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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**

**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 001-39430**

**ACUTUS MEDICAL, INC.**
**(Exact name of registrant as specified in its charter)**

| **Delaware** | **45-1306615** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **2210 Faraday Ave., Suite 100, Carlsbad, CA** | **92008** |
| (Address of principal executive offices) | (Zip Code) |

**(Registrant's telephone number, including area code) (442) 232-6080**

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

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|---|---|---|
| **Common Stock, par value $0.001 per share** | **AFIB** | **The Nasdaq Stock Market LLC (Nasdaq Capital 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 definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer | ☒ | Smaller reporting company | ☒ |
| Emerging growth company | ☒ | | |

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

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

| Class of Common Stock | Outstanding Shares as of November 9, 2023 |
|---|---|
| **Common Stock, $0.001 par value** | 29,303,779 |

**Acutus Medical, Inc.**
**Form 10-Q**
**For the Quarter Ended September 30, 2023**

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## Item 1. Financial Statements.

**Acutus Medical, Inc.**
**Condensed Consolidated Balance Sheets**

| *(in thousands, except share and per share amounts)* | September 30, 2023 (unaudited) | December 31, 2022 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 24,100 | $ 25,584 |
| Marketable securities, short-term | 14,375 | 44,863 |
| Restricted cash, short-term | 7,015 | 5,764 |
| Accounts receivable | 8,952 | 21,085 |
| Inventory | 15,728 | 13,327 |
| Employer retention credit receivable | — | 4,703 |
| Prepaid expenses and other current assets | 2,467 | 2,541 |
| Total current assets | 72,637 | 117,867 |
| | | |
| Property and equipment, net | 6,611 | 9,221 |
| Right-of-use assets, net | 3,359 | 3,872 |
| Intangible assets, net | 1,433 | 1,583 |
| Other assets | 688 | 897 |
| **Total assets** | **$ 84,728** | **$ 133,440** |
| | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 4,754 | $ 4,721 |
| Accrued liabilities | 7,438 | 9,686 |
| Contingent consideration, short-term | — | 1,800 |
| Operating lease liabilities, short-term | 707 | 319 |
| Warrant liability | 1,868 | 3,346 |
| Total current liabilities | 14,767 | 19,872 |
| | | |
| Operating lease liabilities, long-term | 3,462 | 4,103 |
| Long-term debt | 34,761 | 34,434 |
| Other long-term liabilities | 32 | 12 |
| Total liabilities | 53,022 | 58,421 |
| | | |
| **Commitments and contingencies (Note 12)** | | |
| | | |
| **Stockholders' equity** | | |
| Preferred stock, $0.001 par value; 5,000,000 shares authorized as of September 30, 2023 and December 31, 2022; 6,666 shares of the preferred stock, designated as Series A Common Equivalent Preferred Stock, are issued and outstanding as of September 30, 2023 and December 31, 2022 | — | — |
| Common stock, $0.001 par value; 260,000,000 shares authorized as of September 30, 2023 and December 31, 2022; 29,289,934 and 28,554,656 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively | 29 | 29 |
| Additional paid-in capital | 598,842 | 594,173 |
| Accumulated deficit | (566,212) | (518,314) |
| Accumulated other comprehensive loss | (953) | (869) |
| Total stockholders' equity | 31,706 | 75,019 |
| **Total liabilities and stockholders' equity** | **$ 84,728** | **$ 133,440** |

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

**Acutus Medical, Inc.**
**Condensed Consolidated Statements of Operations and Comprehensive Loss**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| *(in thousands, except share and per share amounts)* | | (unaudited) | | |
| **Revenue** | $ 5,238 | $ 3,644 | $ 14,696 | $ 11,401 |
| **Cost of products sold** | 8,595 | 6,951 | $ 23,447 | $ 23,589 |
| **Gross profit** | (3,357) | (3,307) | (8,751) | (12,188) |
| | | | | |
| **Operating expenses (income):** | | | | |
| Research and development | 4,795 | 5,946 | 17,712 | 21,884 |
| Selling, general and administrative | 7,432 | 9,679 | 26,280 | 38,207 |
| Goodwill impairment | — | — | — | 12,026 |
| Restructuring | — | 1,331 | 475 | 2,280 |
| Change in fair value of contingent consideration | — | 198 | 123 | 1,153 |
| Gain on sale of business | (2,648) | — | (5,927) | (43,575) |
| Total operating expenses | 9,579 | 17,154 | 38,663 | 31,975 |
| **Loss from operations** | (12,936) | (20,461) | (47,414) | (44,163) |
| | | | | |
| **Other income (expense):** | | | | |
| Loss on debt extinguishment | — | — | — | (7,947) |
| Change in fair value of warrant liability | 636 | 904 | 1,478 | 904 |
| Interest income | 547 | 241 | 2,223 | 292 |
| Interest expense | (1,409) | (1,109) | (4,110) | (3,810) |
| Total other income (expense), net | (226) | 36 | (409) | (10,561) |
| Loss before income taxes | (13,162) | (20,425) | (47,823) | (54,724) |
| Income tax expense | 75 | — | 75 | — |
| **Net loss** | $ (13,237) | $ (20,425) | $ (47,898) | $ (54,724) |
| | | | | |
| **Other comprehensive income (loss)** | | | | |
| Unrealized gain on marketable securities | 4 | 39 | 7 | — |
| Foreign currency translation adjustment | (66) | (351) | (91) | (904) |
| **Comprehensive loss** | **$ (13,299)** | **$ (20,737)** | **$ (47,982)** | **$ (55,628)** |
| | | | | |
| Net loss per common share, basic and diluted | $ (0.45) | $ (0.72) | $ (1.65) | $ (1.93) |
| Weighted average shares outstanding, basic and diluted | 29,262,768 | 28,359,516 | 29,024,353 | 28,273,207 |

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

## Acutus Medical, Inc.
## Condensed Consolidated Statements of Stockholders' Equity

### For the Three Months Ended September 30, 2023

| *(in thousands, except share amounts)* | Preferred Stock | | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive Income (Loss) | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | |
| **Balance as of June 30, 2023** | **6,666** | **$ —** | **29,206,570** | **$ 29** | **$ 597,578** | **$ (552,975)** | **$ (891)** | **$ 43,741** |
| Unrealized gain on marketable securities | — | — | — | — | — | — | 4 | 4 |
| Foreign currency translation adjustment | — | — | — | — | — | — | (66) | (66) |
| Stock-based compensation | — | — | 83,364 | — | 1,264 | — | — | 1,264 |
| Net loss | — | — | — | — | — | (13,237) | — | (13,237) |
| **Balance as of September 30, 2023 (unaudited)** | **6,666** | **$ —** | **29,289,934** | **$ 29** | **$ 598,842** | **$ (566,212)** | **$ (953)** | **$ 31,706** |

### For the Three Months Ended September 30, 2022

| *(in thousands, except share amounts)* | Preferred Stock | | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive Income (Loss) | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | |
| **Balance as of June 30, 2022** | **6,666** | **$ —** | **28,349,200** | **$ 28** | **$ 590,429** | **$ (512,997)** | **$ (809)** | **$ 76,651** |
| Unrealized gain on marketable securities | — | — | — | — | — | — | 39 | 39 |
| Foreign currency translation adjustment | — | — | — | — | — | — | (351) | (351) |
| Stock-based compensation | — | — | 24,588 | — | 1,867 | — | — | 1,867 |
| Net loss | — | — | — | — | — | (20,425) | — | (20,425) |
| **Balance as of September 30, 2022 (unaudited)** | **6,666** | **$ —** | **28,373,788** | **$ 28** | **$ 592,296** | **$ (533,422)** | **$ (1,121)** | **$ 57,781** |

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

## Acutus Medical, Inc.
## Condensed Consolidated Statements of Stockholders' Equity

### For the Nine Months Ended September 30, 2023

| *(in thousands, except share amounts)* | Preferred Stock | | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive Income (Loss) | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | |
| **Balance as of December 31, 2022** | **6,666** | **$ —** | **28,554,656** | **$ 29** | **$ 594,173** | **$ (518,314)** | **$ (869)** | **$ 75,019** |
| Unrealized gain on marketable securities | — | — | — | — | — | — | 7 | 7 |
| Foreign currency translation adjustment | — | — | — | — | — | — | (91) | (91) |
| Stock option exercises | — | — | 3,218 | — | 4 | — | — | 4 |
| Stock-based compensation | — | — | 686,898 | — | 4,640 | — | — | 4,640 |
| Employee stock purchase plan shares issued | — | — | 45,162 | — | 25 | — | — | 25 |
| Net loss | — | — | — | — | — | (47,898) | — | (47,898) |
| **Balance as of September 30, 2023 (unaudited)** | **6,666** | **$ —** | **29,289,934** | **$ 29** | **$ 598,842** | **$ (566,212)** | **$ (953)** | **$ 31,706** |

### For the Nine Months Ended September 30, 2022

| *(in thousands, except share amounts)* | Preferred Stock | | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | |
| **Balance as of December 31, 2021** | **6,666** | **$ —** | **27,957,223** | **$ 28** | **$ 584,613** | **$ (478,698)** | **$ (217)** | **$ 105,726** |
| Foreign currency translation adjustment | — | — | — | — | — | — | (904) | (904) |
| Stock option exercises | — | — | 98,772 | — | 66 | — | — | 66 |
| Stock-based compensation | — | — | 223,567 | — | 7,435 | — | — | 7,435 |
| Employee stock purchase plan shares issued | — | — | 94,226 | — | 182 | — | — | 182 |
| Net loss | — | — | — | — | — | (54,724) | — | (54,724) |
| **Balance as of September 30, 2022 (unaudited)** | **6,666** | **$ —** | **28,373,788** | **$ 28** | **$ 592,296** | **$ (533,422)** | **$ (1,121)** | **$ 57,781** |

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

**Acutus Medical, Inc.**
**Condensed Consolidated Statements of Cash Flows**

| *(in thousands)* | Nine Months Ended September 30, 2023 (unaudited) | 2022 (unaudited) |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net loss | $ (47,898) | $ (54,724) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation expense | 3,498 | 4,653 |
| AcQMap Systems converted to sales | 238 | 266 |
| Sales-type lease gain | (310) | (87) |
| Amortization of intangible assets | 150 | 370 |
| Non-cash stock-based compensation expense | 4,915 | 7,497 |
| (Accretion of discounts) amortization of premiums on marketable securities, net | (1,318) | 237 |
| Amortization of debt issuance costs | 325 | 741 |
| Amortization of operating lease right-of-use assets | 513 | 480 |
| Loss on debt extinguishment | — | 7,947 |
| Goodwill impairment | — | 12,026 |
| Gain on sale of business, net | (5,927) | (43,575) |
| Direct costs paid related to sale of business | — | (2,917) |
| Change in fair value of warrant liability | (1,478) | (904) |
| Loss on disposal of property and equipment | 268 | — |
| Change in fair value of contingent consideration | 123 | 1,153 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 1,244 | 420 |
| Inventory | (2,401) | 1,812 |
| Employer retention credit receivable | 4,703 | — |
| Prepaid expenses and other current assets | 420 | (4,296) |
| Other assets | 495 | 386 |
| Accounts payable | (2) | (2,929) |
| Accrued liabilities | (2,430) | (179) |
| Operating lease liabilities | (253) | (390) |
| Other long-term liabilities | 20 | (40) |
| Net cash used in operating activities | (45,105) | (72,053) |
| | | |
| **Cash flows from investing activities** | | |
| Proceeds from sale of business | 17,000 | 50,000 |
| Purchases of available-for-sale marketable securities | (38,521) | (33,235) |
| Sales of available-for-sale marketable securities | — | 18,599 |
| Maturities of available-for-sale marketable securities | 70,250 | 59,642 |
| Purchases of property and equipment | (1,394) | (2,473) |
| Net cash provided by investing activities | 47,335 | 92,533 |
| | | |
| **Cash flows from financing activities** | | |
| Repayment of debt | — | (44,550) |
| Penalty fees paid for early prepayment of debt | — | (1,063) |
| Borrowing under new debt, net of fees | — | 34,825 |
| Payment of debt issuance costs | — | (626) |
| Proceeds from the exercise of stock options | 4 | 66 |
| Repurchase of common shares to pay employee withholding taxes | (275) | (62) |
| Proceeds from employee stock purchase plan | 25 | 182 |
| Payment of contingent consideration | (1,923) | (873) |
| Net cash used in financing activities | (2,169) | (12,101) |
| | | |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | (294) | (447) |
| | | |
| Net change in cash, cash equivalents and restricted cash | (233) | 7,932 |
| Cash, cash equivalents and restricted cash, at the beginning of the period | 31,348 | 24,221 |
| **Cash, cash equivalents and restricted cash, at the end of the period** | **$ 31,115** | **$ 32,153** |
| | | |
| **Supplemental disclosure of cash flow information:** | | |
| Cash paid for interest | $ 3,731 | $ 3,101 |

| | | | | |
|---|---|---|---|---|
| **Supplemental disclosure of noncash investing and financing activities:** | | | | |
| Accounts receivable from sale of business | $ | 6,111 | $ | — |
| Change in unrealized (gain) loss on marketable securities | $ | (7) | $ | — |
| Change in unpaid purchases of property and equipment | $ | 35 | $ | 48 |
| Contingent consideration escrow release | $ | — | $ | 380 |
| Net book value on AcQMap system sales-type leases | $ | 238 | $ | 244 |
| Amount of debt proceeds allocated to warrant liability | $ | — | $ | 3,379 |

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

**Acutus Medical, Inc.**
**Notes to Condensed Consolidated Financial Statements**
(Unaudited)

## Note 1—Organization and Description of Business

Acutus Medical, Inc. (the "Company") historically designed, manufactured and marketed a range of tools for catheter-based ablation procedures to treat various arrhythmias. Prior to November 2023, the Company's product portfolio included novel access sheaths, diagnostic and mapping catheters, ablation catheters, mapping and imaging consoles and accessories, as well as supporting algorithms and software programs.

In November 2023, the Company's Board of Directors approved a strategic realignment of resources and corporate restructuring (the "Restructuring"). The Company began implementation of a shift in its business model to solely support the manufacturing and distribution of Medtronic Inc.'s ("Medtronic") left-heart access product portfolio, including to potentially earn earnout payments from Medtronic pursuant to its manufacturing and distribution arrangements with Medtronic. As part of the Restructuring, the Company will wind down its mapping and ablation businesses and will no longer manufacture or distribute the AcQMap Mapping System, the AcQMap 3D Mapping Catheter, the AcQBlate Force-Sensing Ablation Catheter, the AcQGuide Max 2.0 steerable sheath, and associated accessories, and will explore strategic alternatives for these businesses (including a potential sale of related assets). The Company expects that the Restructuring will be substantially complete in the first quarter of 2024. See *Note 19 – Subsequent Events – Strategic Realignment of Resources and Corporate Restructuring*, below, for further details.

The Company was incorporated in the state of Delaware on March 25, 2011, and is located in Carlsbad, California.

### *Liquidity, Capital Resources and Going Concern*

The Company has limited revenue, and has incurred significant operating losses and negative cash flows from operations since its inception, and anticipates that it will incur significant losses for at least the next several years. As of September 30, 2023 and December 31, 2022, the Company had cash, cash equivalents, restricted cash and marketable securities of $45.5 million and $76.2 million, respectively. For the nine months ended September 30, 2023 and 2022, net losses were $47.9 million and $54.7 million, respectively, and net cash used in operating activities was $45.1 million and $72.1 million, respectively. As of September 30, 2023 and December 31, 2022, the Company had an accumulated deficit of $566.2 million and $518.3 million, respectively, and working capital of $57.9 million and $98.0 million, respectively.

The Restructuring is intended to reduce the Company's operating expenses and optimize its cash resources by focusing exclusively on the manufacturing and distribution of the left-heart access Products (as defined in *Note 3 – Sale of Business*, below) to Medtronic to continue to generate revenue from such sales and potentially earn the associated earnout payments. Following the Restructuring, the Company expects its primary uses of capital to be investments in manufacturing and distributing the left-heart access Products to Medtronic and related expenses, raw materials and supplies, legal and other regulatory expenses, general administrative costs and working capital.

On June 30, 2022, Medtronic paid the Company $50.0 million at the first closing (the "First Closing") of the sale of the Company's left-heart access portfolio to Medtronic, of which $4.0 million was paid into an indemnity escrow account for a period of 18 months following the First Closing to secure the Company's indemnification obligations under the asset purchase agreement ("Asset Purchase Agreement") entered into with Medtronic on April 26, 2022. The OEM Earnout (as defined in *Note 3 - Sale of Business*, below) under the Asset Purchase Agreement with Medtronic was achieved on October 31, 2022, with $20.0 million paid by Medtronic to the Company in November 2022. Additionally, the Transfer Earnout (as defined in *Note 3 - Sale of Business*, below) under the Asset Purchase Agreement with Medtronic was achieved on December 21, 2022, with $17.0 million paid by Medtronic to the Company in January 2023. Beginning in February 2023, following Medtronic's first commercial sale of the left-heart access Products after the Company's achievement of the OEM Earnout (as defined in *Note 3 - Sale of Business*, below), the Company became eligible to earn amounts equal to 100%, 75%, 50% and 50%, respectively, of quarterly Net Sales (as defined in the Asset Purchase Agreement) from sales of the left-heart access products achieved by Medtronic each year over four years. During the nine months ended September 30, 2023, the Company earned $6.1 million in contingent consideration based on Medtronic's left-heart access Products sales. As part of the Restructuring, the Company will focus exclusively on the manufacturing and distribution of the left-heart access Products to Medtronic to continue to generate revenue from such sales and potentially earn the associated earnout payments.

Management believes the Company's current cash, cash equivalents and marketable securities are sufficient to fund operations for at least the next 12 months from the date of this filing.

## Note 2—Summary of Significant Accounting Policies

***Basis of Presentation***

The condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. In the opinion of management, the condensed consolidated financial statements reflect all adjustments, which include only normal recurring adjustments necessary for the fair statement of the balances and results for the periods presented. Certain information and note disclosures normally included in the Company's annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. These condensed consolidated financial statement results are not necessarily indicative of results to be expected for the full fiscal year or any future period.

***Principles of Consolidation***

The condensed consolidated financial statements include the accounts of Acutus Medical, Inc. and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

***Use of Estimates and Assumptions***

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and disclosures of contingent assets and liabilities. These estimates and assumptions are based on current facts, historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of revenue and expenses that are not readily apparent from other sources. Actual results could differ from those estimates.

