

REFINITIV

DELTA REPORT

10-Q

SRTS - SENSUS HEALTHCARE, INC.

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

The following comparison report has been automatically generated

TOTAL DELTAS 817

 CHANGES 166
 DELETIONS 324
 ADDITIONS 327

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **September 30, 2023** **March 31, 2024**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
1934 For the transition period from **to** FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number: 001-37714

Sensus Healthcare, Inc.

(Exact name of registrant as specified in its charter)

Delaware **27-1647271**

(State or other jurisdiction of
incorporation or organization) **(I.R.S. Employer**
(I.R.S. Employer
Identification No.)

851 Broken Sound Pkwy., NW #215, Boca Raton,

33487

Florida

(Address of principal executive offices) **office** **(Zip Code)**

(561) 922-5808

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	SRTS		The NASDAQ Stock Market, LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing 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 **November 3, 2023** **May 6, 2024**, **16,382,404** there were **16,392,671** shares of the **Registrant's Common Stock, \$0.01 par value**, were outstanding. **Registrant's common stock outstanding.**

SENSUS HEALTHCARE, INC.
QUARTERLY REPORT ON FORM 10-Q
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INTRODUCTORY NOTE

Caution Concerning Forward-Looking Statements

This report includes statements that are, or may be deemed, "forward-looking statements." In some cases, these statements can be identified by the use of forward-looking terminology such as "believes," "estimates," "anticipates," "expects," "plans," "intends," "may," "could," "might," "will," "should," "approximately," or "potential," or negative or other variations of those terms or comparable terminology, although not all forward-looking statements contain these words.

Forward-looking statements involve risks and uncertainties because they relate to events, developments, and circumstances relating to Sensus Healthcare, Inc., our industry, and/or general economic or other conditions that may or may not occur in the future or may occur on longer or shorter timelines or to a greater or lesser degree than anticipated. In addition, even if future events, developments and circumstances are consistent with the forward-looking statements contained in this report, they may not be predictive of results or developments in future periods. Although we believe that we have a reasonable basis for each forward-looking statement contained in this report, forward-looking statements are not guarantees of future performance, and our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate, may differ materially from the forward looking statements contained in this report as a result of the following factors, among others: the level and availability of government and/or third party payor reimbursement for clinical procedures using our products, and the willingness of healthcare providers to purchase our products if the level of reimbursement declines; the regulatory requirements applicable to us and our competitors; our ability to efficiently manage our manufacturing processes and costs; concentration of our customers in the U.S. and China, including the concentration of sales to one particular customer in the U.S.; the development by others of new products, treatments, or technologies that render our technology partially or wholly obsolete; the regulatory requirements applicable to us and our competitors; our ability to efficiently manage our manufacturing processes and costs; the risks arising from doing business in China and other foreign countries; legislation, regulation, or other governmental action that affects our products, taxes, international trade regulation, or other aspects of our business; the performance of the Company's information technology systems and its ability to maintain data security; our ability to obtain and maintain the intellectual property needed to adequately protect our products, and our ability to avoid infringing or otherwise violating the intellectual property rights of third parties; and other risks described from time to time in our filings with the Securities and Exchange Commission.

To date, the Russian invasion of Ukraine, conditions in the Middle East, and other global geopolitical uncertainty have not had significant impacts on our business, but we continue to monitor developments and will address them in future disclosures, if applicable.

Any forward-looking statements that we make in this report speak only as of the date of such statement, and we undertake no obligation to update such statements to reflect events or circumstances after the date of this report, except as may be required by applicable law.

PART I. FINANCIAL INFORMATION
Item 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SENSUS HEALTHCARE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

<i>(in thousands, except shares and per share data)</i>	As of September 30, 2023	As of December 31, 2022
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	\$ 20,487	\$ 25,520
Accounts receivable, net	6,883	17,299
Inventories	13,202	3,501
Prepaid inventory	3,946	6,261
Other current assets	1,340	660
Total current assets	45,858	53,241
Property and equipment, net	421	243
Intangibles, net	1	50
Deposits	24	24
Deferred tax asset	3,141	1,713
Operating lease right-of-use asset, net	820	996
Other noncurrent asset	281	468
Total assets	\$ 50,546	\$ 56,735
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable and accrued expenses	\$ 3,999	\$ 5,521
Product warranties	341	403
Operating lease liabilities, current portion	183	190
Income tax payable	-	890
Deferred revenue, current portion	708	693
Total current liabilities	5,231	7,697
Operating lease liabilities	648	830
Deferred revenue, net of current portion	80	139
Total liabilities	5,959	8,666
Commitments and contingencies		
Stockholders' equity		
Preferred stock, 5,000,000 shares authorized and none issued and outstanding	-	-
Common stock, \$0.01 par value – 50,000,000 authorized; 16,912,595 issued and 16,382,404 outstanding at September 30, 2023; 16,902,761 issued and 16,390,419 outstanding at December 31, 2022	169	169
Additional paid-in capital	45,353	45,031
Treasury stock, 530,191 and 512,342 shares at cost, at September 30, 2023 and December 31, 2022, respectively	(3,512)	(3,433)

Retained earnings	2,577	6,302
Total stockholders' equity	44,587	48,069
Total liabilities and stockholders' equity	\$ 50,546	\$ 56,735
 (in thousands, except shares and per share data)		
	As of March 31, 2024	As of December 31, 2023
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	\$ 14,728	\$ 23,148
Accounts receivable, net	19,625	10,645
Inventories	14,720	11,861
Prepaid inventory	3,671	2,986
Other current assets	1,169	888
Total current assets	53,913	49,528
Property and equipment, net	633	464
Deferred tax asset	1,313	2,140
Operating lease right-of-use asset, net	726	774
Other noncurrent assets	688	804
Total assets	\$ 57,273	\$ 53,710
 Liabilities and stockholders' equity		
Current liabilities		
Accounts payable and accrued expenses	\$ 3,703	\$ 2,793
Product warranties	594	538
Operating lease liability, current portion	191	187
Income tax payable	37	37
Deferred revenue, current portion	948	657
Total current liabilities	5,473	4,212
Operating lease liability	553	596
Deferred revenue, net of current portion	40	60
Total liabilities	6,066	4,868
Commitments and contingencies		
Stockholders' equity		
Preferred stock, 5,000,000 shares authorized and none issued and outstanding	-	-
Common stock, \$0.01 par value – 50,000,000 authorized; 16,925,595 issued and 16,392,671 outstanding at March 31, 2024; 16,907,095 issued and 16,374,171 outstanding at December 31, 2023	169	169
Additional paid-in capital	45,496	45,405
Treasury stock, 532,924 shares at cost, at March 31, 2024 and December 31, 2023	(3,519)	(3,519)
Retained earnings	9,061	6,787
Total stockholders' equity	51,207	48,842
Total liabilities and stockholders' equity	\$ 57,273	\$ 53,710

See accompanying notes to the **unaudited condensed consolidated financial statements** **statements (unaudited)**.

SENSUS HEALTHCARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(unaudited)

<i>(in thousands, except shares and per share data)</i>	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenues	\$ 3,898	\$ 9,010	\$ 11,838	\$ 31,428
Cost of sales	<u>1,909</u>	<u>3,136</u>	<u>5,609</u>	<u>10,150</u>
Gross profit	<u>1,989</u>	<u>5,874</u>	<u>6,229</u>	<u>21,278</u>
Operating expenses				
Selling and marketing	1,290	1,807	4,983	4,753
General and administrative	1,511	1,160	4,204	3,564
Research and development	1,083	746	3,001	2,302
Total operating expenses	<u>3,884</u>	<u>3,713</u>	<u>12,188</u>	<u>10,619</u>
Income (loss) from operations	<u>(1,895)</u>	<u>2,161</u>	<u>(5,959)</u>	<u>10,659</u>
Other income (expense):				
Gain on sale of assets	42	-	42	12,779
Interest income	277	119	764	147
Interest expense	-	(1)	-	(2)
Other income, net	<u>319</u>	<u>118</u>	<u>806</u>	<u>12,924</u>
Income (loss) before income tax	<u>(1,576)</u>	<u>2,279</u>	<u>(5,153)</u>	<u>23,583</u>
Provision for (benefit from) income taxes	<u>(125)</u>	<u>450</u>	<u>(1,428)</u>	<u>2,168</u>
Net income (loss)	<u><u>\$ (1,451)</u></u>	<u><u>\$ 1,829</u></u>	<u><u>\$ (3,725)</u></u>	<u><u>\$ 21,415</u></u>
Net income (loss) per share – basic	<u><u>\$ (0.09)</u></u>	<u><u>\$ 0.11</u></u>	<u><u>\$ (0.23)</u></u>	<u><u>\$ 1.30</u></u>
diluted	<u><u>\$ (0.09)</u></u>	<u><u>\$ 0.11</u></u>	<u><u>\$ (0.23)</u></u>	<u><u>\$ 1.28</u></u>
Weighted average number of shares used in computing net income (loss) per share – basic	16,270,403	16,478,742	16,255,263	16,498,557
diluted	16,270,403	16,595,029	16,255,263	16,671,620

See accompanying notes to the unaudited condensed consolidated financial statements.

