$ 3,122
Asset-backed securities	1,170	1	—	1,171
U.S. treasury debt securities	4,838	12	—	4,850
Long-term investments	$ 9,117	$ 26	$ —	$ 9,143

Investments are classified as available-for-sale and are reported at their estimated fair market values which are based on quoted, active or inactive market prices when available. Any unrealized gains and losses due to interest rate fluctuations and other external factors are reported as a separate component of accumulated other comprehensive loss income (loss) within stockholders' equity. We had $0.0 million $0.2 million of unrecognized loss and $0.6 million of unrecognized gain in our accumulated other comprehensive income (loss) balance at March 31, 2024 June 30, 2024 and December 31, 2023, respectively. Any realized gains and losses are calculated on the specific identification method and reported net in other expense, net in the consolidated statements of operations and comprehensive loss. income (loss). For both of the three and six months ended March 31, 2024 June 30, 2024 and 2023, we recognized $0 of realized gain or loss. losses, net.

As of March 31, 2024 June 30, 2024 and December 31, 2023, we had no investments with a contractual maturity of greater than three years. Currently, we do not intend to sell the investments, and it is not more likely than not that we will be required to sell the investments before recovery of their amortized cost bases, which may be maturity. We do not consider those investments to be other-than-temporarily impaired as of March 31, 2024 June 30, 2024. Each reporting period, we evaluate whether declines in fair value below carrying value are due to expected credit losses, as well as our ability and intent to hold the investment until a forecasted recovery occurs. Expected credit losses, not to exceed the amount of the unrealized loss, are recorded as an allowance through other expense net in the consolidated statements of operations and comprehensive loss. income (loss). The total allowance for credit losses was $0 at both March 31, 2024 June 30, 2024 and December 31, 2023.

Fair Value of Financial Instruments

We measure certain financial assets and liabilities at fair value on a recurring basis, including cash equivalents and investments. Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. A three-tier fair value hierarchy is established as a basis for considering such assumptions and for inputs used in the valuation methodologies in measuring fair value:

Level 1: Observable inputs, such as quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs that are supported by little or no market activities, which would require us to develop our own assumptions.

We classify instruments within Level 1 if quoted prices are available in active markets for identical assets, which include our money market funds and U.S. treasury securities. We classify instruments in Level 2 if the instruments are valued using observable inputs to quoted market prices, benchmark yields, reported trades, broker/dealer quotes or an income approach, such as a discounted cash flow pricing model that calculates values from observable inputs such as quoted interest rates, yield curves and other observable market information. These instruments include our commercial paper, certificates of deposit, corporate debt securities and asset-backed securities. The available-for-sale securities are held by a custodian who obtains investment prices from a third-party pricing provider that uses standard inputs (observable in the market) to models which vary by asset class.

The following tables set forth by level within the fair value hierarchy our assets that are measured on a recurring basis and reported at fair value as of March 31, 2024 June 30, 2024 and December 31, 2023. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Inspire Medical Systems, Inc.

Notes to Consolidated Financial Statements (unaudited)

(Table amounts in thousands, except share and per share amounts)

		Fair Value Measurements as of				March 31, 2024			June 30, 2024
	Estimated Fair Value	Estimated Fair Value	Level 1	Level 2	Level 3	Estimated Fair Value	Level 1	Level 2	Level 3
Cash equivalents:									
Money market funds									
Money market funds									
Money market funds									
Total cash equivalents									
Total cash equivalents									
Total cash equivalents									
Investments:									
Commercial paper									
Commercial paper									
Commercial paper									
Corporate debt securities									
Certificates of deposit									
Asset-backed securities									
U.S. government securities									
Total investments									
Total cash equivalents and investments									

Fair Value Measurements as of December 31, 2023			
Estimated Fair Value	Level 1	Level 2	Level 3

(Table amounts in thousands, except share and per share amounts)

Cash equivalents:				
Money market funds	$ 146,217	$ 146,217	$ —	$ —
Total cash equivalents	146,217	146,217	—	—
Investments:				
Commercial paper	2,951	—	2,951	—
Corporate debt securities	33,337	—	33,337	—
Certificates of deposit	2,968	—	2,968	—
Asset-backed securities	1,171	—	1,171	—
U.S. government securities	243,554	243,554	—	—
Total investments	283,981	243,554	40,427	—
Total cash equivalents and investments	$ 430,198	$ 389,771	$ 40,427	$ —

There were no transfers between levels during the periods ended March 31, 2024 June 30, 2024 and December 31, 2023.

Concentration of Credit Risk

Financial instruments, which potentially subject us to concentrations of credit risk, consist principally of cash equivalents, investments, and accounts receivable. We maintain the majority of our cash and cash equivalents in accounts with major U.S. and multi-national financial institutions, and our deposits at certain of these institutions exceed insured limits. Market conditions can impact the viability of these institutions. In the event of failure of any of the financial institutions where we maintain our cash and cash equivalents, there can be no assurance that we will be able to access uninsured funds in a timely manner or at all.

Our investment policy limits investments to certain types of debt securities issued by the U.S. government and its agencies, corporations with investment-grade credit ratings, or commercial paper and money market funds issued by the highest quality financial and non-financial companies. We place restrictions on maturities and concentration by type and issuer. We are exposed to credit risk in the event of a default by the issuers of these securities to the

extent recorded on the consolidated balance sheets. However, as of March 31, 2024 June 30, 2024 and December 31, 2023, we limited our credit risk associated with cash equivalents by placing investments with banks we believe are highly creditworthy.

We believe that the credit risk in our accounts receivable is mitigated by our credit evaluation process, relatively short collection terms, and dispersion of our customer base. We generally do not require collateral, and losses on accounts receivable have historically not been significant.

Accounts Receivable and Allowance for Expected Credit Losses

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. Customer credit terms are established prior to shipment with the general standard being net 30 days. Collateral or any other security to support payment of these receivables generally is not required.

Each reporting period, we estimate the credit loss related to accounts receivable based on a migration analysis of accounts grouped by individual receivables delinquency status and apply our historic loss rate adjusted for management's assumption of future market conditions. Any change in the allowance from new receivables acquired or changes due to credit deterioration on previously existing receivables is recorded in selling, general and administrative expenses. Write-offs of receivables considered uncollectible are deducted from the allowance. Specific accounts receivable are written-off written off once a determination is made that the amount is uncollectible. The write-off is recorded in the period in which the account receivable is deemed uncollectible. Recoveries are recognized when received and as a direct credit to earnings or as a reduction to the allowance for credit losses (which would indirectly reduce the loss by decreasing bad debt expense).

The following table presents the changes in the allowance for credit losses related to accounts receivable:

	Three Months Ended March 31,				
	Three Months Ended March 31,				
	Three Months Ended March 31,				
	2024				
	2024				
		Three Months Ended June 30,		**Six Months Ended June 30,**	
	2024	**2024**	**2023**	**2024**	**2023**
Balance at beginning of period					
Balance at beginning of period					
Balance at beginning of period					

Charges (credits) to the allowance, net
Charges (credits) to the allowance, net
Charges (credits) to the allowance, net
Accounts written off, net of recoveries
Accounts written off, net of recoveries
Accounts written off, net of recoveries
Balance at the end of the period
Balance at the end of the period
Balance at the end of the period

The increase in accounts written off, net of recoveries during the three six months ended March 31, 2024 June 30, 2024 related primarily to accounts receivable with two three healthcare systems.

Inventories

Inventories are valued at the lower of cost or net realizable value, computed on a first-in, first-out basis and consisted of the following:

	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
Raw materials		
Finished goods		
Total inventories, net of reserves		

We expense prelaunch inventory as research and development expense in the period incurred unless objective and persuasive evidence exists that regulatory approval and subsequent commercialization of a product candidate is probable and where we also expect the future economic benefit from the sales of the product candidate to be realized. In August 2024, we received approval from the FDA for our next generation Inspire system, which we expect to fully launch in 2025. The balance of inventory related to our next generation Inspire system was $2.6 million $6.5 million and $0.9 million as of March 31, 2024 June 30, 2024 and December 31, 2023, respectively.

We regularly review inventory quantities on-hand for excess and obsolete inventory and, when circumstances indicate, incur charges to write down inventories to their net realizable value. The determination of a reserve for excess and obsolete inventory involves management exercising judgment to determine the required reserve, considering future demand, product life cycles, introduction of new products, and current market conditions. The reserve for excess and obsolete inventory was $3.1 million $1.5 million and $2.4 million as of March 31, 2024 June 30, 2024 and December 31, 2023, respectively.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization and consisted of the following:

	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
Computer equipment and software		
Manufacturing equipment		
Other equipment		
Leasehold improvements		
Construction in process		
Property and equipment, cost		
Less: accumulated depreciation and amortization		
Property and equipment, net		

Construction in process is comprised primarily of production equipment. Depreciation is determined using the straight-line method over the estimated useful lives of the respective assets, generally three to five years. Leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful lives or the term of the lease. Depreciation and amortization expense was $0.8 million $1.4 million and $0.6 million $0.7 million for the three months ended March 31, 2024 June 30, 2024 and 2023, respectively, and $2.2 million and $1.3 million for the six months ended June 30, 2024 and 2023, respectively.

Strategic Investments

For equity securities without readily determinable fair values, we have elected the measurement alternative under which we measure these investments at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. These securities are presented within other non-current assets on the consolidated balance sheets. The balance of equity securities without readily determinable fair values was $10.4 million as of both

March 31, 2024 June 30, 2024 and December 31, 2023, respectively. There were no adjustments to the carrying amount during either of the three six months ended March 31, 2024 June 30, 2024 or 2023.

Impairment of Long-lived Assets

Long-lived assets consist primarily of property and equipment, operating lease right-of-use assets, and strategic investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require that an asset be tested for possible impairment, we compare the undiscounted cash flows expected to be generated by the asset to the carrying amount of the asset. If the carrying amount of the asset is not recoverable on an undiscounted cash flow basis, we determine the fair value of the asset and recognize an impairment loss to the extent the carrying amount of the asset exceeds its fair value. We determine fair value using the income approach based on the present value of expected future cash flows or other appropriate measures of estimated fair value. Our cash flow assumptions consider historical and forecasted revenue and operating costs and other relevant factors. We did not record any impairment charges on long-lived assets during either of the three six months ended March 31, 2024 June 30, 2024 or 2023.

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Accrued Expenses

Accrued expenses consisted of the following:

	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
Payroll related		
Product warranty liability		
Other accrued expenses		
Other accrued expenses		
Other accrued expenses		
Total accrued expenses		

The following table shows the changes in our estimated product warranty liability accrual, included in accrued liabilities:

	Three Months Ended March 31,				
	Three Months Ended March 31,				
	Three Months Ended March 31,				
	2024				
	2024				
		Three Months Ended June 30,	Six Months Ended June 30,		
	2024	2024	2023	2024	2023
Balance at beginning of period					
Balance at beginning of period					
Balance at beginning of period					
Provisions for warranty					
Provisions for warranty					
Provisions for warranty					
Settlements of warranty claims					
Settlements of warranty claims					
Settlements of warranty claims					
Balance at the end of the period					
Balance at the end of the period					
Balance at the end of the period					

Revenue Recognition

We derive our revenue from sales of our products in the U.S. and internationally. Customers are primarily comprised of hospitals and ambulatory surgery centers, with distributors being used in certain international locations where we do not have a direct commercial presence.

Revenues from product sales are recognized when the customer obtains control of the product, which occurs at a point in time, either upon shipment of the product or receipt of the product, depending on shipment terms. Our standard shipping terms are free on board shipping point, unless the customer requests that control and title to the inventory transfer upon delivery. In those cases where shipping and handling costs are billed to customers, we classify the amounts billed as a component of cost of goods sold.

Revenue is measured as the amount of consideration we expect to receive, adjusted for any applicable estimates of variable consideration and other factors affecting the transaction price, which is based on the invoiced price, in exchange for transferring products. All revenue is recognized when we satisfy our performance obligations under the contract. The majority of our contracts have a single performance obligation and are short term in nature.

Sales taxes and value added taxes in foreign jurisdictions that are collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from net sales. Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as a fulfillment cost and are included in cost of goods sold.

Variable consideration related to certain customer sales incentives is estimated based on the amounts expected to be paid based on the agreement with the customer using probability assessments.

We offer customers a limited right of return for our product in case of non-conformity or performance issues. We estimate the amount of our product sales that may be returned by our customers based on historical sales and returns. As our historical product returns to date have been immaterial, we have not recorded a reduction in revenue related to variable consideration for product returns.

See Note 7 for disaggregated revenue by geographic area.

Cost of Goods Sold

Cost of goods sold consists primarily of acquisition costs for the components of the Inspire system, overhead costs, scrap and inventory obsolescence, warranty replacement costs, as well as distribution-related expenses such as logistics and shipping costs, net of shipping costs charged to customers. The overhead costs include the cost of material procurement, depreciation expense for production equipment, and operations supervision and management personnel, including employee compensation, stock-based compensation, supplies, and travel.

Research and Development

Research and development expenses consist primarily of product development, clinical and regulatory affairs, quality assurance, consulting services, and other costs associated with products and technologies in development. These expenses include employee compensation, including stock-based compensation, supplies, materials, prelaunch inventory, consulting, and travel expenses related to research and development programs. Clinical expenses include clinical study design, clinical site reimbursement, data management, travel expenses, and the cost of manufacturing products for clinical studies.

We expense prelaunch inventory as research and development expense in the period incurred unless objective and persuasive evidence exists that regulatory approval and subsequent commercialization of a product candidate is probable and where we also expect the future economic benefit from the sales of the product candidate to be realized.

Stock-Based Compensation

We maintain an equity incentive plan to provide long-term incentives for eligible employees, consultants, and members of the board of directors. The plan allows for the issuance of restricted stock units ("RSUs"), performance stock units ("PSUs"), and non-statutory and incentive stock options to employees, and RSUs, PSUs, and non-statutory stock options to consultants and directors. We also offer an employee stock purchase plan ("ESPP") which allows participating employees to purchase shares of our common stock at a discount through payroll deductions.

We recognize equity-based compensation expense for awards of equity instruments based on the grant date fair value of those awards as expense in the consolidated statements of operations and comprehensive loss. income (loss). We estimate the fair value of stock options using the Black-Scholes option pricing model and the fair value of RSUs and PSUs is equal to the closing price of our common stock on the grant date. The fair value of each purchase under the employee stock purchase plan is estimated at the beginning of the offering period using the Black-Scholes option pricing model.

Stock-based compensation expense is recognized on a straight-line basis over the vesting term for stock options and RSUs, and over the vesting and performance period based on the probability of achieving the performance objectives for PSUs. We account for award forfeitures as they occur.

Advertising Expenses

We expense the costs of advertising, including promotional expenses, as incurred. Advertising expenses were $25.6 million $23.2 million and $23.6 million $25.3 million during the three months ended March 31, 2024 June 30, 2024 and 2023, respectively, and $48.8 million and $48.9 million during the six months ended June 30, 2024 and 2023, respectively.

Leases

Operating leases are included in operating lease right-of-use ("ROU") assets, accrued expenses, and operating lease liabilities – non-current portion in our consolidated balance sheets. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. In determining the present value of lease payments, we use our incremental borrowing rate based on the information available at the lease commencement date as the we use our incremental borrowing rate based on the information available at the lease commencement date as the rate implicit in the lease is not readily determinable. The determination of our incremental borrowing rate requires management judgment based on information available at lease commencement. The operating lease ROU assets also include adjustments for prepayments, accrued lease payments, and exclude lease incentives. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise such options. Operating lease cost is recognized on a straight-line basis over the expected lease term. Lease agreements that include lease and non-lease components are accounted for as a single lease component. Lease agreements with a noncancelable term of less than 12 months are not recorded on our consolidated balance sheets.

Income Taxes

We account for income taxes using the liability method. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates that will be in effect when the differences are expected to reverse. Valuation allowances against deferred tax assets are established, when necessary, to reduce deferred tax assets to the amounts expected to be realized. As we have historically incurred operating losses, we have recorded a full valuation allowance against our net deferred tax assets, and there is no provision for income taxes other than minimal state and foreign taxes, which includes a foreign tax provision relating to uncertain tax positions. Our policy is to record interest and penalties expense related to uncertain tax positions as other expense in the consolidated statements of operations and comprehensive loss. income (loss).

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net loss income (loss) and changes in unrealized gains and losses due to interest rate fluctuations and other external factors on investments classified as available-for-sale, and foreign currency translation adjustments. Accumulated other comprehensive income (loss) is presented in the accompanying consolidated balance sheets as a component of stockholders' equity.

Loss Income (Loss) Per Share

Basic net loss income (loss) per share is computed by dividing the net loss income (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted net loss income (loss) per share is computed by dividing the net loss income (loss) by the weighted average number of shares of common stock and dilutive potential shares of common stock outstanding during the period. Because we have reported For the periods presented with a net loss, for all periods presented, diluted net loss per share is the same as basic net loss per share as all potentially dilutive shares consisting of outstanding stock options, unvested RSUs and PSUs, and shares issuable under our employee stock purchase plan were antidilutive in those periods.

