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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 June 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**

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 August 2, 2023
Common Stock, $0.001 par value	29,259,086

Acutus Medical, Inc.
Form 10-Q
For the Quarter Ended June 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)	June 30, 2023 (unaudited)	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 23,055	$ 25,584
Marketable securities, short-term	31,461	44,863
Restricted cash, short-term	7,002	5,764
Accounts receivable	7,670	21,085
Inventory	15,671	13,327
Employer retention credit receivable	—	4,703
Prepaid expenses and other current assets	2,444	2,541
Total current assets	87,303	117,867
Property and equipment, net	7,245	9,221
Right-of-use assets, net	3,533	3,872
Intangible assets, net	1,483	1,583
Other assets	731	897
Total assets	**$ 100,295**	**$ 133,440**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 5,492	$ 4,721
Accrued liabilities	9,759	9,686
Contingent consideration, short-term	—	1,800
Operating lease liabilities, short-term	466	319
Warrant liability	2,504	3,346
Total current liabilities	18,221	19,872
Operating lease liabilities, long-term	3,679	4,103
Long-term debt	34,634	34,434
Other long-term liabilities	20	12
Total liabilities	56,554	58,421
Commitments and contingencies (Note 12)		
Stockholders' equity		
Preferred stock, $0.001 par value; 5,000,000 shares authorized as of June 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 June 30, 2023 and December 31, 2022	—	—
Common stock, $0.001 par value; 260,000,000 shares authorized as of June 30, 2023 and December 31, 2022; 29,206,570 and 28,554,656 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively	29	29
Additional paid-in capital	597,578	594,173
Accumulated deficit	(552,975)	(518,314)
Accumulated other comprehensive loss	(891)	(869)
Total stockholders' equity	43,741	75,019
Total liabilities and stockholders' equity	**$ 100,295**	**$ 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 Income (Loss)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
(in thousands, except share and per share amounts)		**(unaudited)**		
Revenue	$ 5,289	$ 4,076	$ 9,458	$ 7,757
Cost of products sold	8,063	9,697	$ 14,852	$ 16,638
Gross profit	(2,774)	(5,621)	$ (5,394)	$ (8,881)
Operating expenses (income):				
Research and development	6,799	7,935	12,916	15,938
Selling, general and administrative	9,284	14,143	18,849	28,528
Goodwill impairment	—	—	—	12,026
Restructuring	463	—	475	949
Change in fair value of contingent consideration	(77)	948	123	955
Gain on sale of business	(2,072)	(43,575)	(3,279)	(43,575)
Total operating expenses (income)	14,397	(20,549)	29,084	14,821
Income (loss) from operations	(17,171)	14,928	(34,478)	(23,702)
Other income (expense):				
Loss on debt extinguishment	—	(7,947)	—	(7,947)
Change in fair value of warrant liability	(604)	—	842	—
Interest income	824	27	1,676	51
Interest expense	(1,395)	(1,290)	(2,701)	(2,701)
Total other expense, net	(1,175)	(9,210)	(183)	(10,597)
(Loss) income before income taxes	(18,346)	5,718	(34,661)	(34,299)
Income tax benefit	—	—	—	—
Net (loss) income	$ (18,346)	$ 5,718	$ (34,661)	$ (34,299)
Other comprehensive income (loss)				
Unrealized gain (loss) on marketable securities	(8)	18	4	(39)
Foreign currency translation adjustment	(85)	(387)	(26)	(553)
Comprehensive income (loss)	**$ (18,439)**	**$ 5,349**	**$ (34,683)**	**$ (34,891)**
Basic net income (loss) per common share	$ (0.63)	$ 0.16	$ (1.20)	$ (1.22)
Diluted net income (loss) per common share	$ (0.63)	$ 0.16	$ (1.20)	$ (1.22)
Basic weighted average shares outstanding	29,039,732	28,339,362	28,902,808	28,229,338
Diluted weighted average shares outstanding	29,039,732	28,349,429	28,902,808	28,229,338