SENSUS HEALTHCARE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY INCOME (LOSS)
(unaudited)

<i>(in thousands, except shares)</i>	Common Stock		Additional Paid-In Capital	Treasury Stock		Retained Earnings (Accumulated Deficit)		Total
	Shares	Amount		Shares	Amount	\$		
December 31, 2021	16,694,311	\$ 167	\$ 44,115	(77,037)	\$ (325)	\$ (17,942)	\$ 26,015	
Stock-based compensation	-	-	57	-	-	-	-	57
Exercise of stock options	62,500	1	346	-	-	-	-	347
Surrender of shares for tax withholding on stock-based compensation	-	-	-	(2,226)	(23)	-	-	(23)
Net income	-	-	-	-	-	16,062	16,062	
March 31, 2022 (unaudited)	16,756,811	\$ 168	\$ 44,518	(79,263)	\$ (348)	\$ (1,880)	\$ 42,458	
Stock-based compensation	-	-	40	-	-	-	-	40
Exercise of stock options	5,000	1	28	-	-	-	-	28
Stock repurchase	-	-	-	(126,523)	(1,005)	-	-	(1,005)
Net income	-	-	-	-	-	3,524	3,524	
June 30, 2022 (unaudited)	16,761,811	\$ 168	\$ 44,586	(205,786)	\$ (1,353)	\$ 1,644	\$ 45,045	
Stock-based compensation	-	-	40	-	-	-	-	40
Exercise of stock options	53,200	1	295	-	-	-	-	296
Surrender of shares for tax withholding on stock-based compensation	-	-	-	(7,870)	(86)	-	-	(86)
Net income	-	-	-	-	-	1,829	1,829	
September 30, 2022 (unaudited)	16,815,011	\$ 169	\$ 44,921	(213,656)	\$ (1,439)	\$ 3,473	\$ 47,124	
December 31, 2022	16,902,761	\$ 169	\$ 45,031	(512,342)	\$ (3,433)	\$ 6,302	\$ 48,069	
Stock-based compensation	10,000	-	161	-	-	-	-	161
Exercise of stock options	8,334	-	46	-	-	-	-	46
Forfeiture of restricted stock units	(7,500)	-	(18)	-	-	-	-	(18)
Surrender of shares for tax withholding on stock-based compensation	-	-	-	(4,487)	(40)	-	-	(40)
Net loss	-	-	-	-	-	(1,894)	(1,894)	
March 31, 2023 (unaudited)	16,913,595	\$ 169	\$ 45,220	(516,829)	\$ (3,473)	\$ 4,408	\$ 46,324	
Stock-based compensation	-	-	67	-	-	-	-	67
Forfeiture of restricted stock units	(1,000)	-	(1)	-	-	-	-	(1)

Net loss	-	\$ 169	\$ 45,286	(516,829)	\$ (3,473)	\$ 4,028	\$ (380)	\$ (380)
June 30, 2023 (unaudited)	16,912,595	\$ 169	\$ 45,286	(516,829)	\$ (3,473)	\$ 4,028	\$ 46,010	
Stock-based compensation	-	-	67	-	-	-	-	67
Surrender of shares for tax withholding on stock-based compensation	-	-	-	(3,935)	(12)	-	-	(12)
Stock repurchase	-	-	-	(9,427)	(27)	-	-	(27)
Net loss	-	-	-	-	-	(1,451)	(1,451)	
September 30, 2023 (unaudited)	16,912,595	\$ 169	\$ 45,353	(530,191)	\$ (3,512)	\$ 2,577	\$ 44,587	
For the Three Months Ended March 31,								
<i>(in thousands, except shares and per share data)</i>								
Revenues						\$ 10,663	\$ 3,414	
Cost of sales						4,001	1,792	
Gross profit						6,662	1,622	
Operating expenses								
Selling and marketing						1,270	2,099	
General and administrative						1,579	1,364	
Research and development						926	1,098	
Total operating expenses						3,775	4,561	
Income (loss) from operations						2,887	(2,939)	
Other income:								
Interest income, net						214	243	
Other income, net						214	243	
Income (loss) before income tax						3,101	(2,696)	
Provision for (benefit from) income taxes						827	(802)	
Net income (loss)						\$ 2,274	\$ (1,894)	
Net income (loss) per share – basic						\$ 0.14	\$ (0.12)	
diluted						\$ 0.14	\$ (0.12)	
Weighted average number of shares used in computing net income (loss) per share – basic						16,294,970	16,245,343	
diluted						16,318,047	16,245,343	

See accompanying notes to the **unaudited** condensed consolidated financial **statements** (**unaudited**).

SENSUS HEALTHCARE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS STOCKHOLDERS' EQUITY
(unaudited)

<i>(in thousands)</i>	For the Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities		
Net income (loss)	\$ (3,725)	\$ 21,415
Adjustments to reconcile net income (loss) to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation and amortization	216	241
Gain on sale of property and equipment	(42)	(12,779)
Amortization of right-of-use asset	139	147
Provision for product warranties	325	252
Stock-based compensation	276	137
Deferred income taxes	(1,428)	(1,602)
Decrease (increase) in:		
Accounts receivable	10,416	4,734
Inventories	(9,818)	(2,036)
Deposits	-	40
Prepaid inventory	2,315	(1,734)
Other current assets	(680)	387
Other noncurrent asset	187	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(1,522)	161
Operating lease liability	(152)	(154)
Income tax payable	(890)	233
Deferred revenue	(44)	(283)
Product warranties	(386)	(458)
Total adjustments	(1,088)	(12,714)
Net cash provided by (used in) operating activities	(4,813)	8,701
Cash flows from investing activities		
Acquisition of property and equipment	(229)	(149)
Proceeds from sale of assets	42	15,000
Net cash provided by (used in) investing activities	(187)	14,851
Cash flows from financing activities		
Repurchase of common stock	(27)	(1,005)
Withholding taxes on stock-based compensation	(52)	(109)
Repayment of loan payable	-	(51)
Exercise of stock options	46	671
Net cash used in financing activities	(33)	(494)
Net increase (decrease) in cash and cash equivalents	(5,033)	23,058

Cash and cash equivalents – beginning of period		25,520	14,519
Cash and cash equivalents – end of period		\$ 20,487	\$ 37,577
Supplemental disclosure of cash flow information:			
Interest paid		\$ -	\$ 2
Income tax paid		\$ 1,440	\$ 3,477
Supplemental schedule of noncash investing and financing transactions:			
Operating lease right-of-use asset and lease liability increase from lease modification		\$ -	\$ 1,045
Transfer of inventory to property and equipment		\$ 117	\$ 44

<i>(in thousands, except shares)</i>	Common Stock		Additional Paid-In Capital		Treasury Stock		Retained Earnings		Total
	Shares	Amount	Shares	Amount	Shares	Amount	Earnings		
December 31, 2022	16,902,761	\$ 169	\$ 45,031		(512,342)	\$ (3,433)	\$ 6,302	\$ 48,069	
Stock-based compensation	10,000	-	161		-	-	-	-	161
Exercise of stock options	8,334	-	46		-	-	-	-	46
Forfeiture of restricted stock units	(7,500)	-	(18)		-	-	-	-	(18)
Surrender of shares for tax withholding on stock-based compensation	-	-	-		(4,487)	(40)	-	-	(40)
Net loss	-	-	-		-	-	(1,894)	(1,894)	(1,894)
March 31, 2023	16,913,595	\$ 169	\$ 45,220		(516,829)	\$ (3,473)	\$ 4,408	\$ 46,324	
December 31, 2023	16,907,095	\$ 169	\$ 45,405		(532,924)	\$ (3,519)	\$ 6,787	\$ 48,842	
Stock-based compensation	20,000	-	92		-	-	-	-	92
Forfeiture of restricted stock units	(1,500)	-	(1)		-	-	-	-	(1)
Net income	-	-	-		-	-	2,274	2,274	2,274
March 31, 2024	16,925,595	\$ 169	\$ 45,496		(532,924)	\$ (3,519)	\$ 9,061	\$ 51,207	

See accompanying notes to the **unaudited condensed consolidated financial statements** (unaudited).

SENSUS HEALTHCARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

<i>(in thousands)</i>	For the Three Months Ended March 31,	
	2024	2023
Cash flows from operating activities		
Net income (loss)	\$ 2,274	\$ (1,894)
Adjustments to reconcile net income (loss) to net cash and cash equivalents used in operating activities:		
Depreciation and amortization	70	73
Amortization of right-of-use asset	48	48
Provision for product warranties	150	163
Stock-based compensation	91	143
Deferred income taxes	827	(802)
Decrease (increase) in:		
Accounts receivable	(8,980)	4,566
Inventories	(2,865)	(2,855)
Prepaid inventory	(685)	(3,370)
Other current assets	(281)	(315)
Other noncurrent assets	116	1
Increase (decrease) in:		
Accounts payable and accrued expenses	910	(593)
Operating lease liability	(39)	(46)
Income tax payable	-	(890)
Deferred revenue	271	(35)
Product warranties	(94)	(191)
Total adjustments	(10,461)	(4,103)
Net cash used in operating activities	(8,187)	(5,997)
Cash flows from investing activities		
Acquisition of property and equipment	(233)	(189)
Net cash used in investing activities	(233)	(189)
Cash flows from financing activities		
Withholding taxes on stock-based compensation	-	(40)
Exercise of stock options	-	46
Net cash provided by financing activities	-	6
Net decrease in cash and cash equivalents	(8,420)	(6,180)
Cash and cash equivalents – beginning of period	23,148	25,520
Cash and cash equivalents – end of period	\$ 14,728	\$ 19,340
Supplemental disclosure of cash flow information:		
Interest paid	\$ -	\$ -
Income tax paid	\$ -	\$ 1,200
Supplemental schedule of noncash investing and financing transactions:		

Transfer of inventory to property and equipment	\$	6	\$	14
<i>See accompanying notes to the condensed consolidated financial statements (unaudited).</i>				

SENSUS HEALTHCARE, INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF THE BUSINESS

Sensus Healthcare, Inc. (together, with its **subsidiary**, **subsidiaries**, unless the context otherwise indicates, “Sensus” or the “Company”) is **primarily** a manufacturer of radiation therapy devices sold to healthcare providers **and distributors** globally through its distribution **and marketing** network. The Company operates **in one segment** from its corporate headquarters located in Boca Raton, Florida.