Recent Accounting Pronouncements

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"). The standard requires disclosure of significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items to reconcile to segment profit or loss, and the title and position of the entity's CODM. The amendments in this update also expand the interim segment disclosure requirements. This authoritative guidance will be effective for us in fiscal 2025 2024 for annual periods and in the first quarter of fiscal 2026 2025 for interim periods, with early adoption permitted. We are currently evaluating the effect of this new guidance on our consolidated financial statements and disclosures.

In December 2023, the FASB issued ASU No. 2023-09, *Improvements to Income Tax Disclosures* ("ASU 2023-09"). The guidance is intended to improve income tax disclosure requirements by requiring (i) consistent categories and greater disaggregation of information in the rate reconciliation and (ii) the disaggregation of income taxes paid by jurisdiction. The guidance makes several other changes to the income tax disclosure requirements. The amendments in ASU 2023-09 are effective for us in fiscal 2025, with early adoption permitted, and is required to be

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amendments in ASU 2023-09 are effective for us in fiscal 2025, with early adoption permitted, and is required to be applied prospectively with the option of retrospective application. We are evaluating the impact of the standard on our income tax disclosures.

In March 2024, the SEC issued climate-related disclosure rules, that which the SEC has subsequently stayed pending ongoing legal challenges. If they survive litigation, the rules will require disclosure of material climate-related risks and material direct greenhouse gas emissions from operations owned or controlled (Scope 1) and/or material indirect greenhouse gas emissions from purchased energy consumed in owned or controlled operations (Scope 2). Additionally, the rules will require disclosure in the notes to the financial statements of the effects of severe weather events and other natural conditions, subject to certain materiality thresholds. As a large accelerated filer, we may be required to begin complying with climate-related disclosures as early as with respect to the fiscal year beginning in 2025. We are in the process of analyzing the impact of the rules on our related disclosures.

We have reviewed and considered all other recent accounting pronouncements that have not yet been adopted and believe there are none that could potentially have a material impact on our business practices, financial condition, results of operations, or disclosures.

3. Leases

We lease office space for our corporate headquarters under a non-cancelable operating lease. The corporate office leases were amended in May 2023 to increase the total space leased to approximately 106,000 square feet and to extend the noncancellable lease term through May 31, 2035. We entered into an additional warehouse and office space lease for our corporate headquarters under a non-cancelable operating lease in August 2023. This space includes approximately 22,000 square feet and a noncancellable lease term through May 31, 2035. Each lease includes options to renew for up to two additional periods of five years each at the then-prevailing market rates. The exercises of the lease renewal options are at our sole discretion and were not included in the lease term for the calculation of the ROU assets and lease liabilities as of the lease modification date as they were not reasonably certain of exercise.

In March 2024, we entered into an amendment on our additional warehouse and office space lease which is expected to commence in January 2025. This amendment provides for approximately 18,000 square feet of additional space and follows the lease term and renewal options in the original lease described above.

In addition to base rent in these leases, we also pay our proportionate share of the operating expenses, as defined in the leases. These payments are made monthly and adjusted annually to reflect actual charges incurred for operating expenses, such as common area maintenance, taxes, and insurance.

The following table presents the lease balances within the consolidated balance sheets:

	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
Right-of-use assets:		
Operating lease right-of-use assets		
Operating lease right-of-use assets		
Operating lease right-of-use assets		
Operating lease liabilities:		
Operating lease liabilities, non-current portion		
Operating lease liabilities, non-current portion		
Operating lease liabilities, non-current portion		

As of March 31, 2024 June 30, 2024, the remaining lease terms were 11.2 10.9 years and the weighted average discount rate was 4.9%. The operating cash outflows from our operating leases were $0.6 million $0.7 million and $0.4 million $0.5 million for the three-month periods ended March 31, 2024 June 30, 2024 and 2023, respectively, and $1.3 million and $0.9 million for the six-month periods ended June 30, 2024 and 2023, respectively.

4. Employee Retirement Plan

We sponsor a defined contribution employee retirement plan covering all of our full-time employees. The plan allows eligible employees to defer a portion of their eligible compensation up to the maximum allowed by IRS Regulations.

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We make voluntary matching contributions of 50% of the first 6% of each participating employee's contribution, up to 3% of eligible earnings. Our match contributions are made to funds designated by the participant, none of which are based on Inspire common stock. Our matching contributions to the plan totaled $1.5 million $1.1 million and $1.2 million $0.9 million for the three months ended March 31, 2024 June 30, 2024 and 2023, respectively, and $2.6 million and $2.1 million for the six months ended June 30, 2024 and 2023, respectively.

5. Stock-Based Compensation

As of March 31, 2024 June 30, 2024, there were 4,879,073 4,765,711 shares reserved for issuance under our equity incentive plan, of which 1,538,340 1,462,624 shares were available for issuance.

Stock-based compensation expense is recognized on a straight-line basis over the vesting term for stock options and RSUs, and over the performance period based on the probability of achieving the performance objectives for PSUs, and is reduced by actual forfeitures as they occur. If there are any modifications or cancellations of the underlying unvested securities, we may be required to accelerate, increase, or cancel any remaining unearned stock compensation expense. Future stock-based compensation expense and unearned stock-based compensation will increase to the extent that we grant additional stock-based awards.

Stock Options

Options are granted with an exercise price, which is equal to the closing price of our stock on the date of grant. Stock options include a four-year four-year service period and 25% vest after the first year of service and the remainder vest in equal installments over the next 36 months of service. The stock options granted to the board of directors vest in one or three equal annual installments, in each case subject to the director's continuous service through the applicable vesting date. The stock options have a contractual life of ten years.

The fair value per share of options is estimated on the date of grant using the Black-Scholes option pricing model.

Option Value and Assumptions

										Six Months Ended June 30,
				Three Months Ended				March 31,		
		2024		2024		2023		2024	2023	
Weighted average fair value	Weighted average fair value	$124.70		$151.88	Weighted average fair value	$116.06		$154.11		
Assumptions:										
Expected term (years)										
Expected term (years)										
Expected term (years)			6.25			6.25				
Expected volatility	Expected volatility	59.0 - 59.4%		57.2 - 57.4%	Expected volatility	58.6 - 60.8%		56.6 - 57.4%		
Risk-free interest rate	Risk-free interest rate	3.95 - 4.28%		3.55 - 4.07%	Risk-free interest rate	3.95 - 4.71%		3.49 - 4.07%		
Expected dividend yield	Expected dividend yield		0.0%	Expected dividend yield			0.0%			

Expected Term — Due to our limited amount of historical exercise, forfeiture, and expiration activity, we have opted to use the "simplified method" for estimating the expected term of options, whereby the expected term equals the arithmetic average of the vesting terms and the original contractual term of the option. We will continue to analyze our expected term assumption as more historical data becomes available.

Expected Volatility — During the three six months ended March 31, 2024 June 30, 2024, we based expected volatility on the historic volatility of our common stock. In prior periods, Prior to 2024, due to our limited company specific historical and implied volatility

data, we incorporated our historical stock trading volatility with those of a group of similar companies that are publicly traded for the calculation of volatility. When selecting this peer group, we generally selected companies with comparable characteristics, including enterprise value, stages of clinical development, risk profiles, position within the industry, and those with historical share price information sufficient to meet the expected life of the stock-based awards.

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Risk-Free Interest Rate — The risk-free rate assumption is based on the U.S. government Treasury instruments with maturities similar to the expected term of our stock options.

Expected Dividend Yield — The expected dividend assumption is based on our history of not paying dividends and our expectation that we will not declare dividends for the foreseeable future.

Stock Option Activity

	Options	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)		Options	Weighted Average Exercise Price
Outstanding at December 31, 2023 Outstanding at December 31, 2023	2,447,141	$	$152.17	7.0 7.0		$160,691 Outstanding at December 31, 2023	2,447,141	$ $152.1
Granted								
Exercised								
Exercised								
Exercised	(88,310)	$	$ 41.03	$13,707		$13,707	(176,638)	$
Forfeited/expired								
Outstanding at March 31, 2024								
Outstanding at March 31, 2024								
Outstanding at March 31, 2024	2,501,573		$158.47	7.0	$166,795			
Exercisable at March 31, 2024	1,636,818		$122.86	6.1	$157,645			
Outstanding at June 30, 2024								
Outstanding at June 30, 2024								
Outstanding at June 30, 2024	2,402,370		$161.28	6.6	$66,313			
Exercisable at June 30, 2024	1,645,593		$131.83	5.8	$66,291			

The aggregate intrinsic value of options exercised is the difference between the estimated fair market value of our common stock at the date of exercise and the exercise price for those options. The aggregate intrinsic value of outstanding options is the difference between the closing price as of the date outstanding and the exercise price of the underlying stock options. As of March 31, 2024 June 30, 2024, the amount of unearned stock-based compensation to be expensed from now through the year 2028 related to unvested stock options is $105.9 million $91.4 million, which we expect to recognize over a weighted average period of 2.5 2.4 years.

Restricted Stock Units

RSUs are share awards that entitle the holder to receive freely tradable shares of our common stock upon vesting. The RSUs cannot be transferred and the awards are subject to forfeiture if the holder's service terminates prior to the release of the vesting restrictions. The RSUs granted to employees include three- or four-year service periods and vest in equal installments on each anniversary of the date of grant. The RSUs granted to the board of directors include one-or three-year service periods and vest in equal installments on each anniversary of the date of grant. The fair value of the RSUs is equal to the closing price of our common stock on the grant date. A summary of RSUs and related information is as follows:

	Restricted Stock Units	Restricted Stock Units	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands)	Restricted Stock Units	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands)
Unvested at December 31, 2023							
Granted							
Vested							
Vested							
Vested							
Forfeited							
Unvested at March 31, 2024							
Unvested at March 31, 2024							
Unvested at March 31, 2024							
Unvested at June 30, 2024							

Unvested at June 30, 2024	
Unvested at June 30, 2024	

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The aggregate intrinsic value of unvested RSUs was based on our closing stock price on the last trading day of the period. The aggregate intrinsic value of vested RSUs was based on our closing stock price on the date of vest. award vesting. As of March 31, 2024 June 30, 2024, the amount of unearned stock-based compensation currently estimated to be expensed from now through the year 2027 related to unvested RSUs was $103.4 million $104.1 million which we expect to recognize over a weighted average period of 2.6 2.4 years.

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Performance Stock Units

During 2022, 2023, and 2024, we granted PSUs to officers and key employees. The number of PSUs that will ultimately be earned is based on our performance relative to pre-established goals for the three-year three-year periods ending December 31, 2024, 2025, and 2026, respectively. The expense is recorded on a straight-line basis over the requisite service periods based on an estimate of the number of PSUs expected to vest. Management expectations related to the achievement of the performance goals associated with PSU grants are assessed each reporting period. The number of shares earned at the end of each of the three-year three-year periods will vary based on actual performance, from 0% to 200% of the number of PSUs granted. If the performance conditions are not met or not expected to be met, any compensation expense recognized associated with the grant will be reversed.

A summary of PSUs and related information is as follows:

	Performance Stock Units	**Performance Stock Units**	**Weighted Average Grant Date Fair Value**	**Aggregate Intrinsic Value (in thousands)**	**Performance Stock Units**	**Weighted Average Grant Date Fair Value**	**Aggregate Intrinsic Value (in thousands)**
Unvested at December 31, 2023							
Granted							
Forfeited							
Forfeited							
Forfeited							
Unvested at March 31, 2024							
Unvested at March 31, 2024							
Unvested at March 31, 2024							
Unvested at June 30, 2024							
Unvested at June 30, 2024							
Unvested at June 30, 2024							

The fair value of the PSUs is equal to the closing price of our common stock on the grant date. The aggregate intrinsic value of unvested PSUs was based on our closing stock price on the last trading day of the period. As of March 31, 2024 June 30, 2024, there was $51.1 million $46.6 million of unrecognized stock-based compensation expense related to outstanding PSUs that is expected to be recognized over a weighted-average period of approximately 2.2 2.0 years.

Employee Stock Purchase Plan

Employees may participate in our ESPP provided they meet certain eligibility requirements. The purchase price for our common stock under the terms of the ESPP is defined as 85% of the lower of the closing market price per share of our common stock on the first or last trading day of each stock purchase period. There were 1,248,131 1,217,973 shares available for future issuance under the ESPP as of March 31, 2024 June 30, 2024. The current purchase period under the ESPP began on January 1, 2024 July 1, 2024 and ends June 30, 2024 December 31, 2024.

6. Income Taxes

At both March 31, 2024 June 30, 2024 and December 31, 2023, a valuation allowance was recorded against all deferred tax assets due to our cumulative net loss position. We recorded income tax expense of $0.7 $1.1 million and $0.2 million for the three months ended March 31, 2024 June 30, 2024 and 2023, respectively, and $1.7 million and $0.4 million for the six months ended June 30, 2024 and 2023, respectively. Income The income tax expense consists of minimal reflects state and foreign income taxes tax expense in both of the three-month periods six months ended March 31, 2024 June 30, 2024 and 2023. June 30, 2023.

As of December 31, 2023, our gross federal net operating loss carryforwards were $226.1 million, which will expire at various dates beginning in 2034. In addition, net operating loss carryforwards for state income tax purposes of $173.5 million that include net operating losses will begin to expire in 2024. We also have gross research and

development credit carryforwards of $14.7 million as of December 31, 2023, which will expire at various dates beginning in 2033.

Utilization of the net operating loss carryforwards and research and development ("R&D") credit carryforwards may be subject to an annual limitation due to the ownership change limitations provided by Section 382 and Section 383 of the Code and similar state provisions. During 2023, we finalized a detailed analysis to determine whether an ownership change has occurred through December 31, 2022, and if a limitation exists. It was determined that December 11, 2018 was the only date that we experienced an ownership change. The study concluded that none of

Inspire Medical Systems, Inc.

Notes to Consolidated Financial Statements (unaudited)

(Table amounts in thousands, except share and per share amounts)

the $126.5 million of federal net operating losses nor the $1.7 million of federal R&D credits that were accumulated on December 11, 2018 will expire unused solely due to the limitations under Sections 382 and 383 of the Code. We are in the process of updating the analysis through December 31, 2023. Although unexpected, if we experienced an ownership change during 2023 or 2024, the timing of our ability to utilize the tax attributes may be affected.

Realization of the deferred tax assets is dependent upon the generation of future taxable income, if any, the amount and timing of which are uncertain. Based on available objective evidence and cumulative losses, we believe it is more likely than not that the deferred tax assets are not recognizable and will not be recognizable until we have sufficient book income. Accordingly, the net deferred tax assets have been fully offset by a valuation allowance.

We had $0.1 million of tax payable on unrecognized tax positions as of both March 31, 2024 June 30, 2024 and December 31, 2023.

We file income tax returns in the applicable jurisdictions. The 2020 to 2022 tax years remain open to examination by the major taxing authorities to which we are subject. We do not expect a significant change to our unrecognized tax positions over the next 12 months.

7. Segment Reporting and Revenue Disaggregation

We operate our business as one operating segment. An operating segment is defined as a component of an enterprise for which separate discrete financial information is available and evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. Segment information is consistent with how management reviews the business, makes investing and resource allocation decisions and assesses operating performance.

We sell our Inspire system to hospitals and ambulatory surgery centers in the U.S. and in select countries in Europe and Japan through a direct sales organization, and in Singapore and Hong Kong through distributors. Revenue by geographic region is as follows:

	Three Months Ended		Three Months Ended		Six Months Ended
	Three Months Ended				
	Three Months Ended				
	March 31,				
	March 31,				
	March 31,				
	2024				

	2024				
		June 30,	June 30,		
	2024	2024	2023	2024	2023
United States					
United States					
United States					
All other countries					
All other countries					
All other countries					
Total revenue					
Total revenue					
Total revenue					

Long-lived tangible assets by geographic location were as follows:

	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
United States		
All other countries		
Total long-lived tangible assets		

INSPIRE MEDICAL SYSTEMS, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS (Unaudited)

(Table amounts in thousands, except share and per share amounts)

8. Loss Income (Loss) Per Share

Basic net loss income (loss) per share is computed by dividing the net loss income (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted net loss income (loss) per share is computed by dividing the net loss income (loss) by the weighted average number of shares of common stock and dilutive potential shares of common stock outstanding during the period. Because we have reported For the periods presented with a net loss, for all periods presented, diluted net loss per share is the same as basic net loss per share as all of the following potentially dilutive shares were antidilutive in those periods.