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 June 30, 2023

(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 March 31, 2023	**6,666**	**$ —**	**28,894,080**	**$ 29**	**$ 595,864**	**$ (534,629)**	**$ (798)**	**$ 60,466**
Unrealized loss on marketable securities	—	—	—	—	—	—	(8)	(8)
Foreign currency translation adjustment	—	—	—	—	—	—	(85)	(85)
Stock-based compensation	—	—	267,328	—	1,689	—	—	1,689
Employee stock purchase plan shares issued	—	—	45,162	—	25	—	—	25
Net loss	—	—	—	—	—	(18,346)	—	(18,346)
Balance as of June 30, 2023 (unaudited)	**6,666**	**$ —**	**29,206,570**	**$ 29**	**$ 597,578**	**$ (552,975)**	**$ (891)**	**$ 43,741**

For the Three Months Ended June 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 March 31, 2022	**6,666**	**$ —**	**28,279,065**	**$ 28**	**$ 587,889**	**$ (518,715)**	**$ (440)**	**$ 68,762**
Unrealized gain on marketable securities	—	—	—	—	—	—	18	18
Foreign currency translation adjustment	—	—	—	—	—	—	(387)	(387)
Stock-based compensation	—	—	70,135	—	2,540	—	—	2,540
Net income	—	—	—	—	—	5,718	—	5,718
Balance as of June 30, 2022 (unaudited)	**6,666**	**$ —**	**28,349,200**	**$ 28**	**$ 590,429**	**$ (512,997)**	**$ (809)**	**$ 76,651**

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

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

For the Six Months Ended June 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	—	—	—	—	—	—	4	4
Foreign currency translation adjustment	—	—	—	—	—	—	(26)	(26)
Stock option exercises	—	—	3,218	—	4	—	—	4
Stock-based compensation	—	—	603,534	—	3,376	—	—	3,376
Employee stock purchase plan shares issued	—	—	45,162	—	25	—	—	25
Net loss	—	—	—	—	—	(34,661)	—	(34,661)
Balance as of June 30, 2023 (unaudited)	**6,666**	**$ —**	**29,206,570**	**$ 29**	**$ 597,578**	**$ (552,975)**	**$ (891)**	**$ 43,741**

For the Six Months Ended June 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**
Unrealized loss on marketable securities	—	—	—	—	—	—	(39)	(39)
Foreign currency translation adjustment	—	—	—	—	—	—	(553)	(553)
Stock option exercises	—	—	35,478	—	66	—	—	66
Stock-based compensation	—	—	262,273	—	5,568	—	—	5,568
Employee stock purchase plan shares issued	—	—	94,226	—	182	—	—	182
Net loss	—	—	—	—	—	(34,299)	—	(34,299)
Balance as of June 30, 2022 (unaudited)	**6,666**	**$ —**	**28,349,200**	**$ 28**	**$ 590,429**	**$ (512,997)**	**$ (809)**	**$ 76,651**