***Segments***

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker in making decisions regarding resource allocation and assessing performance. The Company views its operations and manages its business as one operating segment and reportable segment.

***Cash and Cash Equivalents and Restricted Cash***

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. All of the Company's cash equivalents have liquid markets and high credit ratings. The Company maintains its cash in bank deposits and other accounts, the balances of which, at times and as of September 30, 2023 and December 31, 2022, exceeded federally insured limits.

Restricted cash consists of (i) deposited cash collateral for the Company's corporate credit card program and (ii) cash received for the sale of business to Medtronic held in an indemnity escrow account until certain terms of sale are met.

The following table reconciles cash, cash equivalents and restricted cash in the condensed consolidated balance sheets to the total balances as of September 30, 2023 and December 31, 2022 (in thousands):

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| | (unaudited) | |
| Cash and cash equivalents | $ 24,100 | $ 25,584 |
| Restricted cash | 7,015 | 5,764 |
| Total cash, cash equivalents and restricted cash | $ 31,115 | $ 31,348 |

***Marketable Securities***

The Company's marketable securities portfolio consists of investments in money market funds, commercial paper, U.S. treasury securities, Yankee debt securities, and asset-backed securities.

The Company considers its debt securities to be available-for-sale securities. Available-for-sale securities are classified as cash equivalents or short-term or long-term marketable securities based on the maturity date at time of purchase and their availability

to meet current operating requirements. Marketable securities that mature in three months or less from the date of purchase are classified as cash equivalents. Marketable securities, excluding cash equivalents, that mature in one year or less are classified as short-term available-for-sale securities and are reported as a component of current assets.

Securities that are classified as available-for-sale are measured at fair value with temporary unrealized gains and losses reported in other comprehensive income (loss), and as a component of stockholders' equity until their disposition or maturity. See *Fair Value Measurements*, below. The Company reviews all available-for-sale securities at each period end to determine if they remain available-for-sale based on the Company's current intent and ability to sell the security if it is required to do so. Realized gains and losses from the sale of marketable securities, if any, are calculated using the specific-identification method.

Marketable securities are subject to a periodic impairment review. The Company may recognize an impairment charge when a decline in the fair value of investments below the cost basis is determined to be other-than-temporary. In determining whether a decline in market value is other-than-temporary, various factors are considered, including the cause, duration of time and severity of the impairment, any adverse changes in the investee's financial condition and the Company's intent and ability to hold the security for a period of time sufficient to allow for an anticipated recovery in market value. Declines in value judged to be other-than-temporary are included in the Company's condensed consolidated statements of operations and comprehensive loss. The Company did not record any other-than-temporary impairments related to marketable securities in the Company's condensed consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2023 and 2022.

***Concentrations of Credit Risk and Off-Balance Sheet Risk***

Financial instruments that potentially subject the Company to credit risk consist principally of cash, cash equivalents, restricted cash, accounts receivable and marketable securities. The Company has not experienced losses on these accounts, and management believes, based upon the quality of the financial institutions, that the credit risk with regard to these deposits is not significant.

***Revenue from Contracts with Customers***

The Company accounts for revenue earned from contracts with customers under Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers* ("ASC 606"), and ASC 842, *Leases* ("ASC 842"). The core principle of ASC 606 is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The following five steps are applied to achieve that core principle:

- Step 1: Identify the contract with the customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when, or as, the company satisfies a performance obligation.

ASC 842 provides guidance on determining whether an agreement contains a lease. ASC 842 defines a lease as a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration.

For new customers, the Company places its medical diagnostic equipment, the AcQMap System, at customer sites under evaluation agreements and generates revenue from the sale of disposable products used with the AcQMap System. Disposable products primarily include AcQMap Catheters and AcQGuide Steerable Sheaths. Outside of the United States, the Company also has the Qubic Force Device which generates revenue from the sale of the AcQBlate Force Ablation Catheters. The Company provides the disposable products in exchange for consideration, which occurs when a customer submits a purchase order and the Company provides disposables at the agreed upon prices in the invoice. Generally, customers purchase disposable products using separate purchase orders after the equipment has been provided to the customer for free with no binding agreement or requirement to purchase any disposable products. The Company has elected the practical expedient and accounting policy election to account for the shipping and handling as activities to fulfill the promise to transfer the disposable products and not as a separate performance obligation.

Additionally, the Company sells the AcQMap System to customers along with software updates on a when-and-if-available basis, as well as the Qubic Force Device and a transseptal crossing line of products which can be used in a variety of heart procedures and does not need to be accompanied with an AcQMap System or Qubic Force Device. Included in the transseptal crossing line of products are primarily the AcQRef Introducer Sheath, the AcQGuide Sheaths and the AcQCross Transseptal Dilator/Needle.

The Company also enters into deferred equipment agreements that are generally structured such that the Company agrees to provide an AcQMap System at no up-front charge, with title of the device transferring to the customer at the end of the contract term, in exchange for the customer's commitment to purchase disposables at a specified price over the term of the agreement, which generally ranges from two to four years. The Company has determined that such deferred equipment agreements include an embedded sales-type lease. The Company allocates contract consideration under deferred equipment agreements containing fixed annual disposable purchase commitments to the underlying lease and non-lease components at contract inception. The Company expenses the cost of the device at the inception of the agreement and records a financial lease asset equal to the gross consideration allocated to the lease. The lease asset is reduced by payments for minimum disposable purchases that are allocated to the lease.

Lastly, the Company enters into short-term operating leases for the rental of the AcQMap System after an evaluation. These lease agreements impose no requirement on the customer to purchase the equipment, and the equipment is not transferred to the customer at the end of the lease term. The short-term nature of the lease agreements does not result in lease payments accumulating to an amount that equals the value of the equipment nor is the lease term reflective of the economic life of the equipment.

The Company's contracts primarily include fixed consideration. Generally, there are no discounts, rebates, returns or other forms of variable consideration. Customers are generally required to pay within 30 to 60 days.

The delivery of disposable products are performance obligations satisfied at a point in time. The disposable products are shipped Free on Board ("FOB") shipping point or FOB destination. For disposable products that are shipped FOB shipping point, the customer has the significant risks and rewards of ownership and legal title to the assets when the disposable products leave the Company's shipping facilities, at which point the customer obtains control and thus revenue is recognized at that point in time. Revenue is recognized on delivery for disposable products shipped FOB destination.

For direct customers, the installation and delivery of the AcQMap System is satisfied at a point in time when the installation is complete, which is when the customer can benefit and has control of the system. For AcQMap System sold to Biotronik SE & Co. KG ("Biotronik"), the installation is not a performance obligation as it is performed by Biotronik, and therefore the AcQMap System is satisfied at a point in time when they have control of the system. The Company's software updates and equipment service performance obligations are satisfied evenly over time as the customer simultaneously receives and consumes the benefits of the Company's performance for these services throughout the service period.

The Company allocates the transaction price to each performance obligation identified in the contract based on the relative standalone selling price ("SSP"). The Company determines SSP for the purposes of allocating the transaction price to each performance obligation based on the adjusted market assessment approach that maximizes the use of observable inputs, which include, but are not limited to, sales transactions where the specific performance obligations are sold separately, Company list prices and specific offers to customers.

Except for the deferred equipment agreements noted above, the Company's contracts with customers generally have an expected duration of one year or less, and therefore the Company has elected the practical expedient in ASC 606 to not disclose information about its remaining performance obligations. Any incremental costs to obtain contracts are recorded as selling, general and administrative ("SG&A") expense as incurred due to the short duration of the Company's contracts. The Company's contract balances consisted solely of accounts receivable as of September 30, 2023 and December 31, 2022.

In May 2020, the Company entered into bi-lateral distribution agreements (the "Bi-Lateral Distribution Agreements") with Biotronik. Pursuant to the Bi-Lateral Distribution Agreements, the Company obtained a non-exclusive license to distribute a range of Biotronik's products and accessories in the United States, Canada, China, Hong Kong and multiple Western European countries under the Company's private label. Moreover, if an investigational device exemption ("IDE") clinical trial is required for these products to obtain regulatory approval in the United States, or a clinical trial is required for these products to obtain regulatory approval in China, the Company will obtain an exclusive distribution right in such territories for a term of up to five years commencing on the date of regulatory approval if the Company covers the cost of the IDE or other clinical trial and the Company conducts such study within a specified period. Biotronik also agreed to distribute the Company's products and accessories in Germany, Japan, Mexico, Switzerland and multiple countries in Asia-Pacific, Eastern Europe, the Middle East

and South America. The Company also granted Biotronik a co-exclusive right to distribute these products in Hong Kong. Each party will pay to the other party a specified transfer price on the sale of the other party's products and, accordingly, will earn a distribution margin on the sale of the other party's products.

The foregoing description applies to products that will no longer be manufactured and sold by the Company upon completion of the Restructuring. See *Note 1 – Organization and Description of Business – Liquidity, Capital Resources and Going Concern*, above.

In 2022, the Company sold its left-heart access transseptal crossing business to Medtronic. In connection with the sale, the Company entered into a distribution agreement (the "Distribution Agreement") with Medtronic, pursuant to which the Company acts as the original equipment manufacturer ("OEM") supplier of these products. The Company will produce and sell the products to Medtronic for a period of up to four years. Revenue is recognized when the title to the products are transferred to Medtronic, which occurs when the products are shipped from our facility (or FOB shipping point). See *Note 3 – Sale of Business*, below, for further details. As part of the Restructuring, the Company will focus exclusively on the manufacturing and distribution of the left-heart access Products to Medtronic to continue to generate revenue from such sales and potentially earn the associated earnout payments.

The following table sets forth the Company's revenue for disposables, systems and service/other for the three and nine months ended September 30, 2023 and 2022 (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (unaudited) | | (unaudited) | |
| Disposables | $ 4,069 | $ 2,857 | $ 11,409 | $ 9,402 |
| Systems | 563 | 476 | 1,254 | 823 |
| Service/Other | 606 | 311 | 2,033 | 1,176 |
| Total revenue | $ 5,238 | $ 3,644 | $ 14,696 | $ 11,401 |

The following table provides revenue by geographic location for the three and nine months ended September 30, 2023 and 2022 (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (unaudited) | | (unaudited) | |
| United States | $ 3,347 | $ 1,925 | $ 8,720 | $ 5,985 |
| Outside the United States | 1,891 | 1,719 | 5,976 | 5,416 |
| Total revenue | $ 5,238 | $ 3,644 | $ 14,696 | $ 11,401 |

***Inventory***

Inventory is stated at the lower of cost (first-in, first-out basis) or net realizable value. The Company recorded write-downs for excess and obsolete inventory of $0.3 million and $0.2 million for the three months ended September 30, 2023 and 2022, respectively, and $0.9 million and $2.6 million for the nine months ended September 30, 2023 and 2022, respectively, based on management's review of inventories on hand, comparisons to estimated future usage and sales, observed shelf-life and assumptions about the likelihood of obsolescence.

***Accounts Receivable***

Trade accounts receivable are recorded net of allowances for uncollectible accounts. The Company evaluates the collectability of its accounts receivable based on various factors including historical experience, the length of time the receivables are past due and the financial health of the customer. The Company reserves specific receivables if collectability is no longer reasonably assured. Based upon the assessment of these factors, the Company did not record an allowance for uncollectible accounts as of September 30, 2023 or December 31, 2022.

Pursuant to the Asset Purchase Agreement with Medtronic, the Company was eligible to receive the Transfer Earnout, a contingent cash consideration of $17.0 million upon the Company's initial submission for CE Mark certification. The Company

met this condition as of December 31, 2022 and recorded a receivable on the consolidated balance sheets for the year then ended. Medtronic provided full payment in January 2023. See *Note 3 - Sale of Business* for additional details.

In addition, beginning in February 2023, following Medtronic's first commercial sale of the left-heart access Products after the Company's achievement of the OEM Earnout (as such terms are defined in *Note 3 - Sale of Business*, below), the Company became eligible to earn amounts equal to 100%, 75%, 50% and 50%, respectively, of quarterly Net Sales (as defined in the Asset Purchase Agreement) from sales of the left-heart access Products achieved by Medtronic each year over four years. During the nine months ended September 30, 2023, the Company earned $6.1 million based on Medtronic's left-heart access Products sales and recorded a corresponding receivable on the condensed consolidated balance sheets as of the period then ended.

Accounts receivable recorded on the condensed consolidated balance sheets as of September 30, 2023 and December 31, 2022 consists of the following (in thousands):

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| | (unaudited) | |
| Trade accounts receivable | $ 2,841 | $ 4,085 |
| Earnouts receivable from Medtronic | 6,111 | 17,000 |
| Total accounts receivable | $ 8,952 | $ 21,085 |

***Employee Retention Credit Receivable***

The Employee Retention Credit is a refundable U.S. tax credit separate from tax based on income for businesses that continued to pay employees while shut down due to the COVID-19 pandemic or had significant declines in gross receipts from March 13, 2020 to December 31, 2021. The Company applied for the tax credit in 2022 and as of September 30, 2023, the entire $6.8 million claimed tax credit has been refunded to the Company, of which $4.7 million was received during the nine months ended September 30, 2023.

***Property and Equipment, Net***

Property and equipment are recorded at cost. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the related assets, generally three to five years, or, in the case of leasehold improvements, over the lesser of the useful life of the related asset or the lease term.

***Intangible Assets***

The Company’s intangible assets consist of a license agreement with Biotronik. The Company determines the appropriate useful life of its finite-lived intangible assets by performing an analysis of expected cash flows of the acquired assets. Finite-lived intangible assets are amortized over their estimated useful lives using the straight-line method, which approximates the pattern in which the economic benefits are consumed. Acquired in-process technology is classified as a finite-lived intangible and amortized accordingly. Indefinite-lived intangible assets are tested for impairment at least annually and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Indefinite-lived intangible assets are impaired if their estimated fair values are less than their carrying value.

***Goodwill***

Goodwill represents the excess of the purchase price of an entity over the estimated fair value of the assets acquired and liabilities assumed, and it is presented as goodwill in the accompanying condensed consolidated balance sheets. Under ASC 350, *Intangibles – Goodwill and Other* (“ASC 350”), goodwill is not amortized but is subject to periodic impairment testing. ASC 350 requires that an entity assign its goodwill to reporting units and test each reporting unit’s goodwill for impairment at least on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. In the evaluation of goodwill for impairment, which is performed annually during the fourth quarter, the Company first assesses qualitative factors to determine whether the existence of events or circumstances led to a determination that it was more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company is required to perform the

quantitative goodwill impairment test. The Company has one reporting unit. During the nine months ended September 30, 2022, the Company fully impaired its goodwill balance of $12.0 million.

***Impairment of Long-Lived Assets***

The Company reviews long-lived assets, including property and equipment and finite-lived intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. An impairment loss is recognized when the asset's carrying value exceeds the total undiscounted cash flows expected from its use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value. For the three and nine months ended September 30, 2023 and 2022, the Company determined that there was no impairment of property and equipment or intangible assets.

***Foreign Currency Translation and Transactions***

The assets, liabilities and results of operations of Acutus Medical N.V. and Acutus Medical UK Limited are measured using their functional currency, the Euro and British Pound Sterling, respectively, which is the currency of the primary foreign economic environment in which the subsidiaries operate. Upon consolidating these entities with the Company, their assets and liabilities are translated to U.S. dollars at currency exchange rates as of the balance sheet date and their revenues and expenses are translated at the weighted average currency exchange rates during the applicable reporting periods. Translation adjustments resulting from the process of translating the entities' financial statements are reported in accumulated other comprehensive loss in the condensed consolidated balance sheets and foreign currency translation adjustment in the condensed consolidated statements of operations and comprehensive loss.

***Lease Property***

The Company leases office space in Carlsbad, California as its corporate headquarters and for manufacturing operations. Additionally, it leases office space in Zaventem, Belgium for international operations. The Company accounts for its lease property under ASC 842. Under this guidance, arrangements meeting the definition of a lease are classified as operating or financing leases, and are recorded on the condensed consolidated balance sheets as both a right-of-use asset and a lease liability, calculated by discounting fixed lease payments over the lease term at the rate implicit in the lease or the Company's incremental borrowing rate, which is the rate for collateralized borrowings based on the current economic environment, credit history, credit rating, value of leases, currency in which the lease obligation is satisfied, rate sensitivity, lease term and materiality. Lease liabilities are increased by interest and reduced by payments each period, and the right-of-use asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the right-of-use asset results in straight-line rent expense over the lease term. Variable lease expenses are recorded when incurred.

In calculating the right-of-use asset and lease liability, the Company elected to combine lease and non-lease components. The Company adopted the policy election to exclude short-term leases having initial terms of twelve months from the initial recognition provisions of ASC 842. See *Note 11 - Operating Leases* for additional details.

***Cost of Products Sold***

Cost of products sold includes raw materials, direct labor, manufacturing overhead, shipping and receiving costs and other less significant indirect costs related to the production of the Company's products.

***Research and Development***

Prior to the Restructuring, the Company was actively engaged in new product research and development efforts. Research and development expenses consist primarily of salaries and employee-related costs (including stock-based compensation) for personnel directly engaged in research and development activities, clinical trial expenses, equipment costs, material costs, allocated rent and facilities costs and depreciation.

Research and development expenses relating to possible future products are expensed as incurred. The Company also accrues and expenses costs for activities associated with clinical trials performed by third parties as incurred. All other costs relative to setting up clinical trial sites are expensed as incurred. Clinical trial site costs related to patient enrollment are accrued as patients are entered into the trials.

***Selling, General and Administrative***

Selling, general, and administrative expenses consist primarily of salaries and employee-related costs (including stock-based compensation) for personnel in sales, executive, finance and other administrative functions, allocated rent and facilities costs, legal fees relating to intellectual property and corporate matters, professional fees for accounting and consulting services, marketing costs and insurance costs.

***Fair Value Measurements***

*Financial Instruments*

Fair value measurements are based on the premise that fair value is an exit price representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the following three-tier fair value hierarchy is used in determining the inputs for measuring fair value:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs other than Level 1 prices for similar assets or liabilities that are directly or indirectly observable in the marketplace.

Level 3—Unobservable inputs which are supported by little or no market activity and consist of financial instruments valued using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

Financial instruments measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. The use of different assumptions and/or estimation methodologies may have a material effect on estimated fair values. Accordingly, the fair value estimates disclosed or initial amounts recorded may not be indicative of the amount that the Company or holders of the instruments could realize in a current market exchange. There were no transfers made among the three levels in the fair value hierarchy for the three and nine months ended September 30, 2023 and 2022.