INSPIRE MEDICAL SYSTEMS, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS (Unaudited)

(Table amounts in thousands, except share and per share amounts)

The following common stock-based awards were excluded from the computation of diluted net loss income (loss) per common share for the periods presented because including them would have been antidilutive:

		March 31,		June 30,	
	2024	2024	2023	2024	2023
Common stock options outstanding					
Unvested restricted stock units					
Shares issuable under the ESPP					
Shares issuable under the ESPP					
Shares issuable under the ESPP					
Total					
Total					
Total					

9. Related Party Transaction

In December 2023, we entered into an agreement with an entity controlled by our Chief Executive Officer (the "Entity"), pursuant to which we agreed to share the costs of a corporate suite at a sports and entertainment venue (the "Venue") (the “Suite”) (the “Cost Sharing Agreement”). In August 2023, the Entity entered into an agreement with the Venue, pursuant to which the Entity acquired certain rights to use the Suite for specified sporting and other events at the Venue through August 2026. Pursuant to this agreement, the Entity agreed to pay $0.2 million per year, with each year beginning September 1 and ending August 31, and the fee increasing by 5% for each succeeding year. Under the Cost

Sharing Agreement, we will reimburse the Entity 50% of the cost of the Suite in exchange for the right to use the Suite for 50% of the specified events at the Venue through August 2026.

10. Commitments and Contingencies

As previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, Inspire and two of its executive officers were named as defendants in a purported federal securities law class action filed in the United States District Court for the District of Minnesota, captioned *City of Hollywood Firefighters' Pension Fund v. Inspire Medical Systems, Inc., et. al.*, Court File No. 0:23-cv-03884. 23-cv-03884 (the "City of Hollywood Lawsuit"). The plaintiff filed an amended complaint on April 19, 2024, which alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act, of 1934, as amended, and Rule 10b-5, which alleged violations relate to certain prior disclosures of Inspire about the effectiveness of a program intended to help certain customers establish independence in seeking prior authorization from payors for our Inspire therapy. The plaintiff seeks to represent a class of shareholders who purchased or otherwise acquired Inspire common stock between May 3, 2023 and November 7, 2023. The plaintiff seeks damages and other relief, including attorneys' fees and costs. The defendants are vigorously defending this lawsuit. On June 28, 2024, the defendants moved to dismiss the amended complaint in its entirety.

On July 16, 2024, a stockholder derivative lawsuit was filed in the United States District Court for the District of Minnesota, purportedly on behalf of Inspire against certain of our present and former officers and directors and Inspire (as a nominal defendant), captioned *Lawrence Hollin v. Herbert, et al*., Court File No. 0:24-cv-02716 (the "HollinLawsuit"). The Hollin Lawsuit arises out of the same subject matter as the City of Hollywood Lawsuit and alleges the following claims under common law and the Exchange Act: (1) breach of fiduciary duty; (2) unjust enrichment; (3) waste of corporate assets; and (4) as against the officer defendants, contribution under Sections 10(b) and 21D of the Exchange Act. The lawsuit seeks unspecified damages. The defendants intend to vigorously defend this lawsuit.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited consolidated financial statements and the related notes to those statements included elsewhere in this Quarterly Report, as well as the audited financial statements and the related notes thereto, the discussion under "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Part I, Item 1. Business" sections included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the "Annual Report"). Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report, such as information with respect to our plans and strategy for our business and the impact of macroeconomic factors on our business, financial results and financial condition includes forward-looking statements that involve risks and uncertainties. As a result of many important factors, including those set forth in the "Part I, Item 1A. Risk Factors" section of our Annual Report, our actual results could differ materially from the results described in, or implied by, these forward-looking statements.

Overview

We are a medical technology company focused on the development and commercialization of innovative, minimally invasive solutions for patients with obstructive sleep apnea ("OSA"). Our proprietary Inspire system is the first and only FDA-approved FDA, EU MDR, and PDMA-approved neurostimulation technology of its kind that provides a safe and effective treatment for moderate to severe OSA. We have developed a novel, closed-loop solution that continuously monitors a patient's breathing and delivers mild hypoglossal nerve stimulation to maintain an open airway. Inspire therapy is indicated for patients with moderate to severe OSA who do not have significant central sleep apnea and do not have a complete concentric collapse of the airway at the soft palate level. In addition, patients in the U.S., Japan, Singapore, and Hong Kong must have been confirmed to fail or be unable to tolerate positive airway pressure treatments, such as CPAP, and be 18 years of age or older, though there are no similar requirements for patients in Europe.

We sell our Inspire system to hospitals and ambulatory surgery centers ("ASCs") in the U.S. and in select countries in Europe and Japan through a direct sales organization and we sell our Inspire system in Singapore and Hong Kong through distributors. Our direct sales force engages in sales efforts and promotional activities primarily focused on ENT physicians and sleep centers. In addition, we highlight our compelling clinical data and value proposition to increase awareness and adoption amongst referring physicians. We build upon this top-down approach with strong direct-to-consumer marketing initiatives to create awareness of the benefits of our Inspire system and drive interest through patient empowerment. We believe this outreach helps to educate thousands of patients on our Inspire therapy.

Although our sales and marketing efforts are directed at patients and physicians because they are the primary users of our technology, we consider the hospitals and ASCs where the procedure is performed to be our customers, as they are the purchasing agents of our Inspire system. Our customers are reimbursed the cost required to treat each patient through various third-party payors, such as commercial payors and government agencies. Our Inspire system is currently reimbursed primarily on a per-patient prior authorization basis for patients covered by commercial payors, under Local Coverage Determinations for patients covered by Medicare, and under U.S. government contract for patients who are treated by the Veterans Health Administration. As of May 7, 2024 August 6, 2024, we have secured positive coverage policies with many U.S. commercial payors, including virtually all large national commercial insurers, covering approximately 260 million lives in the U.S. In addition, all seven Medicare Administrative Contractors published final policies in 2020 that provide coverage of Inspire therapy when certain coverage criteria are met.

The procedures performed to implant, revise, or explant our device are described for billing purposes in the U.S. with Category I Current Procedural Terminology ("CPT") codes (64582, 64583, and 64584, respectively). A Category I code (42975) is also used for Drug-Induced Sleep Endoscopy ("DISE") to evaluate sleep disordered breathing, which may be a necessary procedure to determine which patients are appropriate for Inspire therapy. In July 2024, the 2025 proposed Medicare reimbursement payments were announced. The Medicare national average 2025 payment to implant our device in a hospital outpatient site of service is $30,198,an increase of 2% from the 2024 rate. The 2025 Medicare national average ASC reimbursement is $25,620, an increase of 3% from the prior year amount. The 2025 Medicare national average physician reimbursement is $816 for implantation of a hypoglossal nerve stimulator, a 2% decrease over the 2024 payment. The reimbursement for the DISE procedure in the hospital setting is $1,723, a 7% increase over the prior year amount. In the ASC setting, the reimbursement for the DISE procedure is $791, a 4% increase from the 2024 amount. The 2025 Medicare national average physician reimbursement for the DISE procedure is $94, a 3% decrease over the prior year amount. The proposed reimbursement rates will be reviewed by the Centers for Medicare & Medicaid Services ("CMS") in conjunction with the annual Medicare rulemaking cycle with final decisions expected in November 2024.

Reimbursement in other countries can often be established through a combination of private (commercial insurance) and public funding sources, or at the hospital level through innovation budgets.

For the three six months ended March 31, 2024 June 30, 2024, 95.0% 95.5% of our revenue was derived in the U.S. and 5.0% 4.5% was derived outside of the U.S. No single customer accounted for more than 10% of our revenue during the three six months ended March 31, 2024 June 30, 2024.

We rely on third-party suppliers to manufacture our Inspire system and its components. Many of these suppliers are currently single source suppliers. We have experienced and continue to experience supply disruptions that began during the COVID-19 pandemic, but to date we have managed to avoid major delays in implant procedures due to those issues. During the third quarter of 2023, we experienced an inventory supply issue related to our polyurethane-based stimulation leads, one component of the Inspire system currently used only in the European market. market at that time. In 2022, the FDA approved our silicone-based stimulation and sensing leads in the U.S., which replaced the polyurethane versions of the leads, and we stopped manufacturing polyurethane leads. We applied for European Union ("EU") Medical Devices Regulation ("MDR") certification in December 2021, which we expect to obtain received in July 2024, following industry-wide delays in the process. In the interim, we had received a derogation pursuant to Article 59 of the EU MDR from the Dutch, German, Swiss, Belgian, and Austrian competent authorities, and the British equivalent, i.e. exceptional use authorization, from the United Kingdom national competent authority. Article 59 derogation is granted when the member state determines that it is in the best interests of patient health and safety, and that there is no adequate alternative authority, allowing us to the device. It allows us continue to place the silicone-based leads on the market in those countries until various dates in 2024 or until we receive received certification under the EU MDR, whichever occurs occurred first. We may continue to pursue derogation in other EU member states, however, Now that we cannot be certain that other national competent authorities will grant a derogation similar to the above-mentioned authorities. However, to date, all of our derogation applications have been approved. Until we obtain obtained certification under the EU MDR, silicone leads may only be sold in marketed throughout the EU member states that have granted derogation. Polyurethane-based leads are the only leads that may be sold in the EU member states that have not granted derogation, and the polyurethane stimulation lead is in low supply. EU. During the fourth quarter of 2023 and extending into early 2024, the delay in certification and the shortage of polyurethane-based stimulation leads caused delays to implant procedures which adversely affected our business in Europe, including a reduction in our European revenue, and thereby our consolidated revenue. We estimate the impact during the fourth quarter of 2023 was approximately $4.0 million in lost revenue opportunity, some most of which we believe was recovered during the first quarter half of 2024. However, if we do not receive EU MDR certification or derogation extensions, we may again experience delays to implant procedures, and therefore adverse impacts to our revenue.

We typically seek to maintain higher levels of inventory to protect ourselves from supply interruptions, and, as a result, we are subject to the risk of inventory obsolescence and expiration, which could lead to inventory impairment charges.

In the U.S., our products are shipped directly to our U.S. customers and to our Singapore and Hong Kong distributors on a purchase order basis, primarily by a third-party vendor with a facility in Tennessee, although we do ship some products from our facility in Minnesota. Warehousing and shipping operations for our European customers are handled by a third-party vendor with a facility located in the Netherlands, and warehousing and shipping operations for our Japanese customers are handled by a third-party with a facility in Japan. Customers do not have the right to return a non-defective product, nor do we place product on consignment. Our sales representatives do not maintain trunk stock.

Since our inception in 2007, we have financed our operations primarily through sales of our Inspire system, private placements of our convertible preferred securities, amounts borrowed under our former credit facility, and equity offerings of our common stock. We have devoted significant resources to research and development activities related to our Inspire system, including clinical and regulatory initiatives to obtain marketing approval, and sales and marketing activities. For the three months ended March 31, 2024 June 30, 2024, we generated revenue of $164.0 million $195.9 million with a gross margin of 84.9% 84.8% and had a net income of $9.8 million compared to revenue of $151.1 million with a gross margin of 83.9% and a net loss of $12.0 million for the three months ended June 30, 2023. For the six months ended June 30, 2024, we generated revenue of $359.9 million with a gross margin of 84.8% and had a net loss of $10.0 million

$0.2 million compared to revenue of $127.9 million $279.0 million with a gross margin of 84.4% 84.2% and a net loss of $15.4 million $27.4 million for the three six months ended March 31, 2023 June 30, 2023. Our accumulated deficit as of March 31, 2024 June 30, 2024 was $355.4 million $345.6 million.

We have invested heavily in product development. Our research and development activities have been centered on driving continuous improvements to our Inspire therapy. We have also made significant investments in clinical studies to demonstrate the safety and efficacy of our Inspire therapy and to support regulatory submissions. We continue to make investments in research and development efforts to develop our next generation generations of the Inspire systems and support our future regulatory submissions for expanded indications and for new markets such as additional European countries and the Asia Pacific region. For example, in June 2023, August 2024, we submitted a premarket received approval ("PMA") supplement to from the FDA for our next generation Inspire system. Also system, which we expect to fully launch in 2025. In June 2023, we received approval

from the FDA on an expanded indication which includes an increase on the upper limit of the Apnea Hypopnea Index to 100 events per hour from 65, and raises the Body Mass Index ("BMI") warning in the labeling to 40 from 32, and we also received FDA approval of our new physician programmer, called the SleepSync™ programmer, which we expect to formally launch in the U.S. in the second half of 2024. In March 2023, we received FDA approval to offer Inspire therapy to certain pediatric patients with Down syndrome.

Our direct-to-consumer marketing includes the use of social media platforms such as Facebook, Google ad placements, and radio and television commercials. The objective of this outreach is to bring patients to our website, where they can find educational materials and videos on sleep apnea and the use and benefits of our Inspire therapy, contact information for physicians and clinical sites, and information regarding community awareness events. Further, our team leverages the Inspire Sleep app for patient education. We plan to continue to refine our approach to direct-to-consumer outreach, including increasing attention to digital advertising directed towards qualified patients. We expect to maintain our level of direct-to-consumer activities.

We have a call center which we refer to as the Inspire Advisor Care Program ("ACP"). The primary purpose of this program is to assist patients with making a connection with a qualified healthcare provider based on their specific needs. In 2022, we initiated a digital scheduling pilot program to facilitate and streamline patient access to care. We intend to continue to enhance this scheduling capability during the remainder of 2024.

We also continue to make significant investments to build our sales and marketing organization by increasing the number of U.S., European, and Japanese sales representatives and continuing our direct-to-consumer marketing efforts in existing and new markets. During the three months ended March 31, 2024 June 30, 2024, we added 11 12 new U.S. sales territories, bringing our total to 298 310 U.S. sales territories as of March 31, 2024 June 30, 2024. During that same period, we activated 66 81 new U.S. medical centers, bringing the total to 1,246 1,316 U.S. medical centers implanting Inspire therapy as of March 31, 2024 June 30, 2024.

During 2023 and into the first quarter half of 2024, glucagon-like peptide 1 ("GLP-1s"), a class of drug indicated for diabetes and obesity, continued to gain popularity as a weight-loss drug. OSA is a multifactorial disease with many independent factors including age, gender, weight, and neck circumference. Inspire is designed to address anteroposterior airway collapse, also known as tongue-based tongue base collapse. Additionally, patients with a higher BMI are subject to a larger neck circumference and present predominantly with lateral-wall collapse. A combination of tongue-based tongue base collapse and lateral-wall collapse is identified as a complete concentric collapse of the upper airway. Inspire is contraindicated for complete concentric collapse. On April 17, 2024, Eli Lilly and Company ("Lilly") published headline results from its SURMOUNT-OSA trial demonstrating a 50.7% reduction in Apnea-Hypopnea Index ("AHI") for patients in the therapy arm of the study using tirzepatide, a GLP-1 injection. Subsequently, on June 21, 2024, Lilly published additional results from its SURMOUNT-OSA trial demonstrating 43% of participants treated with tirzepatide at the highest dose met criteria for disease resolution. In this context, "disease resolution" means achieving an AHI of fewer than 5 events per hour, or an AHI of 5 to 14 events per hour and an Epworth Sleepiness Scale ("ESS") score of ≤10. ESS is a standard questionnaire designed to assess excessive daytime sleepiness. Given a baseline AHI of 50.3, and based on these results, we believe these results suggest that most patients enrolled in the study will continue to have residual moderate to severe OSA that will require treatment and fall within Inspire's FDA-approved indication. While weight loss may help reduce a patient's AHI and other OSA symptoms, numerous other studies have shown that weight loss alone will not resolve OSA for the vast majority of patients. We expect GLP-1s may help patients address their lateral wall collapse, making them a potential candidate for Inspire therapy to the extent they also have tongue-based tongue base collapse. Based on our ongoing ADHERE patient registry, the average BMI of patients

treated with Inspire therapy is 29 and the American Academy of Sleep Medicine guidelines recommend weight loss prior to surgery for patients with BMI over 35 and nonsurgical solutions for patients with BMI over 40. Therefore, we believe there is not a notable overlap between the Inspire patient population and the patient population being treated with GLP-1s today. While we cannot quantify the impact, we believe that there could be a benefit to our business as a result of GLP-1s, although there can be no assurance of such benefit at this time.

Macroeconomic Environment

The global economy continues to experience increased inflationary pressures. Higher interest rates and capital costs, higher shipping costs, increased costs of labor, international conflicts and terrorism, and weakening foreign currency exchange rates are creating additional economic challenges. These conditions may cause our customers to decrease or delay orders for our products.

Our inventory on-hand has been constrained by the continuing supply chain challenges and component shortages, although the supply chain constraints eased somewhat throughout 2023 and into 2024. As mentioned above, not having received EU MDR approval of our silicone-based leads which resulted in shortages of polyurethane-based leads, we have experienced and may continue experience to cause delays to implant procedures and a reduction in our European revenue.

