

REFINITIV

# DELTA REPORT

## 10-Q

STIM - NEURONETICS, INC.

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

The following comparison report has been automatically generated

**TOTAL DELTAS** 964

 **CHANGES** 222

 **DELETIONS** 393

 **ADDITIONS** 349

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

**FORM 10-Q**

(Mark One)

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

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: **001-38546**

**NEURONETICS, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**

(State or other jurisdiction of

**33-1051425**

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

incorporation or organization)

**3222 Phoenixville Pike, Malvern, PA**

**19355**

(Address of principal executive offices)

(Zip Code)

**(610) 640-4202**

(Registrant's telephone number, including area code)

**Not applicable.**

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

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

<b>Title of each class</b>	<b>Trading</b>	<b>Name on each exchange on which registered</b>
<b>Symbol (s)</b>		
Common Stock (\$0.01 par value)	STIM	The Nasdaq Global Market

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

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

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

There were **28,933,132** **29,997,563** shares of the registrant's common stock outstanding as of **November 2, 2023** **May 03, 2024**.

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### NEURONETICS, INC.

Quarterly Report on Form 10-Q for the quarterly period ended **September 30, 2023** **March 31, 2024**

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**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

NEURONETICS, INC.

Balance Sheets

(Unaudited; In thousands, except per share data)

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 35,847	\$ 70,340	\$ 47,730	\$ 59,677

Accounts receivable, net	15,024	13,591	17,504	15,782
Inventory	9,737	8,899	6,694	8,093
Current portion of net investments in sales-type leases	968	1,538	816	905
Current portion of prepaid commission expense	2,351	1,997	2,630	2,514
Current portion of notes receivable	1,850	230	2,121	2,056
Prepaid expenses and other current assets	5,234	2,174	4,370	4,766
Total current assets	71,011	98,769	81,865	93,793
Property and equipment, net	2,066	1,991	1,847	2,009
Operating lease right-of-use assets	2,916	3,327	2,628	2,773
Net investments in sales-type leases	700	1,222	517	661
Prepaid commission expense	8,018	7,568	8,408	8,370
Long-term notes receivable	4,191	362	3,663	3,795
Other assets	4,086	3,645	4,883	4,430
<b>Total Assets</b>	<b>\$ 92,988</b>	<b>\$ 116,884</b>		
<b>Total assets</b>			<b>\$ 103,811</b>	<b>\$ 115,831</b>
<b><u>Liabilities and Stockholders' Equity</u></b>				
Current liabilities:				
Accounts payable	\$ 2,822	\$ 2,433	\$ 2,979	\$ 4,752
Accrued expenses	10,037	14,837	9,045	12,595
Deferred revenue	1,637	1,980	1,623	1,620
Current portion of operating lease liabilities	840	824	851	845
Current portion of long-term debt, net	—	13,125		
Total current liabilities	15,336	33,199	14,498	19,812
Long-term debt, net	36,851	22,829	59,444	59,283
Deferred revenue	354	829	35	200
Operating lease liabilities	2,506	2,967	2,179	2,346
<b>Total Liabilities</b>	<b>55,047</b>	<b>59,824</b>		
Commitments and contingencies (Note 17)	—	—		
Stockholders' Equity:				
Preferred stock, \$0.01 par value: 10,000 shares authorized; no shares issued or outstanding on September 30, 2023, and December 31, 2022		—	—	
Common stock, \$0.01 par value: 200,000 shares authorized; 28,902 and 27,268 shares issued and outstanding on September 30, 2023, and December 31, 2022, respectively	289	273		
<b>Total liabilities</b>			<b>76,156</b>	<b>81,641</b>
Commitments and contingencies (Note 18)			—	—
Stockholders' equity:				
Preferred stock, \$0.01 par value: 10,000 shares authorized; no shares issued or outstanding on March 31, 2024 and December 31, 2023		—	—	

Common stock, \$0.01 par value: 200,000 shares authorized; 29,975 and 29,092 shares issued and outstanding on March 31, 2024 and December 31, 2023, respectively		300	291
Additional paid-in capital	408,356	402,679	411,309
Accumulated deficit	(370,704)	(345,892)	(383,954)
Total Stockholders' Equity	37,941	57,060	
Total Liabilities and Stockholders' Equity	\$ 92,988	\$ 116,884	
Total Stockholders' equity			27,655
Total liabilities and Stockholders' equity			\$ 103,811
			\$ 115,831

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

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**NEURONETICS, INC.**  
**Statements of Operations**  
**(Unaudited; In thousands, except per share data)**

	Three Months Ended		Nine Months Ended		Three Months Ended	
	September 30,		September 30,		March 31,	
	2023	2022	2023	2022	2024	2023
Revenues	\$ 17,884	\$ 16,498	\$ 51,034	\$ 47,008	\$17,417	\$ 15,540
Cost of revenues	6,120	3,570	15,100	11,093	4,329	4,144
<b>Gross Profit</b>	<b>11,764</b>	<b>12,928</b>	<b>35,934</b>	<b>35,915</b>		
Gross profit					13,088	11,396
Operating expenses:						
Sales and marketing	12,141	11,643	35,602	37,977	11,641	11,902
General and administrative	6,339	6,391	19,151	19,125	5,957	6,611
Research and development	2,155	2,348	7,308	6,197	2,349	2,790
Total operating expenses	20,635	20,382	62,061	63,299	19,947	21,303
Loss from operations	(8,871)	(7,454)	(26,127)	(27,384)	(6,859)	(9,907)
Other (income) expense:						
Interest expense	1,184	1,061	3,580	3,039	1,826	1,253
Other income, net	(664)	(906)	(4,895)	(1,554)	(812)	(640)

Net Loss	\$ (9,391)	\$ (7,609)	\$(24,812)	\$(28,869)			
Net loss					\$ (7,873)	\$ (10,520)	
Net loss per share of common stock outstanding, basic and diluted	\$ (0.33)	\$ (0.28)	\$ (0.87)	\$ (1.08)	\$ (0.27)	\$ (0.38)	
Weighted-average common shares outstanding, basic and diluted	28,876	26,965	28,505	26,797			
Weighted average common shares outstanding, basic and diluted					29,472	28,034	

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

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**NEURONETICS, INC.**  
**Statements of Changes in Stockholders' Equity**  
**(Unaudited; In thousands)**

	Additional				Stockholders'	Additional				Stockholders'
	Common Stock		Paid-in	Accumulated		Common Stock		Paid-in	Accumulated	
	Shares	Amount	Capital	Deficit	Equity					
Balance at December 31, 2021	26,395	\$ 264	\$ 393,644	\$ (308,733)	\$ 85,175					
Share-based awards and options exercises	322	3	6	—	9					
Share-based compensation expense	—	—	2,252	—	2,252					
Net loss	—	—	—	(10,838)	(10,838)					
Balance at March 31, 2022	26,717	\$ 267	\$ 395,902	\$ (319,571)	\$ 76,598					

Share-based awards and options										
exercises	139	1	42	—	—	43				
Share-based compensation										
expense	—	—	2,203	—	—	2,203				
Net loss	—	—	—	(10,422)	—	(10,422)				
Balance at										
June 30, 2022	<u>26,856</u>	<u>\$ 268</u>	<u>\$398,147</u>	<u>\$ (329,993)</u>	<u>\$ 68,422</u>					
Share-based awards and options										
exercises	204	2	(2)	—	—	—				
Share-based compensation										
expense	—	—	2,178	—	—	2,178				
Net loss	—	—	—	(7,609)	—	(7,609)				
Balance at										
September 30, 2022	<u>27,060</u>	<u>\$ 270</u>	<u>\$400,323</u>	<u>\$ (337,602)</u>	<u>\$ 62,991</u>					
						Shares	Amount	Capital	Deficit	Equity
Balance at										
December 31, 2022	27,268	\$ 273	\$402,679	\$ (345,892)	\$ 57,060	27,268	\$ 273	\$402,679	\$ (345,892)	\$ 57,060
Share-based awards and options										
exercises	1,197	12	(12)	—	—	1,197	12	(12)	—	—
Share-based compensation										
expense	—	—	1,805	—	1,805	—	—	1,805	—	1,805
Net loss	—	—	—	(10,520)	(10,520)	—	—	—	(10,520)	(10,520)
Balance at										
March 31, 2023	<u>28,465</u>	<u>\$ 285</u>	<u>\$404,472</u>	<u>\$ (356,412)</u>	<u>\$ 48,345</u>	<u>28,465</u>	<u>\$ 285</u>	<u>\$404,472</u>	<u>\$ (356,412)</u>	<u>\$ 48,345</u>
Balance at										
December 31, 2023						29,092	\$ 291	\$409,980	\$ (376,081)	\$ 34,190
Share-based awards and options										
exercises	348	3	(3)	—	—	883	9	(9)	—	—

Share-based compensation expense	—	—	2,033	—	2,033	—	—	1,338	—	1,338
Net loss	—	—	—	(4,901)	(4,901)	—	—	(7,873)	—	(7,873)
Balance at June 30, 2023	<u>28,813</u>	<u>\$ 288</u>	<u>\$406,502</u>	<u>\$(361,313)</u>	<u>\$ 45,477</u>					
Share-based awards and options exercises	89	1	(1)	—	—					
Share-based compensation expense	—	—	1,855	—	1,855					
Net loss	—	—	—	(9,391)	(9,391)					
Balance at September 30, 2023	<u>28,902</u>	<u>\$ 289</u>	<u>\$408,356</u>	<u>\$(370,704)</u>	<u>\$ 37,941</u>					
Balance at March 31, 2024						<u>29,975</u>	<u>\$ 300</u>	<u>\$411,309</u>	<u>\$(383,954)</u>	<u>\$ 27,655</u>

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

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**NEURONETICS, INC.**  
**Statements of Cash Flows**  
**(Unaudited; In thousands)**

	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
<b>Cash Flows from Operating Activities:</b>				
Cash flows from Operating activities:				
Net loss	\$ (24,812)	\$ (28,869)	\$ (7,873)	\$ (10,520)
Adjustments to reconcile net loss to net cash used in operating activities:				

Depreciation and amortization	1,503	1,044	560	516
Allowance for credit losses	369	328	566	330
Inventory impairment	1,905	—	71	—
Share-based compensation	5,693	6,633	1,338	1,805
Non-cash interest expense	460	513	161	188
Cost of rental units purchased by customers	—	92		
Changes in certain assets and liabilities:				
Accounts receivable, net	(7,933)	(4,585)	(2,667)	(2,337)
Inventory	(2,742)	(2,299)	1,328	(243)
Net investments in sales-type leases	1,092	381	234	535
Prepaid commission expense	(804)	(854)	(154)	(175)
Prepaid expenses and other assets	(3,338)	176	116	131
Accounts payable	54	(2,199)	(1,983)	2,484
Accrued expenses	(4,801)	3,260	(3,549)	(7,680)
Deferred revenue	(817)	(1,260)	(163)	(247)
Net Cash Used in Operating Activities	(34,171)	(27,639)		
Net Cash used in Operating activities			(12,015)	(15,213)
Cash Flows from Investing Activities:				
Cash flows from Investing activities:				
Purchases of property and equipment and capitalized software	(1,490)	(2,766)	(375)	(234)
Repayment of notes receivable	731	10,000	443	51
Net Cash (Used in) Provided by Investing Activities	(759)	7,234		
Net Cash provided by (used in) Investing activities			68	(183)
Cash Flows from Financing Activities:				
Cash flows from Financing activities:				
Payments of debt issuance costs	(863)	(90)	—	(801)
Proceeds from issuance of long-term debt	2,500	—	—	2,500
Repayment of long-term debt	(1,200)	—	—	(1,200)
Proceeds from exercises of stock options	—	52		
Net Cash Provided by (Used in) Financing Activities	437	(38)		
Net Decrease in Cash and Cash Equivalents	(34,493)	(20,443)		
Cash and Cash Equivalents, Beginning of Period	70,340	94,141		
Cash and Cash Equivalents, End of Period	\$ 35,847	\$ 73,698		
Net Cash provided by Financing activities			—	499
Net decrease in Cash and Cash equivalents			(11,947)	(14,897)
Cash and Cash equivalents, Beginning of Period			59,677	70,340
Cash and Cash equivalents, End of Period			\$ 47,730	\$ 55,443

Supplemental disclosure of cash flow information:							
Cash paid for interest	\$ 3,120	\$ 2,525	\$ 1,666	\$ 1,064			
Transfer of inventory to property and equipment	—	285					
Supplemental disclosure of non-cash investing and financing activities:							
Purchases of property and equipment and capitalized software in accounts payable and accrued expenses	\$ 335	\$ 251	\$ 210	\$ 52			
Reduction of accounts receivable in current and long-term notes receivable	6,330	—	\$ 381	\$ 6,146			

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

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**NEURONETICS, INC.**  
**Notes to Interim Financial Statements**  
**(Unaudited)**

**1. DESCRIPTION OF BUSINESS**

Neuronetics, Inc. (the "Company") is a commercial stage medical technology company focused on designing, developing and marketing products that improve the quality of life for patients who suffer from neurohealth disorders. The Company's first commercial product, the NeuroStar Advanced Therapy System, is a non-invasive and non-systemic office-based treatment that uses transcranial magnetic stimulation ("TMS") to create a pulsed, MRI-strength magnetic field that induces electrical currents designed to stimulate specific areas of the brain associated with mood. The system NeuroStar Advanced Therapy System was cleared in 2008 by the United States ("U.S.") Food and Drug Administration (the "FDA") to treat adult patients with major depressive disorder ("MDD") who have failed to achieve satisfactory improvement from prior antidepressant medication in the current MDD episode. It is also cleared by the FDA as an adjunct for adults with obsessive-compulsive disorder ("OCD"), and to decrease anxiety symptoms in adult patients with MDD that may exhibit comorbid anxiety symptoms (anxious depression), and as an adjunct for the treatment of MDD in adolescent patients aged 15-21. The NeuroStar Advanced Therapy System is also available in other parts of the world, including Japan, where it is listed under Japan's national health insurance. The Company intends to continue to pursue development of the its NeuroStar Advanced Therapy System for additional indications.