As of September 30, 2023 and December 31, 2022, the Company's cash (excluding cash equivalents which are recorded at fair value on a recurring basis), restricted cash, accounts receivable, accounts payable and accrued expenses were carried at cost, which approximates the fair values due to the short-term nature of each instrument. The carrying amount of the Company's long-term debt approximates fair value due to its variable market interest rate and management's opinion that current rates and terms that would be available to the Company with the same maturity and security structure would be essentially equivalent to that of the Company's long-term debt.

The following tables classify the Company's financial assets and liabilities measured at fair value on a recurring basis into the fair value hierarchy as of September 30, 2023 and December 31, 2022 (in thousands):

| | Fair Value Measurements as of September 30, 2023 (unaudited) | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Assets included in: | | | | |
| Cash and cash equivalents | | | | |
| Money market securities | $ 21,019 | $ — | $ — | $ 21,019 |
| Marketable securities at fair value | | | | |
| U.S. treasury securities | — | 2,968 | — | 2,968 |
| Commercial paper | — | 10,665 | — | 10,665 |
| Asset-backed securities | — | 742 | — | 742 |
| Total fair value | $ 21,019 | $ 14,375 | $ — | $ 35,394 |
| | | | | |
| Liabilities included in: | | | | |
| Warrant liability | $ — | $ — | $ 1,868 | $ 1,868 |
| Total fair value | $ — | $ — | $ 1,868 | $ 1,868 |

| | Fair Value Measurements as of December 31, 2022 | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Assets included in: | | | | |
| Cash and cash equivalents | | | | |
| Money market securities | $ 22,700 | $ — | $ — | $ 22,700 |
| Marketable securities at fair value | | | | |
| U.S. treasury securities | — | 26,897 | — | 26,897 |
| Commercial paper | — | 14,764 | — | 14,764 |
| Yankee debt securities | — | 3,202 | — | 3,202 |
| Total fair value | $ 22,700 | $ 44,863 | $ — | $ 67,563 |
| | | | | |
| Liabilities included in: | | | | |
| Warrant liability | $ — | $ — | $ 3,346 | $ 3,346 |
| Contingent consideration | — | — | 1,800 | 1,800 |
| Total fair value | $ — | $ — | $ 5,146 | $ 5,146 |

The fair value of the Company’s money market securities is determined using quoted market prices in active markets for identical assets.

The fair value for the available-for-sale marketable securities is determined based on valuation models using inputs that are observable either directly or indirectly (Level 2 inputs) such as quoted prices for similar assets, yield curve, volatility factors,

credit spreads, default rates, loss severity, current market and contractual prices for the underlying instruments, broker and dealer quotes, as well as other relevant economic measures.

*Financial Obligations*

The following table presents changes in Level 3 liabilities measured at fair value for the nine months ended September 30, 2023 (in thousands):

| | Contingent Consideration | Warrant Liability |
|---|---|---|
| Balance, December 31, 2022 | $ 1,800 | $ 3,346 |
| Change in fair value | 123 | (1,478) |
| Final payment of contingent consideration | $ (1,923) | $ — |
| Balance, September 30, 2023 (unaudited) | $ — | $ 1,868 |

As of September 30, 2023, the fair value of the common stock warrants was estimated using the Black-Scholes option pricing model. The fair value was estimated to be $0.4942 per warrant as of September 30, 2023 and the significant inputs used in the estimation of the fair value were as follows:

| | September 30, 2023 (unaudited) |
|---|---|
| Risk-free interest rate | 4.61% |
| Expected term in years | 6.75 |
| Expected volatility | 85.0% |

***Stock-Based Compensation***

The Company accounts for all stock-based payments to employees and non-employees, including grants of stock options, restricted stock units ("RSUs"), and restricted stock awards ("RSAs"), to be recognized in the consolidated financial statements based on their respective grant date fair values. The Company estimates the fair value of stock option grants using the Black-Scholes option pricing model. The RSUs and RSAs are valued based on the fair value of the Company's common stock on the date of grant. The Company expenses stock-based compensation related to stock options, RSUs and RSAs over the requisite service period. All stock-based compensation costs are recorded in cost of products sold, research and development expense or SG&A expense in the condensed consolidated statements of operations and comprehensive loss based upon the respective employee's or non-employee's roles within the Company. Forfeitures are recorded as they occur. See *Note 15—Stock-Based Compensation* for additional details.

***Income Taxes***

Income taxes are recorded in accordance with ASC 740, *Income Taxes* ("ASC 740"), which provides for deferred taxes using an asset and liability approach. The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse, and net operating loss ("NOL") carryforwards and research and development tax credit carryforwards. Valuation allowances are provided if, based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

The Company accounts for uncertain tax positions in accordance with the provisions of ASC 740. When uncertain tax positions exist, the Company recognizes the tax benefit of tax positions to the extent that the benefit would more likely than not be realized assuming examination by the taxing authority. The determination as to whether the tax benefit will more likely than not be realized is based upon the technical merits of the tax position as well as consideration of the available facts and circumstances. To date, there have been no interest or penalties charged in relation to the unrecognized tax benefits.

***Warrant Liability***

The Company accounts for certain common stock warrants outstanding as a liability at fair value, determined using the Black-Scholes option pricing model, on the condensed consolidated balance sheets in accordance with ASC 815, *Derivatives and Hedging* (“ASC 815”). The liability is subject to re-measurement at each reporting period and any change in fair value is recognized in the condensed consolidated statements of operations and comprehensive loss. See *Note 13—Warrants* for additional details.

***Business Combinations***

The Company accounts for business acquisitions using the acquisition method of accounting based on ASC 805, *Business Combinations* (“ASC 805”), which requires recognition and measurement of all identifiable assets acquired and liabilities assumed at their fair value as of the date control is obtained. The Company determines the fair value of assets acquired and liabilities assumed based upon its best estimates of the acquisition-date fair value of assets acquired and liabilities assumed in the acquisition. Goodwill is calculated as the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired.

***Recently Adopted Accounting Pronouncements***

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)* ("ASU 2016-13"). ASU 2016-13 sets forth a “current expected credit loss” model which requires the Company to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost, available-for-sale debt securities and applies to certain off-balance sheet credit exposures. ASU 2016-13 is effective for smaller reporting companies in 2023. The Company adopted the guidance in the first quarter of 2023 with no material impact on the condensed consolidated financial statements.

## Note 3—Sale of Business

On June 30, 2022, the Company completed the First Closing in accordance with the Asset Purchase Agreement with Medtronic, pursuant to which the Company agreed to sell to Medtronic certain transseptal access and sheath assets which make up the Company's left-heart access portfolio (and which comprised the Rhythm Xience, Inc. ("Rhythm Xience") product line acquired as part of the Rhythm Xience acquisition). The assets transferred to Medtronic upon the First Closing (the “Assets”) include patents, trademarks, patent and trademark applications, know-how, copyrights, prototypes and other intellectual property owned or licensed by the Company, business records and documents (including regulatory and clinical materials) and manufacturing equipment related to the AcQCross® line of sheath-compatible septal crossing devices, AcQGuide® MINI integrated crossing device and sheath, AcQGuide® FLEX Steerable Introducer with integrated transseptal dilator and needle, and AcQGuide® VUE steerable sheaths (the “Products”).

Pursuant to the Asset Purchase Agreement, Medtronic paid $50.0 million at the First Closing, of which $4.0 million was paid into an indemnity escrow account for a period of 18 months following the First Closing to secure indemnification obligations of the Company under the Asset Purchase Agreement, which the Company has recorded as restricted cash on its condensed consolidated balance sheets.

The Company is also eligible to receive the following contingent cash consideration pursuant to the Asset Purchase Agreement:

(i) $20.0 million upon the Company’s completion, to the reasonable satisfaction of Medtronic, of certain conditions set forth in the Asset Purchase Agreement relating to the Company becoming a qualified supplier of Medtronic for the Products, including demonstration of ISO 14971:2019 compliance, completion of certain test method validations and compliance with certain other reporting requirements (the “OEM Earnout”);

(ii) $17.0 million upon the earlier of (A) the Second Closing (as defined below) or (B) the Company’s initial submission for CE Mark certification of the Products under the European Union Medical Devices Regulation, to the reasonable satisfaction of a third-party regulatory consultant, subject to certain other conditions as set forth in the Asset Purchase Agreement (the “Transfer Earnout”); and

(iii) amounts equal to 100%, 75%, 50% and 50%, respectively, of quarterly Net Sales (as defined in the Asset Purchase Agreement) from sales of the Products achieved by Medtronic over each year of a four-year period beginning on the first full quarter after Medtronic’s first commercial sale of a Product and achievement of the OEM Earnout.

The $20.0 million OEM Earnout was achieved in October 2022 and payment was received in November 2022, of which $1.6 million is held in escrow and recorded as restricted cash on the condensed consolidated balance sheets. The $17.0 million Transfer Earnout was achieved in December 2022 and payment was received in January 2023, of which $1.4 million is held in escrow and recorded as restricted cash on the condensed consolidated balance sheets. During the nine months ended September 30, 2023, $6.1 million was earned under item (iii) and recorded as a receivable on the condensed consolidated balance sheet as of September 30, 2023.

With the achievement of the OEM Earnout Conditions (as defined in the Asset Purchase Agreement) and upon notice from Medtronic, Medtronic became the Company's exclusive distributor of the Products under the Distribution Agreement.

The Company recorded a net gain of $79.5 million during the year ended December 31, 2022 related to the sale of business to Medtronic, calculated as the difference between the non-contingent consideration received, less direct transaction costs and the net carrying amount of the assets sold.

The Company recorded the following amounts for the nine months ended September 30, 2023, resulting in a net gain of $5.9 million related to the sale of business to Medtronic, calculated as the difference between the non-contingent consideration earned, less direct transaction costs (in thousands):

| | Nine Months Ended September 30, 2023 (unaudited) |
|---|---|
| Percentage of Product Net Sales Earnout accrued as of September 30, 2023 | $ 6,111 |
| Transaction costs | (184) |
| Gain on sale of business, net | $ 5,927 |

The net gain on sale will be adjusted in future periods by the contingent consideration, based on the achievement of the predetermined milestones mentioned above. The sale was accounted for as a derecognition of a group of assets that is a business pursuant to ASC 810 - *Consolidation*, with the resulting gain classified as operating income within loss from operations on the condensed consolidated statements of operations and comprehensive loss. The sale did not represent a strategic shift having a major effect on the Company's operations and financial results and, consequently, did not qualify as a discontinued operation.

## Note 4—Marketable Securities

Marketable securities consisted of the following as of September 30, 2023 and December 31, 2022 (in thousands):

| | September 30, 2023 (unaudited) | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| **Available-for-sale securities - short-term:** | | | | |
| U.S. treasury securities | $ 2,968 | $ — | $ — | $ 2,968 |
| Commercial paper | 10,665 | — | — | 10,665 |
| Asset-backed securities | 742 | — | — | 742 |
| **Total available-for-sale securities - short-term** | 14,375 | — | — | 14,375 |
| **Total available-for-sale securities** | $ 14,375 | $ — | $ — | $ 14,375 |

| | December 31, 2022 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| **Available-for-sale securities - short-term:** | | | | |
| U.S. treasury securities | $ 26,906 | $ 3 | $ (12) | $ 26,897 |
| Commercial paper | 3,200 | 2 | — | 3,202 |
| Yankee debt securities | 14,764 | — | — | 14,764 |
| **Total available-for-sale securities - short-term** | 44,870 | 5 | (12) | 44,863 |
| **Total available-for-sale securities** | $ 44,870 | $ 5 | $ (12) | $ 44,863 |

As of September 30, 2023, the Company's available-for-sale securities classified as short-term of $14.4 million mature in 1 year or less and there were none held long-term. As of December 31, 2022, the Company's available-for-sale securities classified as short-term of $44.9 million mature in 1 year or less and there were none held long-term.

## Note 5—Inventory

Inventory as of September 30, 2023 and December 31, 2022 consisted of the following (in thousands):

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| | (unaudited) | |
| Raw materials | $ 10,664 | $ 9,179 |
| Work in process | 2,416 | 2,025 |
| Finished goods | 2,648 | 2,123 |
| Total inventory | $ 15,728 | $ 13,327 |

## Note 6—Lessor Sales-Type Leases

The Company recognizes revenue and costs, as well as leases receivable, at the commencement of embedded sales-type leases within its deferred equipment agreements. There was no lease revenue related to sales-type leases for both the three months ended September 30, 2023 and 2022. Lease revenue related to sales-type leases was $0.5 million and $0.3 million for the nine months ended September 30, 2023 and 2022, respectively. Costs related to embedded leases within the Company's deferred equipment agreements are included in cost of products sold in the condensed consolidated statements of operations and comprehensive loss.

As of September 30, 2023 and December 31, 2022, a balance of $0.6 million for both periods for short-term leases receivable is recorded in prepaid expenses and other current assets on the condensed consolidated balance sheets, and a balance of $0.3 million and $0.5 million, respectively, for long-term leases receivable is recorded in other assets related to sales-type leases.

## Note 7—Property and Equipment, Net

The Company's property and equipment, net, consisted of the following as of September 30, 2023 and December 31, 2022 (in thousands):

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| | (unaudited) | |
| Medical diagnostic equipment | $ 14,995 | $ 14,826 |
| Furniture and fixtures | 452 | 432 |
| Office equipment | 1,561 | 1,556 |
| Laboratory equipment and software | 5,226 | 5,148 |
| Leasehold improvements | 974 | 580 |
| Construction in process | 1,675 | 2,166 |
| Total property and equipment | 24,883 | 24,708 |
| Less: accumulated depreciation | (18,272) | (15,487) |
| Property and equipment, net | $ 6,611 | $ 9,221 |

Property and equipment includes certain medical diagnostic equipment and AcQMap Systems located at customer premises. The Company retains ownership of the equipment and has the right to remove the equipment if it is not being used according to expectations. The Company records the cost of equipment to cost of sales on the condensed consolidated statements of operations and comprehensive loss when it is subsequently sold or the Company enters into a sales-type lease agreement. See *Note 6 - Lessor Sales-Type Leases* for additional details.

Depreciation expense was $1.0 million and $1.5 million for the three months ended September 30, 2023 and 2022, respectively, and $3.5 million and $4.7 million for the nine months ended September 30, 2023 and 2022, respectively.

## Note 8—Intangible Assets

The following table presents intangible assets activity for the nine months ended September 30, 2023 (in thousands):

| | Intangible Assets |
|---|---|
| Balance, December 31, 2022 | $ 1,583 |
| Amortization expense | (150) |
| Balance, September 30, 2023 (unaudited) | $ 1,433 |

### *Intangible Assets*

The tables below present the details of intangible assets as of September 30, 2023 and December 31, 2022 (dollars in thousands):

| September 30, 2023 | Estimated Useful Life (in years) | Weighted Average Remaining Life (in years) | Intangible Assets | Accumulated Amortization | Balance |
|---|---|---|---|---|---|
| | | | | | (unaudited) |
| Licensed intangibles | 10.0 | 7.2 | $ 2,000 | $ (567) | $ 1,433 |
| Total intangible assets | | | $ 2,000 | $ (567) | $ 1,433 |

| December 31, 2022 | Estimated Useful Life (in years) | Weighted Average Remaining Life (in years) | Intangible Assets | Accumulated Amortization | Balance |
|---|---|---|---|---|---|
| Licensed intangibles | 10.0 | 7.9 | 2,000 | (417) | 1,583 |
| Total intangible assets | | | $ 2,000 | $ (417) | $ 1,583 |

The Company recorded amortization expense related to the above intangible assets of $0.1 million for both the three months ended September 30, 2023 and 2022, and $0.2 million and $0.4 million for the nine months ended September 30, 2023 and 2022, respectively.

The following table presents the future amortization expense associated with amortizable intangible assets as of September 30, 2023 (in thousands):

| | Total Amortization |
|---|---|
| Three months ending December 31, 2023 | $ 50 |
| Year ending December 31, 2024 | 200 |
| Year ending December 31, 2025 | 200 |
| Year ending December 31, 2026 | 200 |
| Year ending December 31, 2027 | 200 |
| Thereafter | 583 |
| Total future amortization | $ 1,433 |

## Note 9—Accrued Liabilities

Accrued liabilities consisted of the following as of September 30, 2023 and December 31, 2022 (in thousands):

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| | (unaudited) | |
| Compensation and related expenses | $ 5,264 | $ 6,919 |
| Professional fees | 192 | 126 |
| Deferred revenue | 349 | 326 |
| Sales and use tax | 187 | 639 |
| Clinical studies | 374 | 390 |
| Clinician Council payable | 241 | 216 |
| Accrued royalties | 108 | 159 |
| Accrued restructuring | 35 | 45 |
| Other | 688 | 866 |
| Total accrued liabilities | $ 7,438 | $ 9,686 |

## Note 10—Debt

Outstanding debt as of September 30, 2023 and December 31, 2022 consisted of the following (in thousands):

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| | (unaudited) | |
| 2022 Credit Agreement[(1)] | $ 36,750 | $ 36,776 |
| Total outstanding debt, gross | 36,750 | 36,776 |
| Less: Unamortized debt discount and fees | (1,989) | (2,342) |
| Total outstanding debt, long-term | $ 34,761 | $ 34,434 |

(1) The 2022 Credit Agreement includes final payment fees of $1.8 million.

***2022 Amended and Restated Credit Agreement***

On June 30, 2022, the Company amended and restated its prior debt facility. The amended and restated credit agreement (as amended by Amendment No. 1, dated August 4, 2023, and Amendment No. 2, dated November 8, 2023, and as further amended from time to time, the "2022 Credit Agreement") is with related parties Deerfield Private Design Fund III, L.P. and Deerfield Partners, L.P. (collectively referred to as “Deerfield” or "Lenders") and is for an aggregate principal amount of $35.0 million and has a 5-year term. Proceeds from the 2022 Credit Agreement, along with cash on hand, were used to repay the prior debt facility and to pay related fees and expenses.

The 2022 Credit Agreement bears an annual interest of 9% plus the one-month adjusted term Secured Overnight Financing Rate (applying a 2.5% minimum rate). From date of closing, amortization payments are due as follows:

- 15% of the principal due at the end of month 36;
- 15% of the principal due at the end of month 48; and
- 70% due at the end of month 60.