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

Acutus Medical, Inc.
Condensed Consolidated Statements of Cash Flows

(in thousands)	Six Months Ended June 30, 2023 (unaudited)	Six Months Ended June 30, 2022 (unaudited)
Cash flows from operating activities		
Net loss	$ (34,661)	$ (34,299)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	2,473	3,145
AcQMap Systems converted to sales	238	110
Sales-type lease gain	(310)	(57)
Amortization of intangible assets	100	320
Non-cash stock-based compensation expense	3,639	5,613
(Accretion of discounts) amortization of premiums on marketable securities, net	(1,037)	264
Amortization of debt issuance costs	212	641
Amortization of operating lease right-of-use assets	339	321
Loss on debt extinguishment	—	7,947
Goodwill impairment	—	12,026
Gain on sale of business, net	(3,279)	(43,575)
Direct costs paid related to sale of business	—	(2,488)
Change in fair value of warrant liability	(842)	—
Loss on disposal of property and equipment	277	—
Change in fair value of contingent consideration	123	955
Changes in operating assets and liabilities:		
Accounts receivable	(204)	1,037
Inventory	(2,344)	1,101
Employer retention credit receivable	4,703	—
Prepaid expenses and other current assets	432	(3,592)
Other assets	452	223
Accounts payable	824	236
Accrued liabilities	(1,963)	(386)
Operating lease liabilities	(277)	(203)
Other long-term liabilities	8	(45)
Net cash used in operating activities	(31,097)	(50,706)
Cash flows from investing activities		
Proceeds from sale of business	17,000	50,000
Purchases of available-for-sale marketable securities	(33,880)	—
Sales of available-for-sale marketable securities	—	13,099
Maturities of available-for-sale marketable securities	48,250	27,787
Purchases of property and equipment	(984)	(1,718)
Net cash provided by investing activities	30,386	89,168
Cash flows from financing activities		
Repayment of debt	—	(44,550)
Penalty fees paid for early prepayment of debt	—	(1,074)
Borrowing under new debt	—	35,000
Payment of debt issuance costs	—	(624)
Proceeds from the exercise of stock options	4	66
Repurchase of common shares to pay employee withholding taxes	(263)	(45)
Proceeds from employee stock purchase plan	25	182
Payment of contingent consideration	—	(598)
Net cash used in financing activities	(234)	(11,643)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(346)	(323)
Net change in cash, cash equivalents and restricted cash	(1,291)	26,496
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	**$ 30,057**	**$ 50,717**
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 2,458	$ 2,073

Supplemental disclosure of noncash investing and financing activities:				
Accounts receivable from sale of business	$	3,381	$	—
Change in unrealized (gain) loss on marketable securities	$	(4)	$	39
Change in unpaid purchases of property and equipment	$	(54)	$	42
Contingent consideration escrow release	$	—	$	157
Net book value on AcQMap system sales-type leases	$	238	$	110
Amount of debt proceeds allocated to warrant liability	$	—	$	3,379
Unpaid transaction costs from sale of business	$	—	$	429
Unpaid debt issuance costs	$	—	$	177

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”) is an arrhythmia management company focused on improving the way cardiac arrhythmias are diagnosed and treated. The Company designs, manufactures and markets a range of tools for catheter-based ablation procedures to treat various arrhythmias. The Company’s product portfolio includes novel access sheaths, diagnostic and mapping catheters, ablation catheters, mapping and imaging consoles and accessories, as well as supporting algorithms and software programs. 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, 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 June 30, 2023 and December 31, 2022, the Company had cash, cash equivalents, restricted cash and marketable securities of $61.5 million and $76.2 million, respectively. For the six months ended June 30, 2023 and 2022, net losses were $34.7 million and $34.3 million, respectively, and net cash used in operating activities was $31.1 million and $50.7 million, respectively. As of June 30, 2023 and December 31, 2022, the Company had an accumulated deficit of $553.0 million and $518.3 million, respectively, and working capital of $69.1 million and $98.0 million, respectively.

Since raising $166.3 million from its initial public offering ("IPO") in August 2020, the Company has issued additional shares of common stock. From time to time, the Company's Board of Directors issues common stock for its stock-based compensation plans and for its ESPP. Additionally, in July 2021, the Company issued 6,325,000 shares of common stock in a public offering, which included 825,000 shares of common stock issued upon the underwriter’s exercise in full of an option to purchase additional shares of common stock. The price to the public for each share was $14.00. The Company received gross proceeds of $88.6 million from the offering. Net of underwriting discounts and commission and other offering expenses, the Company received proceeds of $82.7 million.

On June 30, 2022, Medtronic, Inc. (“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 six months ended June 30, 2023, the Company earned $3.4 million in contingent consideration based on Medtronic's left-heart access products sales.

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. To ensure that the Company has 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.