Components of Our Results of Operations

Revenue

We derive primarily all of our revenue from the sale of our Inspire system to hospitals and ASCs in the U.S. and in select countries in Europe and the Asia Pacific region. We recognize revenues from sales of our Inspire system when the customer obtains control of the product, which occurs at a point in time, either upon shipment of the product or receipt of the product, depending on shipment terms.

Our revenue has fluctuated, and may continue to fluctuate, from quarter to quarter due to a variety of factors. For example, we have historically experienced seasonality in our first and fourth quarters, and have experienced adverse impacts on our revenue due to the prior delay in obtaining EU MDR approval of our silicone-based leads and foreign currency exchange rates. In addition, we believe our revenue growth has been adversely impacted by lack of ENT surgeon capacity. If such impacts continue, our revenue growth may be further adversely impacted.

Our business has grown rapidly in recent years, resulting in substantially increased revenues, and we expect that our business will continue to grow. However, our revenue growth rate has generally declined in recent periods, and it may continue to do so as a result of the difficulty of maintaining growth rates as our revenues increase to higher levels.

Cost of Goods Sold and Gross Margin

Cost of goods sold consists primarily of acquisition costs for the components of the Inspire system, overhead costs, scrap, and inventory obsolescence, warranty replacement costs, as well as distribution-related expenses such as logistics and shipping costs, net of shipping costs charged to customers. The overhead costs include the cost of material procurement, depreciation expense for production equipment, and operations supervision and management personnel, including employee compensation, stock-based compensation, supplies, and travel. We expect cost of goods sold to increase or decrease in absolute dollars primarily as, and to the extent, our revenue grows or declines, respectively.

We calculate gross margin as gross profit divided by revenue. Our gross margin has been and we expect it will continue to be affected by a variety of factors, including manufacturing costs, the average selling price of our Inspire system, the implementation of cost-reduction strategies, inventory obsolescence costs, which generally occur when new generations of our Inspire system are introduced, and to a lesser extent the sales mix between the U.S. and countries outside of the U.S., as our average selling price in the U.S. tends to be higher than in other countries. Our gross margin may increase slightly to the extent our production volumes increase and we receive discounts on the costs charged by our contract manufacturers, thereby reducing our per unit costs, and when we implement price increases on our products, thereby increasing our revenue. On the other hand, our gross margin may decrease

slightly to the extent our yields decrease, or materials and labor prices increase due to supply chain issues and inflation, thereby increasing our per unit costs. However, our gross margin may also fluctuate from quarter to quarter due to seasonality and foreign currency exchange rates.

Research and Development Expenses

Research and development ("R&D") expenses consist primarily of product development, engineering, clinical studies to develop and support our products, regulatory expenses, quality assurance, testing, consulting services, prelaunch inventory, and other costs associated with the next generation versions of the Inspire system and SleepSync™, a cloud-based patient management system. These expenses include employee compensation,

including stock-based compensation, supplies, materials, consulting, and travel expenses related to research and development programs. Additionally, these expenses include clinical study management, payments to clinical investigators, data management and travel expenses for our various clinical studies.

We expense prelaunch inventory as R&D expense in the period incurred unless objective and persuasive evidence exists that regulatory approval and subsequent commercialization of a product candidate is probable and we also expect future economic benefit from the sales of the product candidate to be realized.

We expect R&D expenses to increase in the future as we develop next generation versions of our Inspire system and SleepSync™ and continue to expand our clinical studies to further expand positive coverage policies from private commercial payors in the U.S. and enter into new markets including additional European countries and the Asia Pacific region. We expect R&D expenses as a percentage of revenue to vary over time depending on the level and timing of initiating new product development efforts and new clinical development activities.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses consist primarily of compensation for personnel, including base salaries, stock-based compensation expense and commissions related to our sales organization, finance, information technology, human resource, and legal functions, as well as spending related to marketing, sales operations, and training and reimbursement personnel. Other SG&A expenses include training physicians, travel expenses, advertising, direct-to-consumer promotional programs, conferences, trade shows and consulting services, professional services fees, audit fees, insurance costs and general corporate expenses, including facilities-related expenses.

We expect SG&A expenses to continue to increase as we expand our commercial infrastructure to both drive and support our planned growth in revenue and as we increase our headcount and expand administrative personnel to support our growth and operations as a public company including finance, legal, and human resources personnel and information technology services. Additionally, we anticipate an increase in our stock-based compensation expense with grants of stock options, restricted stock units, performance stock units, and shares of our common stock purchased pursuant to our employee stock purchase plan.

Other (Income) Expense

Other (income) expense consists primarily of interest and dividend income, the impacts of foreign currency transactions and remeasurements, and gains and losses on investments.

Seasonality

Historically, we have experienced seasonality in our first and fourth fiscal quarters, and we expect this trend to continue. In the U.S., we have experienced, and may in the future experience, higher sales in the fourth quarter as a result of patients having paid their annual insurance deductibles in full, thereby reducing their out-of-pocket costs. Conversely, in the first quarter, many U.S. patients' insurance deductibles reset, requiring more out-of-pocket costs, which negatively impacts our sales during this period.

Results of Operations

	Three Months Ended June 30,				Six Months Ended June 30,			
	2024	2023	$ Change	% Change	2024	2023	$ Change	% Change
	(in thousands, except percentages)							
Revenue	$ 195,885	$ 151,092	$ 44,793	29.6 %	$ 359,895	$ 278,989	$ 80,906	29.0 %
Cost of goods sold	29,843	24,252	5,591	23.1 %	54,600	44,140	10,460	23.7 %
Gross profit	166,042	126,840	39,202	30.9 %	305,295	234,849	70,446	30.0 %
Gross margin	*84.8%*	*83.9%*			*84.8%*	*84.2%*		
Operating expenses:								
Research and development	28,859	30,821	(1,962)	(6.4)%	57,709	56,340	1,369	2.4 %
Selling, general and administrative	132,084	112,618	19,466	17.3 %	257,705	214,606	43,099	20.1 %
Total operating expenses	160,943	143,439	17,504	12.2 %	315,414	270,946	44,468	16.4 %
Operating income (loss)	5,099	(16,599)	21,698	(130.7)%	(10,119)	(36,097)	25,978	(72.0)%
Other income, net	(5,747)	(4,861)	(886)	18.2 %	(11,610)	(9,151)	(2,459)	26.9 %
Income (loss) before income taxes	10,846	(11,738)	22,584	(192.4)%	1,491	(26,946)	28,437	(105.5)%
Income taxes	1,053	214	839	392.1 %	1,703	430	1,273	296.0 %
Net income (loss)	$ 9,793	$ (11,952)	$ 21,745	(181.9)%	$ (212)	$ (27,376)	$ 27,164	(99.2)%

Comparison of the Three Months Ended March 31, 2024 June 30, 2024 and 2023

	Three Months Ended March 31,			
	2024	2023	$ Change	% Change
	(in thousands, except percentages)			
Revenue	$ 164,010	$ 127,897	$ 36,113	28.2 %
Cost of goods sold	24,757	19,888	4,869	24.5 %
Gross profit	139,253	108,009	31,244	28.9 %
Gross margin	*84.9%*	*84.4%*		
Operating expenses:				
Research and development	28,850	25,519	3,331	13.1 %
Selling, general and administrative	125,621	101,988	23,633	23.2 %
Total operating expenses	154,471	127,507	26,964	21.1 %
Operating loss	(15,218)	(19,498)	4,280	(22.0)%
Other income, net	(5,863)	(4,290)	(1,573)	36.7 %

Loss before income taxes	(9,355)	(15,208)	5,853	(38.5)%
Income taxes	650	216	434	200.9 %
Net loss	$ (10,005)	$ (15,424)	$ 5,419	(35.1)%

Revenue

Revenue increased $36.1 million $44.8 million, or 28.2% 29.6%, to $164.0 million $195.9 million for the three months ended March 31, 2024 June 30, 2024 compared to $127.9 million $151.1 million for the three months ended March 31, 2023 June 30, 2023. These results reflect an increase in sales of our Inspire system of $31.3 million $43.1 million in the U.S. and an increase of $4.8 million $1.7 million outside of the U.S. compared to the same prior year period. Overall revenue growth was primarily due to increased market penetration in existing centers, expansion into new territories and centers, and, we believe, increased physician and patient awareness of our Inspire system, partially offset by ENT surgeon capacity constraints.

Revenue information by region is summarized as follows:

		Three Months Ended March 31, / Three Months Ended June 30,												
		2024 / 2024 / 2024			2023			Change		2023			Change	
		Amount		Amount	% of Revenue		Amount	% of Revenue		$	%		Amount	
		(in thousands, except percentages)												
United States	United States	$155,771	95.0	95.0 %	$124,485	97.3	97.3 %	$31,286	25.1	25.1 %	United States	$187,808	95.9	95.9
All other countries	All other countries	8,239	5.0	5.0 %	3,412	2.7	2.7 %	4,827	141.5	141.5 %	All other countries	8,077	4.1	4.1
Total revenue	Total revenue	$164,010	100.0	100.0 %	$127,897	100.0	100.0 %	$36,113	28.2	28.2 %	Total revenue	$195,885	100.0	100.0

Revenue generated in the U.S. was $155.8 million $187.8 million for the three months ended March 31, 2024 June 30, 2024, an increase of $31.3 million $43.1 million, or 25.1% 29.7%, compared to the three months ended March 31, 2023 June 30, 2023. Revenue growth in the U.S. was primarily due to increased market penetration in existing centers, the expansion into new territories and centers, and, we believe, increased physician and patient awareness of our Inspire system.

Revenue generated outside of the U.S. was $8.2 million $8.1 million in the three months ended March 31, 2024 June 30, 2024, an increase of $4.8 million $1.7 million, or 141.5% 27.3%, compared to the three months ended March 31, 2023 June 30, 2023. Revenue growth outside of the U.S. was primarily due to increased market penetration in existing centers, the expansion of our European sales representatives into new territories and centers, increased sales in the Asia Pacific region, and, we believe, increased physician and patient awareness of our Inspire system.

Cost of Goods Sold and Gross Margin

Cost of goods sold increased $5.6 million, or 23.1%, to $29.8 million for the three months ended June 30, 2024 compared to $24.3 million for the three months ended June 30, 2023. The increase was primarily due to product costs associated with the higher sales volume of our Inspire system experienced during the second quarter of 2024. Cost of goods sold for the three months ended June 30, 2023 was negatively impacted by additional costs associated with the transition of manufacturing lines to produce our new silicone-based leads.

Gross margin increased to 84.8% for the three months ended June 30, 2024 from 83.9% for the three months ended June 30, 2023. This increase was primarily due to increased sales volume and manufacturing efficiencies. Gross margin for the three months ended June 30, 2023 was negatively impacted by additional manufacturing costs associated with the transition of manufacturing lines to produce our new silicone-based leads.

Research and Development Expenses

Research and development expenses decreased $2.0 million, or 6.4%, to $28.9 million for the three months ended June 30, 2024 compared to $30.8 million for the three months ended June 30, 2023. This change was primarily due to a decrease of $7.9 million in ongoing research and development costs compared to the prior year period, primarily with respect to our next generation versions of the Inspire neurostimulator and our SleepSync™ platform, partially offset by an increase of $5.7 million of compensation and employee-related expenses, mainly as a result of increased headcount and stock-based compensation expense, and an increase of $0.2 million in regulatory and clinical studies expenses and quality compliance fees.

Selling, General and Administrative Expenses

SG&A expenses increased $19.5 million, or 17.3%, to $132.1 million for the three months ended June 30, 2024 compared to $112.6 million for the three months ended June 30, 2023. The primary driver of this change was an increase of $18.8 million in compensation, including salaries, commissions, stock-based compensation, and other employee-related expenses, mainly as a result of increased headcount. In addition, general corporate costs increased $1.9 million primarily due to computer equipment and software expense, bank fees, and depreciation expense, as well as an increase in travel expenses of $0.9 million, partially offset by marketing expenses which decreased by $2.1 million, which amount was primarily attributable to reduced direct-to-consumer initiatives.

Other Income, Net

Other income, net increased by $0.9 million, or 18.2%, to $5.7 million for the three months ended June 30, 2024 compared to $4.9 million for the three months ended June 30, 2023. The change was primarily due to an increase of $1.0 million in interest and dividend income due to higher interest rates on our higher cash, cash equivalents, and investment balances, partially offset by an increase of $0.1 million in foreign currency translation and remeasurement losses.

Income Taxes

We recorded a provision for incomes taxes of approximately $1.1 million and $0.2 million for the three months ended June 30, 2024 and June 30, 2023, respectively. This change was primarily due to an increase in state and local taxes.

Comparison of the Six Months Ended June 30, 2024 and 2023

Revenue

Revenue increased $80.9 million, or 29.0%, to $359.9 million for the six months ended June 30, 2024 compared to $279.0 million for the six months ended June 30, 2023. The increase was attributable to a $74.3 million increase in sales of our Inspire system in the U.S and an increase of $6.6 million outside of the U.S. Overall revenue growth was primarily due to increased market penetration in existing centers, expansion into new territories and centers, and, we believe, increased physician and patient awareness of our Inspire system, partially offset by ENT surgeon capacity constraints.

Revenue information by region is summarized as follows:

	Six Months Ended June 30,				Change	
	2024		2023			
	Amount	% of Revenue	Amount	% of Revenue	$	%
	(in thousands, except percentages)					
United States	$ 343,579	95.5 %	$ 269,234	96.5 %	$ 74,345	27.6 %
All other countries	16,316	4.5 %	9,755	3.5 %	6,561	67.3 %
	$ 359,895	100.0 %	$ 278,989	100.0 %	$ 80,906	29.0 %

Revenue generated in the U.S. was $343.6 million for the six months ended June 30, 2024, an increase of $74.3 million, or 27.6%, compared to the six months ended June 30, 2023.Revenue growth in the U.S. was primarily due to increased market penetration in existing centers, the expansion into new territories and centers, and, we believe, increased physician and patient awareness of our Inspire system.

Revenue generated outside of the U.S. was $16.3 million for the six months ended June 30, 2024, an increase of $6.6 million, or 67.3%, compared to the six months ended June 30, 2023. As noted above, during the fourth quarter of 2023, not having received EU MDR certification of our silicone-based stimulation lead and the resulting shortage of polyurethane-based stimulation leads had an estimated adverse impact on European revenue during

that period of approximately $4.0 million. The revenue increase experienced during the first quarter half of 2024 was primarily partially due to the recovery of some of the estimated $4.0 million of revenue opportunity from the fourth quarter of 2023. Other factors contributing to revenue growth were increased market penetration in existing centers, the expansion of our European sales representatives into new territories and centers, increased sales in the Asia Pacific region, and, we believe, increased physician and patient awareness of our Inspire system.

Cost of Goods Sold and Gross Margin

Cost of goods sold increased $4.9 million $10.5 million, or 24.5% 23.7%, to $24.8 million $54.6 million for the three six months ended March 31, 2024 June 30, 2024 compared to $19.9 million $44.1 million for the three six months ended March 31, 2023 June 30, 2023. The increase was primarily due to product costs associated with the higher sales volume of our Inspire system experienced during the first quarter half of 2024. Cost of goods sold for the three six months ended March 31, 2023 June 30, 2023 was negatively impacted by additional costs associated with the transition of manufacturing lines to produce our new silicone-based leads.

Gross margin increased to 84.9% 84.8% for the three six months ended March 31, 2024 June 30, 2024 from 84.4% 84.2% for the three six months ended March 31, 2023 June 30, 2023. This increase was primarily due to increased sales volume and manufacturing efficiencies. Gross margin for the three six months ended March 31, 2023 June 30, 2023 was negatively impacted by additional costs associated with the transition of manufacturing lines to produce our new silicone-based leads.

Research and Development Expenses

Research and development expenses increased $3.3 million $1.4 million, or 13.1% 2.4%, to $28.9 million $57.7 million for the three six months ended March 31, 2024 June 30, 2024 compared to $25.5 million $56.3 million for the three six months ended March 31, 2023 June 30, 2023. This change was primarily due to an increase of $5.1 million $11.0 million of compensation and employee-related expenses, mainly as a result of increased headcount and stock-based compensation expense and an increase $0.3 million of $0.1 million in regulatory and clinical studies expenses

and quality compliance audit fees, partially offset by a decrease of $1.9 million $9.9 million in ongoing research and development costs, compared to the prior year period, primarily with respect to our next generation versions of the Inspire neurostimulator and our SleepSync™ platform.

Selling, General and Administrative Expenses

SG&A expenses increased $23.6 million $43.1 million, or 23.2% 20.1%, to $125.6 million $257.7 million for the three six months ended March 31, 2024 June 30, 2024 compared to $102.0 million $214.6 million for the three six months ended March 31, 2023 June 30, 2023. The primary driver of this change was an increase of $15.4 million $34.2 million in compensation, including salaries, commissions, stock-based compensation, and other employee-related expenses, mainly as a result of increased headcount. In addition, marketing expenses increased $3.3 million, primarily consisting of direct-to-consumer initiatives. Other drivers of the change to SG&A expenses included an increase in general corporate costs of $3.0 million increased $4.9 million primarily due to legal fees, bank fees, computer equipment and software expense, bank fees, and office rent depreciation expense, as well as an increase in travel expenses of $1.9 million. $2.8 million, and an increase of $1.2 million of marketing expenses primarily consisting of direct-to-consumer initiatives.