The 2022 Credit Agreement is subject to prepayment penalties and provides for final payment fees of an additional $1.8 million due upon prepayment, on the maturity date or upon acceleration.

The 2022 Credit Agreement is secured by a first-priority perfected lien on and security interest in substantially all of the Company's existing and after-acquired tangible and intangible assets, subject to certain exceptions noted therein.

The 2022 Credit Agreement is subject to certain customary affirmative covenants, representations and warranties and other terms and conditions. It also contains certain customary negative covenants, including, but not limited to, restrictions on the Company's ability and that of its subsidiaries to merge and consolidate with other companies, incur indebtedness, grant liens or security interests on assets, pay dividends or make other restricted payments, sell or otherwise transfer assets or enter into transactions with affiliates.

In addition, the 2022 Credit Agreement includes customary events of default and other provisions that could require all amounts due thereunder to become immediately due and payable, either automatically or at the option of the Lenders, if the Company fails to comply with the terms.

On August 4, 2023, the Company and Deerfield entered into that certain Amendment No. 1, dated August 4, 2023 ("Amendment No.1") to the 2022 Credit Agreement. Pursuant to Amendment No. 1, the 2022 Credit Agreement was amended to decrease the amount of cash the Company is required to maintain pursuant to the minimum liquidity covenant in the 2022 Credit Agreement to $5,000,000 for a period of 18 months, at which point the amount required under the minimum liquidity covenant shall increase to $20,000,000 (or, if certain conditions are met, $10,000,000), in exchange for a fee paid by the Company.

On November 8, 2023, the Company and Deerfield entered into that certain Amendment No. 2, dated November 8, 2023 ("Amendment No. 2") to the 2022 Credit Agreement. Pursuant to Amendment No. 2, the 2022 Credit Agreement was amended to, among other things: (i) adjust and increase the amortization schedule such that payments commence on June 30, 2024 and are made 12, 24 and 36 months (i.e., the scheduled maturity date) following June 30, 2024; (ii) limit the business activities the Company may engage in; and (iii) require the Company to maintain a minimum liquidity of $10,000,000 at all times, in exchange for fees paid by the Company.

In connection with entering into the 2022 Credit Agreement, the Company entered into a warrant purchase agreement (the "2022 Warrant Purchase Agreement") with Deerfield, pursuant to which the Company issued to Deerfield warrants to purchase up to an aggregate 3,779,018 shares of the Company's common stock at an exercise price of $1.1114 per warrant share for a period of eight years following issuance (the "2022 Warrants").

The 2022 Warrants represent a freestanding financial instrument and are conditionally puttable at the holder's option upon an event that is outside of the Company's control. Therefore, the 2022 Warrants are classified as liability pursuant to ASC 480, *Distinguishing Liabilities from Equity*, initially and subsequently recognized at fair value, with changes in fair value recognized in the statements of operations and comprehensive loss. Refer to Fair Value Measurements in *Note 2 - Summary of Significant Accounting Policies* and *Note 13 - Warrants* for more information.

## Note 11—Operating Leases

The Company leases approximately 50,800 square feet of office space for its corporate headquarters and manufacturing facility in Carlsbad, California under a non-cancelable operating lease that expires on December 31, 2027. The lease is subject to variable charges for common area maintenance and other costs that are determined annually based on actual costs. The base rent is subject to an annual increase each year. The Company has a renewal option for an additional five-year term upon the expiration date of the lease, which has been excluded from the calculation of the right-of-use asset as it is not reasonably certain to be exercised.

Additionally, the Company leases approximately 3,900 square feet of office space in Zaventem, Belgium under a non-cancelable operating lease that expires on December 31, 2024. The lease is subject to variable charges that are determined annually for common area maintenance and other costs based on actual costs, and base rent is subject to an annual increase each year based on an index rate.

The following table summarizes quantitative information about the Company's operating leases for the nine months ended September 30, 2023 and 2022 (dollars in thousands):

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2023 | 2022 |
| | (unaudited) | |
| Operating cash flows from operating leases | $ 282 | $ 631 |
| Weighted average remaining lease term – operating leases (in years) | 4.2 | 3.4 |
| Weighted average discount rate – operating leases | 7.0% | 7.0% |

The following table provides the components of the Company's operating lease expense for the three and nine months ended September 30, 2023 and 2022 (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (unaudited) | | (unaudited) | |
| Operating leases | | | | |
| Operating lease cost | $ 252 | $ 252 | $ 755 | $ 768 |
| Variable lease cost | 81 | 77 | 243 | 216 |
| Total operating lease expense | $ 333 | $ 329 | $ 998 | $ 984 |

As of September 30, 2023, future minimum payments under the non-cancelable operating leases under ASC 842 were as follows (in thousands):

| | |
|---|---|
| Three months ending December 31, 2023 | $ 138 |
| Year ending December 31, 2024 | 1,160 |
| Year ending December 31, 2025 | 1,151 |
| Year ending December 31, 2026 | 1,185 |
| Year ending December 31, 2027 | 1,221 |
| Total | 4,855 |
| Less: present value discount | (686) |
| Operating lease liabilities | $ 4,169 |

## Note 12—Commitments and Contingencies

The Company and certain of its current and former officers have been named as defendants in two putative securities class action lawsuits filed in the United States District Court for the Southern District of California on February 14, 2022 and March 23, 2022. On July 19, 2022, the court consolidated the two actions, appointed a lead plaintiff and appointed lead counsel for the proposed class. On September 16, 2022, the lead plaintiff filed a consolidated amended complaint. The defendants thereafter filed a motion to dismiss. On September 27, 2023, the court granted the defendant's motion to dismiss in its entirety, but gave plaintiffs leave to file an amended complaint. On October 27, 2023, the plaintiffs filed a second amended complaint asserting similar claims. We are defending the action. Due to the complex nature of the legal and factual issues involved in these class action matters, the outcome is not presently determinable and any loss is neither probable nor reasonably estimable.

## Note 13—Warrants

As of September 30, 2023 and December 31, 2022, the outstanding warrants to purchase the Company's common stock consisted of the following:

| | Exercise Price | Expiration Date | September 30, 2023 | December 31, 2022 |
|---|---|---|---|---|
| | | | (unaudited) | |
| Warrants issued in 2015 | $ 5.25 | 1/30/25 | 3,808 | 3,808 |
| Warrants issued with 2018 Convertible Notes | $ 0.10 | 6/7/28 | 346,689 | 346,689 |
| Warrants issued with 2018 Term Loan | $ 16.67 | 7/31/28 | 26,998 | 26,998 |
| Warrants issued with 2019 Credit Agreement | $ 16.67 | 5/20/29 | 419,992 | 419,992 |
| Warrants issued with 2022 Credit Agreement | $ 1.11 | 6/30/30 | 3,779,018 | 3,779,018 |
| Total Warrants | | | 4,576,505 | 4,576,505 |

There was no warrant activity during the nine months ended September 30, 2023.

The Company's warrants provide the holder the option to purchase a specified number of shares for a specified price within a specified duration or upon the occurrence of a specific event. The holder may exercise the warrant either by cash payment or by exercise pursuant to a cashless exercise whereby a calculated number of shares are withheld upon exercise to satisfy the exercise price. The warrants do not provide the holder any voting rights until the warrants are exercised.

In accordance with ASC 480, the 2022 Warrants are recorded at fair value on the condensed consolidated balance sheets as a warrant liability. Changes in fair value are recognized as a change in fair value of warrant liability in the condensed consolidated statements of operations and comprehensive loss. For the nine months ended September 30, 2023, a favorable fair value change of $1.5 million was recognized.

In connection with the Series A Common Equivalent Preferred Stock Exchange Agreements (as defined below), four warrant holders are limited to exercising their warrants such that following any such exercise, the number of shares of common stock beneficially owned by such holder cannot exceed 4.9% of the outstanding common stock of the Company (two of the holders may, at their option and upon sufficient prior written notice to the Company, increase such percentage to 9.9%). In the event the common share limit has been met and the holder chooses to exercise their warrants, the holder can sell any common stock they hold. Therefore, the amendment to the warrant agreements does not restrict the holder from fully exercising the warrants under the original terms of the warrant agreements.

## Note 14—Stockholders' Equity

***Series A Common Equivalent Preferred Stock***

In August 2021, the Company entered into exchange agreements (the "Exchange Agreements") with four investors pursuant to which the investors exchanged 6,665,841 shares of the Company's common stock for 6,666 shares of a new series of non-voting convertible preferred stock of the Company designated as "Series A Common Equivalent Preferred Stock," par value $0.001 per share (the "Preferred Stock"). In connection with the issuance of the Preferred Stock pursuant to the Exchange Agreements, on August 23, 2021, the Company filed a Certificate of Designation of Preferences, Rights and Limitations of the Series A Common Equivalent Preferred Stock of the Company with the Secretary of State of the State of Delaware. The Preferred Stock ranks senior to the common stock with respect to rights on the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, having a liquidation preference equal to its par value of $0.001 per share. The Preferred Stock will participate equally and ratably on an as-converted basis with the holders of common stock in all cash dividends paid on the common stock. The Preferred Stock is non-voting.

Upon election, each holder may convert each share of Preferred Stock into 1,000 shares of common stock, except to the extent that following such conversion the number of shares of common stock held by such holder, its affiliates and any other persons whose beneficial ownership of common stock would be aggregated with such holder's for purposes of Section 13(d) of the Exchange Act including shares held by any "group" (as defined in Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and applicable regulations of the Securities and Exchange Commission ("SEC")) of which such holder is a member, but excluding shares beneficially owned by virtue of the ownership of securities or rights to acquire securities that have limitations on the right to convert, exercise or purchase similar to the limitation set forth in the Series A Certificate of Designation, exceeds 4.9% (or, at the election of the holders, OrbiMed Private Investments IV, LP or OrbiMed

Royalty Opportunities II, LP, made by delivering at least 61 days advance written notice to the Company of its intention to increase the beneficial ownership cap applicable to such holder, 9.9%) of the total number of shares of common stock then issued and outstanding.

***Common Stock***

During the nine months ended September 30, 2023 and 2022, stock options to acquire 3,218 shares and 98,772 shares, respectively, were exercised for shares of the Company's common stock with proceeds of less than $0.1 million and $0.1 million, respectively. Additionally in conjunction with the 2020 Employee Stock Purchase Plan (the "2020 ESPP"), during the nine months ended September 30, 2023 and 2022, 45,162 shares and 94,226 shares, respectively, of common stock were issued for consideration of less than $0.1 million and $0.2 million, respectively. During the nine months ended September 30, 2023 and 2022, the Company issued 686,898 shares and 223,567 shares, respectively, of common stock upon vesting of RSUs.

## Note 15—Stock-Based Compensation

***2022 Inducement Equity Incentive Plan***

The 2022 Inducement Equity Incentive Plan (the “2022 Plan”), which permits the granting of nonstatutory stock options, RSUs, RSAs, stock appreciation rights, performance share units ("PSUs"), performance shares and other equity-based awards to employees, directors and consultants, became effective on March 30, 2022. As of September 30, 2023, 6,000,000 shares of common stock were authorized for issuance under the 2022 Plan, of which 5,715,233 remain available for issuance under the 2022 Plan.

***2020 Equity Incentive Plan***

The 2020 Equity Incentive Plan (the “2020 Plan”), which permits the granting of nonstatutory stock options, RSAs, RSUs, stock appreciation rights, PSUs, performance shares and other equity-based awards to employees, directors and consultants became effective on August 5, 2020. As of September 30, 2023, 5,573,491 shares of common stock were authorized for issuance under the 2020 Plan, including 1,142,186 additional shares that were authorized on January 1, 2023. As of September 30, 2023, 2,880,276 shares remain available for issuance under the 2020 Plan.

***2011 Equity Incentive Plan***

The Company’s 2011 Equity Incentive Plan (the “2011 Plan”) permits the granting of incentive stock options, non-statutory stock options, RSAs, RSUs and other stock-based awards to employees, directors, officers and consultants. As of September 30, 2023, 263,571 shares of common stock were authorized for issuance under the 2011 Plan and no shares remain available for issuance under the 2011 Plan. No additional awards will be granted under the 2011 Plan. Shares that become available for issuance from the outstanding awards under the 2011 Plan due to forfeiture, or otherwise, will become available for issuance from future awards under the 2020 Plan.

***Stock Options***

Stock options granted generally vest over four years and have a ten-year contractual term. The fair value of each employee and non-employee stock option grant is estimated on the date of grant using the Black-Scholes option pricing model. The Company's common stock became publicly traded in August 2020 and lacks company-specific historical and implied volatility information. Therefore, the Company estimates its expected stock volatility based on the historical volatility of a set of publicly traded peer companies. Due to the lack of historical exercise history, the expected term of the Company’s stock options has been determined using the “simplified” method for awards. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award. Expected dividend yield is zero based on the fact that the Company has never paid cash dividends and does not expect to pay any cash dividends in the foreseeable future.

The following assumptions were used to estimate the fair value of stock options for the nine months ended September 30, 2023 and 2022:

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2023 | 2022 |
| | (unaudited) | |
| Risk-free interest rate | 3.91% - 4.27% | 1.76% - 3.39% |
| Expected dividend yield | — | — |
| Expected term in years | 5.5 - 5.6 | 5.5 - 6.0 |
| Expected volatility | 75% - 85% | 75% - 90% |

The Company's stock option activity for the nine months ended September 30, 2023 was as follows:

| | Stock Options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (in years) | Aggregate Intrinsic Value (in thousands) |
|---|---|---|---|---|
| Outstanding as of December 31, 2022 | 2,898,821 | $ 6.83 | 6.9 | $ 79 |
| Options granted | 755,580 | 1.28 | | |
| Options exercised | (3,218) | 1.34 | | $ 1 |
| Options forfeited | (1,562,043) | 10.72 | | |
| Outstanding as of September 30, 2023 (unaudited) | 2,089,140 | $ 1.93 | 7.6 | $ 23 |
| Options vested and exercisable as of September 30, 2023 (unaudited) | 1,098,279 | $ 2.43 | 6.4 | $ 23 |

For options in the money, the aggregate intrinsic value for options outstanding in the above table represents the product of the number of options outstanding multiplied by the difference between the per share fair value of the Company's common stock on the last day of the fiscal period, which was $0.70 and $1.15 as of September 30, 2023 and December 31, 2022, respectively, and the exercise price. The aggregate intrinsic value for options exercised in the above table represents the product of the number of options exercised multiplied by the difference between the per share fair value of the Company's stock on the date of exercise and the exercise price. The weighted average grant date fair value per share for the stock option awards granted during the nine months ended September 30, 2023 was $0.87. As of September 30, 2023, the total unrecognized compensation related to unvested stock option awards granted was $2.3 million, which the Company expects to recognize over a weighted-average period of approximately 1.3 years.

***Restricted Stock Units (RSUs)***

The Company's RSU activity for the nine months ended September 30, 2023 was as follows:

| | Number of Shares | Weighted Average Grant Price |
|---|---|---|
| Unvested as of December 31, 2022 | 1,659,898 | $ 4.17 |
| Granted | 1,881,020 | 1.30 |
| Forfeited | (372,930) | 4.49 |
| Vested | (877,260) | 2.82 |
| Unvested as of September 30, 2023 (unaudited) | 2,290,728 | $ 2.28 |

As of September 30, 2023, there was $3.7 million of unrecognized compensation related to unvested RSUs, which the Company expects to recognize over a weighted-average period of approximately 1.6 years.

***Employee Stock Purchase Plan***

The 2020 ESPP permitted individual employees to purchase shares of the Company's common stock from amounts accumulated under payroll deductions. The 2020 ESPP became effective on August 5, 2020, wherein 645,105 shares of common stock were authorized. Additional shares of common stock were historically allocated to the 2020 ESPP by the

determination of the Compensation Committee of the Company's Board of Directors, in its sole discretion, and by evergreen provisions in the plan authorization. Automatically authorized in 2023 were 252,042 shares under the plan's evergreen provision. As of September 30, 2023, 669,017 shares were available for purchase under the Company's 2020 ESPP.

The 2020 ESPP was implemented in consecutive offering periods with a new offering period commencing on the first trading day on or after May 15 and November 15 of each year and terminating on the last trading day on or before November 14 and May 14, respectively. On each purchase date, which falls on the last date of each offering period, 2020 ESPP participants will purchase shares of common stock at a price per share equal to 85% of the lesser of (1) the fair market value per share of the common stock on the offering date or (2) the fair market value of the common stock on the purchase date. The occurrence and duration of offering periods under the 2020 ESPP are subject to the determinations of the Compensation Committee of the Company's Board of Directors, in its sole discretion.

As part of the Restructuring, the Company's Board of Directors resolved to terminate the 2020 ESPP effective November 8, 2023, and return to the respective contributors all contributions made under the 2020 ESPP during the purchase period ending November 14, 2023.

The fair value of the 2020 ESPP shares used in determining compensation expense is estimated using the Black-Scholes option pricing model.

***Total Stock-Based Compensation***

The following table summarizes the total stock-based compensation expense for the stock options, PSUs, RSUs, RSAs and ESPP expense recorded in the condensed consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2023 and 2022 (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (unaudited) | | (unaudited) | |
| Cost of products sold | $ 146 | $ 93 | $ 373 | $ 544 |
| Research and development | 317 | 349 | 999 | 1,417 |
| Selling, general and administrative | 815 | 1,442 | 3,543 | 5,536 |
| Total stock-based compensation | $ 1,278 | $ 1,884 | $ 4,915 | $ 7,497 |

## Note 16—Net Loss Per Common Share

Basic net loss per common share is computed by dividing net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding for the period. Diluted net loss per common share excludes the potential impact of the Company's convertible preferred stock, common stock options, RSUs, RSAs, intended ESPP purchases and warrants because the Company's net losses would cause such shares to be anti-dilutive. Therefore, as the Company recorded net losses in the periods presented, basic and diluted net loss per common share are the same.