## Liquidity

As of **September 30, 2023** **March 31, 2024**, the Company had cash and cash equivalents of **\$35.8 million** **\$47.7 million** and an accumulated deficit of **\$370.7 million** **\$384.0 million**. The Company incurred negative cash flows from operating activities of **\$34.2 million** **\$12.0 million** for the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **\$30.7 million** **\$32.0 million** for the year ended **December 31, 2022** **December 31, 2023**. The Company has incurred operating losses since its inception, and management anticipates that its operating losses will continue in the near term as the Company continues to invest in sales, marketing and product development activities. The Company's primary sources of capital to date have been proceeds from its initial public offering ("IPO"), private placements of its convertible preferred securities, borrowings under its credit facility, proceeds from its secondary public offering of common stock and revenues from sales of its products. As of **September 30, 2023** **March 31, 2024**, the Company had **\$37.5 million** **\$60.0 million** of borrowings outstanding under its credit facility, which has a final maturity in March 2028. Subsequent to September 30, 2023, the Company drew down an additional **\$22.5 million** pursuant to the terms of its amended credit facility. Management believes that the Company's cash and cash equivalents as of **September 30, 2023**, **March 31, 2024** and anticipated revenues from sales of its products are sufficient to fund the Company's operations for at least the next 12 months from the issuance of these financial statements.

## 2. BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). Any reference in these notes to applicable guidance is meant to refer to **U.S.** GAAP as found in the Accounting Standards Codification ("ASC") and Accounting Standards Updates ("ASUs") promulgated by the Financial Accounting Standards Board ("FASB" (the "FASB").

### Interim Financial Statements

The accompanying unaudited interim financial statements have been prepared from the books and records of the Company in accordance with **U.S.** GAAP for interim financial information and Rule 10-01 of Regulation S-X promulgated by the U.S. Securities and Exchange Commission (the "SEC"), which permit reduced disclosures for interim periods. All adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the accompanying balance sheets and statements of operations and stockholders' equity and cash flows have been made. Although these interim financial statements do not include all of the information and footnotes required for complete annual financial statements, management believes that the disclosures are adequate to make the information presented not misleading. Unaudited interim results of operations and cash flows 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 full year. Unaudited interim financial statements and footnotes should be read in conjunction with the audited financial statements and footnotes included in the Company's Annual Report on Form 10-K filed with the SEC on **March 7, 2023** **March 8, 2024**, wherein a more complete discussion of significant accounting policies and certain other information can be found.

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**NEURONETICS, INC.**

**Notes to Interim Financial Statements**  
**(Unaudited)**

**Use of Estimates**

The preparation of financial statements in accordance with **U.S. GAAP** and the rules and regulations of the SEC requires the use of estimates and assumptions, based on judgments considered reasonable, which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates and assumptions on historical experience, known trends and events and various other factors that management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Although management believes **that** its estimates and assumptions are reasonable when made, they are based upon information available at the time they are made. Management evaluates the estimates and assumptions on an ongoing basis and, if necessary, makes adjustments. Due to the risks and uncertainties involved in the Company's business and evolving market conditions, and given the subjective element of the estimates and assumptions **made**, actual results may differ materially from estimated results.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Company's complete summary of significant accounting policies can be found in **"Note 3. Summary"** "Summary of Significant Accounting Policies" in the audited financial statements included in the Company's Annual Report on Form 10-K filed with the SEC on **March 7, 2023** **March 8, 2024**.

**4. RECENT ACCOUNTING PRONOUNCEMENTS**

**New Accounting Standards Adopted by the Company**

In **June 2016**, **November 2023**, the FASB issued ASU 2023-07, *Improvements to Reportable Segment Disclosures* ("ASU 2023-07"), which requires public companies to disclose for each reportable segment the significant expense categories and amounts for such expenses. ASU 2023-07 is effective for annual periods beginning December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. This

ASU will be effective for our annual period ended December 31, 2024. The Company is currently evaluating the impacts of ASU 2023-07 on its disclosures.

In December 2023, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)*: *Measurement of Credit Losses on Financial Instruments* 2023-09, *Improvements to Income Tax Disclosures* ("ASU 2023-09") ("Topic 326"), which requires public business entities to disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. ASU 2023-09 is effective for annual periods beginning after December 15, 2024. This ASU provides guidance will be effective for recognizing credit losses on financial instruments based on an estimate of current expected credit losses model. The FASB subsequently issued ASU 2019-04, to clarify and address certain items related to the amendments in Topic 326.

ASU 2019-05, *Financial Instruments - Credit Losses (Topic 326): Targeted Transition Relief*, was issued to provide entities that have certain instruments within the scope of ASC 326 with an option to irrevocably elect the fair value option under ASC 825-10, *Financial Instruments - Overall*, applied on an instrument-by-instrument basis for eligible instruments our annual period ended December 31, 2025. ASU 2019-10, Topic 326, Topic 815, and Topic 842 amend the mandatory effective date for Topic 326.

The Company adopted Topic 326 with an adoption date is currently evaluating the impacts of January 1, 2023 using the modified retrospective approach. As a result, the Company changed ASU 2023-09 on its accounting policy for allowance for credit losses. The Company monitors accounts receivable and long-term notes receivable and estimates the allowance for lifetime expected credit losses. Estimates of expected credit losses are based on historical collection experience and other factors, including those related to current market conditions and events. The adoption did not have a material effect on the Company's financial statements.

disclosures.

Other than the items noted above, there have been no new accounting pronouncements not yet effective or adopted in the current year that we believe have a significant impact, or potential significant impact, to our unaudited interim financial statements.

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**NEURONETICS, INC.**  
**Notes to Interim Financial Statements**  
**(Unaudited)**

### **5. FAIR VALUE MEASUREMENT AND FINANCIAL INSTRUMENTS**

The carrying values of cash equivalents, accounts receivable, prepaids and other current assets, and accounts payable on the Company's balance sheets approximated their fair values as of September 30, 2023 March 31, 2024

and December 31, 2022 December 31, 2023 due to their short-term nature. The carrying values of the Company's credit facility approximated its fair value as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 due to its variable interest rate. The carrying value of the Company's notes receivable approximated its fair value as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 due to its variable interest rate.

Certain of the Company's financial instruments are measured at fair value using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1: Inputs are quoted prices for identical instruments in active markets.

Level 2: Inputs are quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; or model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3: Inputs are unobservable and reflect the Company's own assumptions, based on the best information available, including the Company's own data.

The following tables set forth the carrying amounts and fair values of the Company's financial instruments as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (in thousands):

	September 30, 2023						March 31, 2024					
	Fair Value Measurement Based on						Fair Value Measurement Based on					
	Quoted		Significant			Quoted		Significant				
	Prices In	other	Prices In	other	Significant	Significant	Prices In	other	Prices In	other	Significant	Significant
	Active	Observable	Active	Observable	Unobservable	Unobservable	Active	Observable	Active	Observable	Unobservable	Unobservable
	Carrying	Markets	Inputs	Inputs	Inputs	Inputs	Carrying	Markets	Inputs	Inputs	Inputs	Inputs
<u>Assets</u>	Amount	Fair Value	(Level 1)	(Level 2)	(Level 3)		Amount	Fair Value	(Level 1)	(Level 2)	(Level 3)	
	Money market funds (cash equivalents)	\$27,163	\$27,163	\$27,163	\$ —	\$ —	\$27,855	\$27,855	\$27,855	\$ —	\$ —	\$ —

	December 31, 2022						December 31, 2023					
	Fair Value Measurement Based on						Fair Value Measurement Based on					
	Quoted		Significant			Quoted		Significant				
	Prices In	other	Prices In	other	Significant	Significant	Prices In	other	Prices In	other	Significant	Significant
	Active	Observable	Active	Observable	Unobservable	Unobservable	Active	Observable	Active	Observable	Unobservable	Unobservable
	Carrying	Markets	Inputs	Inputs	Inputs	Inputs	Carrying	Markets	Inputs	Inputs	Inputs	Inputs
<u>Assets</u>	Amount	Fair Value	(Level 1)	(Level 2)	(Level 3)		Amount	Fair Value	(Level 1)	(Level 2)	(Level 3)	
	Money market funds (cash equivalents)	\$68,002	\$68,002	\$68,002	\$ —	\$ —	\$27,507	\$27,507	\$27,507	\$ —	\$ —	\$ —

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**NEURONETICS, INC.**  
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**6. ACCOUNTS RECEIVABLE**

The following table presents the composition of accounts receivable, net, as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** (in thousands):

	September 30,		December 31,	
	2023	2022	2023	2022
Gross accounts receivable - trade	\$ 16,155	\$ 15,239		
Less: Allowances for credit losses	<u>(1,131)</u>	<u>(1,648)</u>		
Accounts receivable, net	<u><u>\$ 15,024</u></u>	<u><u>\$ 13,591</u></u>		

	March 31,		December 31,	
	2024	2023	2024	2023
Gross accounts receivable - trade	\$ 18,756	\$ 16,577		
Less: Allowances for credit losses	<u>(1,252)</u>	<u>(795)</u>		
Accounts receivable, net	<u><u>\$ 17,504</u></u>	<u><u>\$ 15,782</u></u>		

**7. INVENTORY**

Inventory is stated at the lower of cost and net realizable value, with cost being determined on a first in, first out basis. The Company's inventory is primarily comprised of finished **goods**. During the three months ended **September 30, 2023**, the Company recorded a **\$1.9 million inventory impairment for specialized component parts** secured for discontinued **NeuroStar Advanced Therapy Systems** whose cost exceeds net realizable value. **goods** and **work-in-process**.

**8. PROPERTY AND EQUIPMENT AND CAPITALIZED SOFTWARE**

The following table presents the composition of property and equipment, net, as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** (in thousands):

	September 30,	December 31,
	2023	2022
Laboratory equipment	\$ 666	\$ 462
Office equipment	510	508
Computer equipment and software	1,966	1,758
Manufacturing equipment	485	343
Leasehold improvements	1,442	1,435
Rental equipment	542	542
Property and equipment, gross	5,611	5,048
Less: Accumulated depreciation	(3,545)	(3,057)
Property and equipment, net	<u>\$ 2,066</u>	<u>\$ 1,991</u>

	March 31,	December 31,
	2024	2023
Laboratory equipment	\$ 702	\$ 702
Office equipment	495	495
Auto	23	23
Computer equipment and software	1,105	1,082
Manufacturing equipment	551	551
Leasehold improvements	1,436	1,436
Rental equipment	542	542
Property and equipment, gross	4,854	4,831
Less: Accumulated depreciation	(3,007)	(2,822)
Property and equipment, net	<u>\$ 1,847</u>	<u>\$ 2,009</u>

As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, the Company had capitalized software costs, net, of **\$3.9 million** **\$4.4 million** and **\$3.6 million** **\$4.2 million**, respectively, which are included in "Prepaid expenses and other current assets" and "Other assets" on the balance sheet.**sheets**.

Depreciation and amortization expense was **\$0.5 million** **\$0.6 million** and **\$0.4 million** **\$0.5 million** for the three months ended **September 30, 2023** **March 31, 2024** and 2022, respectively, and **\$1.5 million** and **\$1.0 million** for the nine months ended **September 30, 2023** and **2022, 2023**, respectively.

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**NEURONETICS, INC.**

**Notes to Interim Financial Statements**

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**9. NOTES RECEIVABLE**

*Greenbrook TMS Inc.*

On March 31, 2023, the Company entered into a Secured Promissory Note and Guaranty Agreement (the "Promissory Note") with TMS Neurohealth Centers Inc. (the "Maker") and Greenbrook TMS Inc. and its

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**NEURONETICS, INC.**

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subsidiaries, excluding the Maker (the "Guarantors"), in the principal amount of \$6.0 million for a period of four years.

Notes receivable outstanding was \$4.8 million and \$5.2 million as of March 31, 2024 and December 31, 2023, respectively.

The Promissory Note ~~will bear~~ bears interest at a rate equal to the sum of (a) the floating interest rate of daily secured overnight financing rate as administered by the Federal Reserve Bank of New York on its website ("SOFR") plus (b) 7.65%.