In February 2024, the Company formed Sensus Healthcare Services, LLC, a wholly-owned subsidiary that provides operational healthcare services in the form of radiation oncology and physics oversight, including radiotherapy technologists for dermatology clinics. The Company has signed contracts that have not commenced as of March 31, 2024, and expenses incurred related to these contracts are *de minimis*.

Basis of Presentation and Principles of Consolidation

*These condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and include the accounts of the Company and its **subsidiary**, **subsidiaries**. Accounts and transactions between condensed consolidated entities have been eliminated.*

*These financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. They do not include all of the information and notes required by GAAP. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement of the results have been included. Operating results for the three and nine months ended **September 30, 2023** **March 31, 2024** are not necessarily indicative of the results that may be expected for the year ending **December 31, 2023** **December 31, 2024** or for any other period.*

*The condensed consolidated balance sheet as of **December 31, 2022** **December 31, 2023** has been derived from the audited financial statements at that date but does not include all of the information and notes required by GAAP for complete financial statements. For further information, refer to the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023** (the “**2022** “**2023** Annual Report”).*

Revenue Recognition/Use of Estimates

The Company’s preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting periods. Actual results could differ from those estimates.

RECLASSIFICATION OF PRIOR YEAR PRESENTATION

Certain prior period amounts have been reclassified for consistency with the current period presentation. The reclassifications are limited to the condensed consolidated balance sheets and statements of cash flow and have no impact on the reported results of operations.

REVENUE RECOGNITION

The Company derives primarily revenue from sales of the Company’s devices and services related to maintaining and repairing the devices as part of a service contract or on an ad-hoc basis without a service contract.

*The Company provides warranties, generally for one year, in conjunction with **sales** the **sale** of its products. These warranties entitle the customer to repair, replacement, or modification of the defective product, subject to the terms of the relevant warranty. The Company has determined that these warranties do not represent separate performance obligations, as the customer does not have the option to purchase the warranty separately and the warranty does not provide the customer with a service **only** in addition to the assurance that the product complies with agreed-upon specifications. The Company records an estimate of future warranty claims at the time it recognizes revenue from the sale of **a** the device based upon management’s estimate of the future claims rate.*

Revenue is recognized upon transfer of control of promised goods or services to customers when the product is shipped or the service is rendered, based on the amount the Company expects to receive in exchange for those goods or services. The Company enters into contracts that can include multiple services, which are accounted for separately if they are determined to be distinct.

To determine the transaction price for contracts under in which a customer promises consideration in a form other than cash, the Company measures the estimated fair value of the noncash consideration at contract inception. If the Company cannot reasonably estimate the fair value of the noncash consideration, it the Company measures the consideration indirectly by reference to the standalone selling price of the products promised to the customer or class of customer in exchange for the consideration.

The revenues from service contracts are recognized over the service contract period on a straight-line basis. In the event that a customer does not sign a service contract, but requests maintenance or repair services after the warranty expires, the Company recognizes revenue when the service is rendered.

The Company has determined that in practice no significant discount is given on the service contract when it is offered with the device purchase as compared to when it is sold on a stand-alone basis. The service level provided is identical whether the service contract is purchased on a stand-alone basis or together with the device. There is no termination provision in the service contract or any penalties in practice for cancellation of the service contract.

Disaggregated The components of disaggregated revenue for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 was 2023 were as follows:

(in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
	2023	2022	2023	2022
Product Revenue - recognized at a point in time	\$ 2,896	\$ 7,901	\$ 8,889	\$ 28,101
Service Revenue - recognized at a point in time	286	486	932	1,010
Service Revenue - recognized over time	716	623	2,017	2,317
Total Revenue	\$ 3,898	\$ 9,010	\$ 11,838	\$ 31,428

(in thousands)	For the Three Months Ended March 31,	
	2024	2023
Product Revenue - recognized at a point in time	\$ 9,493	\$ 2,469
Service Revenue - recognized at a point in time	371	341
Service Revenue - recognized over time	799	604
Total Revenue	\$ 10,663	\$ 3,414

The Company operates in a highly regulated environment, primarily in the U.S. dermatology market, in which state regulatory approval is sometimes required before prior to the customer is being able to use the product. In cases where such regulatory approval is pending, revenue is deferred until such time as regulatory approval is obtained.

Deferred revenue activity as of September 30, 2023 March 31, 2024 was as follows:

(in thousands)	Product	Service	Total
December 31, 2022	\$ 45	\$ 787	\$ 832
Revenue recognized	(9)	(2,017)	(2,026)
Amounts invoiced	-	1,982	1,982
September 30, 2023	\$ 36	\$ 752	\$ 788
(in thousands)	Product	Service	Total
December 31, 2023	\$ 36	\$ 681	\$ 717
Revenue recognized	-	(799)	(799)
Amounts invoiced	315	755	1,070
March 31, 2024	\$ 351	\$ 637	\$ 988

The Company does not disclose information about remaining performance obligations with of deposits for products that have original expected durations of one year or less in connection with deposits for products, less. Estimated service revenue to be recognized in the future related to the performance obligations fully or that are unsatisfied (or partially unsatisfied unsatisfied) as of September 30, 2023 March 31, 2024 is as follows:

Year	Service Revenue	Service Revenue
2023 (October 1 - December 31, 2023)	\$ 266	
2024	426	
2024 (April 1 - December 31, 2024)		\$ 560
2025		40
2026		20
Total	\$ 752	\$ 637

The

For the three months ended March 31, 2024 and 2023, the Company pays paid commissions for certain equipment sales. Because the recovery of commissions is expected to occur from product revenue within one year, the Company charges commissions to expense as incurred.

Shipping and handling costs are expensed as incurred and are included in cost of sales.

Concentration

CONCENTRATION

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable.

One customer in the U.S. accounted for approximately 52% 71% and 63% 60% of revenue for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, approximately 52% and 73% of revenue for the nine months ended September 30, 2023 and 2022, 2023, respectively, and 86% and 91% 85% of the accounts receivable as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

Segment and Geographical Information

The following table illustrates total revenue for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 by geographic region, country.

(in thousands)	For the Three Months Ended March 31,			
	2024	2023	2024	2023
United States	\$ 10,479	98 %	\$ 3,274	96 %
China	155	2 %	130	4 %
Other	29	0 %	10	0 %
Total Revenue	\$ 10,663	100 %	\$ 3,414	100 %
For the Three Months Ended September 30,				
(in thousands)	2023		2022	
	\$ 3,438	88 %	\$ 8,407	93 %
United States	450	12 %	594	7 %
Other	10	0 %	9	0 %
Total Revenue	\$ 3,898	100 %	\$ 9,010	100 %
For the Nine Months Ended September 30,				
(in thousands)	2023		2022	
	\$ 10,603	90 %	\$ 29,904	95 %
United States	880	7 %	1,484	5 %
Guatemala	190	2 %	-	0 %
Ireland	135	1 %	-	0 %
Other	30	0 %	40	0 %
Total Revenue	\$ 11,838	100 %	\$ 31,428	100 %

Fair Value of Financial Instruments

Carrying amounts of cash equivalents, accounts receivable, **and** accounts payable **and the revolving credit facility** approximate fair value due to their **relatively** **relative** short maturities.

Fair Value Measurements

The Company uses a fair value hierarchy that prioritizes inputs to valuation approaches used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 Inputs:

Quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date.

- Level 1 assets may include listed mutual funds, ETFs and listed equities

Level 2 Inputs:

Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; quotes from pricing services or brokers **when for which** the Company can determine that orderly transactions took place at the quoted price or that the inputs used to arrive at the price are observable; and inputs other than quoted prices that are observable, such as models or other valuation methodologies.

- Level 2 assets may include debt securities and foreign currency exchange contracts that have inputs to the valuations that generally can be corroborated by observable market data.

Level 3 Inputs:

Unobservable inputs for the valuation of the asset or liability, which may include nonbinding broker quotes.

- Level 3 assets include investments for which there is little, if any, market activity. These inputs require significant management judgment or estimation.

Significance of Inputs: The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

CASH AND CASH EQUIVALENTS

The Company considers all cash and cash equivalents primarily consist of cash, money market funds and short-term, highly liquid financial instruments investments with original maturities of three months or less when purchased to be cash equivalents, less.