The table below provides potentially dilutive securities not included in the calculation of the diluted net loss per common share because to do so would be anti-dilutive:

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2023 | 2022 |
| | (unaudited) | |
| **Shares issuable upon:** | | |
| Conversion of Series A Common Equivalent Preferred Stock | 6,665,841 | 6,665,841 |
| Exercise of common stock warrants | 4,576,505 | 4,576,505 |
| Exercise of stock options | 1,098,279 | 3,267,782 |
| Vesting of RSUs and RSAs | 2,290,728 | 1,761,181 |
| Issuance of shares under 2020 ESPP | 61,361 | — |
| Total potentially dilutive securities | 14,692,714 | 16,271,309 |

## Note 17—401(k) Retirement Plan

The Company has a 401(k) retirement savings plan that provides retirement benefits to substantially all full-time U.S. employees. Eligible employees may contribute a percentage of their annual compensation, subject to Internal Revenue Service limitations. The Company provided no contributions to the 401(k) retirement savings plan for the three and nine months ended September 30, 2023 and 2022.

## Note 18—Related Party Transactions

***Consulting Agreement***

The Company has a consulting agreement with the chairman of the Company's Board of Directors. The Company recorded less than $0.1 million of expense related to the agreement for both the three months ended September 30, 2023 and 2022, and approximately $0.1 million and $0.2 million for the nine months ended September 30, 2023 and 2022, respectively.

***Credit Agreements***

The Company's prior credit agreement (the "2019 Credit Agreement") was between the Company and related parties OrbiMed Royalty Opportunities II, LP and Deerfield Private Design Fund II, L.P., and provided for a loan of up to $70.0 million with a maturity date of May 20, 2024. On June 30, 2022, the loan balance of $40.0 million was repaid in full out of the proceeds of the 2022 Credit Agreement. The 2022 Credit Agreement with related parties Deerfield Private Design Fund III, L.P. and Deerfield Partners, L.P. replaced the 2019 Credit Agreement and provides for an aggregate principal amount of $35.0 million and a maturity date five years from the closing of the loan. Refer to *Note 10 - Debt* for additional details.

The liability for the loan balance related to the 2022 Credit Agreement and the 2019 Credit Agreement recorded on the Company's consolidated balance sheets was $34.4 million and $40.4 million as of December 31, 2022 and 2021, respectively. The Company recorded interest expense related to the debt on the consolidated statements of operations and comprehensive loss of $5.1 million and $5.7 million for the years ended December 31, 2022 and 2021, respectively.

***Warrants***

In connection with the 2022 Credit Agreement, the Company entered into the 2022 Warrant Purchase Agreement with Deerfield, pursuant to which the Company issued warrants for the purchase up to an aggregate 3,779,018 shares of the Company's common stock at an exercise price of $1.1114 per share for a period of eight years following issuance. Refer to *Note 13 - Warrants* for additional details.

***Registration Rights Agreement***

On June 30, 2022, in connection with the issuance of the 2022 Warrants, the Company also entered into a registration rights agreement (the "Registration Rights Agreement") with Deerfield, pursuant to which the Company filed a shelf registration statement on Form S-3 with the SEC to register the resale of certain securities held by Deerfield and their affiliates (the "Registrable Securities"). In addition, for a period of five years following the execution of the Registration Rights Agreement, or until all Registrable Securities are registered or no longer subject to restrictions on transfer (whichever is earlier), Deerfield will hold certain "piggy-back" registration rights with respect to registration statements filed during such period. The Company will generally pay all reasonable expenses incidental to its obligations and performance under the Registration Rights Agreement, other than underwriting discounts and commissions and such other charges.

## Note 19—Subsequent Events

***Listing Transfer to Nasdaq Capital Market***

On May 1, 2023, the Company received a letter from the Listing Qualifications Department (the "Staff") of The Nasdaq Stock Market ("Nasdaq") indicating that, based upon the closing bid price of the Company's common stock, par value $0.001 per share (the "common stock"), for the prior 30 consecutive business days, the Company was not in compliance with the $1.00 minimum bid price requirement set forth in Nasdaq Listing Rule 5450(a)(1) for continued listing on The Nasdaq Global Market (the "Bid Price Requirement"). Pursuant to Nasdaq Listing Rule 5810(c)(3)(A), the Company was granted 180 calendar days, or until October 30, 2023, to regain compliance with the Bid Price Requirement.

On October 19, 2023, the Company applied to transfer its securities from The Nasdaq Global Market to The Nasdaq Capital Market. Along with its application, the Company also provided written notice to the Staff of its intention to cure the deficiency. On October 27, 2023, the Company received a letter from the Staff notifying the Company that it was eligible for an additional

180-calendar day period, or until April 29, 2024, to regain compliance with the Bid Price Requirement and approving the Company's application to list its securities on The Nasdaq Capital Market. The Company's securities were transferred to The Nasdaq Capital Market at the opening of business on October 31, 2023. The Company's common stock continues to trade under the symbol "AFIB". The Nasdaq Capital Market is a continuous trading market that operates in substantially the same manner as The Nasdaq Global Market and listed companies must meet certain financial requirements and comply with Nasdaq's corporate governance requirements.

The Company will continue to monitor the closing bid price of its common stock and consider implementing available options to regain compliance with the Bid Price Requirement within the allotted compliance period, including by effecting a reverse stock split, if necessary. If at any time during the allotted compliance period, the closing bid price of the Company's common stock is at least $1.00 per share for at least a minimum of 10 consecutive business days, Nasdaq will provide the Company with written confirmation of compliance and the matter will be closed. If the Company does not regain compliance within the allotted compliance period, Nasdaq will provide notice that the Company's common stock will be subject to delisting. The Company would then be entitled to appeal that determination to a Nasdaq hearings panel. There can be no assurance that the Company will regain compliance with the Bid Price Requirement within the allotted compliance period, or that if the Company appeals a Nasdaq determination, that such an appeal would be successful.

***Strategic Realignment of Resources and Corporate Restructuring***

On November 6, 2023, the Company's Board of Directors approved a strategic realignment of resources and corporate restructuring (i.e., the Restructuring) designed to reallocate capital from its mapping and ablation businesses to its left-heart access distribution relationship with Medtronic. The Company will wind down its mapping and ablation businesses and will no longer manufacture or distribute the AcQMap Mapping System, the AcQMap 3D Mapping Catheter, the AcQBlate Force-Sensing Ablation Catheter, the AcQGuide Max 2.0 steerable sheath, and associated accessories, and will explore strategic alternatives for these businesses (including a potential sale of related assets). Following the Restructuring, the Company will focus exclusively on the manufacturing and distribution of left-heart access products to Medtronic to continue to generate revenue from such sales and potentially earn the associated earnout payments it may become eligible to receive under the Asset Purchase Agreement with Medtronic.

As part of the Restructuring, the Company initiated a reduction in its current workforce of approximately 160 employees, representing approximately 65% of the Company's employees, that is expected to be completed by the first quarter of 2024. In compliance with the Worker Adjustment and Retraining Notification Act, the Company has provided pre-termination notices to affected employees and government authorities where required. The Company plans to enter into retention arrangements with certain employees who are expected to remain with the Company to assist with the Restructuring and operation of its left-heart access distribution business.

The Company estimates it will incur approximately $21 million to $32 million of pre-tax restructuring and exit-related charges, of which $2 million to $3 million represents future cash expenditures for the payment of severance and related benefit costs, $3 million to $4 million represents future cash expenditures for the payment of retention bonuses to certain employees that will assist with the Restructuring, $2 million to $5 million represents future cash expenditures for other restructuring costs, and approximately $14 million to $20 million represents non-cash pre-tax impairment charges in connection with the disposition of certain assets, including inventory, fixed assets and intangibles. The Company expects that a majority of the non-cash charges will be incurred in the fourth quarter of 2023, while the majority of the future cash expenditures charges will be incurred in the first quarter of 2024, and that the Restructuring will be substantially complete in the first quarter of 2024.

Potential position eliminations in each country are subject to local law and consultation requirements, which may extend the Restructuring implementation beyond the first quarter of 2024 in certain countries. The charges that the Company expects to incur are subject to a number of assumptions, including local law requirements in various jurisdictions, and actual expenses may differ from the estimates disclosed above. The Company may also incur other charges or cash expenditures not currently contemplated due to events that may occur as a result of, or associated with, the Restructuring.

***Amendment to 2022 Credit Agreement***

To facilitate the transactions contemplated under the Restructuring, the Company and Deerfield entered into Amendment No. 2 to the 2022 Credit Agreement. Pursuant to Amendment No. 2, the 2022 Credit Agreement was amended to, among other things: (i) adjust and increase the amortization schedule such that payments commence on June 30, 2024 and are made 12, 24 and 36 months (i.e., the scheduled maturity date) following June 30, 2024; (ii) limit the business activities the Company may engage in; and (iii) require the Company to maintain a minimum liquidity of $10,000,000 at all times, in exchange for fees paid by the Company.

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

*You should read the following discussion and analysis of our financial condition and results of operations together with our condensed consolidated financial statements and related notes and other financial information included elsewhere in this Form 10-Q. Some of the information contained in this discussion and analysis or set forth elsewhere in this Form 10-Q, including information with respect to our plans and strategy for our business, includes "forward-looking statements" within the meaning of Section 21E of the Exchange Act. In some cases, you can identify these statements by forward-looking words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "should," "estimate" or "continue," and similar expressions or variations. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included in this Form 10-Q and in the section titled "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022. The forward-looking statements in this Form 10-Q represent our views as of the date of this Form 10-Q. Except as may be required by law, we assume no obligation to update these forward-looking statements or the reasons that results could differ from these forward-looking statements. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this Form 10-Q.*

**Overview**

Historically, we designed, manufactured, and marketed a range of tools for catheter-based ablation procedures to treat various arrhythmias. Prior to November 2023, our product portfolio included novel access sheaths, diagnostic and mapping catheters, conventional and contact force ablation catheters, mapping and imaging consoles and accessories, as well as supporting algorithms and software programs.

In June 2022, we completed the First Closing of the sale of our left-heart access Products to Medtronic as described further below. On November 3, 2022, we announced our achievement of the OEM Earnout Conditions (as defined in the Asset Purchase Agreement) set forth in the Asset Purchase Agreement. Further on December 1, 2022, Medtronic qualified us as an OEM supplier, and accordingly, we manufacture the Products exclusively for Medtronic pursuant to our Distribution Agreement with Medtronic, and will do so for a period of up to four years until such time that Medtronic transfers the Products to a dedicated manufacturing facility and becomes the manufacturer of record. Additionally, on December 21, 2022, we achieved a $17.0 million Transfer Earnout as set forth in the Asset Purchase Agreement.

In November 2023, the Company's Board of Directors approved a strategic realignment of resources and corporate restructuring (i.e., the Restructuring). We began implementation of a shift in our business model to solely support the manufacturing and distribution of Medtronic's left-heart access product portfolio (i.e., the Products), including to potentially earn earnout payments pursuant to its manufacturing and distribution arrangements with Medtronic. See *Contingent Consideration Relating to Sale of Left-heart Access Portfolio*, below. As part of the Restructuring, the Company will wind down its mapping and ablation businesses and will no longer manufacture or distribute the AcQMap Mapping System, the AcQMap 3D Mapping Catheter, the AcQBlate Force-Sensing Ablation Catheter, the AcQGuide Max 2.0 steerable sheath, and associated accessories, and will explore strategic alternatives for these businesses (including a potential sale of related assets). The Company expects that the Restructuring will be substantially complete in the first quarter of 2024. For further details regarding the Restructuring, including estimated costs associated therewith, see Note 19 to our condensed consolidated financial statements, under the heading *Strategic Realignment of Resources and Corporate Restructuring*.

We were incorporated in the state of Delaware on March 25, 2011 and are headquartered in Carlsbad, California.

As of September 30, 2023 and December 31, 2022, we had an accumulated deficit of $566.2 million and $518.3 million, respectively, and working capital of $57.9 million and $98.0 million, respectively.

***Contingent Consideration Relating to Sale of Left-heart Access Portfolio***

On June 30, 2022, we completed the First Closing in accordance with the Asset Purchase Agreement with Medtronic, pursuant to which we agreed to sell to Medtronic certain transseptal access and sheath assets which make up our left-heart access portfolio (and which comprised the Rhythm Xience product line as part of the acquisition of Rhythm Xience). Pursuant to the Asset Purchase Agreement, Medtronic paid $50.0 million at the First Closing, of which $4.0 million was paid into an indemnity escrow account for a period of 18 months following the First Closing to secure our indemnification obligations under the Asset Purchase Agreement, which we recorded as restricted cash on our condensed consolidated balance sheets.

The Company is also eligible to receive the following contingent cash consideration pursuant to the Asset Purchase Agreement:

(i) OEM Earnout: $20.0 million upon the Company's completion, to the reasonable satisfaction of Medtronic, of certain conditions set forth in the Asset Purchase Agreement relating to the Company becoming a qualified supplier of Medtronic for the Products, including demonstration of ISO 14971:2019 compliance, completion of certain test method validations and compliance with certain other reporting requirements;

(ii) Transfer Earnout: $17.0 million upon the earlier of (A) the Second Closing or (B) the Company's initial submission for CE Mark certification of the Products under the European Union Medical Devices Regulation, to the reasonable satisfaction of a third-party regulatory consultant, subject to certain other conditions as set forth in the Asset Purchase Agreement; and

(iii) Net Sales Earnouts: Amounts equal to 100%, 75%, 50% and 50%, respectively, of quarterly Net Sales (as defined in the Asset Purchase Agreement) from sales of the Products achieved by Medtronic over each year of a four-year period beginning on the first full quarter after Medtronic's first commercial sale of a Product and achievement of the OEM Earnout.

The $20.0 million OEM Earnout was achieved in October 2022 and payment was received in November 2022, of which $1.6 million is held in escrow and recorded as restricted cash on the condensed consolidated balance sheets. The $17.0 million Transfer Earnout was achieved in December 2022 and payment was received in January 2023, of which $1.4 million is held in escrow and recorded as restricted cash on the condensed consolidated balance sheets. During the nine months ended September 30, 2023, $6.1 million was earned under item (iii) and recorded as a receivable on the condensed consolidated balance sheet as of September 30, 2023.

With the achievement of the OEM Earnout Conditions (as defined in the Asset Purchase Agreement) and upon notice from Medtronic, Medtronic became the Company's exclusive distributor of the Products under the Distribution Agreement.

A Second Closing would occur on a date determined by Medtronic, but no later than the fourth anniversary of the First Closing, subject to the satisfaction of customary closing conditions (the "Second Closing"). Upon the Second Closing, Medtronic will acquire certain additional assets relating to the Products, primarily supplier agreements and permits and design and specification files required for Medtronic to become the manufacturer of record of the Products.

**Key Business Metrics**

We regularly review a number of operating and financial metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions. We believe that the following metrics were representative of our business prior to the Restructuring (including for the periods ended as of September 30, 2023). However, we anticipate these metrics will no longer be relevant following the Restructuring.

***Installed Base***

Our mapping and therapy platform has been enabled by our AcQMap console that we install at customer sites globally. We define our installed base as the cumulative number of AcQMap consoles and workstations placed into service at customer sites. We historically installed our AcQMap console and workstation with customers under evaluation contracts. Under these evaluation contracts, we placed our AcQMap console and workstation with customers for no upfront fee to the customer during the applicable evaluation period and sought to reach agreement with the customer for the purchase of the console and workstation in the form of a contractual commitment to purchase a minimum amount of our disposable products or a cash purchase. Beginning in 2022, we started to remove and reposition low utilization AcQMap consoles, which resulted in a decrease in installed base in the United States, but an increase outside of the United States. Our total installed base as of September 30, 2023 and 2022 is set forth in the table below:

| | As of September 30, | |
|---|---|---|
| | 2023 | 2022 |
| | (unaudited) | |
| Acutus | | |
| U.S. | 26 | 32 |
| Outside the U.S. | 56 | 42 |
| Total Acutus net system placements | 82 | 74 |

***Procedure Volumes***

Once an AcQMap console and workstation was established in a customer account, our revenue from that account becomes predominantly recurring in nature and derived from the sale of our portfolio of disposable products used with our system.

Our total procedure volumes for the three and nine months ended September 30, 2023 and 2022 are set forth in the table below:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (unaudited) | | (unaudited) | |
| Procedure volumes | 531 | 441 | 1,566 | 1,389 |

**Factors Affecting Our Performance Following the Restructuring**

There are a number of factors that we believe will impact our results of operations and growth following, or in connection with completing, the Restructuring.

***Medtronic Partnerships***

As part of the Asset Purchase Agreement with Medtronic, we will be their OEM supplier of the Products for up to the next four years. Following the Restructuring, we expect to rely solely on our strategic partnership with Medtronic to generate revenue through (i) sales of the Products to Medtronic at transfer prices specified under the Distribution Agreement and (ii) potential earnouts from Medtronic's sales of the Products to end-users that we may become eligible to receive under the Asset Purchase Agreement. We expect to rely solely on Medtronic to market and sell the Products as we will have no marketing and sales capabilities on our own. This strategy leaves us largely dependent upon the success of Medtronic. If Medtronic stops buying Products from us, or stops marketing or selling the Products or is unsuccessful in its efforts to sell the Products to end users, our business, results of operations and financial condition would be materially and adversely affected.

***Manufacture and Supply***

Our ability to perform as a business depends on the proper functioning of our manufacturing and supplier operations. Following Medtronic's qualification of us as their OEM supplier, we have manufactured the Products for Medtronic at our approximately 50,800 square foot facility in Carlsbad, California. This facility provides approximately 15,750 square feet of space for our production operations, including manufacturing, quality control and storage. Following the Restructuring, our business model will focus exclusively on manufacturing the Products for Medtronic. Our manufacturing operations require timely delivery of sufficient amounts of materials and components. We rely on a single or limited number of suppliers for certain materials and components, and we generally have no long-term supply arrangements with our suppliers, as we generally order on a purchase order basis. In the future, we may face unanticipated interruptions and delays in manufacturing through our supply chain. Manufacturing or supplier disruptions could result in product shortages, declining production, reputational damage or significant costs. Our ability to transition our operations to full-time manufacturing of the Products for Medtronic and produce at optimal capacity when and as planned following the Restructuring could affect our revenue and operating expenses.

***Restructuring***

On November 8, 2023, we announced our plans for the Restructuring, designed to simplify our operational footprint and cut costs while maximizing free cash flow. As part of the Restructuring, we began to wind down our mapping and ablation businesses. We also immediately began implementation of the corporate restructuring plan, which resulted in reducing our workforce by approximately 65% across different areas and functions. We may not complete the Restructuring on the anticipated timetable, and even if successfully completed, we may not achieve the anticipated cost savings, operating efficiencies or other benefits of such activities. We will continue to review our operations to optimize our business.