Pursuant to the terms of the Promissory Note, in the event of an event of default thereunder, the Maker will be required to issue common share purchase warrants to the Company equal to (i) 200% of the unpaid amount of any delinquent amount or payment due and payable under the Promissory Note, together with all outstanding and unpaid accrued interest, fees, charges and costs, divided by (ii) the exercise price of the warrants, which will represent (i) if the Maker's common shares are traded on the Nasdaq Stock Market ("Nasdaq"), a 20% discount to the 30-day ~~volume-weighted~~ ~~volume weighted~~ average closing price of Greenbrook TMS Inc.'s common shares traded on the Nasdaq Stock Market ("Nasdaq") prior to the date of issuance (subject to any limitations that may be required by Nasdaq), (ii) if the Maker's common shares are not then traded on Nasdaq, but are traded on the Toronto Stock Exchange ("TSX") or another nationally recognized U.S. or Canadian securities exchange, inter-dealer quotation system or over-the-counter market (an "Other Market"), a 20% discount to the 30-day ~~volume weighted~~ average closing of Greenbrook TMS Inc.'s common shares traded on the TSX or Other Market, as elected by the Company, or (iii) if the Maker's common shares are not traded on any of the above trading markets, a 20% discount to the fair market value of a common share as determined pursuant to the Promissory Note.

Under the Promissory Note and related loan documents, the Maker and the Guarantors have granted to the Company a security interest in substantially all of the Maker's and the Guarantors' assets and the Guarantors have guaranteed the Maker's obligations under the Promissory Note. The Company's security interest pursuant to the Promissory Note and related loan documents ranks *pari passu* with the Maker's senior lender, Madryn Fund Administration, LLC, and is subject to an intercreditor agreement.

**Success TMS**

On September 29, 2021, the Company entered into an exclusive, five-year master sales agreement with Check Five LLC doing business as Success TMS ("Success TMS"). In connection with the Commercial Agreement, the Company agreed to loan Success TMS the principal amount of \$10.0 million for a period of five years pursuant to a secured promissory note (the "Note").

On July 14, 2022, Success TMS repaid in full the Note with a cash payment of \$10.5 million, which included all outstanding principal, prepayment premium and accrued but unpaid interest. The repayment extinguished the Note in its entirety and terminated the Subordination Agreement entered into by the Company.

Interest income recognized by the Company related to notes receivable was \$0.2 million \$0.2 million and \$0.5 million \$0 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively.

Interest 2023, respectively, and is included within other income, recognized by net on the Company related to notes receivable was \$0.4 million and \$1.0 million for the nine months ended September 30, 2023 and 2022, respectively.

	September 30,	December 31,
	2023	2022
Current portion of notes receivable	\$ 1,890	\$ 230
Long-term notes receivable	4,299	362
Less: Allowances for credit losses	(148)	—
Notes receivable, net	<u>\$ 6,041</u>	<u>\$ 592</u>

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**NEURONETICS, INC.**  
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**10. LEASES**

Lessee:

The Company has operating leases for its corporate headquarters, a training facility and office equipment, including copiers. The Company leases an approximately 32,000 square foot facility in Malvern, Pennsylvania for its corporate headquarters, which includes office and warehouse space. The Company leases an approximately 9,600 square foot facility in Charlotte, North Carolina as a training facility for its NeuroStar Advanced Therapy Systems. The Company does not currently have any finance leases or executed leases that have not yet commenced.

Operating lease rent expense was \$0.2 million for the three months ended **September 30, 2023** **March 31, 2024** and **2022**, and **\$0.6 million for the nine months ended September 30, 2023 and 2022**. As of **September 30, 2023** **March 31, 2024**, the **weighted-average** **weighted average** remaining lease term of operating leases was **4.3** **3.8** years and the **weighted-average** **weighted average** discount rate was 7.2%.

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**NEURONETICS, INC.**  
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The following table presents the supplemental cash flow information as a lessee related to leases (in thousands):

	Nine Months Ended		Three Months Ended	
	September 30, 2023	September 30, 2022	March 31, 2024	March 31, 2023
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	\$ 807	\$ 632	\$ 275	\$ 267

The following table sets forth by year the required future payments of operating lease liabilities (in thousands):

	September 30, 2023	Year ended
Remainder of 2023	\$ 215	
2024	875	
		March
		31, 2024
Remainder of 2024	\$ 659	
2025	898	898
2026	921	921
2027	882	882
2028	116	116
Total lease payments	3,907	3,476
Less imputed interest	(561)	(446)
Present value of operating lease liabilities	\$ 3,346	\$ 3,030

*Lessor sales-type leases:*

Certain customers have purchased NeuroStar Advanced Therapy Systems on a rent-to-own basis. The lease term is three or four years with a customer option to purchase the NeuroStar Advanced Therapy System at the end of the lease or automatic transfer of ownership of the NeuroStar Advanced Therapy System at the end of the lease.

The following table sets forth the profit recognized on sales-type leases (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Profit recognized at commencement, net	\$ 13	\$ 122	\$ 60	\$ 543
Interest income	—	—	—	—
<b>Total sales-type lease income</b>	<b>\$ 13</b>	<b>\$ 122</b>	<b>\$ 60</b>	<b>\$ 543</b>

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**NEURONETICS, INC.**  
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The following table sets forth a maturity analysis of the undiscounted lease receivables related to sales-type leases (in thousands):

	September 30,		March 31, 2024
	2023	2024	
Remainder of 2023	\$ 298		
2024	876		
Remainder of 2024		\$ 692	
2025	390	431	
2026	76	118	
2027	28	92	
<b>Total sales-type lease receivables</b>	<b>\$ 1,668</b>	<b>\$ 1,333</b>	

As of **September 30, 2023** **March 31, 2024**, the carrying amount of the lease receivables **is \$1.7 million** **was \$1.3 million**. The Company does not have any unguaranteed residual assets.

*Lessor operating leases:*

NeuroStar Advanced Therapy Systems sold for which collection is not probable are accounted for as operating leases. For the three months ended **September 30, 2023** **March 31, 2024** and **2022**, the Company recognized operating lease income of \$0.02 million and \$0.07 million, respectively. For the nine months ended **September 30, 2023** and **2022**, the Company recognized operating lease income of \$0.1 million and \$0.2 million **\$0.04 million**, respectively.

The Company maintained rental equipment, net, of \$0.4 million and \$0.5 million **\$0.3 million** as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively, which are included in "Property and equipment, net" on the balance sheet, sheets. Rental equipment depreciation expense was \$0.02 million for the three months ended **September 30, 2023** **March 31, 2024** and **2022**, and \$0.07 million for the nine months ended **September 30, 2023** and **2022**, 2023, respectively.

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**11. PREPAID COMMISSION EXPENSE**

The Company pays a commission on both NeuroStar Advanced Therapy System sales and treatment session sales. Since the commission paid for system sales is not commensurate with the commission paid for treatment sessions, the Company capitalizes commission expense associated with NeuroStar Advanced Therapy System sales commissions paid that is incremental to specifically anticipated future treatment session orders. In developing this estimate, the Company considered its historical treatment session sales and customer retention rates, as well as technology development life cycles and other industry factors. These costs are periodically reviewed for impairment.

NeuroStar Advanced Therapy System commissions are deferred and amortized on a straight-line basis over a **seven-year** **seven year** period equal to the average customer term, which the Company deems to be the expected period of benefit for these costs.

On the Company's balance sheets, the current portion of capitalized contract costs is represented by the current portion of prepaid commission expense, while the long-term portion is included in prepaid commission expense. Amortization expense was **\$0.6 million** **\$0.7 million** and \$0.5 million for the three months ended **September 30, 2023** **March 31, 2024** and **2022**, respectively, and \$1.7 million and \$1.3 million for the nine months ended **September 30, 2023** and **2022**, 2023, respectively.

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### NEURONETICS, INC.

#### Notes to Interim Financial Statements

(Unaudited)

## 12. ACCRUED EXPENSES

The following table presents the composition of accrued expenses as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** (in thousands):

	September 30,	December 31,	March 31,	December 31,
	2023	2022	2024	2023
Compensation and related benefits	\$ 6,342	\$ 11,201	\$ 4,032	\$ 8,003
Consulting and professional fees	713	761	614	488
Research and development expenses	278	678	285	260
Sales and marketing expenses	1,012	410	1,689	1,760
Warranty	198	328	239	213
Sales and other taxes payable	641	659	742	818
Interest payable			567	—
Other	853	800	877	1,053
Accrued expenses	<u>\$ 10,037</u>	<u>\$ 14,837</u>	<u>\$ 9,045</u>	<u>\$ 12,595</u>

## 13. REVENUE AND DEFERRED REVENUE

Payment terms typically require payment upon shipment or installation of the NeuroStar Advanced Therapy System and additional payments as access codes for treatment sessions are delivered, which can span several years after the **system** **NeuroStar Advanced Therapy System** is first delivered and installed. The timing of revenue recognition compared to billings and cash collections typically results in accounts receivable. However, sometimes customer advances and deposits may be required for certain customers and are recorded as contract liabilities (deferred revenue). For multi-year agreements, the Company generally invoices customers annually at the beginning of each annual coverage period and recognizes revenue over the term of the coverage period.

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### NEURONETICS, INC.

#### Notes to Interim Financial Statements

(Unaudited)

As of September 30, 2023 [March 31, 2024], the Company expects to recognize approximately the following percentages of deferred revenue by year:

Year:	Revenue Recognition	Revenue Recognition
Remainder of 2023	29 %	
2024	59 %	
Remainder of 2024		78 %
2025	11 %	19 %
2026	1 %	2 %
2027		1 %
Total	100 %	100 %



Revenue recognized for the three months ended September 30, 2023 [March 31, 2024] and 2022 [2023] that was included in the contract liability balance at the beginning of the year was \$0.4 million. Revenue recognized for the nine months ended September 30, 2023 [\$0.6 million] and 2022 that was included in the contract liability balance at the beginning of the year was \$1.7 million and \$2.2 million [\$0.9 million], respectively, and primarily represented revenue earned from separately priced extended warranties, customer deposits, milestone revenue, and clinical training.

#### Customers

Significant customers are those that represent more than 10% of the Company's total revenue. For the three months period ended September 30, 2023 [March 31, 2024] and 2022, one customer accounted for 15% and 15% of the Company's revenue, respectively. For the nine months ended September 30, 2023 and 2022, 2023, one customer accounted for 17% and 16% [18%], respectively, of the Company's revenue, respectively, revenue.

Accounts receivable outstanding related to that customer was \$2.1 million [\$2.4 million and \$1.9 million as of March 31, 2024 and December 31, 2023, respectively].

Notes receivable outstanding related to that customer was \$4.8 million and \$5.2 million as of September 30, 2023 [March 31, 2024] and December 31, 2022 [December 31, 2023], respectively.

#### Geographical information

The following geographic data includes revenue generated from the Company's third-party distributors. The Company's revenue was generated in the following geographic regions and by product line for the periods indicated (in thousands):

Revenues by Geography			
Three Months Ended March 31,			
2024		2023	
Amount	% of Revenues	Amount	% of Revenues

(in thousands, except percentages)				
U.S.	\$ 16,793	96 %	\$ 14,964	96 %
International	624	4 %	576	4 %
Total revenues	<u><u>\$ 17,417</u></u>	<u><u>100 %</u></u>	<u><u>\$ 15,540</u></u>	<u><u>100 %</u></u>

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U.S. Revenues by Product Category				
Three Months Ended March 31,				
	2024		2023	
	Amount	% of Revenues	Amount	% of Revenues
(in thousands, except percentages)				
NeuroStar Advanced Therapy System	\$ 3,310	20 %	\$ 3,850	26 %
Treatment sessions	12,988	77 %	10,643	71 %
Other	495	3 %	471	3 %
Total U.S. revenues	<u><u>\$ 16,793</u></u>	<u><u>100 %</u></u>	<u><u>\$ 14,964</u></u>	<u><u>100 %</u></u>

*Geographical information*

The following geographic data includes revenue generated from the Company's third-party distributors. The Company's revenue was generated in the following geographic regions and by product line for the periods indicated (in thousands):

Revenues by Geography				
Three Months Ended September 30,				
	2023		2022	
	Amount	% of Revenues	Amount	% of Revenues
(in thousands, except percentages)				
U.S.	\$ 17,211	96 %	\$ 16,244	98 %
International	673	4 %	254	2 %
Total revenues	<u><u>\$ 17,884</u></u>	<u><u>100 %</u></u>	<u><u>\$ 16,498</u></u>	<u><u>100 %</u></u>

U.S. Revenues by Product Category					
Three Months Ended September 30,					
	2023		2022		
	Amount	% of Revenues	Amount	% of Revenues	
(in thousands, except percentages)					
NeuroStar Advanced Therapy System	\$ 3,597	21 %	\$ 3,934	24 %	
Treatment sessions	13,060	76 %	11,864	73 %	
Other	554	3 %	446	3 %	
Total U.S. revenues	<u>\$ 17,211</u>	<u>100 %</u>	<u>\$ 16,244</u>	<u>100 %</u>	