ACCOUNTS RECEIVABLE

Accounts Receivable

The Company does business and extends credit based on an evaluation of each customer's financial condition, generally without requiring collateral. Exposure to losses on receivables varies is expected to vary by customer primarily due to the customer's financial condition, condition of each customer. The Company estimates future credit losses based on the age of customer receivable balances, collection history and forecasted economic trends. Future collections can be significantly different from historical collection trends or current estimates. The Company monitors exposure to credit losses and maintains allowances for anticipated losses considered necessary under the circumstances. The allowance for expected credit losses was \$2 thousand and \$107 thousand \$0 as of September 30, 2023 both March 31, 2024 and December 31, 2022, respectively. Bad debt December 31, 2023. No credit loss expense was \$2 thousand and \$0 incurred for the three months ended September 30, 2023 and 2022, respectively, and \$7 thousand and \$0 for the nine months ended September 30, 2023 and 2022, respectively. March 31, 2024 or 2023.

INVENTORIES

Inventories

Inventories consist of finished product and components and are stated at the lower of cost or net realizable value, determined using the first-in-first-out method. The Company periodically reviews the value of items in inventory for obsolescence based on its assessment of market conditions and writes down any obsolete inventory to its net realizable value through a charge to costs of sales. The provision for inventory obsolescence was \$18 thousand as of both September 30, 2023 and December 31, 2022.

Earnings Per Share

Basic net income (loss) per share is calculated by dividing the net income (loss) by the weighted average number of common shares outstanding for the period using the treasury stock method for options, restricted stocks and warrants. Diluted net income (loss) per share is computed by giving effect to all potential dilutive common share equivalents outstanding for the period.

The factors used in the net income (loss) per share computation are as follows:

(in thousands)	For the Three Months Ended March 31,	
	2024	2023
Basic		
Net income (loss)	\$ 2,274	\$ (1,894)
Weighted average number of shares used in computing net income (loss) per share – basic	16,295	16,245
Net income (loss) per share - basic	\$ 0.14	\$ (0.12)
Diluted		
Net income (loss)	\$ 2,274	\$ (1,894)
Weighted average number of shares used in computing net income (loss) per share – basic	16,295	16,245
Dilutive effects of:		
Restricted stock awards	23	-
Weighted average number of shares used in computing net income (loss) per share – diluted	16,318	16,245
Net income (loss) per share - diluted	\$ 0.14	\$ (0.12)

The shares listed below were not included in the computation of diluted net income (loss) per share because to do so would have been antidilutive for the periods presented:

Restricted stock awards	53,250	54,122
Stock options	89,550	20,933

Diluted net income per share for the three months ended March 31, 2024 includes the dilutive effect of restricted stock awards that were issued in July 2021 and January 2024 to our directors, officers, and employees. Diluted weighted average common shares outstanding for the three months ended March 31, 2024 excludes stock options whose exercise prices were higher than the average price of our shares of common stock during the period. Diluted weighted average common shares outstanding for the three months

ended March 31, 2024 also excludes the 53,250 shares issued under restricted stock awards in December 2022 to employees, as the average price of our shares of common stock during the three months ended March 31, 2024 was less than average unrecognized compensation expense. Diluted net loss per share for the three months ended March 31, 2023 excludes the dilutive effect of stock options and restricted stock awards as they are antidilutive during a period using of net loss. The assumed proceeds of stock options and the restricted stock awards for the treasury stock method for options is the sum of proceeds from exercise and unvested restricted shares. In periods when the Company has incurred a net loss, options and unvested shares are considered common share equivalents but have been excluded from the calculation average amount of diluted net loss per share as their effect is antidilutive. Shares excluded were as follows: unrecognized compensation expense.

(in thousands)	For the Three Months Ended		For the Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2023	2022	2023	2022
Stock Options	89,550	-	89,550	-
Restricted Stock	113,500	-	113,500	-
Total	203,050	-	203,050	-

THE FACTORS USED IN THE EARNINGS PER SHARE COMPUTATION ARE AS FOLLOWS:

(in thousands)	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Basic				
Net income (loss)	\$ (1,451)	\$ 1,829	\$ (3,725)	\$ 21,415
Weighted average common shares outstanding	16,270	16,479	16,255	16,499
Basic earnings (loss) per share	\$ (0.09)	\$ 0.11	\$ (0.23)	\$ 1.30
Diluted				
Net income (loss)	\$ (1,451)	\$ 1,829	\$ (3,725)	\$ 21,415
Weighted average common shares outstanding	16,270	16,479	16,255	16,499
Dilutive effects of:				
Assumed exercise of stock options	-	58	-	103
Unvested restricted stock awards	-	58	-	70
Dilutive shares	16,270	16,595	16,255	16,672
Diluted earnings (loss) per share	\$ (0.09)	\$ 0.11	\$ (0.23)	\$ 1.28

Leases

Leases

The Company evaluates arrangements at inception to determine if an arrangement is or contains a lease. The operating lease right-of-use asset (the “ROU asset”) represents assets represent the Company’s right to use control an underlying asset for the lease term, and operating lease liabilities represent liability represents the Company’s obligation to make lease payments arising from the lease. The ROU Control of an underlying asset is conveyed to the Company if the Company obtains the rights to direct the use of and operating to obtain substantially all of the economic benefits from using the underlying asset. Operating lease assets and liabilities are recognized at the commencement date of the lease based upon the present value of lease payments over the lease term. When determining the lease term, the Company includes options to extend or terminate the lease when it is reasonably certain that the Company will exercise the options. To determine the present value of the lease payment, the that option. The Company uses an incremental borrowing rate that the Company would expect to incur for a fully collateralized loan over a similar term under similar economic conditions. In addition, conditions to determine the present value of the lease payments. The Company has lease agreements which include lease and non-lease components, which the Company has elected available practical expedients to not separate account for as a single lease and non-lease components component for all leased assets and to exclude leases with initial terms classes of 12 months or less.underlying assets.

The lease payments used to determine the Company’s operating lease asset assets may include lease incentives, and stated rent increases are recognized in the ROU asset Company’s operating lease assets in the Company’s condensed consolidated balance sheets. The ROU asset is Operating lease assets are amortized to rent expense over the lease term and included in operating expenses in the condensed consolidated statements of income (loss).income.

Income Taxes

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company’s financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on differences between the financial statement carrying amounts and the tax bases of the assets and liabilities using the enacted tax rates in effect in the years in which the differences are expected to reverse. A valuation allowance against deferred tax assets is recorded if, based on the weight of the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

Uncertain tax positions are recognized in the financial statements only if that position is more likely than not to be sustained upon examination by taxing authorities, based on the technical merits of the position. The Company’s practice is to recognize interest and/or penalties related to income tax matters in income tax expense.

Recent Accounting Pronouncements

In June 2016, March 2020, the Financial Accounting Standard Board (“FASB”) issued ASU 2020-4, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, to provide temporary optional expedients and exceptions to U.S. GAAP guidance on contract modifications to ease the financial reporting burdens of the expected market transition from the London Interbank Offered Rate, or LIBOR, to alternative reference rates, such as the Secured Overnight Financing Rate. Entities can elect not to apply certain modification accounting requirements to contracts affected by what the guidance calls reference rate reform if certain criteria are met. An entity that makes this election would not have to remeasure the contracts at the modification date or reassess a previous accounting determination. The guidance was originally effective as of March 12, 2020 through December 31, 2022 and interim periods within those fiscal years. In December 2022, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendments in this ASU replace the incurred loss model for recognition of credit losses with a methodology that reflects expected credit losses over the life 2022-06, *Deferral of the loan and requires consideration Sunset Date of Topic 848* which was issued to defer the sunset date of Topic 848 to December 31, 2024. These updates are not expected to have a broader range of reasonable and supportable information to calculate credit loss estimates. significant impact on the Company’s condensed consolidated financial statements.

In November 2019, 2023, the FASB issued ASU 2019-10, which provides a one-year deferral 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, to enhance disclosures about significant segment expenses for public entities reporting segment information under ASC Topic 280. The amendments require public entities to disclose significant expense categories for each reportable segment, other segment items, the title and position of the effective dates chief operating decision-maker, and interim disclosures of ASU No. 2016-13. Accordingly, certain segment-related information previously required only on an annual basis. The amendments clarify that entities reporting single segments must disclose both the guidance new and existing segment disclosures under Topic 280, and a public entity is permitted to disclose multiple measures of segment profit or loss if certain criteria are met. The ASU is effective for fiscal years beginning after December 15, 2022 December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The Company adopted is currently evaluating the impact of this update standard on its condensed consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, to enhance transparency into income tax disclosures. The amendments require annual disclosure of certain information relating to the rate reconciliation, income taxes paid by jurisdiction, income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign jurisdictions, income tax expense (or benefit) from continuing operations disaggregated by federal (national), state, and foreign jurisdictions. The amendments also eliminate certain requirements relating to unrecognized tax benefits and certain deferred tax disclosure relating to subsidiaries and corporate joint ventures. The ASU is effective for fiscal years beginning after December 15, 2024, and interim periods within fiscal years beginning after December 15, 2025. Early adoption is permitted. The Company is currently evaluating the impact of this standard on its condensed consolidated financial statements and related disclosures.

In March 2024, the FASB issued ASU 2024-01, *Compensation - Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards*, to clarify how an entity determines whether a profits interest or similar award is within the scope of Topic 718 or is not a share-based payment arrangement and therefore within the scope of other guidance. ASU 2024-01 provides an illustrative example with multiple fact patterns and also amends certain language in January 2023. This update did the “Scope” and “Scope Exceptions” sections of Topic 718 to improve its clarity and operability without changing the guidance. The ASU is effective for fiscal years beginning after December 15, 2024, and interim periods within those annual periods. Early adoption is permitted. These updates are not expected to have a significant impact on the Company’s condensed consolidated financial statements.