***Manufacturing Costs***

Our financial results, including our gross margins, may fluctuate from period to period due to a variety of factors, including: the cost of direct materials; manufacturing costs; product yields; headcount and cost-reduction strategies (including the Restructuring).

Future gross margins for the Products may fluctuate due to a variety of other factors, including the introduction by others of competing products or the attempted integration by third parties of capabilities similar to ours into their existing products, and Medtronic's demand for the Products, including due to seasonality.

***Competition***

Our industry is intensely competitive, subject to rapid change and significantly affected by new product introductions and other market activities of industry participants. Our most significant competitors are large, well-capitalized companies. We must continue to successfully compete considering our competitors' existing and future products and related pricing and their resources to successfully market to the physicians who could use the Products. Publication of clinical results by us or Medtronic, our competitors and other third parties can also have a significant influence on whether, and the degree to which, Medtronic is able to gain market share and increase utilization of the Products.

***Global Supply Chain Disruption***

Our costs are subject to fluctuations, particularly due to change in the price of raw and packing materials and the cost of labor, transportation and operating supplies. In addition, it is possible that we may be negatively affected from unexpected delays resulting from global supply-chain disruptions and other adverse global conditions, including supply shortages of key electronic components and other raw materials, vendor disruptions related to COVID-19, extended lead times for raw material procurement, or geopolitical factors that could restrict the manufacturing and delivery of raw materials or other components.

***Variability in Operating Results***

In addition, we may experience meaningful variability in our yearly revenue and gross profit/loss as a result of a number of factors, including, but not limited to: inventory write-offs and write-downs; costs, the availability and cost of components and raw materials; inflation rates and interest rates; and our ability to realize the benefits the Restructuring. We continue to take proactive steps to recover and mitigate inflationary cost pressures by managing our costs through efficiency and labor productivity. These efforts may not be successful for various reasons, including the pace of inflation.

While certain of these factors may present significant opportunities for us, they also pose significant risks and challenges that we must address. See the section titled "Risk Factors" for more information.

**Components of Results of Operations**

***Revenue***

As of September 30, 2023, our revenue consisted of: (i) revenue from the sale of our disposable products; (ii) revenue from the sale, rental, or leasing of systems; and (iii) service/other revenue. In the United States and select markets in Western Europe where we have developed a direct selling presence, we have historically installed our AcQMap console and workstation with our customer accounts and then generated revenue from the sale of our disposable products to these accounts for use with our system. We have also generated revenue from the direct sale of our AcQMap console into hospital accounts as well as revenue through long-term customer commitments on disposable purchases. In addition, we have generated revenue under our Distribution Agreement with Medtronic, as Medtronic's exclusive OEM supplier of the left-heart access products sold to Medtronic under the Asset Purchase Agreement. In other international markets, we have historically leveraged our partnership with Biotronik to install our AcQMap console and workstation with customer accounts and then generated revenue from Biotronik's sale of our disposable products to these accounts for use with our system. As of September 30, 2023, our marketed disposable products included access sheaths, diagnostic and mapping catheters, ablation catheters and accessories.

For the nine months ended September 30, 2023 and 2022, approximately 41% and 48%, respectively, of our sales were sold outside of the United States. Additionally, for the nine months ended September 30, 2023 and 2022, approximately 17% and 23% of our sales were denominated in currencies other than U.S. dollars, primarily in Euros and the British Pound Sterling.

***Costs and Operating Expenses***

*Cost of Products Sold*

Cost of products sold consist primarily of raw materials, direct labor, manufacturing overhead associated with the production and sale of our disposable products and, to a more limited extent, production and depreciation of our AcQMap console and workstation that we install with our customer accounts. We depreciate equipment over a three-year period. Cost of products sold also includes expenditures for warranty, field service, freight, royalties and inventory reserve provisions. We expect cost of products sold to increase in absolute dollars in future periods as our revenue increases.

*Research and Development Expenses*

Research and development expenses consist primarily of salaries and employee-related costs (including stock-based compensation) for personnel directly engaged in research and development activities, clinical trial expenses, equipment costs, materials costs, allocated rent and facilities costs and depreciation.

Research and development expenses related to possible future products are expensed as incurred. We also accrue and expense costs for activities associated with clinical trials performed by third parties as incurred. All other costs relative to setting up clinical trial sites are expensed as incurred. Clinical trial site costs related to patient enrollment are accrued as patients are entered into the trials.

*Selling, General and Administrative Expenses*

SG&A expenses consist primarily of salaries and employee-related costs (including stock-based compensation) for personnel in sales, executive, finance and other administrative functions, allocated rent and facilities costs, legal fees relating to intellectual property and corporate matters, professional fees for accounting and consulting services, marketing costs and insurance costs.

*Goodwill Impairment*

During the year ended December 31, 2022, our management assessed qualitative factors and determined it was more likely than not that the fair value of the goodwill was less than its carrying amount. In performing a quantitative impairment test, we determined that goodwill was fully impaired. Consequently, a one-time expense was recorded to goodwill impairment reflecting the elimination of goodwill from the consolidated balance sheets.

*Restructuring Expenses*

In 2022, we undertook an organizational workforce reduction and have implemented additional cost reduction measures. Our restructuring expenses consist of severance expenses related to employees affected by the organizational workforce reduction.

In addition, we expect our restructuring expenses to significantly increase as a part of the Restructuring, which we anticipate substantially completing by the first quarter of 2024. For further details regarding the Restructuring, including estimated costs associated therewith, see Note 19 to our condensed consolidated financial statements, under the heading *Strategic Realignment of Resources and Corporate Restructuring*.

*Change in Fair Value of Contingent Consideration*

The change in fair value of contingent consideration relates to our June 2019 acquisition of Rhythm Xience. The acquisition included potential earnout considerations based on the achievement of certain regulatory and revenue milestones. The value of such contingencies is estimated and recorded on the condensed consolidated balance sheets and are adjusted to fair value each period with increases and decreases in the estimated fair value of the contingent consideration earn-out recognized in the condensed consolidated statements of operations and comprehensive loss. The earnout period under the Rhythm Xience acquisition agreement concluded on June 19, 2023. Accordingly, no contingent consideration liability was recorded at fair value on the condensed consolidated balance sheet as of September 30, 2023.

*Gain on Sale of Business*

Gain on sale of business consists of the value of consideration received by us in excess of the book value of assets transferred to the buyer and net of direct selling costs. In 2022, we completed the First Closing of the sale of certain assets to Medtronic whereby the value received was in excess of the book value of the assets transferred, resulting in a recognized gain of $79.5 million. Gain on sale of business also consists of consideration contingent upon the satisfaction of certain contractual conditions. Associated with the sale and included in the above recognized gain, in 2022, we achieved both an OEM Earnout entitling us to $20.0 million and a Transfer Earnout entitling us to $17.0 million in contingent consideration.

Additionally, over the next four years, we expect to receive a percentage of Medtronic's quarterly commercial sales of the Products, ranging from 100% in the first year to 50% in the fourth year. In 2023, we have recognized an estimated gain of $5.9 million related to the Net Sales Earnouts. Refer to *Note 3 - Sale of Business* for more information.

***Other Income (Expense)***

*Change in Fair Value of Warrant Liability*

Warrants meeting specific conditions are required to be recorded as liabilities at fair value on the condensed consolidated balance sheets. We issued warrants associated with various recorded transactions, some of which meet these specific conditions. The change in fair value of warrant liability recorded on our consolidated results of operations and comprehensive loss reflect changes in the fair value of these recorded liabilities.

Under the terms of our 2022 Credit Agreement effective June 30, 2022, we issued warrants meeting the conditions for treatment as a liability. The recorded fair value of the liability associated with such warrants is adjusted each reporting period with an

entry to the condensed consolidated statements of operations and comprehensive loss. Refer to *Note 13 - Warrants* for more information.

*Interest Income*

Interest income consists primarily of interest earned on our cash, cash equivalents and marketable securities.

*Interest Expense*

Interest expense for the nine months ended September 30, 2023 primarily relates to interest paid on our 2022 Credit Agreement. Refer to *Note 10 - Debt* for more information.

**Results of Operations for the Three Months Ended September 30, 2023 and 2022**

The results of operations presented below should be reviewed in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this quarterly report on Form 10-Q. The following table sets forth our results of operations for the three months ended September 30, 2023 and 2022:

| (dollars in thousands) | Three Months Ended September 30, | | Change | |
|---|---|---|---|---|
| | 2023 | 2022 | $ | % |
| | (unaudited) | | | |
| **Revenue**[1] | $ 5,238 | $ 3,644 | $ 1,594 | 44 % |
| **Costs of products sold**[2] | 8,595 | 6,951 | 1,644 | 24 % |
| **Gross profit** | (3,357) | (3,307) | (50) | 2 % |
| | | | | |
| **Operating expenses (income):** | | | | |
| Research and development[2] | 4,795 | 5,946 | (1,151) | (19)% |
| Selling, general and administrative[2] | 7,432 | 9,679 | (2,247) | (23)% |
| Restructuring | — | 1,331 | (1,331) | (100)% |
| Change in fair value of contingent consideration | — | 198 | (198) | (100)% |
| Gain on sale of business | (2,648) | — | (2,648) | 100% |
| Total operating expenses | 9,579 | 17,154 | (7,575) | (44)% |
| **Loss from operations** | (12,936) | (20,461) | 7,525 | (37)% |
| | | | | |
| **Other income (expense):** | | | | |
| Change in fair value of warrant liability | 636 | 904 | (268) | (30)% |
| Interest income | 547 | 241 | 306 | 127 % |
| Interest expense | (1,409) | (1,109) | (300) | 27 % |
| Total other income (expense), net | (226) | 36 | (262) | (728)% |
| Loss before income taxes | $ (13,162) | $ (20,425) | $ 7,263 | (36)% |
| Income tax expense | $ 75 | $ — | $ 75 | * |
| **Net loss** | $ (13,237) | $ (20,425) | $ 7,188 | (35)% |
| | | | | |
| **Other comprehensive income (loss)** | | | | |
| Unrealized gain on marketable securities | 4 | 39 | (35) | (90)% |
| Foreign currency translation adjustment | (66) | (351) | 285 | (81)% |
| **Comprehensive loss** | $ (13,299) | $ (20,737) | $ 7,438 | (36)% |

* - Not meaningful

**(1)** The following table sets forth our revenue for disposables, systems, and service/other for the three months ended September 30, 2023 and 2022 (in thousands):

| | Three Months Ended September 30, | |
|---|---|---|
| | 2023 | 2022 |
| | (unaudited) | |
| Disposables | $ 4,069 | $ 2,857 |
| Systems | 563 | 476 |
| Service/Other | 606 | 311 |
| Total revenue | $ 5,238 | $ 3,644 |

The following table provides revenue by geographic location for the three months ended September 30, 2023 and 2022 (in thousands):

| | Three Months Ended September 30, | |
|---|---|---|
| | 2023 | 2022 |
| | (unaudited) | |
| United States | $ 3,347 | $ 1,925 |
| Outside the United States | 1,891 | 1,719 |
| Total revenue | $ 5,238 | $ 3,644 |

**(2)** The following table sets forth the stock-based compensation expense included in our results of operations for the three months ended September 30, 2023 and 2022 (in thousands):

| | Three Months Ended September 30, | |
|---|---|---|
| | 2023 | 2022 |
| | (unaudited) | |
| Cost of products sold | $ 146 | $ 93 |
| Research and development | 317 | 349 |
| Selling, general and administrative | 815 | 1,442 |
| Total stock-based compensation | $ 1,278 | $ 1,884 |

***Revenue***

Revenue was $5.2 million for the three months ended September 30, 2023, compared to $3.6 million for the three months ended September 30, 2022. This increase of $1.6 million, or 44%, was primarily attributable to an increase in the volume of disposable sales and sales from left-heart access products through our partner Medtronic, as well as an increase of $0.4 million in both service/other and capital revenue.

***Costs and Operating Expenses***

*Cost of Products Sold*

Cost of products sold was $8.6 million for the three months ended September 30, 2023, compared to $7.0 million for the three months ended September 30, 2022. This decrease of $1.6 million, or 24%, was primarily attributable to improvements in manufacturing efficiencies. Gross margin was negative 64% for the three months ended September 30, 2023, compared to negative 91% for the three months ended September 30, 2022.

*Research and Development* Expenses

Research and development expenses were $4.8 million for the three months ended September 30, 2023, compared to $5.9 million for the three months ended September 30, 2022. This decrease of $1.2 million, or 19%, was primarily attributable to the decrease in project related spend and compensation and related costs as a result of an organizational realignment and reduction in workforce completed in 2022.

*Selling, General and Administrative Expenses*

SG&A expenses were $7.4 million for the three months ended September 30, 2023, as compared to $9.7 million for the three months ended September 30, 2022. This decrease of $2.2 million, or 23%, was primarily attributable to a decrease in compensation and related costs as a result of the reduction in workforce completed in 2022.

*Restructuring*

Restructuring expenses were $0.0 million for the three months ended September 30, 2023, as compared to $1.3 million for the three months ended September 30, 2022, which consisted of severance expenses for employees affected by the reduction in workforce completed in 2022.

*Change in Fair Value of Contingent Consideration*

For the three months ended September 30, 2022, we recorded an increase of $0.2 million for the change in the fair value of the contingent consideration for the acquisition of Rhythm Xience. The earnout period under the Rhythm Xience acquisition agreement concluded on June 19, 2023. Accordingly, no contingent consideration liability was remeasured at fair value during the three months ended September 30, 2023.

*Gain on Sale of Business*
During the three months ended September 30, 2023, the Company recognized an estimated gain on sale of $2.6 million related to Medtronic's left-heart access net sales earnouts, as compared to $0.0 million during the three months ended September 30, 2022.

*Change in Fair Value of Warrant Liability*

For the three months ended September 30, 2023 the fair value decreased by $0.6 million. The change in fair value of the warrants is primarily due to a decrease of the Company's share price as of September 30, 2023.

*Other Expense, Net*

Other expense, net was $0.2 million for the three months ended September 30, 2023, compared to other income, net of less than $0.1 million for the three months ended September 30, 2022. This decrease of $0.3 million was primarily attributable to a decrease in the change in warrant fair value of $0.3 million, an increase in interest income of $0.3 million, and higher interest expense of $0.3 million.

**Results of Operations for the Nine Months Ended September 30, 2023 and 2022**

The results of operations presented below should be reviewed in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this quarterly report on Form 10-Q. The following table sets forth our results of operations for the nine months ended September 30, 2023 and 2022:

| (dollars in thousands) | Nine Months Ended September 30, | | Change | |
|---|---|---|---|---|
| | 2023 | 2022 | $ | % |
| | (unaudited) | | | |
| **Revenue**[1] | $ 14,696 | $ 11,401 | $ 3,295 | 29 % |
| **Costs of products sold**[2] | 23,447 | 23,589 | (142) | (1)% |
| **Gross profit** | (8,751) | (12,188) | 3,437 | (28)% |
| | | | | |
| **Operating expenses (income):** | | | | |
| Research and development[2] | 17,712 | 21,884 | (4,172) | (19)% |
| Selling, general and administrative[2] | 26,280 | 38,207 | (11,927) | (31)% |
| Goodwill impairment | — | 12,026 | (12,026) | (100)% |
| Restructuring | 475 | 2,280 | (1,805) | (79)% |
| Change in fair value of contingent consideration | 123 | 1,153 | (1,030) | (89)% |
| Gain on sale of business | (5,927) | (43,575) | 37,648 | (86)% |
| Total operating expenses | 38,663 | 31,975 | 6,688 | 21 % |
| **Loss from operations** | (47,414) | (44,163) | (3,251) | 7 % |
| | | | | |
| **Other income (expense):** | | | | |
| Loss on debt extinguishment | — | (7,947) | 7,947 | (100)% |
| Change in fair value of warrant liability | 1,478 | 904 | 574 | 63 % |
| Interest income | 2,223 | 292 | 1,931 | 661 % |
| Interest expense | (4,110) | (3,810) | (300) | 8 % |
| Total other expense, net | (409) | (10,561) | 10,152 | (96)% |
| Loss before income taxes | $ (47,823) | $ (54,724) | $ 6,901 | (13)% |
| Income tax expense | $ 75 | $ — | $ 75 | * |
| **Net loss** | $ (47,898) | $ (54,724) | $ 6,826 | (12)% |
| | | | | |
| **Other comprehensive income (loss)** | | | | |
| Unrealized gain on marketable securities | 7 | — | 7 | 100% |
| Foreign currency translation adjustment | (91) | (904) | 813 | (90)% |
| **Comprehensive loss** | $ (47,982) | $ (55,628) | $ 7,646 | (14)% |

* - Not meaningful

**(1)** The following table sets forth our revenue for disposables, systems, and service/other for the nine months ended September 30, 2023 and 2022 (in thousands):

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2023 | 2022 |
| | (unaudited) | |
| Disposables | $ 11,409 | $ 9,402 |
| Systems | 1,254 | 823 |
| Service/Other | 2,033 | 1,176 |
| Total revenue | $ 14,696 | $ 11,401 |

The following table provides revenue by geographic location for the nine months ended September 30, 2023 and 2022 (in thousands):

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2023 | 2022 |
| | (unaudited) | |
| United States | $ 8,720 | $ 5,985 |
| Outside the United States | 5,976 | 5,416 |
| Total revenue | $ 14,696 | $ 11,401 |

**(2)** The following table sets forth the stock-based compensation expense included in our results of operations for the nine months ended September 30, 2023 and 2022 (in thousands):

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2023 | 2022 |
| | (unaudited) | |
| Cost of products sold | $ 373 | $ 544 |
| Research and development | 999 | 1,417 |
| Selling, general and administrative | 3,543 | 5,536 |
| Total stock-based compensation | $ 4,915 | $ 7,497 |

***Revenue***

Revenue was $14.7 million for the nine months ended September 30, 2023, compared to $11.4 million for the nine months ended September 30, 2022. This increase of $3.3 million, or 29%, was primarily attributable to an increase in the volume of disposable sales, in alignment with increased procedure volumes, and increased sales from left-heart access products through our partner Medtronic, as well as an increase of $0.9 million in service/other revenue and an increase of $0.4 million in capital revenue.

***Costs and Operating Expenses***

*Cost of Products Sold*

Cost of products sold was $23.4 million for the nine months ended September 30, 2023, compared to $23.6 million for the nine months ended September 30, 2022. Gross margin was negative 60% for the nine months ended September 30, 2023, compared to negative 107% for the nine months ended September 30, 2022.