International Revenues by Product Category					
Three Months Ended September 30,					
	2023		2022		
	Amount	% of Revenues	Amount	% of Revenues	
(in thousands, except percentages)					
NeuroStar Advanced Therapy System	\$ 258	38 %	\$ 96	38 %	
Treatment sessions	280	42 %	31	12 %	
Other	135	20 %	127	50 %	
Total international revenues	<u>\$ 673</u>	<u>100 %</u>	<u>\$ 254</u>	<u>100 %</u>	

Revenues by Geography					
Nine Months Ended September 30,					
	2023		2022		
	Amount	% of Revenues	Amount	% of Revenues	
(in thousands, except percentages)					
U.S.	\$ 49,464	97 %	\$ 45,893	98 %	
International	1,570	3 %	1,115	2 %	
Total revenues	<u>\$ 51,034</u>	<u>100 %</u>	<u>\$ 47,008</u>	<u>100 %</u>	

U.S. Revenues by Product Category					
Nine Months Ended September 30,					
	2023		2022		(in thousands, except percentages)
	Amount	% of Revenues	Amount	% of Revenues	
NeuroStar Advanced Therapy System	\$ 11,936	24 %	\$ 11,959	26 %	
Treatment sessions	36,018	73 %	32,627	71 %	
Other	1,510	3 %	1,307	3 %	
Total U.S. revenues	\$ 49,464	100 %	\$ 45,893	100 %	

	International Revenues by Product Category				International Revenues by Product Category			
	Nine Months Ended September 30,				Three Months Ended March 31,			
	2023		2022		2024		2023	
	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
(in thousands, except percentages)								
NeuroStar Advanced Therapy System	\$ 573	36 %	\$ 460	41 %	\$ 258	41 %	\$ 259	45% %
Treatment sessions	589	38 %	214	19 %	172	28 %	184	32% %
Other	408	26 %	441	40 %	194	31 %	133	23% %
Total International revenues	\$ 1,570	100 %	\$ 1,115	100 %				
Total international revenues					\$ 624	100 %	\$ 576	100% %

#### 14. DEBT

The following table presents the composition of debt as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** (in thousands):

	September 30, 2023	December 31, 2022

	2023	2022
Outstanding principal	\$ 37,500	\$ 35,000
Accrued final payment fees	1,856	1,925
Less debt discounts	(2,505)	(971)
Total debt, net	36,851	35,954
Less current portion	—	(13,125)
Long-term debt, net	<u><u>\$ 36,851</u></u>	<u><u>\$ 22,829</u></u>

	March 31,	December 31,
	2024	2023
Outstanding principal	\$ 60,000	\$ 60,000
Accrued final payment fees	1,856	1,856
Less debt discounts	(2,412)	(2,573)
Total debt, net	59,444	59,283
Less current portion	—	—
Long-term debt, net	<u><u>\$ 59,444</u></u>	<u><u>\$ 59,283</u></u>

For the three months ended **September 30, 2023**, **March 31, 2024** the Company recognized interest expense of **\$1.2 million** **\$1.8 million**, of which **\$1.1 million** **\$1.7 million** was cash and **\$0.1 million** was non-cash interest expense related to the amortization of deferred debt issuance costs and accrual of final payment fees. For the three months ended **September 30, 2022** **March 31, 2023**, the Company recognized interest expense of **\$1.1 million** **\$1.3 million**, of which **\$0.9 million** **\$1.1 million** was cash and **\$0.2 million** was non-cash interest expense related to the amortization of deferred debt issuance costs and accrual of final payment fees.

**For the nine months ended September 30, 2023, the Company recognized interest expense of \$3.6 million, of which \$3.1 million was cash and \$0.5 million was non-cash interest expense related to the amortization of deferred debt issuance costs and accrual of final payment fees. For the nine months ended September 30, 2022, the Company recognized interest expense of \$3.0 million, of which \$2.5 million was cash and \$0.5 million was non-cash interest expense related to the amortization of deferred debt issuance costs and accrual of final payment fees.**

#### **Solar Credit Facility**

**On March 2, 2020 the Company entered into a Loan and Security Agreement with Solar Facility Fourth Capital Ltd as collateral agent and Fifth Amendments other lenders as defined in the agreement (such agreement, as amended, the "Solar Facility").**

**On March 7, 2024, the Company entered into a sixth amendment (the "Solar Sixth Amendment") to the Solar Facility. Under the Solar Sixth Amendment, Solar: (a) waived the specified events with respect to the Company's non-compliance with the required revenue under the net product revenue covenant; and (b)**

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amended the financial covenants by increasing the amount of the liquidity covenant and temporarily decreasing the net product revenue covenant to reflect current projections.

On September 29, 2023, the Company entered into a fifth amendment (the "Solar Fifth Amendment") to the Solar Facility. The Solar Fifth Amendment allowed the Company to draw on the \$22.5 million Term C Loan portion of the Solar Facility and revise the required testing levels of the net product revenue and minimum liquidity covenants for certain testing periods. On October 3, 2023, the Company borrowed \$22.5 million under the Term C Loan portion of the Solar Facility, resulting in total borrowing of \$60 million.

On March 29, 2023, the Company entered into a fourth amendment (the "Solar Fourth Amendment") to the Loan and Security Agreement dated March 2, 2020 with SLR Investment Corp. (formerly known as Solar Capital Ltd.) ("Solar"). The Solar Fourth Amendment increased the borrowings by \$2.5 million, as collateral agent extended the interest only period from March 2023 to March 2026, and other lenders as defined in extended the agreement (the "Lenders"; such agreement, as amended, the "Solar Facility"). On September 29, 2023, the Company entered into a fifth amendment (the "Solar Fifth Amendment") maturity date from February 2025 to March 2028. In addition, the Solar Facility Fourth Amendment changed the basis of the interest expense from LIBOR to SOFR.

The Solar Facility permits the Company to borrow up to \$60.0 million in three tranches of term loans, a "Term A Loan" in an aggregate amount of \$35.0 million, a "Term B Loan" in an aggregate amount of \$2.5 million, and a "Term C Facility" (collectively with the Term A Loan and Term B Loan, the "Loans") in an aggregate principal amount equal to \$22.5 million. The Term A Loan was fully drawn prior to the effectiveness of the Solar Fourth Amendment. On March 29, 2023, the Company borrowed an amount of \$2.5 million under the Term B Loan. On October 3, 2023, the Company borrowed an amount of \$22.5 million under the Term C Facility (the "Term C Funding Date"). The maturity date of the Loans is March 29, 2028. Prior to the effectiveness of the Solar Fourth Amendment, the maturity date of the Term A Loan was February 28, 2025.

The Loans accrue interest from the date of borrowing through the date of repayment at a floating per annum rate of interest, which resets monthly and is equal to the greater of 5.65% plus (a) 3.95% or (b) daily simple SOFR for a term of one month. Only interest is required to be paid on the Loans Solar Facility until March 1, 2026. Prior to the effectiveness of the Solar Fourth Amendment, the interest only period with respect to the Term A Loan expired on March 1, 2023. Commencing April 1, 2026, the Company will be required to make monthly payments of principal and interest on the Loans Solar Facility.

In addition to the principal and interest payments due under the Solar Facility, the Company is required to pay a final payment fee to Solar upon the earlier of prepayment, acceleration or the maturity date of the Loans Solar Facility equal to 4.95% of the principal amount of the term loans actually funded. If the Company prepays the Loans Solar Facility prior to their respective scheduled maturities, the Company will also be required to pay prepayment fees to Solar equal to 3% of the principal amount of such term loan then-prepaid if prepaid on or before the first anniversary of the Term C Funding Date, 2% of the principal amount of such term loan then-prepaid if prepaid after the first anniversary and on or before the second anniversary of the Term C Funding Date, or 1% of the principal amount of such term loan then-prepaid if prepaid after the second anniversary of the Term C Funding Date.

The Company is also required to pay Solar an exit fee upon the occurrence of (a) any liquidation, dissolution or winding up of the Company, (b) any transaction that results in a person obtaining control over the Company, (c) the Company achieving \$100 million in trailing twelve-month net product revenue or (d) the Company achieving \$125 million in trailing twelve-month net product revenue. The exit fee for liquidation, dissolution, winding up or change of control of the Company is equal to 2% of the principal amount of the term loans actually funded. The exit fee for achieving either \$100 million or \$125 million in trailing twelve-month net product revenue is equal to 1% of the principal amount of the term loans actually funded or, if both net product revenue milestones are achieved, 2% of the principal amount of the term loans actually funded. The exit fee is capped at 2% of the principal amount of the term loans actually funded.

In connection with entering into the Solar Fourth Amendment On January 31, 2024 and pursuant to the prepayment provisions of the previous Solar facility, February 29, 2024, the Company paid Solar a final payment fee of \$1.2 million on March 29, 2023.

The Solar Fifth Amendment (a) permitted the Company to draw on the \$22.5 million Term C Facility, and (b) revised the required testing levels of the was not in compliance with its minimum net product revenue and minimum liquidity covenants covenant under the Solar Facility. The Company was granted a waiver from Solar in the Solar Sixth Amendment for certain testing periods. the covenant violations. The amount of borrowings affected by this noncompliance was \$60 million.

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As of September 30, 2023 March 31, 2024, the Company was is in compliance with all covenants in the Solar Facility and the Company expects is projected to be in compliance with the covenants going forward.

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## 15. COMMON STOCK

### Common Stock

The following table summarizes the total number of shares of the Company's common stock issued and reserved for issuance as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** (in thousands):

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Shares of common stock issued	28,902	27,268	29,975	29,092
Shares of common stock reserved for issuance for:				
Common stock warrants outstanding	41	61	21	41
Stock options outstanding	1,271	1,301	1,270	1,270
Restricted stock units outstanding	3,634	3,901	3,299	3,360
Shares available for grant under stock incentive plans	893	1,140	1,320	978
Shares available for sale under employee stock purchase plan	1,335	1,063	1,624	1,335
Total shares of common stock issued and reserved for issuance	<u>36,076</u>	<u>34,734</u>	<u>37,509</u>	<u>36,076</u>

### Common Stock Warrants

The following **table** summarize the Company's outstanding common stock warrants as of **September 30, 2023** **March 31, 2024**, and **December 31, 2022** **December 31, 2023**:

September 30, 2023					
March 31, 2024					
Warrants					
Outstanding					
(in thousands)	Exercise Price	Expiration Date	Exercise Price	Expiration Date	
20	\$ 9.73	Mar-2024			
21	\$ 9.73	Dec-2024	\$ 9.73	Dec-2024	
41					
21					

December 31, 2022					
Warrants					
Outstanding					
(in thousands)	Exercise Price	Expiration Date	Exercise Price	Expiration Date	
20	\$ 9.73	Aug-2023			
20	\$ 9.73	Mar-2024			
21	\$ 9.73	Dec-2024			

December 31, 2023			
Warrants			
Outstanding			
(in thousands)	Exercise Price	Expiration Date	
20	\$ 9.73	Mar-2024	
21	\$ 9.73	Dec-2024	
41			

## 16. LOSS PER SHARE

The Company's basic loss per common share is computed by dividing the net loss by the ~~weighted-average~~ weighted average number of shares of common stock outstanding during the period. The Company's restricted stock awards (non-vested shares) are issued and outstanding at the time of grant but are excluded from the Company's computation of ~~weighted-average~~ weighted average shares outstanding in the determination of basic loss per share until vesting occurs.

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A net loss cannot be diluted, so when the Company is in a net loss position, basic and diluted loss per common share are the same. If ~~in the future~~ the Company achieves profitability in the future, the denominator of a diluted earnings per common share calculation will include both the ~~weighted-average~~ weighted average number of shares outstanding and the number of common stock equivalents, if the inclusion of such common stock equivalents would be dilutive. Dilutive common stock equivalents potentially include warrants, stock options, non-vested restricted stock units and non-vested performance restricted stock units ("PRRSUs") using the treasury stock method,

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**NEURONETICS, INC.**  
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along with the effect, if any, from the potential conversion of outstanding securities, such as convertible preferred stock.