Other Income, Net

Other income, net increased by $1.6 million, or 36.7% $2.5 million, to $5.9 million $11.6 million for the three six months ended March 31, 2024 June 30, 2024 compared to $4.3 million $9.2 million for the three six months ended March 31, 2023 June 30, 2023. The This change was primarily due to an increase of $1.7 million $2.6 million in interest and dividend income due to higher interest rates on our higher cash, cash equivalents and investment balances, partially offset by an increase of $0.1 million in foreign currency translation and remeasurement losses due to exchange rates. losses.

Income Taxes

We recorded a provision for incomes income taxes of approximately $0.7 million $1.7 million and $0.2 million $0.4 million for the three six months ended March 31, 2024 June 30, 2024 and March 31, 2023 June 30, 2023, respectively. This change was primarily due to an increase of $0.4 million in state and local taxes, as well as $0.1 million in foreign taxes.

Liquidity and Capital Resources

As of March 31, 2024 June 30, 2024, we had cash, cash equivalents, and available-for-sale debt securities of $469.2 million $466.0 million, a decrease of $0.4 million $3.5 million from $469.5 million as of December 31, 2023. Working capital totaled $500.0 million $541.5 million as of March 31, 2024 June 30, 2024, a decrease an increase of $15.6 million $25.9 million from December 31, 2023. We define working capital as current assets less current liabilities. The decrease increase in working capital was primarily due to the following factors:

- a $17.6 million decrease in accounts receivable due to lower sales which occurred during the first quarter of 2024 versus the fourth quarter of 2023;
- a $10.1 million decrease in cash and cash equivalents, primarily due to the purchase of long-term available-for-sale investments and cash to support operations, offset partially by sales of the Inspire system and proceeds from the exercise of stock options;
- an $8.9 million decrease in short-term available-for-sale investments, the proceeds of which were used to purchase long-term available-for-sale investments; and
- a $5.0 million increase in accounts payable, generally due to our business volume and headcount growth from the prior year.

The decrease in working capital was partially offset by the following factors:

- a $15.1 million $25.1 million increase in inventory balances, which increased as supply chain issues eased; and
- a $10.9 million $19.2 million increase in prepaid expense and other current assets which increased primarily due to dividends receivable on investments;
- a $7.2 million decrease in accrued expenses, which decreased primarily due to the payment of year-end bonuses and commissions. commissions;

- a $5.2 million decrease in accounts payable, generally due to decreased direct-to-consumer marketing spend in the second quarter of 2024; and
- a $2.5 million increase in cash and cash equivalents, primarily due to cash provided by operations and proceeds from the exercise of stock options.

The increase in working capital was partially offset by the following factors:

- a $23.2 million decrease in short-term available-for-sale investments, the proceeds of which were primarily used to purchase long-term available-for-sale investments; and
- a $10.2 million decrease in accounts receivable due to lower sales which occurred during the second quarter of 2024 versus the fourth quarter of 2023.

We proactively manage our access to capital to support liquidity and continued growth. Our sources of capital include sales of our Inspire system and registered offerings of our common stock.

The primary objective of our investment activities is to preserve our capital for the purpose of funding operations while at the same time maximizing the income we receive from our investments without significantly increasing risk or decreasing availability. To achieve these objectives, our investment policy allows us to maintain a portfolio of certain types of debt securities issued by the U.S. government and its agencies, corporations with investment-grade credit ratings, or commercial paper and money market funds issued by the highest quality financial and non-financial companies. At March 31, 2024 June 30, 2024, we had $141.5 million $144.5 million in money market funds, $246.9 million $232.6 million in U.S. government securities, and $46.9 million $45.3 million in corporate debt securities, certificates of deposit, commercial paper, and asset-backed securities. See Note 2 to our unaudited consolidated financial statements in this Quarterly Report for additional information on our investments.

In the three six months ended March 31, 2024 June 30, 2024, our R&D and SG&A expenditures increased significantly over the prior year levels, and we anticipate further increases during the remainder of 2024. Our SG&A expenditures, primarily for increasing headcount and advertising, may exceed any associated increases in revenues, and therefore would reduce our cash flow from operations. We also anticipate R&D expenses will continue to be significant in 2024, primarily related to the ongoing development of the SleepSync™ platform and next generation products.

We spent $11.7 million $24.1 million on purchases of property and equipment in the three six months ended March 31, 2024 June 30, 2024, mainly on testing systems and production equipment for our next generation Inspire system, our SleepSync™ platform, computer hardware and software, and leasehold improvements. We anticipate further capital expenditures in 2024, primarily for additional production equipment and our SleepSync™ platform, computer hardware and software, and leasehold improvements on our corporate office buildings.

As of March 31, 2024 June 30, 2024, we did not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

We believe that our existing cash and cash equivalents and investments, which totaled $469.2 million $466.0 million as of March 31, 2024 June 30, 2024, together with cash flows from operations, will provide liquidity sufficient to meet our cash needs and fund

our operations and planned capital expenditures for at least the next 12 months. There can be no assurance, however, that our business will continue to generate cash flows at the same levels achieved in prior periods.

Beyond the next 12 months, our cash requirements will depend extensively on the timing of market introduction, and extent of market acceptance of, our Inspire system. Our long-term cash requirements also will be significantly impacted by the level of our investment in commercialization, entry and expansion into new markets such as Australia, whether we make strategic acquisitions, and competition. We cannot accurately predict our long-term cash requirements at this time. An extended period of global supply chain and economic disruption could materially affect our business, results of operations, access to sources of liquidity, and financial condition. We may seek additional sources of liquidity and capital resources through equity or debt financings, such as additional securities offerings or through borrowings under a new credit facility. There can be no assurance that such transactions will be available to us on favorable terms, if at all.

Cash Flows

The following table presents a summary of our cash flow for the periods indicated:

		Three Months Ended		March 31,	Six Months Ended	June 30,
	2024	2024	2023	2024	2023	
			(in thousands)			

Net cash provided by (used in):
Operating activities
Operating activities
Operating activities
Investing activities
Financing activities
Effect of exchange rate on cash
Net (decrease) increase in cash and cash equivalents
Net increase in cash and cash equivalents

Operating Activities

The net cash provided by operating activities was $8.9 million $8.8 million for the three six months ended March 31, 2024 June 30, 2024 and consisted of a net loss of $10.0 million $0.2 million, non-cash charges of $23.8 million $55.5 million, and a decrease in net operating assets of $5.0 million $46.5 million. The non-cash charges consisted primarily of stock-based compensation, which increased mainly as a result of granting more equity awards to a greater number of employees as compared to the same prior-year period. The remainder of the non-cash charges included accretion of investment discount due to higher investment balances, depreciation and amortization expense which increased with additional purchases of property and equipment, non-cash lease expense, the benefit for estimated credit losses related primarily to accounts receivable with two healthcare systems, and stock issued for services rendered, and other, net. rendered. Operating assets include inventories, which increased as supply chain constraints eased, and accounts receivable, which decreased due to collections on the higher sales volume we typically experience late in the fourth quarter. Operating assets also include prepaid expenses and other current assets, which decreased slightly compared to the same prior-year period, increased primarily due to various prepaid expenses and prepaid insurance. dividends receivable on our investments. Operating liabilities include accounts payable, which increased decreased generally due to our increased business volume year-over-year and reduced direct-to-consumer marketing spend in the costs to support the growth second quarter of our operations, 2024, and accrued expenses, which decreased primarily due to the payment of year-end bonuses and commissions.

The net cash used in provided by operating activities was $1.3 million $3.7 million for the three six months ended March 31, 2023 June 30, 2023 and consisted of a net loss of $15.4 million $27.4 million, non-cash charges of $19.2 million $42.7 million, and a decrease in net operating assets of $5.1 million $11.6 million. The non-cash charges consisted primarily of stock-based compensation, which increased mainly as a result of granting more stock options, restricted stock units, and performance stock units to more employees at a higher fair market value. The remainder of the non-cash charges included depreciation and amortization expense, non-cash lease expense, and stock issued for services rendered. rendered, and other, net. Operating assets include accounts receivable which decreased due to collections on the higher sales volume we typically experience late in the fourth quarter. Operating assets also include inventories, which increased as supply chain constraints eased, and to a lesser extent prepaid expenses and other current assets. assets, which increased primarily due to prepaid insurance and other prepaid expenses. Operating assets also include accounts receivable, which increased due to higher sales volume. Operating liabilities includes include accounts payable, which increased generally due

to our increased business volume year-over-year and the costs to support the growth of our operations, and accrued expenses, which decreased primarily due to the payment of year-end bonuses and commissions.

Investing Activities

Net cash used in investing activities for the three six months ended March 31, 2024 June 30, 2024 was $19.5 million $13.9 million and consisted primarily of the purchase of investments of $55.7 million, $112.0 million and the purchases of property and equipment of $11.7 million $24.1 million, mainly for testing systems and production equipment for our next generation Inspire system, our SleepSync™ platform, computer hardware and software, and leasehold improvements, partially offset by the proceeds from sales or maturities of investments of $47.9 million $122.2 million.

Net cash used in provided by investing activities for the three six months ended March 31, 2023 June 30, 2023 was $3.8 million $1.1 million and consisted of the proceeds from sales or maturities of investments of $10.0 million, offset by the purchases of property and equipment. equipment of $8.6 million, and the purchase of strategic investments of $0.3 million.

Financing Activities

Net cash provided by financing activities was $0.8 million $7.9 million for the three six months ended March 31, 2024 June 30, 2024 and consisted of $3.6 million $9.1 million in proceeds from the exercise of stock options and $3.4 million in proceeds from the issuance of common stock from our Employee Stock Purchase Plan ("ESPP"), partially offset by $2.8 million $4.7 million of taxes paid on net share settlement of equity awards.

Net cash provided by financing activities was $5.6 million $20.6 million for the three six months ended March 31, 2023 June 30, 2023 and consisted of $7.4 million $20.5 million in proceeds from the exercise of stock options and $2.8 million in proceeds from the issuance of common stock from our ESPP, partially offset by $1.7 million $2.7 million of taxes paid on net share settlement of equity awards.

Contractual Obligations and Commitments

There have been no material changes to our short-term and long-term anticipated cash requirements under contractual obligations from those described in our Annual Report.

Critical Accounting Policies and Estimates

Our critical accounting policies and estimates are described in "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" contained in our Annual Report. We have reviewed and determined that those critical accounting policies and estimates discussed in our Annual Report remain our critical accounting policies and estimates as of and for the three six months ended March 31, 2024 June 30, 2024.

Recent Accounting Pronouncements

A discussion of recent accounting pronouncements is included in Note 2 to our unaudited consolidated financial statements contained in this Quarterly Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk

The risk associated with fluctuating interest rates is primarily limited to our cash equivalents which are carried at quoted market prices and our short-term investments. We do not currently use or plan to use financial derivatives in our investment portfolio. A hypothetical 1% change in interest rates would have impacted interest and dividend income on our consolidated financial statements by approximately $1.1 million $2.2 million and $1.0 million $2.0 million during the three six months ended March 31, 2024 June 30, 2024 and 2023, respectively.

Credit Risk, Foreign Currency Risk, and Inflation Risk

For market risks related to changes in credit, foreign currency, and inflation, refer to Item 7A "Quantitative and Qualitative Disclosures About Market Risk" contained in Part II of our Annual Report. Our exposure to these risks has not materially changed from those disclosed in our Annual Report, other than as described below.

As of March 31, 2024 June 30, 2024 and December 31, 2023, our cash, cash equivalents, and investments were maintained with financial institutions which we believe have sufficient assets and liquidity to conduct their operations in the ordinary course of business with little or no credit risk to us; however, our cash balances were in excess of insured limits. Market conditions can impact the viability of where our cash is held. In the event of failure of any of the financial

institutions where we maintain our cash and cash equivalents, there can be no assurance that we will be able to access uninsured funds in a timely manner or at all.

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures

The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, refers to controls and other procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits 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, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and our management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our management, with the participation of our chief executive officer and our chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report. Based on that evaluation, our chief executive officer and our chief financial officer concluded that our disclosure controls and procedures were effective, at the reasonable assurance level, as of the end of the period covered by this Quarterly Report.

Changes in internal control over financial reporting.

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended March 31, 2024 June 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.

From time to time we may be involved in claims and proceedings arising in the ordinary course of our business. The outcome of any such claims or proceedings, regardless of the merits, is inherently uncertain.

The information contained in “Note 10 — Commitments and Contingencies” in the Notes to the Consolidated Financial Statements is incorporated by reference into this Item 1 of this Quarterly Report.

Item 1A. Risk Factors.

For a discussion of our potential risks and uncertainties, see the information in "Part I, Item 1A. Risk Factors” in our Annual Report. There have been no material changes to the risk factors disclosed in our Annual Report, other than the following:

We currently compete and will in the future continue to compete against other companies, some of which have longer operating histories, more established products or greater resources than we do, which may prevent us from achieving increased market penetration and improved operating results.

The medical technology industry is highly competitive, subject to change and significantly affected by new product introductions and other activities of industry participants. Our competitors have historically dedicated and will

continue to dedicate significant resources to promoting their products or developing new products or methods to treat moderate to severe OSA. We consider our primary competition to be other neurostimulation technologies designed to treat OSA. Though we are currently the only such technology approved for commercialization in the U.S. by the FDA, LivaNova, which produces an open-loop neurostimulation device designed to treat OSA, recently announced completion of clinical trials of its device in the U.S. We compete outside the U.S. with Nyxoah, which markets a bilateral hypoglossal nerve stimulation device in certain countries outside the U.S. and recently announced early conclusion of enrollment in its first pivotal trial as it seeks FDA approval in the U.S. We believe other emerging businesses are in the early stages of developing neurostimulation devices designed to treat OSA. In addition, we also compete, both within and outside of the U.S., with invasive surgical treatment options such as UPPP and MMA and, to a lesser extent, oral appliances, which are primarily used in the treatment of mild to moderate OSA.

In addition, our Inspire therapy is approved for use as a second-line therapy in the treatment of moderate to severe OSA in patients who cannot use or obtain consistent benefit from CPAP. If one or more CPAP device manufacturers successfully develop a CPAP device that is more effective, better tolerated or otherwise results in better compliance by patients, or if improvements in other first or second-line therapies make them more effective, cost effective, easier to use or otherwise more attractive than our Inspire therapy, sales of our Inspire system could be significantly and adversely affected, which could have a material adverse effect on our business and financial condition and results of operations. In addition, if other companies are successful in developing neurostimulation devices that are approved for a broader range of indications than our Inspire system, we will be at a further competitive disadvantage, which could also affect our business, financial condition and results of operations.

During 2023 and into the first quarter half of 2024, glucagon-like peptide 1 ("GLP-1s"), a class of drug indicated for diabetes and obesity, continued to gain popularity as a weight-loss drug.Use of GLP-1s, or similar treatments, if approved for use for these clinical indications may directly or indirectly treat OSA.Additionally, GLP-1s are currently being clinically evaluated as a potential treatment for OSA. For example, on June 21, 2024, Eli Lilly announced that, following the release of results from its SURMOUNT-OSA phase 3 clinical trials, it has submitted its GLP-1 drug candidate, tirzepatide, for the potential treatment of moderate-to-severe OSA and obesity to the FDA and plans to initiate submissions for other global regulatory agencies in the near term. Although we believe that there could be a benefit to our business as a result of GLP-1s, there can be no assurance of such benefit at this time.If GLP-1s are successful in treating OSA in an indication for which Inspire therapy is approved, demand for our Inspire system could be reduced.

Many of the companies against which we compete may have competitive advantages with respect to primary competitive factors in the OSA treatment market, including, for example:

- greater company, product, and brand recognition;
- superior product safety, reliability, and durability;
- better quality and larger volume of clinical data;
- more effective marketing to and education of patients, physicians, and sleep centers;

- greater product ease of use and patient comfort;

- more sales force experience and greater market access;
- better product support and service;
- more advanced technological innovation, product enhancements, and speed of innovation;
- more effective pricing and revenue strategies;

- lower procedure costs to patients;
- more effective reimbursement teams and strategies;
- dedicated practice development; and
- more effective clinical training teams.

Most of the other OSA treatments against which we compete have a greater penetration into the OSA treatment market. Oral appliances and other surgical treatments are better known to ENT physicians, sleep centers, and the other physicians on whom we rely for referrals.

We also compete with other medical technology companies to recruit and retain qualified sales, training, and other personnel, including members of our in-house prior authorization team.