Management does not believe that any recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on the Company’s condensed consolidated financial statements.

NOTE 2 — PROPERTY AND EQUIPMENT

(in thousands)	As of September 30, 2023	As of December 31, 2022	Estimated Useful Lives
Operations equipment	\$ 1,119	\$ 1,222	3 years
Tradeshow and demo equipment	1,278	990	3 years
Computer equipment	183	162	3 years
Subtotal	2,580	2,374	
Less accumulated depreciation	(2,159)	(2,131)	
Property and Equipment, Net	\$ 421	\$ 243	

Property and equipment consist of the following:

(in thousands)	As of March 31, 2024	As of December 31, 2023	Estimated Useful Lives
Operations equipment	\$ 1,253	\$ 1,018	3 years
Tradeshow and demo equipment	1,182	1,184	3 years
Computer equipment	147	145	3 years
Subtotal	2,582	2,347	
Less accumulated depreciation	(1,949)	(1,883)	
Property and Equipment, Net	\$ 633	\$ 464	

Depreciation expense was \$60 approximately \$70 thousand and \$51 \$48 thousand for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and \$167 thousand and \$169 thousand for the nine months ended September 30, 2023 and 2022, 2023, respectively.

NOTE 3 — INTANGIBLES

(in thousands)	Patent Rights	Customer Relationships	Total
December 31, 2022	\$ 49	\$ 1	\$ 50
Amortization expense	(49)	-	(49)
September 30, 2023	\$ -	\$ 1	\$ 1

Accumulated amortization was \$1,273 thousand and \$1,224 thousand as of September 30, 2023 and December 31, 2022, respectively.

Note 4 — Debt DEBT

As of December 31, 2022, the Company had a revolving credit facility with Silicon Valley Bank (“SVB”) that provided for maximum borrowings equal to the lesser of (a) the \$15 million commitment amount or (b) the borrowing base plus a \$7.5 million non-formula sublimit. On March 10, 2023, SVB was closed by the California Department of Financial Protection and Innovation, and the Federal Deposit Insurance Corporation (the “FDIC”) was appointed receiver. On March 13, 2023, the FDIC transferred all deposits, both insured and uninsured, and substantially all assets of SVB to a newly created, full-service FDIC-operated “bridge bank”, Silicon Valley Bridge Bank, N.A. (“SVBB”), chartered by the Office of the Comptroller of the Currency as a national bank. Subsequently, on March 27, 2023, the FDIC entered into a purchase and assumption agreement for all deposits and loans, as well as certain other assets, of SVBB, with First-Citizens Bank & Trust Company (“FCB”), a subsidiary of First Citizens BancShares, Inc. (“First Citizens”). As a result of this transaction, SVB became a wholly owned subsidiary of FCB.

On September 11, 2023, the Company entered into a new revolving credit facility (the “Credit Facility”) with Comerica Bank (“Comerica”), replacing the prior facility with SVB, that provides for maximum borrowings of \$10 million. The Credit Facility may be terminated by the Company or Comerica at any time without penalty. At **September 30, 2023** **March 31, 2024**, the available borrowings under this facility were \$10 million. Any borrowings bear interest at the Secured Overnight Financing Rate (“SOFR”) plus 2.50% (or **7.81%** **7.84%** at **September 30, 2023**, **March 31, 2024**) and would be due upon demand by Comerica. The Credit Facility is secured by all of the Company’s assets. The Credit Facility contains a financial covenant requiring that the Company maintain unencumbered liquid assets having a minimum value of \$3,500,000 in a Comerica account.

The Company was in compliance with its financial covenants under the respective facilities as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**. There were no borrowings outstanding under either facility at **September 30, 2023** or **December 31, 2022** **March 31, 2024** and **December 31, 2023**.

NOTE 54 — PRODUCT WARRANTIES

Changes in product warranty liability were as follows for the **nine** three months ended **September 30, 2023** **March 31, 2024**:

<i>(in thousands)</i>			
Balance, December 31, 2022		\$ 403	
Balance, December 31, 2023			\$ 538
Warranties accrued during the period		325	150
Payments on warranty claims		(387)	(94)
Balance, September 30, 2023		\$ 341	
Balance, March 31, 2024			\$ 594

NOTE 65 — LEASES

OPERATING LEASE AGREEMENTS

The Company leases its headquarters office from an unrelated third party under a lease expiring in September 2027. The amortization of the ROU right of use lease asset was \$48 thousand and \$44 thousand for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and \$139 thousand and \$147 thousand for the nine months ended September 30, 2023 and 2022, respectively. 2023.

The following table presents information about the amount, timing and uncertainty of cash flows arising from the Company's operating leases as of September 30, 2023 March 31, 2024.

<i>Maturity of Operating Lease Liabilities</i>	<i>Amount</i>	<i>Amount</i>
<i>2023 (October 1 - December 31, 2023)</i>	\$ 55	
<i>2024</i>		223
<i>2024 (April 1 - December 31, 2024)</i>		\$ 167
<i>2025</i>	229	229
<i>2026</i>	236	236
<i>2027</i>	181	181
<i>Total undiscounted operating leases payments</i>	\$ 924	\$ 813
<i>Less: Imputed interest</i>	(93)	(69)
<i>Present Value of Operating Lease Liabilities</i>	\$ 831	\$ 744
<i>Other Information</i>		
<i>Weighted-average remaining lease term</i>	4 years	3.5 years
<i>Weighted-average discount rate</i>	5 %	5 %

Cash paid for amounts included in the measurement of operating lease liabilities was \$152 thousand and \$170 thousand for the nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively, and is included in cash flows from operating activities in the accompanying condensed consolidated statement of cash flows.

Operating lease cost recognized as expense was \$57 thousand and \$60 thousand for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and \$171 thousand and \$177 thousand for the nine months ended September 30, 2023 and 2022, 2023, respectively. The financing component for operating lease obligations represents the effect of discounting the operating lease payments to their present value.

NOTE 76 — COMMITMENTS AND CONTINGENCIES

MANUFACTURING AGREEMENT

Manufacturing Agreement

In 2010, the Company entered into a three-year contract manufacturing agreement with an unrelated third party for the production and manufacture of the SRT-100 (and subsequently the SRT-100 Vision and the SRT-100 Plus) SRT-100+, in accordance with the Company's product specifications. The agreement renews for successive one-year periods unless either party notifies the other party in writing, at least 60 days prior to the anniversary date of the agreement, that it will not renew the agreement. The Company or the manufacturer may also terminate the agreement upon 90 days' prior written notice.

The Company pays this manufacturer for finished goods in advance of the inventory being received. The Company paid this manufacturer approximately \$1.3 million \$5.7 million and \$1.8 million \$6.5 million for finished goods for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and \$9.2 million and \$7.5 million for the nine months ended September 30, 2023 and 2022, 2023, respectively. Approximately \$3.5 million \$5.0 million and \$2.7 million \$3.2 million of finished goods was received from this manufacturer for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and \$11.2 million and \$7.5 million for the nine months ended September 30, 2023 and 2022, 2023, respectively. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, a prepayment related to these finished goods of approximately \$3.9 million \$3.7 million and \$6.3 million \$3.0 million, respectively, was presented in prepaid inventory in the accompanying condensed consolidated balance sheets.

LEGAL CONTINGENCIES

The Company is a party to certain legal proceedings in the ordinary course of business. The Company assesses, in conjunction with its legal counsel, the need to record a liability for litigation and related contingencies.

In 2015, the Company learned that the Department of Justice (the "Department") had commenced an investigation of the billing to Medicare by a physician who had treated patients with the Company's SRT-100. The Department subsequently advised the Company that it was considering expanding the investigation to determine whether the Company had any involvements in physician's use of certain reimbursements codes. The Company has received two Civil Investigative Demands from the Department seeking documents and written responses in connection with its investigation. The Company has fully cooperated with the Department. The Company disputes that it has engaged in any wrongdoing with respect to such reimbursement claims; among other considerations, the Company does not submit claims for reimbursement or provide coding or billing advice to physicians. To the Company's knowledge, the Department has made no determination as to whether the Company engaged in any wrongdoing, or whether to pursue any legal action against the Company. Should the Department decide to pursue legal action, the Company believes it has strong and meritorious defenses and will vigorously defend itself. As of September 30, 2023 March 31, 2024, the Company is was unable to estimate the cost associated with this matter.

NOTE 87 — STOCKHOLDERS' EQUITY

Preferred Stock

The Company has authorized 5 million shares of preferred stock. No shares of preferred stock were issued or outstanding at September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023.

Treasury stock

Treasury stock

Treasury stock includes shares surrendered by employees for tax withholding on the vesting of restricted stock awards and shares repurchased in open market transactions. 3,935 0 and 8,422 4,487 shares were surrendered by employees for tax withholding for the three months ended March 31, 2024 and nine 2023, respectively. During three months ended September 30, 2023, respectively. During the third quarter of March 31, 2024 and 2023, the Company repurchased 9,427 did not repurchase any shares in open market transactions.