The following potentially dilutive securities outstanding as of **September 30, 2023** **March 31, 2024** and **2022** **2023** have been excluded from the denominator of the diluted loss per share of common stock outstanding calculation (in thousands):

	September 30,		March 31,	
	2023		2024	
	2022	2023	2024	2023
Stock options	1,271	1,424	1,270	1,291
Non-vested PRSUs	395	395	395	395
Non-vested restricted stock units	3,239	3,665	2,904	3,253
Common stock warrants	41	75	21	61

## 17. SHARE-BASED COMPENSATION

The amount of share-based compensation expense recognized by the Company by location in its statements of operations for the three **and nine** months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Cost of revenues	\$ 38	\$ 35	\$ 109	\$ 94	\$ 34	\$ 37
Sales and marketing	590	1,074	1,946	3,258	350	642
General and administrative	1,052	939	3,134	2,950	777	967
Research and development	175	130	504	331	177	159
<b>Total</b>	<b>\$ 1,855</b>	<b>\$ 2,178</b>	<b>\$ 5,693</b>	<b>\$ 6,633</b>	<b>\$ 1,338</b>	<b>\$ 1,805</b>

### 2018 Equity Incentive Plan

In June 2018, the Company adopted the 2018 Equity Incentive Plan, (the ( the "2018 Plan"), which authorized the issuance of up to 1.4 million shares, subject to an annual 4% increase based on the number of shares of common stock outstanding, in the form of restricted stock, stock appreciation rights and stock options to the Company's directors, employees and consultants. The amount and terms of grants are determined by the Company's board of directors. All stock options granted to date have had exercise prices equal to the fair value, as determined by the closing price as reported by the Nasdaq Global Market, of the underlying common stock on the date of grant. The contractual term of stock options is up to 10 years, and stock options are exercisable in cash or as otherwise

determined by the Company's board of directors. Generally, stock options vest 25% upon the first anniversary of the date of grant and the remainder ratably monthly thereafter for 36 months. Restricted stock units generally vest ratably in three equal installments on the first, second and third anniversaries of the grant date. PRSUs generally vest based on appreciation of the Company's common stock to a certain price as determined by the Company's board of directors measured using a trailing 30-day volume-weighted average price of a share of the Company's common stock. The fair value of the PRSU awards are determined using a risk neutral Monte Carlo simulation valuation model. As of **September 30, 2023** **March 31, 2024**, there were **0.6 million** **1.1 million** shares available for future issuance under the 2018 Plan.

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**2020 Inducement Incentive Plan**

In December 2020, the Company adopted the 2020 Inducement Incentive Plan (the "2020 Plan"), which authorized the issuance of up to 0.4 million shares, subject to increase by approval of the Company's board of directors, in the form of stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance stock awards and other stock awards to eligible employees who satisfy the standards for inducement grants under Nasdaq Global Market rules. In March 2022, the Company's board of directors approved an additional 0.5 million shares for the issuance under the 2020 Plan. An individual who previously served as an employee or director of the Company is not eligible to receive awards under the 2020 Plan. The amount and terms of grants are determined by the Company's board of directors. As of **September 30, 2023** **March 31, 2024**, there were **0.3 million** **0.2 million** shares available for future issuance under the 2020 Plan.

**Stock Options**

The following table summarizes the Company's stock option activity for the **nine** **three** months ended **September 30, 2023** **March 31, 2024**:

	Number of Shares under Option (in thousands)	Weighted-average		Aggregate Intrinsic Value (in thousands)	Number of Options (in thousands)	Weighted-average		Aggregate Contractual Value (in thousands)
		Weighted-average	Remaining			Weighted-average	Remaining	
		Exercise Price per Option	Contractual Life (in years)			Exercise Price per Option	Contractual Life (in years)	
		(in thousands)				(in thousands)		
Outstanding at December 31, 2022	1,301	\$ 4.07						

Outstanding at December 31, 2023					1,270	\$ 3.90
Granted	—	\$ —			—	\$ —
Exercised	—	\$ —			—	\$ —
Forfeited	(30)	\$ 11.67			—	\$ —
Outstanding at September 30, 2023	<u>1,271</u>	\$ 3.89	6.3	\$ 3		
Exercisable at September 30, 2023	<u>1,058</u>	\$ 4.27	6.3	\$ 3		
Vested and expected to vest at September 30, 2023	<u>1,271</u>	\$ 3.89	6.3	\$ 3		
Outstanding at March 31, 2024					<u>1,270</u>	\$ 3.90
Exercisable at March 31, 2024					<u>1,187</u>	\$ 4.03
Vested and expected to vest at March 31, 2024					<u>1,270</u>	\$ 3.90
						5.8 \$ 2,727
						5.7 \$ 2,495
						5.8 \$ 2,727

The Company recognized share-based compensation expense related to stock options of \$0.1 million and \$0.2 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and \$0.3 million and \$0.5 million for the nine months ended September 30, 2023 and 2022, respectively. As of September 30, 2023 March 31, 2024, there was \$0.2 million \$0.1 million of total unrecognized compensation cost related to non-vested stock options, which the Company expects to recognize over a weighted-average weighted average period of 0.8 0.3 years.

For the nine three months ended September 30, 2023 March 31, 2024, the Company did not grant stock options.

#### Restricted Stock Units and Performance Restricted Stock Units PRSUs

The following table summarizes the Company's restricted stock unit and PRSU activity for September 30, 2023 March 31, 2024:

	Non-vested Restricted Stock Units (in thousands)	Weighted-average PRSU Fair Value	Non-vested PRSUs (in thousands)	Weighted-average Stock Units Fair Value	Non-vested Restricted Stock Units (in thousands)	Weighted-average PRSU Fair Value	Non-vested PRSUs (in thousands)	Weighted-average Stock Units Fair Value
Non-vested at December								
31, 2022	3,506	\$ 4.29	395	\$ 6.77				
Non-vested at December								
31, 2023					2,965	\$ 4.37	395	\$ 6.77
Granted	1,640	\$ 4.73	—	\$ —	990	\$ 3.24	—	\$ —
Vested	(1,634)	\$ 4.38	—	\$ —	(883)	\$ 5.21	—	\$ —
Forfeited	(273)	\$ 5.08	—	\$ —	(168)	\$ 4.58	—	\$ —
Non-vested at September								
30, 2023	3,239	\$ 4.41	395	\$ 6.77				
Non-vested at March 31, 2024								
					2,904	\$ 3.71	395	\$ 6.77

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**NEURONETICS, INC.**

**Notes to Interim Financial Statements**

**(Unaudited)**

The Company recognized \$1.8 million \$1.3 million and \$2.0 million \$1.7 million in share-based compensation expense related to the restricted stock units and PRSUs for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and \$5.3 million and \$6.1 million for the nine months ended September 30, 2023 and 2022, 2023, respectively. As of September 30, 2023 March 31, 2024, there was \$10.0 million \$8.9 million of unrecognized compensation cost related to non-vested restricted

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stock units and PRSUs, which the Company expects to recognize over a weighted-average weighted average period of 1.8 2.0 years. The total fair value at the vesting date of restricted stock units and PRSUs vested during the nine three months ended September 30, 2023 March 31, 2024 was \$8.3 million \$3.1 million.

The Company did not grant PRSUs during the nine three months ended September 30, 2023 March 31, 2024.

**18. COMMITMENTS AND CONTINGENCIES**

**Legal Matters**

The Company is subject from time to time to various claims and legal actions arising during the ordinary course of its business. Management believes that there are currently no claims or legal actions that would reasonably be expected to have a material adverse effect on the Company's results of operations, financial condition, or cash flows.

**19. SEGMENT INFORMATION**

Operating segments are defined as components of an enterprise about which separate discrete information is available for evaluation by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company currently operates in one business segment as it is managed and operated as one business. A single management team that reports to the chief operating decision maker comprehensively manages the entire business. The Company does not operate any material separate lines of business or separate business entities with respect to its products or product development.

**20. GOVERNMENT ASSISTANCE**

*Employee Retention Credit*

The Coronavirus Aid, Relief and Economic Security Act provided an Employee Retention Credit (the "ERC"), which was a refundable tax credit related to certain payroll taxes. The Company applied the grant model and determined that the criteria for recognition of the ERC was met during the quarter year ended June 30, 2023 December 31, 2023 based on the Company's determination of eligibility and filing of the ERC claim. As of September 30, 2023 March 31, 2024, the \$2.9 million ERC receivable is reported within prepaid expenses and other current assets on the Company's balance sheet. The credit is reported within other income, net in the Company's statements of operations for the nine months ended September 30, 2023.

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

*The following discussion and analysis of our financial condition and results of operations, as well as other sections in this Quarterly Report on Form 10-Q, should be read in conjunction with our unaudited interim financial statements and related notes thereto included elsewhere herein. In addition to historical financial information, some of the information contained in the following discussion and analysis contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expect," "plan," "anticipate," "could," "intend," "target," "project," "contemplates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other similar expressions. All statements other than statements of historical facts, including statements regarding our future results of operations and financial position, business strategy, current and prospective products, product approvals, research and development costs, current and prospective collaborations, timing and likelihood of success, plans and objectives of management for future operations and future results of current and anticipated products, are forward-looking statements. These statements involve known and unknown risks, uncertainties assumptions and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.*

*In some cases, you can identify forward-looking statements by terms such as "may," "will," "would," "should," "expect," "plan," "design," "anticipate," "could," "intend," "target," "project," "contemplate," "believe," "estimate," "predict," "potential," "outlook" or "continue" or the negative of these terms or other similar expressions. The forward-looking statements in this Quarterly Report on Form 10-Q are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q and are subject to a number of risks, uncertainties and assumptions described in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K filed with the SEC on March 8, 2024. These risks and uncertainties include, without limitation, risks and uncertainties related to: our ability to achieve or sustain profitable operations due to our history of losses; our reliance on the sale and usage of our NeuroStar Advanced Therapy System to generate revenues; the scale and efficacy of our salesforce; availability of coverage and reimbursement from third-party payors for treatments using our products; physician and patient demand for treatments using our products; developments in respect of competing technologies and therapies for the indications that our products treat; product defects; our revenue has been concentrated among a small number of customers; our ability to obtain and maintain intellectual property protection for our technology; developments in clinical trials or regulatory review of the NeuroStar Advanced Therapy System for additional indications; developments in regulation in the U.S. and*

other applicable jurisdictions; and the impacts on terms of our operational and budget plans due credit facility; our ability to inflation. For a discussion of these and other related risks, please refer to successfully roll-out our recent SEC filings which are available Better Me Guarantee Provider Program on the SEC's website at [www.sec.gov](http://www.sec.gov), including those described planned timeline; our self-sustainability and existing cash balances; and our ability to achieve cash flow break-even in "Risk Factors" the fourth quarter of 2024 and "Management's Discussion on a full-year basis in 2025. The events and Analysis of Financial Condition and Results of Operations" circumstances reflected in our Annual Report on Form 10-K filed with the SEC, on March 7, 2023. These forward-looking statements are based may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. The Company cautions investors not to place undue reliance on our expectations these forward-looking statements. Moreover, we operate in an evolving environment. New risk factors and assumptions as of the date of this Quarterly Report on Form 10-Q, uncertainties may emerge from time to time, and it is not possible for us to predict all risk factors and uncertainties. Except as required by applicable law, we undertake no duty do not plan to publicly update or obligation to update revise any forward-looking statements contained in this Quarterly Report on Form 10-Q as a result of any new information, future events or changes in our expectations, changed circumstances or otherwise.

## Overview

We are a commercial stage medical technology company focused on designing, developing and marketing products that improve the quality of life for patients who suffer from neurohealth disorders. Our first commercial product, the NeuroStar Advanced Therapy System, is a non-invasive and non-systemic office-based treatment that uses TMS to create a pulsed, MRI-strength magnetic field that induces electrical currents designed to stimulate specific areas of the brain associated with mood. The system NeuroStar Advanced

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Therapy System is cleared by the FDA to treat adult patients with MDD who that have failed to achieve satisfactory improvement from prior antidepressant medication in the current MDD episode. The NeuroStar Advanced Therapy System It is also available cleared by the FDA as an adjunct for adults with OCD, and to decrease anxiety symptoms in other parts adult patients with MDD that may exhibit comorbid anxiety symptoms (anxious depression), and as an adjunct for the treatment of the world, including Japan, where it is listed under Japan's national health insurance. MDD in adolescent patients aged 15-21. The NeuroStar Advanced Therapy System is safe, clinically effective, reproducible and precise and we believe is supported by the largest clinical data set of any competing TMS system. We believe we are the market leader in TMS therapy based on over 162,575 175,379 global patients treated with over 5.9 million 6.4 million of our treatment sessions through September 30, 2023 March 31, 2024. We generated revenues of \$17.9 million \$17.4 million and \$16.5 million \$15.5 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and \$51.0 million and \$47.0 million for the nine months ended September 30, 2023 and 2022, 2023, respectively.

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We designed the NeuroStar Advanced Therapy System as a non-invasive therapeutic alternative to treat patients who suffer from MDD and to address many of the key limitations of other treatment options. We generate revenues from initial capital sales of our systems, recurring treatment sessions, and service and repair and extended warranty contracts. We derive the majority of our revenues from recurring treatment sessions. For the three months ended **September 30, 2023** **March 31, 2024**, revenues from sales of our treatment sessions and NeuroStar Advanced Therapy Systems represented **76%** **77%** and **21%** **20%** of our U.S. revenues, respectively, and for the nine months ended **September 30, 2023** revenues from sales of our treatment sessions and NeuroStar Therapy Systems represented **73%** and **24%** of our U.S. revenues, respectively.