*Research and Development* Expenses

Research and development expenses were $17.7 million for the nine months ended September 30, 2023, compared to $21.9 million for the nine months ended September 30, 2022. This decrease of $4.2 million, or 19%, was primarily attributable to the decrease in project related spend and compensation and related costs as a result of an organizational realignment and reduction in workforce completed in 2022.

*Selling, General and Administrative Expenses*

SG&A expenses were $26.3 million for the nine months ended September 30, 2023, as compared to $38.2 million for the nine months ended September 30, 2022. This decrease of $11.9 million, or 31%, was primarily attributable to a decrease in professional fees and compensation and related costs as a result of the reduction in workforce completed in 2022.

*Goodwill Impairmen*t

Goodwill impairment expense was $12.0 million for the nine months ended September 30, 2022, which consisted of a full impairment of our goodwill balance.

*Restructuring*

Restructuring expenses were $0.5 million for the nine months ended September 30, 2023, compared to $2.3 million for the nine months ended September 30, 2022. This decrease of $1.8 million, or 79%, was primarily attributable to the organizational reduction in workforce that occurred in early 2022.

*Change in Fair Value of Contingent Consideration*

For the nine months ended September 30, 2023 and 2022, we recorded a decrease of $0.1 million and $1.2 million, respectively, for the change in the fair value of the contingent consideration for the acquisition of Rhythm Xience. The earnout period under the Rhythm Xience acquisition agreement concluded on June 19, 2023. Accordingly, the change in fair value recorded in the current period included an adjustment to align the earn-out liability to the final consideration owed.

*Gain on Sale of Business*

A $43.6 million gain on sale was recognized during the nine months ended September 30, 2022 upon the First Closing of the asset sale to Medtronic. During the nine months ended September 30, 2023, the Company recognized an estimated gain on sale of $5.9 million related to Medtronic's left-heart access net sales earnouts.

*Change in Fair Value of Warrant Liability*

For the nine months ended September 30, 2023 the fair value decreased by $1.5 million. The change in fair value of the warrants is primarily due to a decrease in the Company's share price as of September 30, 2023.

*Other Expense, Net*

Other expense, net was $0.4 million for the nine months ended September 30, 2023, compared to $10.6 million for the nine months ended September 30, 2022. This decrease of $10.2 million was primarily attributable to a $7.9 million loss on debt extinguishment recognized during the nine months ended September 30, 2022 as well as an increase in interest income earned from investments of $1.9 million during the nine months ended September 30, 2023.

**Liquidity, Capital Resources, and Going Concern**

We have limited revenue and have incurred significant operating losses and negative cash flows from operations since our inception, and we anticipate that we will incur significant losses for at least the next several years. As of September 30, 2023, and December 31, 2022, we had cash, cash equivalents, restricted cash and marketable securities of $45.5 million and $76.2 million, respectively. For the nine months ended September 30, 2023 and 2022, net losses were $47.9 million and $54.7 million, respectively, and net cash used in operating activities was $45.1 million and $72.1 million, respectively. As of September 30, 2023, and December 31, 2022, we had an accumulated deficit of $566.2 million and $518.3 million, respectively, and working capital of $57.9 million and $98.0 million, respectively.

The Restructuring is intended to reduce our operating expenses and optimize our cash resources by focusing exclusively on the manufacturing and distribution of the left-heart access Products to Medtronic to continue to generate revenue from such sales and potentially earn the associated earnout payments. Following our Restructuring, we expect our primary uses of capital to be investments in manufacturing and distributing the left-heart access Products to Medtronic and related expenses, raw materials and supplies, legal and other regulatory expenses, general administrative costs and working capital.

On June 30, 2022, Medtronic paid us $50.0 million at the First Closing of the sale of our left-heart access portfolio to Medtronic, of which $4.0 million was paid into an indemnity escrow account for a period of 18 months following the First Closing to secure our indemnification obligations under the Asset Purchase Agreement. We achieved a $20.0 million OEM Earnout as set forth in the Asset Purchase Agreement on October 31, 2022, which was paid to us in the fourth quarter of 2022. Additionally, we achieved a $17.0 million Transfer Earnout as set forth under the Asset Purchase Agreement on December 21, 2022. Accordingly, $17.0 million was recorded as a receivable for the year ended December 31, 2022 and payment was received in January 2023. As part of the Restructuring, we will focus exclusively on the manufacturing and distribution of the left-heart access Products to Medtronic to continue to generate revenue from such sales and potentially earn the associated earnout payments.

Management believes our current cash, cash equivalents and marketable securities are sufficient to fund operations for at least the next 12 months. To ensure that we have sufficient resources to fund operations, management continues to review cost improvement opportunities and pathways to reduce expenses and cash burn, while preserving the resources to invest in future growth.

Our future liquidity and capital funding requirements will depend on numerous factors, including:

- Medtronic’s success in selling Products and our ability to achieve earnouts pursuant to the Asset Purchase Agreement with Medtronic;
- the emergence and effect of competing or complementary products;

- our ability to retain our employees, especially our manufacturing employees; and
- debt service requirements

Historically, our primary uses of capital were investment in our commercial organization and related expenses, clinical research and development services, laboratory and related supplies, legal and other regulatory expenses, general administrative costs and working capital. In the past, we have acquired and invested in additional businesses, products or technologies that we believed could complement or expand our portfolio, enhance our technical capabilities or otherwise offer growth opportunities. For example, in June 2019, we acquired Rhythm Xience, a medical device company specializing in the design and manufacture of transseptal crossing and steerable introducer systems, for $3.0 million in cash. The cash payment did not include a potential $17.0 million in earnout consideration to be paid based on the achievement of certain regulatory and revenue milestones. In February 2020, we issued to the former owners of Rhythm Xience 119,993 shares of our Series D convertible preferred stock and paid them $2.5 million in the first quarter of 2020, and an additional $3.4 million and $1.3 million in 2021 and 2022, respectively, in connection with the regulatory and revenue milestones earned. The earnout period under the Rhythm Xience acquisition agreement concluded on June 19, 2023 and the final earnout payment under the agreement, totaling $1.9 million, was made to Rhythm Xience in July 2023. In addition, pursuant to a license agreement with Biotronik, we paid Biotronik a $3.0 million upfront fee at the time the agreement was signed, as well as a technology transfer fee consisting of $7.0 million in cash in December 2019 and $5.0 million in shares of our Series D convertible preferred stock in February 2020. We are required to pay Biotronik and VascoMed GmbH (the "Biotronik Parties") up to $10.0 million, of which $2.0 million has been paid as of September 30, 2023, upon the achievement of various regulatory and sales-related milestones, as well as unit-based royalties on any sales of Force Sensing Catheters. We also incur costs as a public company that we have not previously incurred or have previously incurred at lower rates.

Under ASC Subtopic 205-40, *Presentation of Financial Statements—Going Concern*, we have the responsibility to evaluate whether conditions and/or events could raise substantial doubt about our ability to meet our future financial obligations as they become due within one year after the date that the financial statements are issued. Going concern matters are more fully discussed in Note 1, "*Organization and Description of Business – Liquidity, Capital Resources and Going Concern*" of our condensed consolidated financial statements.

***Debt Obligations***

On June 30, 2022, we entered into the 2022 Credit Agreement with related parties Deerfield Private Design Fund III, L.P. and Deerfield Partners, L.P. The 2022 Credit Agreement provided us with a term loan facility in an aggregate principal amount of $35.0 million. The 2022 Credit Agreement bears interest at the one-month adjusted term Secured Overnight Financing Rate, with a floor of 2.50% per annum, plus 9.00% per annum. The principal amount of the term loan will be paid in installments with the final principal payment due on June 30, 2027. The 2022 Credit Agreement can be prepaid but is subject to prepayment penalties. The 2022 Credit Agreement provides for final payment fees of an additional $1.8 million that are due upon prepayment, on the maturity date or upon acceleration. Proceeds from the 2022 Credit Agreement, along with cash on hand, were used to repay the 2019 Credit Agreement and to pay related fees and expenses and for working capital purposes.

The 2022 Credit Agreement contains certain customary negative covenants, including, but not limited to, restrictions on our ability and that of our subsidiaries to merge and consolidate with other companies, incur indebtedness, grant liens or security interests on assets, pay dividends or make other restricted payments, sell or otherwise transfer assets or enter into transactions with affiliates. The 2022 Credit Agreement provides that, upon the occurrence of certain events of default, our obligations thereunder may be accelerated. Such events of default include payment defaults to the Lenders, material inaccuracies of representations and warranties, covenant defaults, cross-defaults to certain other indebtedness, voluntary and involuntary bankruptcy proceedings, certain money judgments, change of control events and other customary events of default. Our obligations under the 2022 Credit Agreement are secured by substantially all of our assets, including our intellectual property.

On August 4, 2023, we entered into Amendment No. 1 to the 2022 Credit Agreement with Deerfield. Pursuant to Amendment No. 1, the 2022 Credit Agreement was amended to decrease the amount of cash we are required to maintain pursuant to the minimum liquidity covenant in the 2022 Credit Agreement to $5,000,000 for a period of 18 months, at which point the amount required under the minimum liquidity covenant shall increase to $20,000,000 (or, if certain conditions are met, $10,000,000), in exchange for a fee paid by us.

On November 8, 2023, we entered into Amendment No. 2 to the 2022 Credit Agreement with Deerfield. Pursuant to Amendment No. 2, the 2022 Credit Agreement was amended to, among other things: (i) adjust and increase the amortization schedule such that payments commence on June 30, 2024 and are made 12, 24 and 36 months (i.e., the scheduled maturity date) following June 30, 2024; (ii) limit the business activities the Company may engage in; and (iii) require the Company to maintain a minimum liquidity of $10,000,000 at all times, in exchange for fees paid by the Company.

In connection with entering into the 2022 Credit Agreement, we entered into the 2022 Warrant Purchase Agreement with Deerfield, pursuant to which we issued to Deerfield warrants to purchase up to an aggregate 3,779,018 shares of our common stock, par value $0.001 per share common stock, at an exercise price of $1.1114 per warrant share for a period of eight years following the issuance thereof.

***Cash Flows***

The following table shows a summary of our cash flows for the nine months ended September 30, 2023 and 2022 (in thousands):

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2023 | 2022 |
| | (unaudited) | |
| Net cash used in operating activities | $ (45,105) | $ (72,053) |
| Net cash provided by investing activities | 47,335 | 92,533 |
| Net cash used in financing activities | (2,169) | (12,101) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | (294) | (447) |
| Net change in cash, cash equivalents and restricted cash | $ (233) | $ 7,932 |

*Operating Activities*

During the nine months ended September 30, 2023, operating activities used $45.1 million of cash, a decrease of $26.9 million from the nine months ended September 30, 2022. This decrease was attributable to lower net losses of $6.8 million and favorable changes in operating assets and liabilities of $7.0 million and non-cash items and reclasses of $13.1 million. The favorable change in operating assets and liabilities was primarily due to the $4.7 million Employee Retention Credit receivable refunded during the nine months ended September 30, 2023 and a $2.1 million decrease in the change in prepaid insurance fees compared to the prior period as a result of lower premiums. The changes in non-cash items and reclasses compared to the prior period were primarily due to the change in gain on sale of business of $37.6 million, offset by reduced stock-based compensation expense of $2.6 million, increased accretion of discounts on marketable securities of $1.6 million, and the goodwill impairment charge of $12.0 million and loss on debt extinguishment of $7.9 million recognized during the nine months ended September 30, 2022.

*Investing Activities*

During the nine months ended September 30, 2023, investing activities provided $47.3 million of cash, a decrease of $45.2 million from the nine months ended September 30, 2022. This decrease was attributable to a decrease in net proceeds from the Medtronic left-heart access portfolio sale of $33.0 million compared to the prior period, an increase in purchases of marketable securities of $5.3 million compared to the prior period and a decrease in the sales of marketable securities of $18.6 million compared to the prior period. This decrease was offset by an increase in the maturities of marketable securities of $10.6 million compared to the prior period and a decrease in purchases of property and equipment of $1.1 million compared to the prior period.

*Financing Activities*

During the nine months ended September 30, 2023, financing activities used $2.2 million of cash, a decrease of $9.9 million from the nine months ended September 30, 2022. This decrease is primarily attributable to the $11.4 million net cash outflow made during the nine months ended September 30, 2022 to amend and restate the Company's 2019 debt facility, offset by a $1.1 million increase in contingent consideration payments made during the nine months ended September 30, 2023.

**Contractual Obligations and Commitments**

The agreement to acquire Rhythm Xience required us to pay the former owners of Rhythm Xience up to $17.0 million in earnout consideration based on the achievement of certain regulatory and revenue milestones. In February 2020, we issued to the former owners of Rhythm Xience 119,993 shares of our Series D convertible preferred stock valued at $2.2 million and paid them $2.5 million in the first quarter of 2020, an additional $3.4 million and $1.3 million in 2021 and 2022, respectively, in connection with the regulatory and revenue milestones earned. The earnout period under the Rhythm Xience acquisition agreement concluded on June 19, 2023 and the final earnout payment under the agreement, totaling $1.9 million, was made to Rhythm Xience in July 2023. In addition, pursuant to a license agreement with Biotronik, we issued to Biotronik $5.0 million in shares of our Series D convertible preferred stock in February 2020, and we are required to pay the Biotronik Parties up to

$10.0 million, of which $2.0 million has been paid as of September 30, 2023, upon the achievement of various regulatory and sales-related milestones, as well as unit-based royalties on any sales of Force Sensing Catheters.

**Off-Balance Sheet Arrangements**

As of September 30, 2023 and December 31, 2022, we did not have, and we do not currently have, any off-balance sheet arrangements, as defined in the SEC rules and regulations.

**Critical Accounting Policies and Estimates**

Management's discussion and analysis of our financial condition and results of operations is based on our condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions for the reported amounts of assets, liabilities, revenue and expenses. Our estimates are based on our historical experience and on various other factors that we believe are 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. Actual results may differ from these estimates under different assumptions or conditions and any such differences may be material.

During the nine months ended September 30, 2023, there have been no material changes to our critical accounting policies and estimates from those disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our annual report on Form 10-K for the year ended December 31, 2022, as filed with the SEC on March 24, 2023.

Our significant accounting policies are described in *Note 2 - Summary of Significant Accounting Policies* to our condensed consolidated financial statements.

**Recent Accounting Pronouncements**

See Note 2 - S*ummary of Significant Accounting Policies* to our condensed consolidated financial statements for a description of recent accounting pronouncements applicable to our condensed consolidated financial statements.

***Listing Transfer to Nasdaq Capital Market***

On May 1, 2023, the Company received a letter from the Staff of Nasdaq indicating that, based upon the closing bid price of the Company's common stock, for the prior 30 consecutive business days, the Company was not in compliance with the Bid Price Requirement. Pursuant to Nasdaq Listing Rule 5810(c)(3)(A), the Company was granted 180 calendar days, or until October 30, 2023, to regain compliance with the Bid Price Requirement.

On October 19, 2023, the Company applied to transfer its securities from The Nasdaq Global Market to The Nasdaq Capital Market. Along with its application, the Company also provided written notice to the Staff of its intention to cure the deficiency. On October 27, 2023, the Company received a letter from the Staff notifying the Company that it was eligible for an additional 180-calendar day period, or until April 29, 2024, to regain compliance with the Bid Price Requirement and approving the Company's application to list its securities on The Nasdaq Capital Market. The Company's securities were transferred to The Nasdaq Capital Market at the opening of business on October 31, 2023. The Company's common stock continues to trade under the symbol "AFIB". The Nasdaq Capital Market is a continuous trading market that operates in substantially the same manner as The Nasdaq Global Market and listed companies must meet certain financial requirements and comply with Nasdaq's corporate governance requirements.

The Company will continue to monitor the closing bid price of its Common Stock and consider implementing available options to regain compliance with the Bid Price Requirement within the allotted compliance period, including by effecting a reverse stock split, if necessary. If at any time during the allotted compliance period, the closing bid price of the Company's common stock is at least $1.00 per share for at least a minimum of 10 consecutive business days, Nasdaq will provide the Company with written confirmation of compliance and the matter will be closed. If the Company does not regain compliance within the allotted compliance period, Nasdaq will provide notice that the Company's common stock will be subject to delisting. The Company would then be entitled to appeal that determination to a Nasdaq hearings panel. There can be no assurance that the Company will regain compliance with the Bid Price Requirement within the allotted compliance period, or that if the Company appeals a Nasdaq determination, that such an appeal would be successful.

## Item 3. Quantitative and Qualitative Disclosures about Market Risk

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, we are not required to provide the information required by this item.

## Item 4. Controls and Procedures

*Disclosure Controls and Procedures*

We maintain “disclosure controls and procedures,” as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

With respect to the quarter ended September 30, 2023, under the supervision and with the participation of our management, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer has concluded that our disclosure controls and procedures are effective. Management does not expect that our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in a cost-effective control system, no evaluation of internal control over financial reporting can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been or will be detected.

*Changes in Internal Control over Financial Reporting:*

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2023 which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## Part II. OTHER INFORMATION

### Item 1. Legal Proceedings.

From time to time, we are involved in legal proceedings, including litigation arising from the normal course of our business activities. We have also received, and may from time to time receive, letters from third parties alleging patent infringement, violation of employment practices or trademark infringement, and we may in the future participate in litigation to defend ourselves. The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors. Other than the matters listed below, we are not currently party to any pending legal proceedings that we believe would, individually or in the aggregate, have a material adverse effect on our financial condition, cash flows or results of operations.

We and certain of our current and former officers have been named as defendants in two putative securities class action lawsuits filed by stockholders in the United States District Court for the Southern District of California on February 15, 2022 and March 23, 2022. Plaintiffs allege violations of Section 10(b) of the Exchange Act and Rule 10b-5, and Section 20(a) of the Exchange Act. The complaints allege that the defendants made false and misleading statements about our business, prospects and operations. The putative claims are based upon statements made in filings made by us with the SEC, press releases and on earnings calls between May 13, 2021 and November 11, 2021. The lawsuits seek, among other relief, a determination that the alleged claims may be asserted on a class-wide basis, unspecified compensatory damages, attorney's fees, other expenses and costs. On July 19, 2022, the court consolidated the two actions, appointed a lead plaintiff and appointed lead counsel for the proposed class. On September 16, 2022, the lead plaintiff filed a consolidated amended complaint. We thereafter filed a motion to dismiss. On September 27, 2023, the court granted the defendant's motion to dismiss in its entirety, but gave plaintiffs leave to file an amended complaint. On October 27, 2023, the plaintiffs filed a second amended complaint asserting similar claims. We are defending the action.