In addition, though there are currently no pharmacologic therapies approved to treat OSA, we may in the future face competition from pharmaceutical companies that develop such therapies. We also expect to experience increased competition in the future as other companies develop and commercialize competing neurostimulation devices. Any of these companies may also have the competitive advantages described above.

We are involved, and may become involved in the future, in disputes and other legal or regulatory proceedings that, if adversely decided or settled, could materially and adversely affect our business, financial condition, and results of operations.

We are, and may in the future become, party to litigation, regulatory proceedings or other disputes. In general, claims made by or against us in disputes and other legal or regulatory proceedings can be expensive and time-consuming to bring or defend against, requiring us to expend significant resources and divert the efforts and attention of our management and other personnel from our business operations. These potential claims may include but are not limited to personal injury and class action lawsuits, intellectual property claims and regulatory investigations relating to the advertising and promotional claims about our products and services, and employee claims against us based on, among other things, discrimination, harassment or wrongful termination. Any one of these claims, even those without merit, may divert our financial and management resources that would otherwise be used to benefit the future performance of our operations. Any adverse determination against us in these proceedings, or even the allegations contained in the claims, regardless of whether they are ultimately found to be without merit, may also result in settlements, injunctions or damages that could have a material adverse effect on our business, financial condition and results of operations.

Additionally, securities class action litigations are often brought against companies following periods of volatility in the overall market and in the market price of a company's securities. On December 22, 2023, we and certain of our executive officers were named in a putative class action lawsuit. The plaintiff filed an amended complaint on April 19, 2024, which alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5, which alleged violations relate to certain prior disclosures of Inspire about the effectiveness of a program intended to help certain customers establish independence in seeking prior authorization from payors for our Inspire therapy. The plaintiff seeks to represent a class of shareholders who purchased or otherwise acquired Inspire common stock between May 3, 2023 and November 7, 2023. This lawsuit and any future lawsuits to which

we may become a party are subject to inherent uncertainties and could result in very substantial costs, divert our management's attention and resources and materially harm our business, operating results and financial condition.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

(a) None.

(b) None.

(c) ***Adoption or Termination of Trading Arrangements by Directors and Executive Officers***

During

Name	Title	Action	Rule 10b5-1 Adoption/Termination Date	Aggregate Number of Shares of Common Stock to be Sold	Expiration Date
Randall A. Ban	Chief Commercial Officer	Adopt	May 16, 2024	21,000	October 15, 2024
John C. Rondoni	Chief Technology Officer	Adopt	May 23, 2024	21,832 (1)	May 30, 2025
Shawn T McCormick	Director	Adopt	May 24, 2024	1,050	May 23, 2025

(1) This number includes shares of our common stock issuable pursuant to unvested restricted stock units (“RSU”) that are scheduled to vest during the three months ended March 31, 2024, no director or “officer” (as defined in Rule 16a-1(f) term of the Exchange Act) 10b5-1 plan, subject to time-based vesting conditions set forth in the applicable RSU award agreement. This number also includes shares of our common stock issuable pursuant to performance stock units (“PSU”) that may vest during the term of the Company adopted or terminated a “Rule 10b5-1 plan, subject to the achievement of certain performance conditions as set forth in the applicable PSU agreement. The actual number of PSUs that vest following the end of the applicable performance period, if any, and therefore the resulting shares of our common stock available for sale under the plan will depend on the attainment of the performance metrics. Also, shares of our common stock issuable pursuant to vested RSUs and PSUs will be subject to tax withholding obligations that may reduce the net shares actually issued and therefore available for sale under the applicable plan; however, the maximum aggregate gross number of shares of our common stock included in the applicable plan is reported in this table without reduction for such future tax obligations and assuming maximum achievement of the performance conditions under the PSUs.

There were no other "Rule 10b5-1 trading arrangement” arrangements" or “non-Rule "non-Rule 10b5-1 trading arrangement,” arrangements," as each term is defined in Item 408(a) of Regulation S-K. S-K, adopted, modified or terminated by the Company’s directors or "officers" (as defined in Rule 16a-1(f) of the Exchange Act) during the three months ended June 30, 2024.

Item 6. Exhibits.

Exhibit Number	Exhibit Number	Description	Form	File No.	Exhibit	Filing Date	Filed/ Furnished Herewith	Exhibit Number	Description	Form	File No.	Exhibit	Filing Date	Filed/ Furnished Herewith
3.1														
	3.2													
	3.2													
	3.2													
	10.1													
	10.1													

10.1							
31.1							
	10.2						
	10.2						
	10.2	Employment Agreement between the Company and Melissa Mann		*			
31.1							
31.1							
31.1		Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	*
31.2							
31.2							
31.2		Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	*
32.1							
32.1							

32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	**
32.2						
32.2						
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	**
101.INS						
101.INS						
101.INS		Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document		*
101.SCH						
101.SCH						
101.SCH		Inline XBRL Taxonomy Extension Schema Document	*	Inline XBRL Taxonomy Extension Schema Document		*
101.CAL						
101.CAL						

101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	*	Inline XBRL Taxonomy Extension Calculation Linkbase Document	*
101.DEF				
101.DEF				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	*	Inline XBRL Taxonomy Extension Definition Linkbase Document	*
101.LAB				
101.LAB				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	*	Inline XBRL Taxonomy Extension Label Linkbase Document	*
101.PRE				
101.PRE				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	*	Inline XBRL Taxonomy Extension Presentation Linkbase Document	*
104				
104				
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	*

* Filed herewith.

** Furnished herewith.

SIGNATURES

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

Inspire Medical Systems, Inc.

Date:	May 7, August 6, 2024	By:	/s/ TIMOTHY P. HERBERT
			Timothy P. Herbert
			President, Chief Executive Officer, and Chairperson
			(principal executive officer)
Date:	May 7, August 6, 2024	By:	/s/ RICHARD J. BUCHHOLZ
			Richard J. Buchholz
			Chief Financial Officer
			(principal financial officer and principal accounting officer)

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NON-EMPLOYEE DIRECTOR COMPENSATION POLICY INSPIRE MEDICAL SYSTEMS, INC. (Last Amended: May 2, 2024 1 Exhibit 10.2 EXECUTIVE EMPLOYMENT AGREEMENT This EXECUTIVE EMPLOYMENT AGREEMENT
("Agreement" Non-employee members is made and entered into as the board of directors June 5, 2024 "Board" "Effective Date" of , by and between (the ("Inspire" or the shall be eligible ,
a Delaware corporation, and Melissa Mann ("Executive"). WHEREAS, Executive desires receive cash and equity compensation as set forth provide services to the Company on the terms herein provided. NOW, THEREFORE,
this Non-Employee Director Compensation Policy (this "Policy"). The cash and equity compensation described in this Policy shall be paid or be made, as applicable, automatically and without further action consideration
Board, to each member foregoing premises and the mutual covenants and obligations the Board who is not an employee of the Company or any parent or subsidiary of the Company (each, a "Non-
Employee Director") who may be eligible to receive such cash or equity compensation, unless such Non-Employee Director declines this Agreement, and sufficiency such cash or equity compensation by written notice which
are hereby acknowledged, the parties agree as follows: 1. Employment. Subject the Company. This Policy shall become effective after the effectiveness all Company's initial public
offering (the "IPO") and immediately prior to the establishment of the IPO price of the shares of common stock of the Company (the "Effective Time") and shall remain in effect until it is revised or rescinded by
further action of the Board. This Policy may be amended, modified or terminated by the Board at any time in its sole discretion. The Policy Agreement, Inspire agrees to employ Executive, and Executive
agrees to accept employment with Inspire, as the Company's Chief People Officer, reporting to the Company's Chief Executive Officer. It is understood that Executive and Executive's employment with Inspire will be subject to the policies
and terms (as they may be amended from time to time by Inspire) as adopted by Inspire's Board of Directors (the "Board") or its Chief Executive Officer, Inspire's employee handbook and other policies in effect for salaried employees of
Inspire, except as otherwise specifically provided in this Agreement. Executives anticipated start date will be July 22, 2024 (the "Start Date"). 2. Duties. The services of Executive supersede any prior cash and/or equity
compensation arrangements be exclusive to Inspire, except as otherwise agreed to in writing by Inspire. Executive shall assume primary responsibility service as a member and perform the duties Executive's position and such
other duties as may be mutually agreed upon by Executive and the Company's Chief Executive Officer, shall exert Executive's energy and full business time to the prosecution of Executive's duties, and shall promptly and faithfully perform
all these duties which pertain to that employment. Executive will perform Executive's obligations in a competent and professional manner, consistent with the expectations of Inspire's between and its Chief Executive Officer.
Executive may serve on outside boards of directors or committees of public or private organizations if Company outside activities are first disclosed to approved in writing by Inspire's Board or its Chief Executive Officer. That
approval will not be granted if the outside activities are deemed by the Board or Inspire's Chief Executive Officer to conflict in way with the provisions its Non-Employee Directors this Agreement, to impair Executive's ability to
perform Executive's duties under this Agreement, or to otherwise conflict in any way with business interests of Inspire. Notwithstanding the foregoing, the Executive may participate in the activities set forth on Exhibit A between any
subsidiary of the Company and any of its non-employee directors. No Non-Employee Director shall have any rights hereunder, except with respect may without advance approval participate in charitable activities (including, but not
limited equity awards granted pursuant to this Policy. 1.0 Cash Compensation. (a) Annual Retainers. Each Non-Employee Director shall receive an annual retainer of $50,000 for Board. (b)
Additional Annual Retainers. In addition, a Non-Employee Director shall receive boards of charitable or nonprofit organizations), and engage in personal investment activities, in each case, to following annual retainers: (i)
Chairperson extent that such activities, individually or in the aggregate, do not materially interfere with the performance Board. A Non-Employee Director serving as Chairperson Executive's duties under this Agreement, create a
conflict interest or violate any provision of this Agreement. 3. Term of Employment. This Agreement is not intended to establish any minimum or maximum period for Executive's employment. Executive and Inspire have an "at-will"
employment relationship, which means that either party has Board shall receive an additional annual retainer of $50,000 for such service. (ii) Independent Director. A Non-Employee Director serving as Lead Director of right to
terminate Board shall receive an additional annual retainer of $32,000 for such service. (iii) Audit Committee. A Non-Employee Director serving as Chairperson of the
Audit Committee shall receive an additional annual retainer of $20,000 for such service. A Non-Employee Director serving as a member of the Audit Committee (other than the Chairperson) shall receive an
additional annual retainer of $10,000 for such service. (iv) Compensation Committee. A Non-Employee Director serving as Chairperson of the Compensation Committee shall receive an additional annual retainer of $15,000 for
such service. A Non-Employee Director serving as a member of the Compensation Committee (other than the Chairperson) shall receive an additional annual retainer of $7,500 for such service. (v) Nominating and Corporate
Governance Committee. A Non-Employee Director serving as Chairperson of the Nominating and Corporate Governance Committee shall receive an additional annual retainer of $15,000 for such service. A Non-
Employee Director serving as a member of the Nominating and Corporate Governance Committee (other than the Chairperson) shall receive an additional annual retainer of $7,500 for such service. Exhibit 10.1 employment

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Non-Employee Director 2 relationship at any time and for any reason, with or without Cause. The reason for and timing of the termination, as set forth in Paragraph 5, will determine the amount of post-termination payments and benefits, if
any, as set forth in Paragraph 6. 4. Policy Inspire Medical Systems, Inc. (c) Payment Reimbursement and Benefits. As compensation for all Retainers. (i) Timing. The annual retainers described Executive's
services under this Agreement, the Company agrees to provide Executive the following compensation, reimbursements and benefits: a. Sign-On Bonus. In consideration for Executive commencing employment with the Company, on the
first regular payroll date following the Effective Date, the Company shall pay to Executive a one-time cash bonus Sections 1(a) an amount equal to $300,000, less applicable withholdings 1(b) shall be
earned on a quarterly basis based on a calendar quarter and shall be paid deductions (the "Signing Bonus"). In the event that Executive's employment is terminated by Executive without Good Reason (as defined below) or
without Cause (as defined below): (i) prior to the twelve (12) month anniversary of the Effective Date, then Executive hereby agrees to repay the net after-tax Signing Bonus, or (ii) on or after the twelve (12) month anniversary of
the Start Date but prior to the twenty-four (24) month anniversary of the Start Date, then Executive hereby agrees to repay fifty percent (50%) of the net after-tax Signing Bonus. Such repayment of the Signing Bonus shall occur no later
than thirty (30) days after the Executive's termination date. b. Base Salary. The Company will pay Executive a base salary, payable arrears on the tenth business day following the end of each calendar quarter. (ii) Form. accordance
with Inspire's standard payroll practices. annual retainers annualized Base Salary paid form gross amount cash; provided that the $430,000. The Base Salary shall be subject to annual performance review and
possible adjustments as determined by Inspire's Compensation Committee or may, permit a Non-Employee Director (as increased, from time elect time, the "Base Salary"). c. Incentive Awards. As additional
compensation, Executive will be eligible any portion discretionary annual bonuses and/or long term incentive compensation ("Incentive Awards") pursuant to the terms and conditions of Inspire's management incentive program
(the "MIP") and/or Inspire's long term incentive plan (jointly, "Incentive Plans") which may be adopted, amended, supplemented, terminated and/or replaced by Inspire from time to time. With reference to the Incentive Plans, the parties
understand as follows: i. Annual Bonus Compensation. For each fiscal year completed during the Executive's employment under this Agreement, Executive will be eligible to earn an annual bonus (each, an "Annual Bonus") under the MIP,
or such other successor plan or program as may be in effect from time to time. The Executive's target Annual Bonus shall be 60% annual retainer Base Salary (the "Target Bonus Amount"), provided that Executive and Inspire have
achieved certain performance goals and objectives. Any Annual Bonus for the Executive's initial year of employment with the Company shall be prorated based on the Effective Date. Except as otherwise set forth in Paragraph 6(c), to be
eligible for an Incentive Award, the employee must be employed on the last day of the calendar year. ii. Initial Equity Awards. On the last trading date form month following the commencement of Executive's employment with the
Company (the "Grant Date"), Executive will be granted the following stock awards:

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3 (A) an option to acquire the Company's (the "Option") having a fair value of $450,000 (determined using the Company's black- scholes valuation methodology). The Option (i) will have an exercise price equal to the fair market value Company ("Common Stock") in lieu Company's common stock on the Grant Date, (ii) will vest over four years, with 25% cash. If the Option vesting on the first anniversary of the Grant Date and the remaining 75% vesting on a pro rata monthly basis thereafter, subject to Executive's continuous employment through an election is permitted by the Board dates. made by a Non-Employee Director, the number of shares of Common Stock to be paid (iii) determined by dividing subject to portion terms and conditions the annual retainer payable in the form of Common Stock by the Fair Market Value (as defined in (the "2018 Plan") and the applicable standard form of award agreement. (B) an award of performance stock units ("PSUs") under the Company's fiscal 2024-26 performance stock unit program (the "2024 PSP"), the target number of shares provided in such award having a value equal to $900,000 (based on the fair market value of the Company's common stock on the Grant Date). Vesting under the 2024 PSP will occur following the completion of the three-year period ending on December 31, 2026, and will be based on the Company's achievement during such three-year period of certain performance objectives that were approved by the Board's Organization and Compensation Committee. The number of shares that may vest under the plan, if any, can range from 50% to 200% of the target number of shares. (C) an award of restricted stock units to acquire shares of the Company's common stock ("RSUs") having a value equal to $450,000 (based on the fair market value of the Company's common stock on the Grant Date). The RSUs will vest in three equal annual installments beginning on the first anniversary of the Grant Date. iii. General Terms. (A) Executive's eligibility to receive Incentive Awards will be determined by the Board or such other committee as may have responsibility for making that determination, in its sole discretion. (B) The Incentive Plans are not necessarily all-inclusive because circumstances which Inspire has not anticipated may arise. Inspire may interpret or vary from the Incentive Plans if, in its opinion, the circumstances warrant it. Further, Executive's eligibility to receive Incentive Awards may be affected in the event Inspire has determined that such Incentive Awards would be in violation of law or reasonably create an adverse effect on Inspire or its obligations or agreements including, without limitation, leaving Inspire with insufficient liquidity (including adequate reserves) to carry on its business and pay its debt in the ordinary course. (C) Inspire reserves the right to make any changes at any time to the Incentive Plans by adding to, deleting from or otherwise amending any portion of them, with or without notice to Executive, provided, however, that if Executive has been awarded non- cash compensation pursuant to such plans, then Executive shall receive notice of any changes to the plan as may be required by applicable law, and provided, further, that any such changes are applicable to participants in the Incentive Plans generally and not specific to Executive.