We currently sell our NeuroStar Advanced Therapy System and recurring treatment sessions in the U.S. with the collaborative support of our **211** **202** employees as of **September 30, 2023** **March 31, 2024**. Symphony Health estimates that there are approximately 26,300 group and solo practice sites in the U.S. with psychiatrists that prescribe antidepressant medications. Our direct sales force primarily targets an estimated **50,000** **53,000** psychiatrists across **26,000** at **26,300** psychiatric practices in the U.S., based on a 2020 data set from Symphony Health and our own internal estimates that treat approximately **42%** **13.9** million patients based on data from the *Journal of the total MDD patients in the U.S. who meet our labeled indication and are insured. American Medical Association*. Some of our customers have purchased or may purchase more than one NeuroStar Advanced Therapy System. Based on our commercial data, we believe our customers can recoup their initial capital investment in our system by providing a standard course of treatment to approximately 12 patients. We believe our customers can generate approximately \$8,500 of average revenue per patient for a standard course of treatment, which may provide meaningful incremental income to their practices. We have a diverse customer base, including psychiatrists in group psychiatric practices, pain management physicians and other medical professionals in the U.S. For the three and nine months ended **September 30, 2023** **March 31, 2024**, one customer accounted for more than 10% of our revenues.

We market our products in a few select markets outside the U.S. through independent distributors. International revenues represented 4% and 2% of our total revenues for the three months ended **September 30, 2023** **March 31, 2024** and **2022**, respectively, and 3% and 2% for the nine months ended **September 30, 2023** and **2022**, respectively. In October 2017, we entered into an exclusive distribution agreement with Teijin Pharma Limited ("Teijin"), for the distribution of our NeuroStar Advanced Therapy Systems and treatment sessions to customers who will treat patients with MDD in Japan. We received regulatory approval for our system in Japan in September **2017** and we received **2017**. We obtained reimbursement coverage for the initial reimbursement of JPY 12,000 per treatment session, NeuroStar Advanced Therapy System in Japan, which went into effect on June 1, 2019, and covers patients who are treated in the largest inpatient and outpatient psychiatric facilities in Japan. We expect our international revenues to be consistent as a percentage of our total revenue.

Our research and development efforts are focused on the following: hardware and software product developments, and enhancements of our NeuroStar Advanced Therapy System, and clinical developments development relating to additional indications. We outsource the manufacture of components of our NeuroStar Advanced Therapy Systems

that are produced to our specifications, and individual components are either shipped directly from our third-party contract manufacturers to our customers or consolidated into pallets at our Malvern, Pennsylvania facility prior to shipment. Final installation of these systems occurs at the customer site.

#### **Our total**

Total revenues increased an increase by \$1.4 million \$1.9 million, or 8% 12%, from \$16.5 million \$15.5 million for the three months ended September 30, 2022 March 31, 2023 to \$17.9 million \$17.4 million for the three months ended September 30, 2023 and increased by \$4.0 million, or 9%, from \$47.0 million for the nine months ended September 30, 2022 to \$51.0 million for the nine months ended September 30, 2023 March 31, 2024. For the three and nine months ended September 30, 2023 March 31, 2024, our U.S. revenues were \$17.2 million and \$49.5 million, respectively, \$16.8 million compared to \$16.2 million and \$45.9 million \$15.0 million for three and nine months ended September 30, 2022 March 31, 2023, respectively, which represents an increase of 6% and 8% respectively, period over period. 12%. The increase was primarily attributable to an increase in U.S. NeuroStar Advanced Therapy System sales period over period. U.S. treatment session sales. We incurred net losses of \$9.4 million and \$24.8 million \$7.9 million for the three and nine months ended September 30, 2023

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March 31, 2024 compared to net losses of \$7.6 million and \$28.9 million \$10.5 million for the three and nine months ended September 30, 2022 March 31, 2023. We expect to continue to incur losses for the next several years as we invest in our commercial organization to support our planned sales growth and while continuing to invest in our pipeline indications. As of September 30, 2023 March 31, 2024, we had an accumulated deficit of \$370.7 million \$384.0 million.

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#### **Global Economic Conditions**

We are continuing to closely monitor macroeconomic impacts, including, but not limited to, developments affecting financial institutions, inflationary and potential recessionary pressures, on our business, results of operations and financial results. We currently believe these conditions have no material impact at this time. impact.

## Components of Our Results of Operations

### Revenues

To date, we have generated revenues primarily from the capital portion of our business and related sales and rentals of the NeuroStar Advanced Therapy System and the recurring revenues from our sale of treatment sessions in the U.S.

**NeuroStar Advanced Therapy System Revenues.** NeuroStar Advanced Therapy System revenues consist primarily of sales or rentals of a capital component, including upgrades to the equipment attributable to the initial sale of the system. NeuroStar Advanced Therapy System. NeuroStar Advanced Therapy Systems can be purchased outright or on a rent-to-own basis by certain customers.

**Treatment Session Revenues.** Treatment session revenues primarily include sales of NeuroStar Advanced Therapy System treatment sessions and SenStar treatment links. The NeuroStar treatment sessions are access codes that are delivered electronically in the U.S. The SenStar treatment links are disposable units containing single-use access codes that are sold and used outside the U.S. Access codes are purchased separately by our customers, primarily on an as-needed basis, and are required by the NeuroStar Advanced Therapy System in order to deliver treatment sessions.

**Other Revenues.** Other revenues are derived primarily from service and repair and extended warranty contracts with our existing customers.

We refer you to the section titled "Critical Accounting Policies and Use of Estimates—Revenue Recognition" appearing in our Annual Report on Form 10-K filed with the SEC on March 7, 2023 March 8, 2024. We also refer you to "Note 3. Summary" of Significant Accounting Policies." Policies" in Notes to Interim Financial Statements located in Part I – FINANCIAL INFORMATION, Item 1. Financial Statements.

### Cost of Revenues and Gross Margin

Cost of revenues primarily consists of the costs of components and products purchased from our third-party contract manufacturers of our NeuroStar Advanced Therapy Systems as well as and the cost of treatment packs for individual treatment sessions. We use third-party contract manufacturing partners to produce the components for and assemble the completed NeuroStar Advanced Therapy Systems. Cost of revenues also includes costs related to personnel, warranty, shipping, and our operations and field service departments. We expect our cost of revenues to increase to the extent our revenues grow.

Our gross profit is calculated by subtracting our cost of revenues from our revenues. We calculate our gross margin as our gross profit divided by our revenues. Our gross margin has been and will continue to be affected by a variety of factors, primarily product sales mix, pricing and third-party contract manufacturing costs. Our gross margins on revenues from sales of NeuroStar Advanced Therapy Systems are lower than our gross margins on revenues from sales of treatment sessions and, as a result, the sales mix between NeuroStar Advanced Therapy Systems and treatment sessions can affect the gross margin in any reporting period.

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### *Sales and Marketing Expenses*

Sales and marketing expenses consist of **marketing programs** **market research** and commercial activities related to the sale of our NeuroStar Advanced Therapy Systems and treatment sessions and salaries and related benefits, sales

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commissions and share-based compensation for employees focused on these efforts. Other significant sales and marketing costs include conferences and trade shows, **co-op marketing**, promotional and marketing activities, including direct and online marketing, practice support programs and **digital radio** media campaigns, travel and training expenses.

We anticipate that our sales and marketing expenses will **decrease in 2023** **remain materially consistent during 2024** compared to **2022 expenses due 2023 expenses**. We have plans to grow the **co-op marketing program**, but that **increase in part to the termination of the one-time 2022 sales equity match incentive**. **expense will be offset by savings in other areas**.

### *General and Administrative Expenses*

General and administrative expenses consist primarily of personnel expenses, including salaries and related benefits, share-based compensation and travel expenses, for employees in executive, finance, information technology, ("IT"), legal and human resource functions. General and administrative expenses also include the cost of insurance, outside legal fees, accounting and other consulting services, audit fees from our independent registered public accounting firm, board of directors' fees and other administrative costs, such as corporate facility costs, including rent, utilities, depreciation and maintenance not otherwise included in cost of revenues.

We anticipate that our general and administrative expenses **in 2023** **will remain flat** **relatively consistent during 2024** compared to our **2022 2023 expenses**.

### *Research and Development Expenses*

Research and development expenses consist primarily of personnel expenses, including salaries and related benefits and share-based compensation for employees in clinical development, product development, regulatory and quality assurance functions, as well as expenses associated with outsourced professional scientific development services and costs of investigative sites and consultants that conduct our preclinical and clinical development programs. We typically use our employee, consultant and infrastructure resources across our research and development programs.

We plan to incur research and development expenses for the near future as we expect to continue our development of TMS therapy for the treatment of additional patient populations and new indications related to neurohealth disorders, as well as for various hardware and software development projects. As a result, we expect our research and development expenses to increase during **2023** **2024** compared to our **2022** **expenses**. **2023** **expenses**.

#### *Interest Expense*

Interest expense consists of cash interest payable under our credit facility and non-cash interest attributable to the accrual of final payment fees and the amortization of deferred financing costs related to our indebtedness.

#### *Other Income, Net*

Other income, net, consists primarily of **the** **ERC** **and** **interest** **income** **earned** **on** **our** **money** **market** **account** **balances** **and** **notes** **receivable**.

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### **Results of Operations**

**Comparison of the three months ended **September 30, 2023** **March 31, 2024** and **2022**** **2023**

	Three Months Ended				Three Months Ended			
	September 30,		Increase / (Decrease)		March 31,		Increase / (Decrease)	
	2023	2022	Dollars	Percentage	2024	2023	Dollars	Percentage
		(in thousands, except percentages)						
Revenues		\$17,884	\$16,498	\$ 1,386	8 %	\$17,417	\$ 15,540	\$ 1,877
								12 %

Cost of revenues	6,120	3,570	2,550	71 %	4,329	4,144	185	4 %
Gross Profit	11,764	12,928	(1,164)	(9)%	13,088	11,396	1,692	15 %
Gross Margin	65.8 %	78.4 %			75.1 %	73.3 %		
Operating expenses:								
Sales and marketing	12,141	11,643	498	4 %	11,641	11,902	(261)	(2)%
General and administrative	6,339	6,391	(52)	(1)%	5,957	6,611	(654)	(10)%
Research and development	2,155	2,348	(193)	(8)%	2,349	2,790	(441)	(16)%
Total operating expenses	20,635	20,382	253	1 %	19,947	21,303	(1,356)	(6)%
Loss from Operations	(8,871)	(7,454)	(1,417)	(19)%	(6,859)	(9,907)	3,048	31 %
Other (income) expense:								
Interest expense	1,184	1,061	123	12 %	1,826	1,253	573	46 %
Other income, net	(664)	(906)	242	(27)%	(812)	(640)	(172)	27 %
Net Loss	<u>\$ (9,391)</u>	<u>\$ (7,609)</u>	<u>\$ (1,782)</u>	<u>(23)%</u>	<u>\$ (7,873)</u>	<u>\$ (10,520)</u>	<u>\$ 2,647</u>	<u>25 %</u>

	Revenues by Geography				Revenues by Geography			
	Three Months Ended September 30,				Three Months Ended March 31,			
	2023		2022		2024		2023	
	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
(in thousands, except percentages)								

(in thousands, except percentages)							
U.S.	\$ 17,211	96 %	\$ 16,244	98 %	\$ 16,793	96 %	\$ 14,964 96 %
International	673	4 %	254	2 %	624	4 %	576 4 %
<b>Total revenues</b>	<b>\$ 17,884</b>	<b>100 %</b>	<b>\$ 16,498</b>	<b>100 %</b>	<b>\$ 17,417</b>	<b>100 %</b>	<b>\$ 15,540 100 %</b>

U.S. Revenues by Product Category				U.S. Revenues by Product Category			
Three Months Ended September 30,				Three Months Ended March 31,			
2023		2022		2024		2023	
Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
(in thousands, except percentages)							
(in thousands, except percentages)							
NeuroStar Advanced Therapy System	\$ 3,597	21 %	\$ 3,934	24 %	\$ 3,310	20 %	\$ 3,850 26 %
Treatment sessions	13,060	76 %	11,864	73 %	12,988	77 %	10,643 71 %
Other	554	3 %	446	3 %	495	3 %	471 3 %
<b>Total U.S. revenues</b>	<b>\$ 17,211</b>	<b>100 %</b>	<b>\$ 16,244</b>	<b>100 %</b>	<b>\$ 16,793</b>	<b>100 %</b>	<b>\$ 14,964 100 %</b>

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U.S. NeuroStar Advanced Therapy System Revenues by Type			
Three Months Ended March 31,			
2024		2023	
% of		% of	

	Amount	Revenues	Amount	Revenues
	(in thousands, except percentages)			
NeuroStar capital	\$ 3,210	97 %	\$ 3,649	95 %
Operating lease	25	1 %	39	1 %
Other	75	2 %	162	4 %
Total U.S. NeuroStar Advanced Therapy System revenues	<u>\$ 3,310</u>	<u>100 %</u>	<u>\$ 3,850</u>	<u>100 %</u>

#### Revenues

Total revenue for the three months ended **September 30, 2023** **March 31, 2024** was **\$17.9 million** **\$17.4 million**, an increase of **8%** **12%** compared to the three months ended **September 30, 2022** **March 31, 2023** revenue of **\$16.5 million** **\$15.5 million**. During the quarter, total U.S. revenue increased by **6%** **12%** and international revenue increased by **165%** **8%** over the prior year quarter. The U.S. revenue growth was primarily driven by an increase in treatment session sales, partially offset by a decrease in NeuroStar capital revenue. The increase in international revenue was primarily driven by due to an increase in NeuroStar Advanced Therapy System sales and treatment session other component sales.