Due to the complex nature of the legal and factual issues involved in these class action matters, the outcome is not presently determinable. If these matters were to proceed beyond the pleading stage, we could be required to incur substantial costs and expenses to defend these matters and/or be required to pay substantial damages or settlement costs, which could materially adversely affect our business, financial condition and results of operations.

### Item 1A. Risk Factors

As of the date of this Quarterly Report on Form 10-Q, there have been no material changes from the risk factors disclosed in our annual report on Form 10-K for the year ended December 31, 2022, as filed with the SEC on March 24, 2023, other than as provided below. Any of these factors could result in a significant or material adverse effect on our result of operations or financial conditions. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations. We may disclose changes to such factors or disclose additional factors from time to time in our future filings with the SEC.

**Risks Related to the Restructuring**

***The Restructuring has changed, and is expected to continue to significantly change, our business, and may result in disruption to our continuing business.***

On November 8, 2023, we announced a strategic realignment of resources and corporate restructuring to reallocate capital from our mapping and ablation businesses to our left-heart access distribution relationship with Medtronic (i.e., the Restructuring), to maximize the potential for future earnouts and cash flow. The Restructuring involves streamlining our operations, including the winding down of our mapping and ablation businesses, as well as a significant reduction in our workforce. Our restructuring activities may divert management's attention from our remaining business operations, which may result in adverse effects on our existing relationships with our partners and suppliers. If management is unable to successfully manage this transition and associated restructuring activities, or if we are required to take additional actions to support our business objectives, our expenses may be more than expected and may vary significantly from period to period and we may be unable to implement our new business strategy. There can be no assurance that we will avoid disruption in the business and be able to continue to manufacture at the levels required to earn full potential of the sales earnouts from Medtronic. As a result, our future financial performance, operations, and prospects may be negatively affected.

***We are dependent on our strategic relationship with Medtronic for all our revenue, with no sales or marketing capabilities of our own, and the loss of this partner could completely eliminate our revenue. We currently depend on revenue generated from a single business line (manufacturing Medtronic's left-heart access portfolio) and for the foreseeable future will be significantly dependent on a limited number of products.***

Following the Restructuring, we will become completely dependent on our sales to Medtronic, as our business model shifts to solely supporting the manufacturing and distribution of the Products to Medtronic pursuant to the Distribution Agreement. As our sole line of business will be manufacturing and distributing the Products to Medtronic, our sole revenue stream will come from the sale of Products to Medtronic at transfer prices specified in the Distribution Agreement and potentially earning the associated earnout payments we may become eligible to receive from Medtronic under the Asset Purchase Agreement, with earnout payments potentially beginning in April 2024 and continuing annually each year thereafter until 2027. As we will have no marketing or sales capabilities of our own, our success depends on Medtronic performing its obligations under the Distribution Agreement and continuing to market and successfully sell the Products to end-users. There can be no assurance that Medtronic will be able to, or will, perform its obligations under the Distribution Agreement, or continue to market and successfully sell the Products. A decision by Medtronic, whether motivated by marketing strategy, competitive conditions, financial difficulties or otherwise, to significantly decrease the number of Products purchased from us or to change their manner of doing business with us, could substantially reduce our revenue. The loss of Medtronic as a strategic partner, including Medtronic deciding to no longer market and sell the Products, would have a significantly negative effect on our overall operations and could completely eliminate our revenue.

In addition, following our Restructuring, and for the foreseeable future thereafter, we will depend on revenue generated from sales of a single line of products, the left-heart access Products, to a single party, Medtronic. To the extent that our production of the left-heart access Products or sales thereof by Medtronic are delayed or reduced, or the Products are not well-received by the market for any reason (including Medtronic's failure to successfully market the Products), our revenue and cash flow would be adversely affected.

***Our business is not diversified. If our sole business line is disrupted, our business and results of operations could be adversely affected.***

Larger companies have the ability to manage their risk through diversification. Following the implementation of the Restructuring, including the winding down of our mapping and ablation businesses, our business lacks such diversification. The Restructuring reduces our ability to manage risk through diversification as we are solely reliant on our relationship with Medtronic to generate all our revenue. As a result, we could potentially be more impacted by factors affecting the medical technology industry in general and us in particular, than would be the case if our business was more diversified. If there is any disruption with our production, the Products, or Medtronic’s ability to sell the Products, our business, results of operations and financial condition could be adversely impacted.

***There are risks associated with the Restructuring, including our ability to complete the wind down and to manage the associated Restructuring and transition costs to realize the anticipated benefits, the impact of the Restructuring on our relationships with our employees, our major customers, distributors and vendors and unanticipated expenses and charges that may be incurred as a result of the Restructuring, such as litigation risks, including litigation regarding employment and workers’ compensation.***

As part of the Restructuring, we will wind down our mapping and ablation businesses and will no longer manufacture or distribute the AcQMap Mapping System, the AcQMap 3D Mapping Catheter, the AcQBlate Force-Sensing Ablation Catheter, the AcGuide Max 2.0 steerable sheath, and associated accessories. We plan to support AcQMap procedures with a small group of therapy managers through November 30, 2023. In addition, the implementation of our corporate restructuring will result in reducing the Company’s workforce by approximately 65%. We estimate that we will incur approximately $21 million to $32 million of pre-tax restructuring and exit-related charges, for associated employee severance and benefits, retention bonuses, other restructuring costs and the disposition of certain assets. We expect to incur additional costs until the Restructuring is complete, which may include additional severance, inventory liquidation, non-cash asset impairments and contract termination costs.

The amount of actual restructuring, transition and impairment charges may materially exceed our estimates, when determined, due to various factors outside of our control, including the actual outcomes of discussions and negotiations (a number of which are currently ongoing) with the counterparties to the contracts we intend to terminate or modify. We could incur significant liability if we do not successfully negotiate wind down provisions or new terms. In addition, because of uncertainties with respect to our Restructuring plans (including those described above), we may not be able to complete the Restructuring in the timeframe or on the terms or in the manner we expect. We may not realize, in full or in part, the anticipated benefits, savings and improvements in our cost structure from our realignment efforts due to unforeseen difficulties, delays or unexpected costs. If we are unable to realize the expected operational efficiencies and cost savings from the Restructuring, our business, results of operations and financial condition would be adversely affected.

In addition, the Restructuring involves numerous risks, including but not limited to:

- the inability of our remaining business to retain qualified personnel necessary to effectuate the Restructuring and run the remaining business;
- potential disruption of the operations of our remaining business and diversion of management's attention from such business and operations;
- exposure to unknown, contingent or other liabilities, including litigation arising in connection with the Restructuring;
- negative impact on our business relationships, including but not limited to relationships with our old customers, suppliers, vendors, and employees; and
- unintended negative consequences from changes to our business profile.

If any of these or other factors impair our ability to successfully implement the Restructuring, we may not be able to realize other opportunities as we may be required to spend additional time and incur additional expense relating to the Restructuring that otherwise would be used on other opportunities, which could adversely impact our business, results of operations and financial condition and cash flows.

***Our ability to continue to have the liquidity necessary to service our debt, meet contractual payment obligations and fund our operations depends on many factors, including our ability to generate sufficient cash flow from operations or obtain other financing.***

Our ability to continue to have the liquidity necessary to service our debt and meet financial covenants under our 2022 Credit Agreement depends on us generating sufficient cash, either through cash flows from operations or other financings. While we believe that cash on hand, distribution revenue from left-heart access Products to Medtronic and future earnouts will generate sufficient cash flows to service our debt and meet our obligations for the next twelve months, the foregoing expectation is dependent on a number of factors, including our ability to generate sufficient cash flow from operations, our ongoing ability to manage our operating obligations and the potential borrowing restrictions imposed by our Lenders based on their credit judgment.

In the event that we are unable to timely service our debt or fund our other liquidity needs, we may need to refinance all or a portion of our indebtedness before maturity, seek waivers of or amendments to our contractual obligations for payment, reduce or delay capital expenditures, liquidate inventory through additional discounting, sell material assets or operations or seek other financing opportunities. There can be no assurance that these options would be available to us and our inability to address our liquidity needs could materially and adversely affect our operations and jeopardize our business, results of operations and financial condition, including a default under the 2022 Credit Agreement which could result in all amounts outstanding under such facility becoming immediately due and payable.

***If our Restructuring is not successful, our Board of Directors may decide to pursue a liquidation and dissolution of our business. In such an event, the amount of cash available for distribution to our stockholders, if any, will depend heavily on the timing of such liquidation as well as the amount of cash that will need to be reserved for commitments and contingent liabilities, including under our 2022 Credit Agreement.***

There can be no assurance that the Restructuring will be successful or that we will realize the anticipated benefits, including achievement of positive cash flow. If the Restructuring is not successful, our Board of Directors may decide to pursue an assignment for the benefit of creditors, a reorganization or a dissolution of the Company and liquidation of all our remaining assets. In such an event, the amount of cash available for distribution to our stockholders, if any, will depend heavily on the timing of such decision, as with the passage of time the amount of cash available for distribution may be reduced as we continue to fund our operations. The process of liquidation may be lengthy, and we cannot make any assurances regarding the timing of completing such a process. If our Board of Directors were to approve and recommend, and our stockholders were to approve, a dissolution and liquidation, we would be required under Delaware corporate law to pay our outstanding obligations, including any under our 2022 Credit Agreement, as well as to make reasonable provision for contingent and unknown obligations, prior to making any distributions in liquidation to our stockholders. There can be no assurance as to the amount of available cash that will be available to distribute to stockholders after paying our debts and other obligations and setting aside funds for reserves, nor as to the timing of any such distribution. In addition to our obligations to our Lenders and other creditors, our financial commitments and contingent liabilities may include: (i) personnel costs, including severance; (ii) contractual obligations to third parties; (iii) non-cancelable lease obligations; and (iv) potential litigation against us.

As a result of the requirement to reserve for contingencies, a portion of our assets may need to be reserved pending the resolution of such obligations and the timing of any such resolution is uncertain. In addition, we may be subject to litigation or other claims related to a dissolution and liquidation. If a dissolution and liquidation were pursued, our Board of Directors, in

consultation with our advisors, would need to evaluate these matters and make a determination about a reasonable amount to reserve. Accordingly, holders of our common stock could lose all or a significant portion of their remaining investment in the event of a liquidation, dissolution or winding up.

**Risks Related to Our Common Stock**

***Our failure to maintain compliance with Nasdaq's continued listing requirements could result in the delisting of our common stock.***

Our common stock is currently listed on The Nasdaq Capital Market. In order to maintain this listing, we must satisfy minimum financial and other requirements. On May 1, 2023, we received a letter from the Staff of Nasdaq indicating that, based upon the closing bid price of our common stock, for the prior 30 consecutive business days, we were not in compliance with the Bid Price Requirement. Pursuant to Nasdaq Listing Rule 5810(c)(3)(A), we were granted 180 calendar days, or until October 30, 2023, to regain compliance with the Bid Price Requirement. On October 19, 2023, we applied to transfer our securities from The Nasdaq Global Market to The Nasdaq Capital Market. On October 27, 2023, we received a letter from the Staff notifying us that we were eligible for an additional 180-calendar day period, or until April 29, 2024, to regain compliance with the Bid Price Requirement and approving our application to list our securities on The Nasdaq Capital Market. Our securities were transferred to The Nasdaq Capital Market at the opening of business on October 31, 2023. Our continued compliance with the Bid Price Requirement is dependent on our share price and there can be no assurance that we will continue to satisfy Nasdaq's minimum financial and other requirements in future periods.

The perception among investors that we are at heightened risk of a deficiency under the Bid Price Requirement and of subsequent delisting could negatively affect the market price of our securities and trading volume of our common stock. Additionally, any delisting determination, if made following the notification of a deficiency and expiration of any applicable cure period, could seriously decrease or eliminate the value of an investment in our common stock. While an alternative listing on an over-the-counter exchange could maintain some degree of a market in our common stock, we could face substantial material adverse consequences including, but not limited to: limited availability for market quotations for our common stock; reduced liquidity with respect to our common stock; a determination that our common stock is a "penny stock" under SEC rules, subjecting brokers trading our common stock to more stringent rules on disclosure and the class of investors to which the broker may sell the common stock; and limited news and analyst coverage.

***If our common stock is delisted from Nasdaq and is traded over-the-counter, your ability to trade and the market price of our shares of common stock may be restricted and negatively impacted and our obligations under our 2022 Warrants and 2022 Credit Agreement may be accelerated.***

If our common stock is delisted from Nasdaq and is traded on the over-the-counter market, the application of the “penny stock” rules could adversely affect the market price of our common stock and increase the transaction costs to sell those shares. The SEC has adopted regulations which generally define a “penny stock” as any equity security not listed on a national securities exchange or quoted on Nasdaq that has a market price of less than $5.00 per share, subject to certain exceptions. If our common stock is delisted from Nasdaq and is traded on the over-the-counter market at a price of less than $5.00 per share, our common stock would be considered a penny stock. Unless otherwise exempted, the SEC’s penny stock rules require a broker-dealer, before a transaction in a penny stock, to deliver a standardized risk disclosure document that provides information about penny stock and the risks in the penny stock market, the current bid and offer quotations for the penny stock, the compensation of the broker-dealer and the salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer’s account. Further, prior to a transaction in a penny stock, the penny stock rules require the broker-dealer to provide a written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser’s agreement to the transaction. If applicable in the future, the penny stock rules may restrict the ability of brokers-dealers to sell our common stock and may affect the ability of investors to sell their shares, until our common stock is no longer a penny stock.

In addition to the foregoing, the delisting of our common stock from the Nasdaq Capital Market (without immediate relisting or requoting on either the New York Stock Exchange, the NYSE American or the NASDAQ Global Market), constitutes a Major Transaction (as defined in the 2022 Warrants) under the 2022 Warrants, and holders of the 2022 Warrants may elect to have their 2022 Warrants redeemed by us for an amount equal to the Black-Scholes value of such warrant, in cash. Furthermore, the occurrence of a Major Transaction constitutes an Event of Default (as defined in the 2022 Credit Agreement) under the 2022 Credit Agreement. If such Event of Default occurs, and is continuing, Wilmington Trust, National Association may declare all or any portion of the outstanding principal amount of the borrowings plus accrued and unpaid interest to be due and payable. We may also be subject to final payment fees of an additional $1.9 million that are due upon prepayment, on the maturity date or upon acceleration, as well as prepayment penalties, as set forth in the 2022 Credit Agreement.

We may not have sufficient funds, and may be unable to arrange for additional financing, to pay the amounts due under our debt arrangements. In each of the foregoing cases, the acceleration of our obligations under the 2022 Warrants and the 2022 Credit Agreement would materially and adversely affect our business, financial condition and results of operations.

**Item 2. Recent Sales of Unregistered Securities.**

None.

## Item 6. Exhibits

| Exhibit No. | Exhibit Description | Incorporated by Reference | | | | Filed Herewith |
|---|---|---|---|---|---|---|
| | | Form | File No. | Exhibit | Filing Date | |
| 3.1 | Amended and Restated Certificate of Incorporation | 8-K | 001-39430 | 3.1 | August 10, 2020 | |
| 3.2 | Amended and Restated Bylaws | 8-K | 001-39430 | 3.2 | August 10, 2020 | |
| 3.3 | Certificate of Designation of Preferences, Rights and Limitations of the Series A Common Equivalent Preferred Stock, par value $0.001 per share, of the Company. | 8-K | 001-39430 | 3.1 | August 23, 2021 | |
| 10.1 | Amendment No. 2 to 2022 Credit Agreement dated November 8, 2023, among the Company and the Lenders party thereto | 8-K | 001-39430 | 10.1 | November 13, 2023 | |
| 31.1 | Certification of the Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 31.2 | Certification of the Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 32.1** | Certification of the Principal Executive Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 32.2** | Certification of the Principal Financial Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 101 | The following financial information from the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2023, formatted in Inline Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations and Comprehensive Loss, (iii) the Condensed Consolidated Statements of Stockholders' Equity, (iv) the Condensed Consolidated Statements of Cash Flows, and (v) Notes to the Condensed Consolidated Financial Statements (filed herewith). | | | | | |
| 104 | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101) | | | | | |

** The certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Exchange Act, except to the extent that the registrant specifically incorporates them by reference.

**SIGNATURES**

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

**Acutus Medical, Inc.**
**(Registrant)**

Date: November 14, 2023

By: /s/ David H. Roman

David H. Roman
President, Chief Executive Officer and Director
(Principal Executive Officer)

Date: November 14, 2023

By: /s/ Takeo Mukai

Takeo Mukai
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

**Exhibit 31.1**

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**
**PURSUANT TO RULES 13A-14(A) AND 15D-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934,**
**AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David H. Roman, certify that:

1. I have reviewed this report on Form 10-Q of Acutus Medical, 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 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.

/s/ David H. Roman

David H. Roman
President, Chief Executive Officer and Director
(Principal Executive Officer)

November 14, 2023

**Exhibit 31.2**

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**
**PURSUANT TO RULES 13A-14(A) AND 15D-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934,**
**AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Takeo Mukai, certify that:

1. I have reviewed this report on Form 10-Q of Acutus Medical, 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 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.

/s/ Takeo Mukai

Takeo Mukai
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

November 14, 2023

**Exhibit 32.1**

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**

**PURSUANT TO 18 U.S.C. SECTION 1350,**

**AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The certification set forth below is being submitted in connection with Form 10-Q (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, David H. Roman, Chief Executive Officer of Acutus Medical, Inc. (the "Company"), in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that, to the best of my knowledge, the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2023 filed with the Securities and Exchange Commission:

- 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 results of operations of the Company.

/s/ David H. Roman

David H. Roman
President, Chief Executive Officer and Director
(Principal Executive Officer)

November 14, 2023

**Exhibit 32.2**

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**

**PURSUANT TO 18 U.S.C. SECTION 1350,**

**AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The certification set forth below is being submitted in connection with Form 10-Q (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Takeo Mukai, Chief Financial Officer of Acutus Medical, Inc. (the "Company"), in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that, to the best of my knowledge, the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2023 filed with the Securities and Exchange Commission:

- 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 results of operations of the Company.

/s/ Takeo Mukai

Takeo Mukai
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

November 14, 2023