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4 (D) Any questions regarding the computation of Incentive Awards under the Incentive Plans will be conclusively determined by the Incentive Plan administrator, as defined therein, pursuant to the terms and conditions of the Incentive Plans. d. Expenses. Inspire will reimburse Executive for any and all ordinary, necessary and reasonable business expenses that Executive incurs in connection with the performance of Executive's duties under this Agreement, including entertainment, telephone, travel and miscellaneous expenses. Executive must obtain proper approval for such expenses pursuant to the Company's policies and procedures and Executive must provide the Company with documentation for such expenses in a form sufficient to sustain Inspire's deduction for such expenses under the Internal Revenue Code of 1986, as amended (the "Code"). e. Time Off. Executive will be entitled to time off with or without pay in accordance with Inspire's policies in effect at any particular time. f. Health, Disability and Life Insurance, and Other Executive Benefit Plans. Inspire will provide Executive with the same health, disability, and life insurance coverage provided generally to other full-time salaried employees of Inspire, and with other employee benefit plans which are presently existing or which may be established in the future by Inspire for its full-time salaried employees, subject to the terms and conditions of the applicable benefit plans. g. Indemnification. Inspire will defend, indemnify and hold Executive harmless from costs, expenses, damages and other liability incurred by Executive as a result of performing services to Inspire, subject to the limitations and other terms and conditions of applicable Delaware statutes and Inspire's Articles of Incorporation or Bylaws. h. Changes in Benefit Plans. It is understood that no references in this Agreement to particular employee benefit plans established or maintained by Inspire are intended to change the terms and conditions of these plans or to preclude Inspire from amending or terminating any such benefit plans. i. Withholding; Taxes. Inspire may withhold from any compensation, reimbursements and benefits payable to Executive all federal, state, city and other taxes as shall be required pursuant to any law or governmental regulation or ruling, as well as other standard withholdings and deductions. Executive recognizes that some of the payments and some of the benefits which Executive receives under this Agreement will constitute compensation, and will be fully taxable to Executive. Executive agrees to properly report such payments and benefits on Executive's applicable income tax returns and to pay all appropriate taxes. 5. Termination. Executive's employment may be terminated at any time as follows: a. Death. Executive's employment shall automatically terminate upon Executive's death. b. Disability. Either party may terminate Executive's employment at any

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5 time, upon written notice to the other party if Executive sustains a disability which precludes Executive from performing the essential functions of Executive's job, with or without reasonable accommodations, as defined by applicable state and federal disability laws. Executive shall be presumed to have such a disability for purposes of this Agreement if Executive qualifies, because of illness or incapacity, to begin receiving disability income insurance payments under any long term disability income insurance policy that Inspire maintains for the benefit of Executive. If Executive does not qualify for such payments, Executive shall nevertheless be presumed to have such a disability if Executive is substantially incapable of performing the essential functions of Executive's job for a period of more than twenty-six (26) consecutive weeks, with or without a reasonable accommodation, or for shorter non-consecutive periods aggregating thirty six (36) weeks in any twelve (12) month period. c. With Cause. Inspire may terminate Executive's employment at any time, with "Cause", upon written notice to Executive. "Cause" shall be defined as: i. executive's material breach of any of Executive's obligations under this Agreement, or Executive's repeated failure or refusal to perform or observe Executive's duties, responsibilities and obligations as an Executive of Inspire, for reasons other than disability; ii. any material dishonesty or other breach of the duty of loyalty of Executive affecting Inspire or any customer, vendor or employee of Inspire; iii. use of alcohol or other drugs in a manner which affects the performance of Executive's duties, responsibilities and obligations as an employee of Inspire; iv. conviction of, or a plea of guilty or nolo contendere to, a charge of commission of a felony or of any crime involving misrepresentation, moral turpitude or fraud; v. commission by Executive of any other willful or intentional act which injures the reputation, business or business relationships of Inspire; or vi. the existence of any court order or settlement agreement prohibiting Executive's continued employment with Inspire. A matter of the type described in this Paragraph 5(c) shall be "material" if such matter, alone or together with other such matters, is material. d. Without Cause. Inspire may terminate Executive's employment at any time, without Cause, upon one (1) month's written notice to Executive. Inspire may, in its sole discretion, opt not to have Executive provide active employment services during some or all of the notice period, and place Executive on a paid leave of absence for some or all of the notice period. e. Voluntary Resignation. Executive may, upon two (2) weeks' written notice to Inspire, terminate Executive's employment at any time for no reason. In addition,

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6 Executive may terminate Executive's employment for Good Reason. For purposes of this Agreement, "Good Reason" shall mean: i. a material reduction, without Executive's consent, in Executive's duties or responsibilities; ii. a material reduction, without Executive's consent, of the Base Salary, unless such reduction is part of an overall reduction in salary for executive employees and Executive's reduction is proportionate to the overall reduction in salary; iii. the Company's moving Executive's place of employment, without Executive's consent, more than fifty (50) miles from the place of Executive's employment prior to such move, although business travel shall not be deemed to be a move of Executive's place of employment; or iv. the Company's material breach of this Agreement. Notwithstanding the foregoing, Executive may only terminate Executive's employment for Good Reason following the occurrence of one or more of the foregoing conditions, subject to Executive first providing written notice of Executive's claimed Good Reason to the Company within ninety (90) days after the initial existence of such condition and the Company failing to cure the basis for such claimed Good Reason within thirty (30) days following such notice. 6. Payments and Benefits Upon Termination. Upon the termination of Executive's employment, Executive shall only be entitled to the following payments and benefits: a. Disability; Death. If Executive's employment is terminated due to the disability or death of Executive, regardless of the date of termination, Executive or Executive's estate or heirs, as appropriate, shall be paid (i) any portion of Base Salary through the date of termination not theretofore paid; (ii) any cash bonus either accrued in accordance with the terms of the relevant plan or previously awarded but not yet paid to Executive at the time of Executive's death or disability; (iii) any benefits payable under any disability or life insurance policy maintained by Inspire for the benefit of Executive at the time of the termination of employment, subject to the terms and conditions of such policies; (iv) any unpaid expense reimbursement; and (v) Executive's or Executive's estate or heirs, as appropriate, other vested benefits, if any, under any of Inspire's Incentive Plans or any of Inspire's other employee benefit plans (e.g., 401(k) plan), subject to the terms and conditions of those plans. b. Termination by Inspire For Cause; Voluntary Resignation. If Inspire terminates Executive's employment for Cause, or if Executive resigns, regardless of the date of termination, Executive shall be paid (i) any portion of Base Salary through the date of termination not theretofore paid; (ii) any unpaid expense reimbursement; and (iii) Executive's other vested benefits, if any, under any of Inspire's Incentive Plans or any of Inspire's other employee benefit plans (e.g., 401(k) plan), subject to the terms and conditions of those plans. c. Termination by Inspire Without Cause. If the Company terminates Executive's employment without Cause, regardless of the date of termination, Executive shall

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7 be paid the same payments and benefits as set forth in Paragraph 6(a) above. In addition, Inspire shall, subject to Paragraph 10 and subject to Executive's execution and non-revocation of a release of claims, to the full extent permitted by law, in a form reasonably satisfactory to Inspire in accordance with Paragraph 10(c) (the "Release"), which assures, among other things, that Executive will not commence any type of litigation or assert other claims as a result of the termination (except to enforce Executive's rights under this Agreement): i. pay to the Executive an amount equal to the sum of (A) nine (9) months of the Base Salary as of the date of termination and (B) a prorated portion of the Target Bonus Amount based on the ratio of the number of days during the period commencing on the first day of the fiscal year and ending on the date of termination to 365, in substantially equal installments during the period beginning on the date of termination and ending on the nine (9) month anniversary of the date of termination in accordance with the Company's regular payroll practice as of the date of termination; provided that, notwithstanding anything to the contrary in this Paragraph 6(c)(i), if such termination of employment occurs within the twelve (12) month period immediately following a Change of Control (as defined below) (such period, the "COC Period"), then, in lieu of the foregoing payments set forth in this Paragraph 6(c)(i), Inspire shall pay to the Executive the sum of (A) twelve (12) months of the Base Salary and (B) the Target Bonus Amount, in substantially equal installments during the period beginning on the date of termination and ending on the twelve (12) month anniversary of the date of termination in accordance with the Company's regular payroll practice as of the date of termination; ii. continue to provide, subject to the Executive's valid election to continue healthcare coverage under COBRA, the Executive and the Executive's eligible dependents with payment of premiums for any COBRA benefits during the period commencing on the date of termination and ending on the nine (9) month anniversary of the date of termination (if such termination of employment occurs within the COC Period, the twelve (12) month anniversary of the date of termination). iii. in the event that such termination of employment occurs within the COC Period, cause each of Executive's equity awards that are granted on or following the Effective Date shall immediately become fully vested (except in the case of performance stock unit awards which shall be subject to change of control provisions as set forth in the applicable form of award agreement for such awards). d. Change of Control Definition. For purposes of this Agreement, "Change of Control" means the occurrence of any of the following: (1) a sale by shareholders of the Company of a substantial portion of their stock in the Company, or a merger, reorganization or consolidation, whereby the Company's equity holders existing immediately prior to such sale, merger, reorganization or consolidation do not, immediately after consummation of such sale, reorganization, merger or consolidation, own more than fifty percent (50%) of the combined voting power of the surviving entity's then outstanding voting securities entitled to vote generally in the election of directors, but only if such event results in a change in Board composition such that the directors immediately preceding such events do not comprise a majority of the Board following such event; or (2) the sale or other disposition of all or substantially all of the Company's assets to an entity in which the Company, any subsidiary of the Company, or the Company's equity holders existing immediately prior to such sale

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8 beneficially own less than fifty percent (50%) of the combined voting power of such acquiring entity's then outstanding voting securities entitled to vote generally in the election of directors but only if such event results in a change in Board composition such that the directors immediately preceding such events do not comprise a majority of the Board following such event. 7. Business Protections. Inspire has many confidential and proprietary business interests and other information relating to its products, services and customers, which it needs to adequately protect. For this reason, its willingness to enter into this Agreement is contingent upon Executive's acceptance of the covenants set forth in Paragraph 8 below. Executive understands that the business protections in Paragraph 8 will apply throughout Executive's employment, and as applicable, will continue to apply thereafter even if Executive's employment is terminated under Paragraph 5 of this Agreement, regardless of the reason for or timing of the termination. 8. Post-Employment Restrictions. a. Restrictions on Competition. Executive agrees that while employed by Inspire, Executive will not be employed by or otherwise perform services for an organization which is engaged in the research and development, marketing, or distribution of a product or treatment which is the same as or which competes with any product or treatment offered or being developed by Inspire during, or as of the date of termination of, Executive's employment with Inspire. b. Prohibition on Solicitation of Inspire Employees. Executive agrees that at all times while employed by Inspire, and for twelve (12) months thereafter, Executive will not solicit, cause to be solicited, or participate in or promote the solicitation of any person to terminate that person's employment with Inspire or to breach that person's employment agreement with Inspire. c. Post-Employment Disclosure. In the event Executive's employment with Inspire terminates, Executive agrees that during the term of the restrictions described in Paragraph 8(a) above, Executive will promptly inform Inspire of the identity of any new employer, the job title of Executive's new position, and a description of any services to be rendered to that employer. In addition, Executive agrees to respond within ten (10) days to any written request from Inspire for further information concerning Executive's work activities sufficient to provide Inspire with assurances that Executive is not violating any of the obligations Executive has undertaken in this Agreement. d. Prohibition on Disclosure of Confidential Information. Executive shall hold the "Confidential Information", as defined in Paragraph 8(e), including trade secrets and/or data, in the strictest confidence and will never, without prior written consent of the Company, directly or indirectly disclose, assign, transfer, convey, communicate to or use for Executive's own or another's benefit, or directly or indirectly disclose, assign, transfer, convey, communicate to or use by a competitor of the Company applicable person or entity, including, but not limited to, the press, other professionals, corporations, partnerships or the public, at any time during Executive's employment with the equity plan then maintained or at any time after Executive's termination of

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9 employment with the Company, regardless of the reason for the Executive's termination, whether voluntary or involuntary. Executive further promises and agrees that he will faithfully abide by any rules, policies, practices or procedures existing or which may be established (such plan, for insuring the confidentiality of the Confidential Information, including, but not limited to, rules, policies, practices or procedures: i) Limiting access to authorized personnel; ii) Limiting copying of any writing, data or recording; iii) Requiring storage of property, documents or data in secure facilities provided by the Company and limiting safe or vault lock combinations or keys to authorized personnel; and/or iv) Checkout and return or other procedures promulgated by the Company from time to time. The Executive acknowledges that the Company has provided the Executive with the following notice of immunity rights in compliance with the requirements of the Defend Trade Secrets Act of 2016: (A) the Executive shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of Confidential Information that is made in confidence to a federal, state or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, (B) the Executive shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of Confidential Information that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal and (C) if the Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Executive may disclose the Confidential Information to the Executive's attorney and use the Confidential Information in the court proceeding, if the Executive files any document containing the Confidential Information under seal, and does not disclose the Confidential Information, except pursuant to court order. e. Definition of Confidential Information. For the purposes of this Agreement, "Confidential Information" means any information not generally known to the public and proprietary to or in the possession of the Company and includes, without limitation, trade secrets, inventions, and information pertaining to research, development, purchasing, marketing, selling, accounting, licensing, business systems, business techniques, customer lists, prospective customer lists, price lists, business strategies and plans, pending patentable materials and/or designs, design documentation, documentation of meetings, tests and/or test standards, or manuals whether in document, electronic, computer or other form. For example, Confidential Information may be contained in the Company's customer lists, prospective customer lists, the particular needs and requirements of customers, the particular needs and requirements of prospective customers, and the identity of customers or prospective customers. Information shall be treated as Confidential Information irrespective of its source and any information which is labeled or marked as being "confidential" or "trade secret" shall be presumed to be Confidential Information. The definition of "Confidential Information" as set forth in this paragraph is not intended to be complete. From time to time during the term of Executive's employment, Executive may gain access to other information not generally known to the public and

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10 proprietary to or in the possession of the Company concerning the Company's businesses that is of commercial value to the Company, which information shall be included in the definition in this paragraph, even though not specifically listed above. The definition of Confidential Information applies to any form in which the subject information, trade secrets, or data may appear, whether written, oral, or any other form of recording or storage. f. Restrictions. The restrictions herein provided shall not apply with respect to "Confidential Information" which: (A) is or becomes a part of the public domain without breach of this Agreement by the Executive; or (B) is disclosed pursuant to judicial action or government regulations, provided the Executive notifies the Company prior to such disclosure and cooperates with the Company in the event the Company elects to legally contest and avoid such disclosure. g. Certain Company Remedies. The Executive acknowledges that the Company will suffer irreparable harm if the Executive breaches Paragraphs 8(a), 8(b) and/or 8(d). Accordingly, the Company shall be entitled to equitable relief, including but not limited to, an injunction, enjoining or restraining Executive from any violation of Paragraphs 8(a), 8(b) and/or 8(d) of this Agreement, in addition to any other remedies the Company is entitled to at law or in equity. In the event the Company pursues any remedies pursuant to this Paragraph 8(f) and prevails in such a proceeding, the Executive shall pay the Company's reasonable attorneys' fees in connection with such proceeding. Should the Company not prevail in such a proceeding, the

Company shall pay the Executive’s reasonable attorneys’ fees in connection with such proceeding. Furthermore, should a court of competent jurisdiction determine that the Executive has breached Paragraphs 8(a), 8(b), and/or 8(d), the restrictions in such Paragraphs will be extended by the period during which the Executive was in breach. 9. Parachute Payments. a. Notwithstanding any other provisions of this Agreement, in the event that any payment or benefit by the Company or otherwise to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (all such payments and benefits, including the payments and benefits under Paragraph 6 above, being hereinafter referred to as the “Total Payments”), would be subject (in whole or in part) to the excise tax imposed by Section 4999 of the Code (the “Excise Tax”), then the Total Payments shall be reduced (in the order provided in Paragraph 9(b) below) to the minimum extent necessary to avoid the imposition of the Excise Tax on the Total Payments, but only if (i) the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income and employment taxes on such reduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such reduced Total Payments), is greater than or equal to (ii) the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income and employment taxes on such Total Payments and the amount of the Excise Tax to which the Executive would be subject in respect of such unreduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such unreduced Total Payments).