U.S. NeuroStar Advanced Therapy System revenue for the three months ended **September 30, 2023** **March 31, 2024** was **\$3.6 million** **\$3.3 million**, a decrease of **9%** **14%** compared to the three months ended **September 30, 2022** **March 31, 2023** revenue of **\$3.9** **\$3.9 million**. For the three months ended **March 31, 2024** and **2023**, the Company sold 40 and 49 systems, respectively.

U.S. treatment session revenue for the three months ended **March 31, 2024** was **\$13.0 million**, an increase of **22%** compared to the three months ended **March 31, 2023** revenue of **\$10.6 million**. The increase in U.S. treatment session revenue was primarily the result of an increase of 51,995 treatment sessions sold from 158,742 units for the three ended **March 31, 2023** to 210,737 for the three months ended **March 31, 2024**. We believe the increase in overall volume of treatment session revenue between these two periods was primarily due to the growth in active customer sites of 87 from 1,081 as of **March 31, 2023** to 1,168 as of **March 31, 2024** and increase in overall utilization. Due to the time it takes for the customer sites to become fully operational, treatment session revenue will lag in the growth of our active customer sites.

#### Cost of Revenues and Gross Margin

Cost of revenues increased by **\$0.2 million**, or **4%**, from **\$4.1 million** for the three months ended **March 31, 2023** to **\$4.3 million** for the three months ended **March 31, 2024**. Gross margin increased from **73.3%** for the three months ended **March 31, 2023** to **75.1%** for the three months ended **March 31, 2024**. The increase was primarily a result of increased sales volume of our treatment session sales and the change in product mix.

#### Sales and Marketing Expenses

Sales and marketing expenses decreased by **\$0.3 million**, or **2%**, from **\$11.9 million** for the three months ended **March 31, 2023** to **\$11.6 million** for the three months ended **March 31, 2024**. The decrease was primarily due to a reduction in sales meeting costs, partially offset by an increase in marketing program spend, specifically the growth related to the co-op marketing initiative.

#### General and Administrative Expenses

General and administrative expenses decreased by \$0.6 million, or 10%, from \$6.6 million for the three months ended March 31, 2023 to \$6.0 million for the three months ended March 31, 2024. The decrease was primarily related to a reduction in personnel expenses and third party legal and consulting fees in the current period versus the prior year quarter.

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million. For the three months ended September 30, 2023 and 2022, the Company sold 43 and 49 systems, respectively, that were recognized as NeuroStar Advanced Therapy System capital revenue during each period. Additionally, for the three months ended September 30, 2022 the Company executed 1 operating lease agreement that contributed to operating lease revenue.

U.S. treatment session revenue for the three months ended September 30, 2023 was \$13.1 million, an increase of 10% compared to the three months ended September 30, 2022 revenue of \$11.9 million. The revenue growth was primarily driven by an increase in treatment session volume and utilization over the prior year quarter.

### *Cost of Revenues and Gross Margin*

Cost of revenues increased by \$2.5 million, or 71%, from \$3.6 million for the three months ended September 30, 2022 to \$6.1 million for the three months ended September 30, 2023. This increase was primarily due to the recording of a \$1.9 million inventory impairment for specialized component parts secured for discontinued NeuroStar Advanced Therapy Systems for which costs exceed net realizable value. Gross margin decreased from 78.4% for the three months ended September 30, 2022 to 65.8% for the three months ended September 30, 2023. The decrease in gross margin was driven by the one-time inventory impairment, higher operational costs related to our transition to a new third-party contract manufacturing partner and software amortization expense from the latest product release.

### *Sales and Marketing Expenses*

Sales and marketing expenses increased by \$0.5 million, or 4%, from \$11.6 million for the three months ended September 30, 2022 to \$12.1 million for the three months ended September 30, 2023. The increase was primarily due to increased spending on co-op marketing related to growth in that program.

### *General and Administrative Expenses*

General and administrative expenses remained materially consistent from \$6.4 million for the three months ended September 30, 2022 to \$6.3 million for the three months ended September 30, 2023.

### *Research and Development Expenses*

Research and development expenses decreased by \$0.1 million \$0.5 million, or 8% 16%, from \$2.8 million for the three months ended March 31, 2023 to \$2.3 million for the three months ended September 30, 2022 to \$2.2 million for the three months ended September 30, 2023 March 31, 2024. The decrease in research and development was

primarily due to higher software driven by an increase in capitalization of product development costs related to the latest development certain of the NeuroStar system. Company's software project costs.

#### *Interest Expense*

Interest expense increased by \$0.1 million \$0.5 million, or 12% 38%, from \$1.1 million \$1.3 million for the three months ended September 30, 2022 March 31, 2023 to \$1.2 million \$1.8 million for the three months ended September 30, 2023 March 31, 2024 due to an overall increase in debt and increase in interest rate and debt balance increases. rate.

#### *Other Income, Net*

Other income, net, decreased increased by \$0.2 million, or 27%, from \$0.9 million \$0.6 million for the three months ended September 30, 2022 March 31, 2023 to \$0.7 million \$0.8 million for the three months ended September 30, 2023 March 31, 2024, primarily as a result of decreased increased interest income earned on the Company's money market accounts which was partially offset by and increase in notes receivable interest.

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#### **Comparison of the nine months ended September 30, 2023 and 2022**

	Nine Months Ended				
	September 30,		Increase / (Decrease)		
	2023	2022	Dollars	Percentage	
(in thousands, except percentages)					
Revenues	\$ 51,034	\$ 47,008	\$ 4,026	9 %	
Cost of revenues	15,100	11,093	4,007	36 %	
Gross Profit	35,934	35,915	19	0 %	
Gross Margin	70.4 %	76.4 %			
Operating expenses:					
Sales and marketing	35,602	37,977	(2,375)	(6)%	
General and administrative	19,151	19,125	26	0 %	
Research and development	7,308	6,197	1,111	18 %	
Total operating expenses	62,061	63,299	(1,238)	(2)%	
Loss from Operations	(26,127)	(27,384)	1,257	5 %	
Other (income) expense:					
Interest expense	3,580	3,039	541	18 %	
Other income, net	(4,895)	(1,554)	(3,341)	(215)%	

Net Loss	\$ (24,812)	\$ (28,869)	\$ 4,057	14 %
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Revenues by Geography				
Nine Months Ended September 30,				
	2023		2022	
	Amount	% of Revenues	Amount	% of Revenues
(in thousands, except percentages)				
United States	\$ 49,464	97 %	\$ 45,893	98 %
International	1,570	3 %	1,115	2 %
Total revenues	<u>\$ 51,034</u>	100 %	<u>\$ 47,008</u>	100 %

U.S. Revenues by Product Category				
Nine Months Ended September 30,				
	2023		2022	
	Amount	% of Revenues	Amount	% of Revenues
(in thousands, except percentages)				
NeuroStar Advanced Therapy System	\$ 11,936	24 %	\$ 11,959	26 %
Treatment sessions	36,018	73 %	32,627	71 %
Other	1,510	3 %	1,307	3 %
Total U.S. revenues	<u>\$ 49,464</u>	100 %	<u>\$ 45,893</u>	100 %

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### [Revenues](#)

Total revenue for the nine months ended September 30, 2023 was \$51.0 million, an increase of 9% compared to the nine months ended September 30, 2022 revenue of \$47.0 million. During the nine months ended September 30, 2023, total U.S. revenue increased by 8% and international revenue increased by 41%. The U.S. revenue growth was primarily driven by an increase in treatment sessions sales and the increase in international revenue was primarily driven by an increase in NeuroStar Advanced Therapy System and treatment session sales.

U.S. NeuroStar Advanced Therapy System revenue for the nine months ended September 30, 2023 was \$11.9 million, a decrease of \$0.1 million compared to the nine months ended September 30, 2022 revenue of \$12.0 million. For the nine months ended September 30, 2023 and 2022, the Company sold 146 and 155 systems, respectively, that were recognized as NeuroStar Advanced Therapy System capital revenue during each period.

Additionally, for the nine months ended September 30, 2022 the Company executed 2 operating lease agreements which contributed to operating lease revenue.

U.S. treatment session revenue for the nine months ended September 30, 2023 was \$36.0 million, an increase of 10% compared to the nine months ended September 30, 2022 revenue of \$32.6 million. The revenue growth was primarily driven by an increase in treatment session volume and utilization over comparative period.

#### *Cost of Revenues and Gross Margin*

Cost of revenues increased by \$4.0 million, or 36%, from \$11.1 million for the nine months ended September 30, 2022 to \$15.1 million for the nine months ended September 30, 2023. This increase was primarily due to the recording of a \$1.9 million inventory impairment for specialized component parts secured for discontinued NeuroStar Advanced Therapy Systems for which costs exceed net realizable value. Additionally capitalized software and the corresponding amortization expense increased by \$1.0 million associated with the latest product release. Finally increases in volume and price related to our Senstars used by our international customers contributed \$0.4 million.

Gross margin decreased from 76.4% for the nine months ended September 30, 2022 to 70.4% for the nine months ended September 30, 2023. The decrease in gross margin was driven by the higher operational costs related to our transition to a new third-party contract manufacturing partner and software amortization expense from the latest product release, the recording of an inventory reserve and increased Senstar costs.

#### *Sales and Marketing Expenses*

Sales and marketing expenses decreased by \$2.4 million, or 6%, from \$38.0 million for the nine months ended September 30, 2022 to \$35.6 million for the nine months ended September 30, 2023. The decrease was primarily due to reduced spending in marketing on brand development, as: (a) the new brand development initiative completed in 2022 and (b) Neuronetics offered a retention program to sales personnel in 2022 and did not continue the program in 2023, resulting in a decrease in sales personnel expense.

#### *General and Administrative Expenses*

General and administrative expenses remained materially consistent from \$19.1 million for the nine months ended September 30, 2022 to \$19.2 million for the nine months ended September 30, 2023.

#### *Research and Development Expenses*

Research and development expenses increased by \$1.1 million from \$6.2 million for the nine months ended September 30, 2022 to \$7.3 million for the nine months ended September 30, 2023. The increase was primarily due to higher clinical research and personnel expenses as the Company continues to look to increase the usability of the NeuroStar Advanced Therapy System.

### *Interest Expense*

Interest expense increased by \$0.6 million from \$3.0 million for the nine months ended September 30, 2022 to \$3.6 million for the nine months ended September 30, 2023 due to an increase in interest rates and debt balance.

### *Other Income, Net*

Other income, net increased by \$3.3 million from \$1.6 million for the nine months ended September 30, 2022 to \$4.9 million for the nine months ended September 30, 2023, primarily as a result of the ERC of \$2.9 million and increased interest income earned on the Company's money market accounts which was partially offset by an increase in notes receivable interest.

## **Liquidity and Capital Resources**

### *Overview*

As of **September 30, 2023** **March 31, 2024**, we had cash and cash equivalents of **\$35.8 million** **\$47.7 million** and an accumulated deficit of **\$370.7 million** **\$384.0 million**, compared to cash and cash equivalents of **\$70.4 million** **\$59.7 million** and an accumulated deficit of **\$345.9 million** **\$376.1 million** as of **December 31, 2022** **December 31, 2023**. We incurred negative cash flows from operating activities of **\$34.2 million** **\$12.0 million** and **\$27.6 million** **\$15.2 million** for the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022**, **2023**, respectively. We have incurred operating losses since our inception, and we anticipate that our operating losses will lessen in the near term as we adjust our sales and marketing initiatives, research and development activities and other corporate initiatives. The Company's primary sources of capital to date have been proceeds from its IPO, private placements of its convertible preferred securities, borrowings under its credit facility, proceeds **for** **from** its secondary public offering of common stock and revenues from sales of its products. As of **September 30, 2023** **March 31, 2024**, the Company had **\$37.5 million** **\$60.0 million** of borrowings outstanding under its credit facility, which has a final maturity in March 2028. Subsequent to September 30, 2023, the Company drew down an additional \$22.5 million pursuant to the terms of its amended credit facility. Management believes that the Company's cash and cash equivalents as of **September 30, 2023** **March 31, 2024** and anticipated revenues from sales of its products are sufficient to fund the Company's operations for at least 12 months from the issuance of these financial statements.

If our cash and cash equivalents and anticipated revenues from sales of our products are insufficient to satisfy our liquidity requirements, we may seek to sell additional common or preferred equity or debt securities or enter into a new credit facility or another form of third-party funding or seek other debt financing. If we raise additional funds by issuing equity or equity-linked securities, our stockholders would experience dilution and any new equity securities could have rights, preferences and privileges superior to those of holders of our common stock. Debt financing, if available, may involve covenants restricting our operations or our ability to incur additional debt. We cannot be assured that additional equity, equity-linked or debt financing will be available on terms favorable to us or our stockholders, or at all. It is also possible that we may allocate significant amounts of capital towards products or technologies for which market demand is lower than expected and, as a result, abandon such efforts. If we are unable to maintain our current financing or obtain adequate additional financing when we require it, or if we obtain financing on terms that are not favorable to us, or if we expend capital on products or technologies that are unsuccessful, our ability to continue to support our business growth and to respond to business challenges could be significantly limited, or we may be required to delay the development, commercialization and marketing of our products.