Note 9 – Stock-Based Compensation

NOTE 8 — EQUITY-BASED COMPENSATION

2016 AND 2017 EQUITY INCENTIVE PLANS

The Company's 2016 Equity Incentive Plan and the 2017 Incentive Plan, as amended in June 2023 (collectively, the "Plans"), provide for the issuance of up to 397,473 shares and 750,000 shares, respectively. Unless In addition, unless the Compensation Committee specifically determines otherwise, the maximum number of shares available under the Plans and the awards granted under them are the Plans will be subject to appropriate adjustment in the case of any stock dividends, stock splits, recapitalizations, reorganizations, mergers, consolidations, exchanges or other changes in capitalization affecting the Company's common stock. The awards may be made in the form of restricted stock awards or stock options, among other forms, things. As of September 30, 2023 March 31, 2024 and December 31, 2023, 307,473 294,473 and 312,973 shares are were available for grant to be granted under the Plans, Plans, respectively.

On February 1, 2020, a total of 35,000 shares of restricted stock were issued to employees. The restricted shares vest 25% per year over a four-year period. The grant date fair value of \$4.11 per share is being recognized as expense on a straight-line basis over the vesting period. During the first quarter of 2023, 5,000 three months ended March 31, 2024, 2,500 shares of common stock vested, and 7,500 vested. As of March 31, 2024, the shares of unvested common stock issued on February 1, 2020 were forfeited due to the termination of employment for two employees with the Company. fully vested.

On July 21, 2021, a total of 130,000 shares of restricted stock were issued to employees and board members. The restricted shares vest 25% at grant date and 25% per year over a three-year period. The grant date fair value of \$3.84 per share is being recognized as expense on a straight-line basis over the vesting period. During the third quarter of 2023, 32,500 three months ended March 31, 2024, the restricted shares of common stock were not vested.

On December 19, 2022, a total of 77,000 shares of restricted stock were issued to employees. The restricted shares vest 25% per year over a four-year period. The fair value of \$6.40 per share, the stock price on grant date, is being recognized as expense on a straight-line basis over the vesting period. During the second quarter of 2023, 1,000 three months ended March 31, 2024, 1,500 shares of unvested common stock were forfeited due to the termination of employment for one employee with the Company. two employees.

On January 26, 2023, 10,000 shares of common stock were issued to an employee and were recorded at the fair value of \$8.96 per share, the stock price on the grant date. The shares were fully vested at on the grant date.

On January 11, 2024, 20,000 shares of common stock with a fair value of \$2.65 per share, the stock price on the grant date, were issued to an employee. 10,000 of the shares were vested and the expense related to these shares was recognized on the grant date. The remaining 10,000 shares are scheduled to cliff vest in January 2025. The grant date fair value of \$2.65 per share is being recognized as expense on a straight-line basis over the vesting period. The grant date fair value is being recognized as expense on a straight-line basis over the vesting period.

RESTRICTED STOCK

Restricted stock activity for the nine three months ended September 30, 2023 March 31, 2024 is summarized below:

Outstanding at	Restricted Stock	Weighted-Average		Restricted Stock	Weighted-Average	
		Grant Date	Fair Value		Grant Date	Fair Value
December 31, 2022	159,500	\$ 5.11				
December 31, 2023				89,750	\$ 5.41	
Granted	10,000	8.96		20,000	2.65	
Vested	(47,500)	4.95		(12,500)	2.94	
Forfeited	(8,500)	\$ 4.38		(1,500)	\$ 6.40	

September 30, 2023	113,500	\$ 5.57
March 31, 2024	95,750	\$ 5.14

The Company recognizes forfeitures as they occur rather than estimating a forfeiture rate. The reduction of stock compensation expense related to the forfeitures was \$19 thousand and \$0 thousand for the nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

Stock compensation expense related to restricted stock, excluding the recognition of forfeitures, was \$92 thousand and \$161 thousand for the three months ended March 31, 2024 and 2023, respectively.

Unrecognized stock compensation expense was \$488 approximately \$358 thousand as of September 30, 2023 March 31, 2024, which will be recognized over a weighted average weighted-average period of 3.2.3 years.

STOCK OPTIONS

Stock options expire 10 years after the grant date. Options that have been granted are exercisable and vest based on the terms on of the related agreements.

The following table summarizes the Company's stock option options activity:

	Number of Options	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (In Years)	Number of Options	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (In Years)
Outstanding - December 31, 2022	97,884	\$ 5.55	5.08			
Outstanding - December 31, 2023				89,550	\$ 5.55	4.08
Granted	-	-	-	-	-	-
Exercised	(8,334)	5.55	-	-	-	-
Expired	-	-	-	-	-	-
Outstanding - September 30, 2023	89,550	\$ 5.55	4.33			
Exercisable - September 30, 2023	89,550	\$ 5.55	4.33			
Outstanding - March 31, 2024				89,550	\$ 5.55	3.83
Exercisable - March 31, 2024				89,550	\$ 5.55	3.83

Stock compensation expense related to stock options was \$0 for the three months ended March 31, 2024 and 2023. The stock options outstanding had an intrinsic value of \$0 and \$183 thousand as of September 30, 2023 March 31, 2024 and December 31, 2022, respectively.

Stock compensation expense related to restricted stock, excluding the recognition of forfeitures, was \$67 thousand and \$40 thousand for the three months ended September 30, 2023 and 2022, respectively, and \$295 thousand and \$137 thousand for the nine months ended September 30, 2023 and 2022, respectively.

In the first quarter of 2023, the Company issued 8,334 shares of common stock upon the exercise of stock options with an exercise price of \$5.55 per share. December 31, 2023.

NOTE 109 — INCOME TAXES

The Company accounts for income taxes in accordance with ASC 740, Income Taxes, ("ASC 740"), which prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Effective income tax rates for interim periods are based upon the Company's current estimated annual tax rate, which varies based upon the Company's estimate of taxable earnings or loss and the mix of taxable earnings or loss in the various states in which the Company operates. In addition, the Company recognizes taxes related to unusual or infrequent items or resulting from a change in judgment regarding a position taken in a prior period as discrete items in the interim period in which the event occurs.

For the quarter ended March 31, 2022, the Company recorded a net valuation allowance release of \$3.7 million on the basis of management's reassessment of the amount of its deferred tax assets that are more likely than not to be realized. As of each reporting date, management considers new evidence, both positive March 31, 2024 and negative, that could affect its view of the future realization of deferred tax assets. As of September 30, 2023, management determined there continues to be sufficient positive evidence that it is more likely than not that the net deferred tax asset (other than foreign net operation losses) is realizable.

Income tax (benefit) expense was **(\$125)** **\$827** thousand and **\$450** **(\$802)** thousand for the three months ended **September 30, 2023** **March 31, 2024** and **2022**, respectively. Income tax (benefit) expense was **(\$1,428)** thousand and **\$2,168** thousand for the nine months ended **September 30, 2023** and **2022, 2023**, respectively.

The effective tax rates for the three months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** were **7.9%** **26.7%** and **19.7%**, respectively. The effective tax rates for the nine months ended **September 30, 2023** **March 31, 2024** and **2022** were **27.7%** and **9.2%** **29.7%**, respectively. The decrease in our the effective tax rate for the three months ended **September 30, 2023** **March 31, 2024** compared to the prior year period was primarily due to a decrease an increase in the proportion of non-deductible expenses estimated tax credits that are expected to pretax book loss. The increase in our effective tax rate for the nine months ended **September 30, 2023** compared to the prior year was primarily due to the valuation allowance release in the first quarter of 2022, be generated and utilized.

Our The effective tax rate differs from the U.S. federal statutory rate for the three and nine months ended **September 30, 2023** **March 31, 2024**, primarily due to nondeductible expenses, the favorable impact of tax credits and state income taxes. Our The effective tax rate differs from the U.S. federal statutory rate for the three and nine months ended **September 30, 2022** **March 31, 2023**, primarily due to state income taxes and the valuation allowance release, respectively, taxes.

As of **September 30, 2023** **March 31, 2024**, the Company's U.S. federal and certain state tax returns remain subject to examination, beginning with those filed for the year ended December 31, 2017.

NOTE **11** **10** — SUBSEQUENT EVENTS

The Company evaluates has evaluated subsequent events and transactions that occur occurred after the balance sheet date up to the date that the financial statements were issued for potential recognition or disclosure. The Company did not identify any subsequent events that would have required adjustment or disclosure in the financial statements.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis in conjunction with the information set forth within the financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q, and with our Management's Discussion and Analysis of Financial Condition and Results of Operations in the [2022 2023 Annual Report](#).

Overview

Sensus is a medical device company committed to providing highly effective, non-invasive and cost-effective treatments for both oncological and non-oncological skin conditions.

Segment Information

The Company manages its business globally within one reportable segment, which is consistent with how our management reviews the business, prioritizes investment and resource allocation decisions and assesses operating performance.