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11 b. The Total Payments shall be reduced in the following order: (i) reduction on a pro-rata basis of any cash severance payments that are exempt from Section 409A of the Code ("Section 409A"), (ii) reduction on a pro-rata basis of any non-cash severance payments or benefits that are exempt from Section 409A, (iii) reduction on a pro-rata basis of any other payments or benefits that are exempt from Section 409A, and (iv) reduction of any payments or benefits otherwise payable to the Executive on a pro-rata basis or such other manner that complies with Section 409A; provided, in case of subclauses (ii), (iii) and (iv), that reduction of any payments attributable to the acceleration of vesting of Company equity awards shall be first applied to Company equity awards that would otherwise vest last in time. c. The Company will select an adviser with experience in performing calculations regarding the applicability of Section 280G of the Code and the Excise Tax, provided that the adviser's determination shall be made based upon "substantial authority" within the meaning of Section 6662 of the Code, (the "Independent Advisors") to make determinations regarding the application of this Paragraph 9. The Independent Adviser shall provide its determination, together with detailed supporting calculations and documentation, to the Executive and the Company within fifteen (15) business days following the date on which the Executive's right to the Total Payments is triggered, if applicable, or such other time as requested by the Executive (provided, that the Executive reasonably believes that any of the Total Payments may be subject to the Excise Tax) or the Company. The costs of obtaining such determination and all related fees and expenses (including related fees and expenses incurred in any later audit) shall be borne by the Company. Any good faith determinations of the Independent Adviser made hereunder shall be final, binding and conclusive upon the Company and the Executive. d. In the event it is later determined that to implement the objective and intent of this Paragraph 9, (i) a greater reduction in the Total Payments should have been made, the excess amount shall be returned promptly by the Executive to the Company or (ii) a lesser reduction in the Total Payments should have been made, the excess amount shall be paid or provided promptly by the Company to the Executive, except to the extent the Company reasonably determines would result in imposition of an excise tax under Section 409A. 10. Section 409A. a. General. The parties hereto acknowledge and agree that, to the extent applicable, this Agreement shall be interpreted in accordance with, and incorporate the terms and conditions required by, Section 409A. Notwithstanding any provision of this Agreement to the contrary, in the event that the Company determines that any amounts payable hereunder will be immediately taxable to the Executive under Section 409A, the Company reserves the right (without any obligation to do so or to indemnify the Executive for failure to do so) to (i) adopt such amendments to this Agreement and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Company determines to be necessary or appropriate to preserve the intended tax treatment of the benefits provided by this Agreement, to preserve the economic benefits of this Agreement and to avoid less favorable accounting or tax consequences for the Company and/or (ii) take such other actions as the Company determines to be necessary or appropriate to exempt the amounts payable hereunder from Section 409A or to comply with the requirements of Section 409A and thereby avoid the

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12 application of penalty taxes thereunder. No provision of this Agreement shall be interpreted or construed to transfer any liability for failure to comply with the requirements of Section 409A from the Executive or any other individual to the Company or any of its affiliates, employees or agents. b. Separation from Service under Section 409A. Notwithstanding any provision to the contrary in this Agreement: (i) no amount that constitutes "nonqualified deferred compensation" under Section 409A shall be payable pursuant to Paragraph 6 unless the termination of the Executive's employment constitutes a "separation from service" within the meaning of Section 1.409A-1(h) of the Department of Treasury Regulations; (ii) for purposes of Section 409A, any right to receive installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments; and (iii) to the extent that any reimbursement of expenses or in-kind benefits constitutes "deferred compensation" under Section 409A, such reimbursement or benefit shall be provided no later than December 31 of the year following the year in which the expense was incurred. The amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year. The amount of any in-kind benefits provided in one year shall not affect the amount of in- kind benefits provided in any other year. Notwithstanding any provision to the contrary in this Agreement, if the Executive is deemed at the time of Executive's separation from service to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed commencement of any portion of the termination benefits to which the Executive is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of the Executive's termination benefits shall not be provided to the Executive prior to the earlier of (A) the expiration of the six-month period measured from the date of the Executive's "separation from service" with the Company (as such term is defined in the Treasury Regulations issued under Section 409A of the Code) or (B) the date of the Executive's death; upon the earlier of such dates, all payments deferred pursuant to this sentence shall be paid in a lump sum to the Executive, and any remaining payments due under the Agreement shall be paid as otherwise provided herein. c. Release. Notwithstanding anything to the contrary in this Agreement, to the extent that any payments of "nonqualified deferred compensation" (within the meaning of Section 409A) due under this Agreement as a result of the Executive's termination of employment are subject to the Executive's execution and delivery of a Release, (i) the Company shall deliver the Release to the Executive within seven (7) days following the date of termination, and (ii) if the Executive fails to execute the Release on or prior to the Release Expiration Date (as defined below) or timely revokes Executive's acceptance of the Release thereafter, the Executive shall not be entitled to any payments or benefits otherwise conditioned on the Release. For purposes of this Paragraph 10(c), "Release Expiration Date" shall mean the date that is twenty-one (21) days following the date upon which the Company timely delivers the Release to the Executive, or, in the event that the Executive's termination of employment is "in connection with an exit incentive or other employment termination program" (as such phrase is defined in the Age Discrimination in Employment Act of 1967), the date that is forty-five (45) days following such delivery date. To the extent that any payments of nonqualified deferred compensation (within the meaning of Section 409A) due under this Agreement as a result of the Executive's termination of employment are delayed pursuant to this Paragraph 10(c), such

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13 amounts shall be paid in a lump sum on the first payroll date to occur on or after the 60th day following the date of Executive's termination of employment, provided that Executive executes and does not revoke the Release prior to such 60th day (and any applicable revocation period has expired). 11. Compensation Recovery. The Executive acknowledges and agrees that, to the extent the Company adopts any clawback or similar policy in connection with or otherwise as a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and any rules and regulations promulgated thereunder (including, without limitation, any listing rules or standards resulting therefrom), he or she shall, during the Executive's term of employment and thereafter, take all action necessary or appropriate to comply with such policy. in "Equity Plan")) per share Company's sole discretion (including, without limitation, entering into any further agreements, amendments or policies necessary or appropriate to implement and/or enforce such policy). The Executive's obligations under this Paragraph 11 shall survive the termination Common Stock on this Agreement. 12. Inventions. "Inventions" shall mean any and all inventions, discoveries, ideas, processes, writings, works of authorship, designs, developments and improvements, whether or not protectable under date applicable patent, trademark or copyright statutes, generated, conceived or reduced to practice by retainer is payable. If the number of shares of Common Stock Executive, alone or in conjunction with others, while employed by Inspire. a. Disclosure. Executive agrees be issued from this election is not a whole number of shares, any remaining portion promptly disclose to Inspire in writing all Inventions. b. Ownership, Assignment and Recordkeeping. All Inventions paid in cash on date the retainer is payable. Shares issued in lieu exclusive property cash Inspire. Executive hereby assigns all Inventions to Inspire. Executive agrees to keep accurate, complete and timely records of Executive's Inventions, which records fully vested and unrestricted shares the property Common Stock. Any election by a Non-Employee Director to receive a portion of the annual retainer in shares of Common Stock must be made prior to the applicable payment date for such portion of the annual retainer and pursuant to an election form to be provided by the Company. An election must comply with all rules established from time to time by the Board, including any insider trading policy or similar policy. A Non-Employee Director may not make an election pursuant to this Section 1(c)(ii) during a Company blackout period or when the Non-Employee Director is otherwise in possession of material non-public information. (iii) Termination of Service. In the event a Non-Employee Director does not serve as a Non-Employee Director, or in the applicable positions described in Section 1(b), for an entire calendar quarter, such Non-Employee Director shall receive a prorated portion of the retainer(s) otherwise payable to such Non-Employee Director for such calendar quarter pursuant to Section 1(b), with such prorated portion determined by multiplying such otherwise payable retainer(s) by a fraction, the numerator of which is the number of days during which the Non-Employee Director serves as a Non- Employee Director or in the applicable positions described in Section 1(b) during the applicable calendar quarter and the denominator of which is the number of days in the applicable calendar quarter. 2.0 Equity Compensation. Non-Employee Directors shall be granted the equity awards described below. The awards described below shall be granted under Inspire subject retained on Inspire's premises. c. Cooperation. During and after the termination of Executive's employment, Executive agrees give Inspire all cooperation and assistance necessary to perfect, protect, and use its rights to Inventions. Without limiting terms and provisions generality Equity Plan foregoing, Executive agrees to sign all documents, do all things, shall be granted subject supply all information that Inspire may deem necessary (i) transfer or record execution transfer of Executive's entire right, title delivery interest in Inventions, and (ii) enable Inspire to obtain patent, copyright or trademark protection for Inventions anywhere in the world. d. Attorney-in-Fact. Executive irrevocably designates and appoints Inspire and its duly authorized officers and

agents as attorney-in-fact to act for and in Executive's behalf and stead to execute and file any lawful and necessary documents, and to do all other lawfully permitted acts, required for the assignment award agreements,
including attached exhibits, in substantially application for, or prosecution of any United States or foreign application for letters patent, copyright or trademark with
forms previously approved by the Board. All applicable terms of the Equity Plan apply to this Policy same legal force and effect fully set forth herein, executed by Executive. e. Waiver. Executive hereby waives and quitclaims to
Inspire any equity grants hereunder are subject in all respects to the terms of the Equity Plan. (a) Annual Awards. Each Non-Employee Director who (i) serves on the Board as of the date of claims, or
annual meeting of the Company's stockholders (an "Annual Meeting") after the Effective Time and (ii) will continue to serve as a Non-Employee Director immediately following such Annual Meeting shall
be automatically granted, on the date of such Annual Meeting, an award of restricted stock units ("RSUs") having an aggregate fair value on the date of grant of $180,000 (as determined in accordance with FASB nature whatsoever,
which Executive may now have or may hereafter have for

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Non-Employee Director Compensation Policy 14 infringement of any patent, copyright, or trademark resulting from any Inventions. f. Future Patents. Any Invention relating to the business of Medical Systems, Inc.
Accounting Codification Topic 718 (“ASC 718”) and with respect to which Executive files a patent application within one (1) year following termination of Executive’s employment shall be presumed to cover Inventions conceived by
Executive during the term of Executive’s employment, adjustment as provided proof to the contrary by Executive by good faith, contemporaneous, written and duly corroborated records establishing that such Invention was
conceived and made following termination of employment and without using Confidential Information. g. Release or License. If an Invention does not relate to the existing or reasonable foreseeable business interests of Inspire, Inspire
may, its sole and unreviewable discretion, release or license Equity Plan). If Invention to number of shares of Common Stock subject to an RSU award granted under this Section 2(a) would
include a fractional share of Common Stock, Executive upon written request by value of that fractional share shall instead be paid in cash at the date of grant. The awards described in this Section 2(a) Executive. No release or license
valid unless in writing signed by Inspire’s general counsel. h. Notice. Executive is hereby notified that this Agreement and this Paragraph 12 do not apply to any Invention for which no equipment, supplies, facility or trade secret
information of Inspire was used and which was developed entirely on the Executive’s own time, and (1) which does not relate (i) directly to the business of Inspire or (ii) to Inspire’s actual or demonstrably anticipated research or
development, or (2) which does not result from any work performed by the Executive for Inspire. 13. Miscellaneous. a. Entire Agreement. The terms of this Agreement (together with any other agreements and instruments contemplated by
this Agreement or as herein) is intended by “Annual Awards.” For parties hereto to be avoidance final expression doubt, a Non-Employee Director elected for the first time their agreement with respect
Board at an Annual Meeting shall receive only an Annual Award in connection with such election, and shall not receive any Initial Award on the date employment such Annual Meeting as well. (b) Initial Awards. Each Non-
Employee Director who is initially elected or appointed to the Board after the date the IPO price of the shares of Common Stock is established in connection with the
IPO, on any date other than the date of an Annual Meeting, shall be automatically granted, on the date of such Non-Employee Director’s initial election or appointment (such Non-Employee Director’s “Start Date”),
an award of RSUs having an aggregate fair value on such Non-Employee Director’s Start Date equal to $270,000 (as determined in accordance with ASC 718 and subject to adjustment as provided in the Equity
Plan). If the number of shares of Common Stock subject to an RSU award granted under this Section 2(b) would include a fractional share of Common Stock, the value of that fractional share shall instead be paid
in cash at the date of grant. The awards described in this Section 2(b) shall be referred to as “Initial Awards.” For the avoidance of doubt, no Non-Employee Director shall be granted more than one Initial Award. (c)
Termination of Employment of Employee Directors. Members of the Board who are employees of the Company or any parent or subsidiary of the Company who subsequently terminate their employment with Executive by
supersedes and may not be contradicted by evidence of parent prior subsidiary contemporaneous agreement. The parties hereto further intend that this Agreement shall constitute the complete and exclusive statement its
terms and that no extrinsic evidence whatsoever may be introduced in any judicial, administrative or other legal proceeding to vary Company terms of this Agreement. b. Construction. Each provision of this Agreement shall be
interpreted so that it is valid remain on the Board enforceable under applicable law. If any provision of this Agreement is to any extent invalid or unenforceable under applicable law, that provision
not receive an Initial Award pursuant to Section 2(b) above, but still be effective it remains valid and enforceable. The remainder of this Agreement also will continue to be valid and enforceable, and the entire Agreement will
continue to be valid and enforceable in other jurisdictions. In the event they are otherwise eligible, will be eligible to receive, after termination from service with the Company and a court of competent jurisdiction determines that
parent or subsidiary Company, Annual Awards as described in Section 2(a) above. (d) Vesting provisions Awards Granted Paragraphs 8 or 12 of this Agreement are not enforceable for any reason, such court shall reform
such provisions Non-Employee Directors. Each Annual Award shall vest and become exercisable on first anniversary minimum extent necessary to make them enforceable, it being the intention date parties that such
provisions be enforced to the maximum extent permitted by applicable law. c. Waivers. No term or condition grant and each Initial Award this Agreement vest and become exercisable be deemed to have

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15 been waived, nor shall there be any estoppel to enforce any provisions of this Agreement, except by a statement three equal annual installments following writing signed by date of grant (such that the Initial
Award shall vest and become exercisable in full on the third anniversary party against who enforcement date of grant), in each case subject waiver or estoppel is sought. A waiver shall operate only as Non-
Employee Director specific term or condition waived. No waiver shall constitute a waiver or a waiver of such term or condition for the future unless specifically stated. No single or partial exercise of any right or remedy under this
Agreement shall preclude any party from otherwise or further exercising such rights or remedies, or any other rights or remedies granted by law or any other document. d. Captions. The headings service through this Agreement are for
convenience of reference only and do not affect applicable vesting dates. No portion interpretation this Agreement. e. Modifications. This Agreement may not be altered, modified or amended except by
Annual Award or Initial Award that is unvested or unexercisable at instrument in writing signed by each of time parties hereto. f. Governing Law. The laws a Non-Employee Director's termination the State service on Minnesota
shall govern Board shall become vested validity, construction exercisable thereafter. All performance a Non- Employee Director's Annual Awards and Initial Awards shall vest in full immediately prior to the occurrence
of a Change in Control (as defined in the Equity Plan), this Agreement. outstanding not pre-empted by federal law. Any legal proceeding related to this Agreement shall be brought in an appropriate Minnesota court, and each
of the parties hereto hereby consents to the exclusive jurisdiction of the courts of the State of Minnesota for this purpose. g. Notices. All notices and other communications required or permitted under this Agreement shall be in writing and
provided to the other party either in person, by fax, or by certified mail. Notices to Inspire must be provided or sent to its President and Chief Executive Officer; notices to Executive must be provided or sent to Executive in person or
Executive's home. h. Survival. Notwithstanding the termination of Executive's employment and the termination of this Agreement, the terms of this Agreement which relate to periods, activities, obligations, rights or remedies of the parties
upon or subsequent to time. termination shall survive such termination and shall govern all rights, disputes, claims or causes of action arising out of or in any way related to this Agreement. i. Successors and Assigns. This
Agreement shall be binding on and inure to the benefit of Inspire's successors and assigns. [Remainder of Page Left Blank Intentionally]

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16 IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date. [Signature Page to Executive Employment Agreement] /s/ Melissa Mann INSPIRE MEDICAL SYSTEMS, INC. /s/ Timothy P. Herbert By: Melissa Mann By: Timothy P. Herbert Chief Executive Officer

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17 Exhibit A: Outside Activities None

Exhibit 31.1

CERTIFICATION

I, Timothy P. Herbert, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Inspire Medical Systems, 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 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: May 7, August 6, 2024

By: /s/ TIMOTHY P. HERBERT

Timothy P. Herbert
President, Chief Executive Officer, and Chairperson
(principal executive officer)

Exhibit 31.2

CERTIFICATION

I, Richard J. Buchholz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Inspire Medical Systems, 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 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: May 7, August 6, 2024 By: /s/ RICHARD J. BUCHHOLZ

Richard J. Buchholz
Chief Financial Officer
(principal financial officer)

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Inspire Medical Systems, Inc. (the "Company") for the quarterly period ended March 31, 2024 June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: May 7, August 6, 2024 By: /s/ TIMOTHY P. HERBERT

Timothy P. Herbert
President, Chief Executive Officer, and Chairperson
(principal executive officer)

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of Inspire Medical Systems, Inc. (the "Company") for the quarterly period ended March 31, 2024 June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date:	May 7, August 6, 2024	By:	/s/ RICHARD J. BUCHHOLZ
			Richard J. Buchholz
			Chief Financial Officer
			(principal financial officer)

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

DISCLAIMER

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