Our current and future funding requirements will depend on many factors, including:

- our ability to achieve revenue growth and improve operating margins;
- compliance with the terms and conditions, including covenants, set forth in our credit facility;
- the cost of expanding our operations and offerings, including our sales and marketing efforts;

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- our ability to improve or maintain coverage and reimbursement arrangements with domestic and international third-party and government payors, particularly in Japan; payors;
- our rate of progress in establishing coverage and reimbursement arrangements from international commercial third-party and government payors, particularly in Japan; payors;
- our rate of progress in, and cost of the sales and marketing activities associated with, establishing adoption of our products and maintaining or improving our sales to our current customers;
- the cost of research and development activities, including research and development relating to additional indications of neurohealth disorders;
- the effect of competing technological and market developments;

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- costs related to international expansion; and
- the potential cost of and delays in product development as a result of any regulatory oversight applicable to our products. products.

As of **September 30, 2023** **March 31, 2024**, there were no significant changes to our material cash requirements as set forth in our **Annual Report on Form 10-K** filed with the SEC on **March 7, 2023** **March 8, 2024**.

*Cash Flows*

The following table sets forth a summary of our cash flows for the **nine** **three** months ended **September** **30, 2023** **March 31, 2024** and **2022**: **2023**:

Nine Months Ended September 30,		Three Months Ended March 31,	
2023	2022	2024	2023

	(in thousands)	
Net Cash Used in Operating Activities	\$ (34,171)	\$ (27,639)
Net Cash (Used in) Provided by Investing Activities	(759)	7,234
Net Cash Provided by (Used in) Financing Activities	437	(38)

	(in thousands)	
Net Cash used in Operating Activities	\$ (12,015)	\$ (15,213)
Net Cash provided by (used in) Investing Activities	68	(183)
Net Cash provided by Financing Activities	—	499
Net (Decrease) in Cash and Cash Equivalents	<u>\$ (34,493)</u>	<u>\$ (20,443)</u>
	<u><u>\$ (11,947)</u></u>	<u><u>\$ (14,897)</u></u>

*Net Cash Used used in Operating Activities*

Net cash used in operating activities for the **nine** **three** months ended **September 30, 2023** **March 31, 2024** was **\$34.2 million** **\$12.0 million**, consisting primarily of a net loss of **\$24.8 million** and **\$7.9 million**, an increase in **net operating accounts receivable** of **\$2.7 million**, a decrease in accrued bonus and accounts payable of **\$4.5 million** and a decrease in other assets of **\$19.3 million** **\$0.4 million**, partially offset by non-cash charges of **\$9.9 million** **\$2.7 million**. The increase in net operating assets was primarily due to an increase in accounts receivable, the ERC and a decrease in accrued expenses. Non-cash charges consisted of depreciation, and amortization, inventory impairment, non-cash interest expense, allowance for credit losses and share-based compensation.

Net cash used in operating activities for the **nine** **three** months ended **September 30, 2022** **March 31, 2023** was **\$27.6 million** **\$15.2 million**, consisting primarily of a net loss of **\$28.9 million** **\$10.5 million** and an increase in a decrease in net operating assets liabilities of **\$7.1 million** **\$7.2 million**, partially offset by non-cash charges of **\$8.3 million** **\$2.5 million**. The increase decrease in net operating assets liabilities was primarily due to increases in accounts receivable and inventory and decreases in accounts payable our accrued expenses as a result of timing the 2023 payment of payments. the 2022 bonus compensation accrued as of December 31, 2022. Non-cash charges consisted of depreciation and amortization, non-cash interest expense and share-based compensation, and the cost of rental units purchased by customers. compensation.

#### *Net Cash (Used provided by (used in) Provided by Investing Activities*

Net cash used in investing activities for the nine months ended September 30, 2023 was \$0.8 million, which was attributable to purchases of property and equipment and capitalized software costs partially offset by the repayment of our notes receivable.

Net cash provided by investing activities for the **nine** **three** months ended **September 30, 2022** **March 31, 2024** was \$7.2 million which \$0.1 million. Net cash provided by investing activities for the three months ended March 31, 2024 was attributable primarily due to the repayment of our promissory note which were notes receivable, partially offset by purchases of property and equipment and capitalized software costs.

Net cash used in investing activities for the three months ended March 31, 2023 was \$0.2 million. Net cash used in investing activities for the three months ended March 31, 2023 was primarily due to repayment of notes receivable and purchases of property and equipment and capitalized software costs.

#### *Net Cash Provided provided by (Used in) Financing Activities*

Net cash provided by financing activities for the **nine** **three** months ended **September 30, 2023** **March 31, 2024** was \$0.4 million \$0. Net cash provided by financing activities for the three months ended March 31, 2023 was \$0.5 million and primarily consisted of the additional debt net of the final payment and amendment fee paid in connection with the Solar Fourth Amendment.

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#### ***Indebtedness***

Net cash used in financing activities for the nine months ended September 30, 2022 was \$0.04 million and consisted of the amendment fee paid in relation to a 2022 amendment to For information regarding the Solar Facility, which was offset by cash proceeds related to stock option exercises.

#### ***Indebtedness***

Refer refer to "Debt" in Notes to Interim Financial Statements located in Part I – FINANCIAL INFORMATION, Item 1. Financial Statements for information regarding the Solar Facility. Statements..

#### ***JOBS Act Accounting Election***

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, (the "JOBS Act"), and are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in

Section 7(a)(2)(B) of the Securities Act, for complying with new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have elected to avail ourselves of this exemption from complying with new or revised accounting standards and, therefore, will not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. Section 107 of the JOBS Act provides that we can elect to opt out of the extended transition period at any time, which election is irrevocable.

### **Recent Accounting Pronouncements**

Refer We refer you to "Summary of Significant Accounting Policies" and "Recent Accounting Pronouncements" in Notes to Interim Financial Statements in Notes to Interim Financial Statements located in Part I – FINANCIAL INFORMATION, Item 1. Financial Statements.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Refer We refer you to the information described in "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" section in of the Company's Annual Report on Form 10-K filed with the SEC on March 7, 2023 March 8, 2024. There have been no material changes to our market risk described therein.

We continue to monitor inflationary factors, such as increases in our cost of revenues and operating expenses that may adversely affect our operating results. Although we do not believe inflation has had a material impact on our financial condition, results of operations or cash flows to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain and increase our gross margin or decrease

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our operating expenses as a percentage of our revenues if the selling prices of our products do not increase as much or more than our costs increase.

### **Item 4. Controls and Procedures.**

#### **Evaluation of Disclosure Controls and Procedures**

The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act, refers to controls and procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. As required by Rules 13a-15(b) and 15d-15(b) of the

Exchange Act, our management, with the participation of our Principal Executive Officer and Principal Financial and Accounting Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our Principal Executive Officer and our Principal Financial and Accounting Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of **September 30, 2023** **March 31, 2024**.

#### **Changes in Internal Control over Financial Reporting**

During the quarter ended **September 30, 2023** **March 31, 2024**, there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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## **PART II—OTHER INFORMATION**

### **Item 1. Legal Proceedings.**

We are subject from time to time to various claims and legal actions arising during the ordinary course of our business. We believe that there are currently no claims or legal actions that would reasonably be expected to have a material adverse effect on our results of operations, financial condition, or cash flows.

### **Item 1A. Risk Factors.**

You should carefully consider the information described in the "Risk Factors" section of the Company's Annual Report on Form 10-K filed with the SEC on **March 7, 2023** **March 8, 2024**. There have been no material changes to the risk factors described therein.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds and Issuer Purchases of Equity Securities. Proceeds.**

Not applicable. **applicable.**

### **Item 3. Defaults Upon Senior Securities.**

Not applicable.

### **Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.****Rule 10b5-1 Trading Plans**

On August 28, 2023, W. Andrew Macan, the Company's Executive Vice President, General Counsel, Chief Compliance Officer and Corporate Secretary, adopted a Rule 10b5-1 trading arrangement providing for the sale from time to time of an aggregate of up to 34,991 shares of the Company's common stock. The trading arrangement is intended to satisfy the affirmative defense in Rule 10b5-1(c). The duration of the trading arrangement is until the earlier of December 29, 2023, or the execution of all trades as contemplated by the trading arrangement.

During the three months ended September 30, 2023, no other director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

**Chief Executive Officer Severance-Related Modifications**

On November 2, 2023, the Company's board of directors directed the Company to: (A) amend its employment agreement with Keith J. Sullivan, the Company's President and Chief Executive Officer, to: (i) extend, from 18 months to 24 months, the duration of Mr. Sullivan's severance benefits if the Company terminates Mr. Sullivan's employment without cause, or if Mr. Sullivan resigns for good reason, within 12 months of a change in control; and (ii) reflect Mr. Sullivan's current annual base salary, as approved by the Company's board of directors via unanimous written consent on February 8, 2023, in lieu of the outdated annual base salary as reflected in such employment agreement prior to such amendment; and (B) take any other actions necessary to effectuate such amendments, which may include an amendment to any ancillary agreements by and between Mr. Sullivan and the Company regarding any such severance benefits. The Company expects to execute all such amendments during the quarter ending December 31, 2023.

Not applicable.

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[Table of Contents](#)**Item 6. Exhibits.**

The following is a list of exhibits filed as part of this Quarterly Report on Form 10-Q. Where so indicated, exhibits that were previously filed are incorporated by reference. For exhibits incorporated by reference, the location of the exhibit in the previous filing is indicated.

**Exhibit**

Number	Description
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10.1◊	<a href="#">Fifth Sixth Amendment to Loan and Security Agreement, dated September 29, 2023 March 7, 2024, by and among SLR Investment Corp. (formerly known as Solar Capital Ltd.), as collateral agent, the lenders listed on the signature pages thereto, and Neuronetics, Inc.</a>
10.2◊	<a href="#">Secured Promissory Note and Guaranty Agreement, dated March 31, 2023, by and among TMS Neurohealth Centers Inc., as maker, Greenbrook TMS Inc. and its subsidiaries, excluding TMS Neurohealth Centers Inc., as guarantors, and Neuronetics, Inc. (incorporated by reference to Exhibit 10.1 10.2 to the Registrant's Current Report on Form 8-K filed on October 3, 2023 April 4, 2023).</a>
31.1*	<a href="#">Certification of the Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	<a href="#">Certification of the Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1**	<a href="#">Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2**	<a href="#">Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because iXBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	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 Exhibit 101).

\* Filed herewith.

◊ Certain portions of this exhibit have been omitted to preserve the confidentiality of such information. The Company will furnish copies of any such information to the SEC or its staff upon request.

\*\* This certification is being furnished solely to accompany this Quarterly Report on Form 10-Q pursuant to 18 U.S.C Section 1350 and is not being filed for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing of the registrant under the Securities Act or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

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**SIGNATURES**

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

**NEURONETICS, INC.**

(Registrant)

Date: **November 7, 2023** **May 07, 2024**

By: /s/ Keith J. Sullivan

Name: Keith J. Sullivan

Title: President and Chief Executive Officer  
(Principal Executive Officer)

Date: **November 7, 2023** **May 07, 2024**

By: /s/ Stephen Furlong

Name: Stephen Furlong

Title: EVP, Chief Financial Officer and Treasurer  
(Principal Financial and Accounting Officer)

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**Exhibit 31.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, Keith J. Sullivan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Neuronetics, 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)) for the registrant 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 7, 2023** May 07, 2024

By: /s/ Keith J. Sullivan

Name: Keith J. Sullivan

Title: President and Chief Executive Officer  
(Principal Executive Officer)

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**Exhibit 31.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, Stephen Furlong, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Neuronetics, 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):

- 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
- 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 7, 2023** **May 07, 2024**

By: /s/ Stephen Furlong

Name: Stephen Furlong

Title: EVP, Chief Financial Officer and Treasurer  
(Principal Financial and Accounting Officer)

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**Exhibit 32.1**

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

In connection with the quarterly report on Form 10-Q of Neuronetics, Inc. (the "Company") for the fiscal quarter ended **September 30, 2023** **March 31, 2024** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: **November 7, 2023** **May 07, 2024**

By: /s/ Keith J. Sullivan

Name: Keith J. Sullivan

Title: President and Chief Executive Officer  
(Principal Executive Officer)

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**Exhibit 32.2**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO**

## SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report on Form 10-Q of Neuronetics, Inc. (the "Company") for the fiscal quarter ended **September 30, 2023** **March 31, 2024** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: **November 7, 2023** **May 07, 2024**

By: /s/ Stephen Furlong

Name: Stephen Furlong

Title: EVP, Chief Financial Officer and Treasurer

(Principal Financial and Accounting Officer)

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