Results of Operations

<i>(in thousands, except shares and per share data)</i>	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Revenues	3,898	9,010	11,838	31,428
Cost of sales	1,909	3,136	5,609	10,150
Gross profit	<u>1,989</u>	<u>5,874</u>	<u>6,229</u>	<u>21,278</u>
Operating expenses				
Selling and marketing	1,290	1,807	4,983	4,753
General and administrative	1,511	1,160	4,204	3,564
Research and development	1,083	746	3,001	2,302
Total operating expenses	<u>3,884</u>	<u>3,713</u>	<u>12,188</u>	<u>10,619</u>
Income (loss) from operations	<u>(1,895)</u>	<u>2,161</u>	<u>(5,959)</u>	<u>10,659</u>
Other income (expense):				
Gain on sale of assets	42	-	42	12,779
Interest income	277	119	764	147
Interest expense	-	(1)	-	(2)
Other income, net	<u>319</u>	<u>118</u>	<u>806</u>	<u>12,924</u>
Income (loss) before income tax	<u>(1,576)</u>	<u>2,279</u>	<u>(5,153)</u>	<u>23,583</u>
Provision for (benefit from) income taxes	(125)	450	(1,428)	2,168
Net income (loss)	<u><u>\$ (1,451)</u></u>	<u><u>\$ 1,829</u></u>	<u><u>\$ (3,725)</u></u>	<u><u>\$ 21,415</u></u>
	For the Three Months Ended March 31,			
<i>(in thousands, except shares and per share data)</i>	<u>2024</u>	<u>2023</u>		

Revenues	\$ 10,663	\$ 3,414
Cost of sales	4,001	1,792
Gross profit	<u>6,662</u>	<u>1,622</u>
Operating expenses		
Selling and marketing	1,270	2,099
General and administrative	1,579	1,364
Research and development	926	1,098
Total operating expenses	<u>3,775</u>	<u>4,561</u>
Income (loss) from operations	<u>2,887</u>	<u>(2,939)</u>
Other income:		
Interest income	214	243
Other income, net	<u>214</u>	<u>243</u>
Income (loss) before income tax	<u>3,101</u>	<u>(2,696)</u>
Provision for income taxes	827	(802)
Net income (loss)	<u>\$ 2,274</u>	<u>\$ (1,894)</u>

Three months ended **September 30, 2023** **March 31, 2024** compared to the three months ended **September 30, 2022** **March 31, 2023**

Revenues. Revenues were **\$3.9 million** **\$10.7 million** for the three months ended **September 30, 2023** **March 31, 2024** compared to **\$9.0 million** **\$3.4 million** for the three months ended **September 30, 2022** **March 31, 2023**, a decrease an increase of **\$5.1 million** **\$7.3 million**, or **56.7%** **214.7%**. The decrease increase was primarily driven by the lower a higher number of SRT units sold as customers continued to defer purchases of our product and lower sales to a large customer in the three months ended **September 30, 2023** **March 31, 2024** compared to the three months ended **March 31, 2023**.

Cost of sales. Cost of sales was **\$1.9 million** **\$4.0 million** for the three months ended **September 30, 2023** **March 31, 2024** compared to **\$3.1 million** **\$1.8 million** for the three months ended **September 30, 2022** **March 31, 2023**, a decrease an increase of **\$1.2 million** **\$2.2 million**, or **38.7%** **122.2%**. The decrease increase in cost of sales was primarily related to the decrease in sales a higher number of units sold in the three months ended **September 30, 2023** **March 31, 2024** compared to the three months ended **March 31, 2023**.

Gross profit. Gross profit was \$2.0 million \$6.7 million for the three months ended September 30, 2023 March 31, 2024 compared to \$5.9 million \$1.6 million for the three months ended September 30, 2022 March 31, 2023, a decrease an increase of \$3.9 million \$5.1 million, or 66.1% 318.8%. Our overall gross profit percentage was 51.3% 62.5% in the three months ended September 30, 2023 March 31, 2024 compared to 65.6% 47.5% in the corresponding period in 2022, 2023. The decrease increase in gross profit was primarily driven by the lower a higher number of units sold and higher costs charged by vendors in the three months ended September 30, 2023 March 31, 2024 compared to the three months ended March 31, 2023.

Selling and marketing. Selling and marketing expense was \$1.3 million for the three months ended September 30, 2023 March 31, 2024 compared to \$1.8 million \$2.1 million for the three months ended September 30, 2022 March 31, 2023, a decrease of \$0.5 million \$0.8 million, or 27.8% 38.1%. The decrease was primarily attributable to the decrease in marketing initiatives, agency expense, lower headcount and decrease in tradeshow costs and commission expense. costs.

General and administrative. General and administrative expense was \$1.5 million \$1.6 million for the three months ended September 30, 2023 March 31, 2024 compared to \$1.2 million \$1.4 million for the three months ended September 30, 2022 March 31, 2023, an increase of \$0.3 million \$0.2 million, or 25.0% 14.3%. The net increase in general and administrative expense was primarily due to higher professional fees and bank fees compensation.

Research and development. Research and development expense was \$0.9 million for the three months ended March 31, 2024 compared to \$1.1 million for the three months ended September 30, 2023 compared to \$0.7 million for the three months ended September 30, 2022 March 31, 2023, an increase a decrease of \$0.4 million \$0.2 million, or 57.1% 18.2%. The increase decrease was primarily due to a decrease in expenses related to a project to develop a drug delivery system for an aesthetic project. The Company expects use as most of the completion of this project by the end of development phase was completed in 2023.

Other income. Other income of \$0.3 million \$0.2 million for the three months ended September 30, 2023 March 31, 2024 and \$0.1 million for the three months ended September 30, 2022 2023 relate primarily to interest income.

Nine months ended September 30, 2023 compared to the nine months ended September 30, 2022

Revenues. Revenues were \$11.8 million for the nine months ended September 30, 2023 compared to \$31.4 million for the nine months ended September 30, 2022, a decrease of \$19.6 million, or 62.4%. The decrease was primarily driven by the lower number of SRT units sold, as customers continued to defer purchases of our product and lower sales to a large customer in the nine months ended September 30, 2023.

Cost of sales. Cost of sales was \$5.6 million for the nine months ended September 30, 2023 compared to \$10.2 million for the nine months ended September 30, 2022, a decrease of \$4.6 million, or 45.1%. The decrease in cost of sales was primarily related to the decrease in sales in the nine months ended September 30, 2023.

Gross profit. Gross profit was \$6.2 million for the nine months ended September 30, 2023 compared to \$21.3 million for the nine months ended September 30, 2022, a decrease of \$15.1 million, or 70.9%. Our overall gross profit percentage was 52.5% in the nine months ended September 30, 2023 compared to 67.8% in the corresponding period in 2022. The decrease in gross profit was primarily driven by the lower number of units sold and higher costs charged by vendors in the nine months ended September 30, 2023.

Selling and marketing. Selling and marketing expense was \$5.0 million for the nine months ended September 30, 2023 compared to \$4.8 million for the nine months ended September 30, 2022, an increase of \$0.2 million, or 4.2%. The increase was primarily attributable to the increase in tradeshow expenses and an increase in headcount, offset by reduction in commission and advertising expenses.

General and administrative. General and administrative expense was \$4.2 million for the nine months ended September 30, 2023 compared to \$3.6 million for the nine months ended September 30, 2022, an increase of \$0.6 million, or 16.7%. The net increase in general and administrative expense was primarily due to higher professional fees and bank fees.

Research and development. Research and development expense was \$3.0 million for the nine months ended September 30, 2023 compared to \$2.3 million for the nine months ended September 30, 2022, an increase of \$0.7 million, or 30.4%. The increase was primarily due to expenses related to a project to develop a drug delivery system for an aesthetic project. The Company expects the completion of this project by the end of 2023.

Other income. Other income of \$0.8 million for the nine months ended September 30, 2023 and \$12.9 million for the nine months ended September 30, 2022, a decrease of \$12.1 million, or 93.8%. The decrease relates to the sale of the Sculptura assets during the nine months ended September 30, 2022.

Financial Condition

The following discussion summarizes significant changes in assets and liabilities. Please see the condensed consolidated balance sheets as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 contained in Part I, Item 1 of this filing.

Assets

Cash and cash equivalents at September 30, 2023 March 31, 2024 decreased \$5.0 million \$8.4 million from December 31, 2022 December 31, 2023. See *Cash Flows* for details on the change in cash and cash equivalents during the nine three months ended September 30, 2023 March 31, 2024.

Accounts receivable at September 30, 2023 decreased \$10.4 million March 31, 2024 increased \$9.0 million from December 31, 2022 December 31, 2023, primarily due to collections of receivables and the decrease increase in sales in the nine months ended September 30, 2023, and extension of payment terms.

Inventories at September 30, 2023 March 31, 2024 increased \$9.7 million \$2.9 million from December 31, 2022 December 31, 2023, primarily due to an increase in completion of finished goods, partially offset by shipments of units sold in the nine months ended September 30, 2023, sold.

Prepaid inventory at September 30, 2023 decreased \$2.3 million March 31, 2024 increased \$0.7 million from December 31, 2022 December 31, 2023, primarily due to the completion increase in amount of finished goods from inventory deposits paid to a manufacturer in the nine months ended September 30, 2023, manufacturer.

Liabilities

Liabilities

There were no borrowings under our revolving lines of credit at **September 30, 2023** **March 31, 2024** or **December 31, 2022** **December 31, 2023**.

Liquidity and Capital Resources

The Company's liquidity position and capital requirements may be impacted by a number of factors, including the following:

- ability to generate and increase revenue;

- fluctuations in gross margins, operating expenses and net results; and
- financial market instability or disruptions to the banking system due to bank failures

The Company's primary short-term capital needs, which are subject to change, include expenditures related to:

- expansion of sales and marketing activities; and
- expansion of research and development activities.

Sensus's management regularly evaluates cash requirements for current operations, commitments, capital requirements and business development transactions, and may seek to raise additional funds for these purposes in the future. However, there can be no assurance that it will be able to raise such funds or the terms on which such funds may be raised, if at all.

Cash flows

The following table provides a summary of cash flows for the periods indicated:

<i>(in thousands)</i>	<i>For the Nine Months Ended September 30,</i>		<i>For the Three Months Ended March 31</i>	
	<i>2023</i>	<i>2022</i>	<i>2024</i>	<i>2023</i>
<i>Net cash provided by (used in):</i>				
<i>Operating activities</i>	\$ (4,813)	\$ 8,701	\$ (8,187)	\$ (5,997)
<i>Investing activities</i>	(187)	14,851	(233)	(189)
<i>Financing activities</i>	(33)	(494)	-	6
<i>Total</i>	<u>\$ (5,033)</u>	<u>\$ 23,058</u>	<u>\$ (8,420)</u>	<u>\$ (6,180)</u>

Net cash used in operating activities was approximately \$4.8 million \$8.2 million for the nine three months ended September 30, 2023 March 31, 2024, consisting of net loss income of approximately \$3.7 million, a decrease in net working capital of approximately \$0.6 million, \$2.3 million and non-cash charges of approximately \$0.5 million \$1.1 million, offset by an increase in net operating assets of \$11.6 million. Cash flows provided by operating activities primarily include the receipt of revenues offset by the payment of operating expenses incurred in the normal course of business. Non-cash items consisted of deferred income taxes, stock stock-based compensation expense, provision for product warranties, gain on sale amortization of assets right-of-use asset and depreciation and amortization. amortization of property and equipment. Net cash provided by used in operating activities was approximately \$8.7 million \$6.0 million for the nine three months ended September 30, 2022 March 31, 2023, consisting of net income loss of approximately \$21.4 million and \$1.9 million, an increase in net operating assets liabilities of approximately \$1.0 million, offset by \$3.7 million and non-cash charges of approximately \$13.7 million \$0.4 million. Cash flows provided by operating activities primarily include the receipt of revenues offset by the payment of operating expenses incurred in the normal course of business. Non-cash charges items consisted of a gain on asset sale, deferred income taxes, stock stock-based compensation expense, depreciation and amortization, and a provision for product warranties, warranties and depreciation and amortization.

Net cash used in investing activities for the nine three months ended September 30, 2023 March 31, 2024 reflected \$0.2 million of purchases of property and equipment, partially offset by \$42 thousand of proceeds from the sale of assets. equipment. Net cash provided by used in investing activities for the nine three months ended September 30, 2022 March 31, 2023 reflected \$14.9 million \$0.2 million of proceeds from the sale of assets, partially offset by purchases of property and equipment.

No cash was provided by or used in financing activities for the nine three months ended September 30, 2023 March 31, 2024. Net cash used in financing activities for the three months ended March 31, 2023 primarily reflected \$46 thousand of exercised stock options, offset by \$79 \$40 thousand used for the repurchase of common stock and withholding taxes on stock-based

compensation. Net cash used in financing activities for the nine months ended September 30, 2022 primarily reflected \$1.2 million for actions including the repurchase of common stock, the withholding of taxes on stock-based compensation, and the prepayment of a loan payable, offset by approximately \$0.7 million provided by exercised stock options.

Inflation

During the first quarter of 2024, we continued to experience some increase in commodity and shipping prices and energy and labor costs which resulted in inflationary pressures across various parts of our business and operations, including on our customers, partners, and suppliers. We continue to monitor the impact of inflation and we are taking actions, such as ordering inventory in advance, to minimize its effects on our product cost and sales.

Indebtedness

As discussed in Note 4, *Debt*, to the financial statements, in September 2023, the Company entered into the new Credit Facility with Comerica, replacing the Company's prior facility with SVB. Additional information regarding the Credit Facility, including the amounts that may be borrowed under the Credit Facility and the covenants included in and other terms of included in the Credit Facility, is included in the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on September 14, 2023.

Contractual Obligations and Commitments

Please see Note 7, *Commitments and Contingencies*, to the condensed consolidated financial statements.

Critical Accounting Policies and Estimates

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expense during the reporting periods. Actual Management has identified certain accounting policies as critical to understanding the financial condition and results could differ significantly from those estimates. For a summary detailed discussion on the application of these and additional other accounting policies, see the Note 1 *Organization and Summary of Significant Accounting Policies*, to the financial statements. In addition, see *Critical Accounting Policies* in Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 1, *Organization and Summary of Significant Accounting Policies*, to the consolidated financial statements included in the 2022 2023 Annual Report for further information.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Control and Procedures

As of September 30, 2023 March 31, 2024, the end of the period covered by this Form 10-Q, our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer each concluded that, as of September 30, 2023 March 31, 2024, the end of the period covered by this Form 10-Q, we maintained effective disclosure controls and procedures.

Changes in Internal Control over Financial Reporting

There have been no significant changes in our internal control over financial reporting during our most recently completed fiscal quarter 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

The Company is party to certain legal proceedings in the ordinary course of business. The Company assesses, in conjunction with its legal counsel, the need to record a liability for litigation and related contingencies. See Note 7, *Commitments and Contingencies*.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A. "Risk Factors" in our 2022 Annual Report, as updated in our subsequent quarterly reports. The risks described in our 2022 Annual Report and our subsequent quarterly reports are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or operating results.

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

(a) Sales of Unregistered Securities

(a) Sales of Unregistered Securities

There were no unregistered sales of securities during the nine months ended September 30, 2023 March 31, 2024.

(b) Use of Proceeds from the Sale of Registered Securities

(b) Use of Proceeds from the Sale of Registered Securities

None.

(c) Purchases of Equity Securities by the Registrant and Affiliated Purchasers.

(c) Purchases of Equity Securities by the Registrant and Affiliated Purchasers.

In August 2023, the Company announced that its Board of Directors had authorized a program to purchase up to \$3 million of shares of its common stock. Purchases may be made in a variety of methods, including open market, from time to time, depending upon market conditions, including the market price of the common stock, and other factors. The program has no time limit and may be modified, suspended or discontinued at any time. None.

During the three months ended September 30, 2023, the following repurchases were made:

Total number of shares repurchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs

July 1, 2023 to July 31, 2023	-	\$ -	-	\$ -
August 1, 2023 to August 31, 2023	-	\$ -	-	\$ 3,000,000
September 1, 2023 to September 30, 2023	9,427	\$ 2.82	9,427	\$ 2,972,812
Total	9,427	\$ 2.82	9,427	\$ 2,972,812

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosure

Not applicable.

Item 5. Other Information

(c) Rule 10b5-1 Trading Plans

During the three months ended **September 30, 2023** **March 31, 2024**, none of our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act or any “non-Rule 10b5-1 trading arrangement” as defined in Item 408(c) of Regulation S-K. None.

Item 6. Exhibits

EXHIBIT INDEX

Exhibit No.	Description
31.1 31.1*	Certification of Joseph C. Sardano, Chairman and Chief Executive Officer of Sensus Healthcare, Inc., Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
31.2 31.2*	Certification of Javier Rampolla, Chief Financial Officer of Sensus Healthcare, Inc., Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
32.1 32.1*	Certification of Joseph C. Sardano, Chairman and Chief Executive Officer of Sensus Healthcare, Inc., Pursuant to 18 U.S.C. Section 1350.
32.2 32.2*	Certification of Javier Rampolla, Chief Financial Officer of Sensus Healthcare, Inc., Pursuant to 18 U.S.C. Section 1350.
101.INS 101.INS*	Inline XBRL Instance Document.
101.SCH 101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL 101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF 101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB 104.*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed electronically 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.

Date: May 10, 2024

SENSUS HEALTHCARE, INC.

Date: November 13, 2023

/s/ Joseph C. Sardano

Joseph C. Sardano

Chief Executive Officer

Chief Executive Officer

(Principal Executive Officer)

Date: November 13, 2023May 10, 2024

/s/ Javier Rampolla

Javier Rampolla

Chief Financial Officer

(Principal Financial Officer and

Principal Accounting Officer)

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Exhibit 31.1

***Certification of CEO Pursuant to Securities Exchange Act
Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002***

I, Joseph C. Sardano, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sensus Healthcare, 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **November 13, 2023** **May 10, 2024**

/s/ Joseph C. Sardano

Joseph C. Sardano

Chairman and Chief Executive Officer

Exhibit 31.2

***Certification of CFO Pursuant to Securities Exchange Act
Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002***

I, Javier Rampolla, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sensus Healthcare, 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **November 13, 2023** **May 10, 2024**

/s/ Javier Rampolla

Javier Rampolla
Chief Financial Officer

Exhibit 32.1

Certification of CEO Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned certifies that:

- (1) the Quarterly Report for Sensus Healthcare, Inc. (the "Company") on Form 10-Q for the period ended **September 30, 2023** **March 31, 2024**, as filed with the Securities and Exchange Commission on the date hereof (this "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered therein.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Joseph C. Sardano

Joseph C. Sardano

Chairman and Chief Executive Officer

November 13, 2023 May 10, 2024

Exhibit 32.2

Certification of CFO Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned certifies that:

(1) the Quarterly Report for Sensus Healthcare, Inc. (the “Company”) on Form 10-Q for the period ended **September 30, 2023** March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (this “Report”), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered therein.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Javier Rampolla

Javier Rampolla

Chief Financial Officer

November 13, 2023 May 10, 2024

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