In the future, the Company may need to raise additional funds through one or more of the following: the issuance of debt and/or equity securities or otherwise. Until such time, if ever, that the Company can generate revenue sufficient to achieve profitability, the Company expects to finance its operations through equity or debt financings, which may not be available to the Company on the timing needed or on terms that the Company deems to be favorable. To the extent that the Company raises additional capital through the sale of equity or convertible debt securities, the ownership interest of its stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of common stockholders. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting the Company’s ability to take specific actions, such as incurring additional debt, making acquisitions or capital expenditures or declaring dividends. If the Company is unable to maintain sufficient financial resources, its business, financial condition, and results of operations will be materially and adversely affected. The Company may be required to delay, limit, reduce or terminate its product discovery and development activities or future commercialization efforts.

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 June 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 June 30, 2023 and December 31, 2022 (in thousands):

	June 30, 2023	December 31, 2022
	(unaudited)	
Cash and cash equivalents	$ 23,055	$ 25,584
Restricted cash	7,002	5,764
Total cash, cash equivalents and restricted cash	$ 30,057	$ 31,348

Marketable Securities

The Company's marketable securities portfolio consists of investments in money market funds, commercial paper, U.S. treasury securities and Yankee debt 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 investor'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 income (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 income (loss) for the three and six months ended June 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. Cash and restricted cash are maintained in accounts with financial institutions which, at times, may exceed the federal depository insurance coverage of $0.25 million. 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 via 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 sales 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 June 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.

In 2022, the Company sold the 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).

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(unaudited)		(unaudited)	
Disposables	$ 3,914	$ 3,334	$ 7,340	$ 6,545
Systems	691	346	691	346
Service/Other	684	396	1,427	866
Total revenue	$ 5,289	$ 4,076	$ 9,458	$ 7,757

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(unaudited)		(unaudited)	
United States	$ 3,125	$ 2,037	$ 5,373	$ 4,060
Outside the United States	2,164	2,039	4,085	3,697
Total revenue	$ 5,289	$ 4,076	$ 9,458	$ 7,757

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 $1.4 million for the three months ended June 30, 2023 and 2022, respectively, and $0.6 million and $2.4 million for the six months ended June 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 June 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*.

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 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 six months ended June 30, 2023, the Company earned $3.4 million in contingent consideration based on Medtronic's left-heart access products sales and recorded a receivable on the condensed consolidated balance sheets for the period then ended.

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

	June 30, 2023	December 31, 2022
	(unaudited)	
Trade accounts receivable	$ 4,289	$ 4,085
Earnouts receivable from Medtronic	3,381	17,000
Total accounts receivable	$ 7,670	$ 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 June 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 six months ended June 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 six months ended June 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 six months ended June 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 income (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

The Company is 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

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. The Company expenses all SG&A costs as incurred.

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 six months ended June 30, 2023 and 2022.

As of June 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 June 30, 2023 and December 31, 2022 (in thousands):

	Fair Value Measurements as of June 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	$ 20,196	$ —	$ —	$ 20,196
Marketable securities at fair value				
U.S. treasury securities	—	10,942	—	10,942
Commercial paper	—	19,265	—	19,265
Yankee debt securities	—	1,254	—	1,254
Total fair value	$ 20,196	$ 31,461	$ —	$ 51,657
Liabilities included in:				
Warrant liability	$ —	$ —	$ 2,504	$ 2,504
Total fair value	$ —	$ —	$ 2,504	$ 2,504

	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 six months ended June 30, 2023 (in thousands):

	Contingent Consideration	Warrant Liability
Balance, December 31, 2022	$ 1,800	$ 3,346
Change in fair value	123	(842)
Accrued final contingent consideration payment[(1)]	$ (1,923)	$ —
Balance, June 30, 2023 (unaudited)	$ —	$ 2,504

(1) The earn-out period under the Rhythm Xience, Inc. ("Rhythm Xience") acquisition agreement concluded on June 19, 2023. The Company recorded the final contingent consideration payment owed to Rhythm Xience as an accrued liability on the condensed consolidated balance sheet as of June 30, 2023 (see *Note 9 - Accrued Liabilities*).

As of June 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 $0.6625 per warrant as of June 30, 2023 and the significant inputs used in the estimation of the fair value were as follows:

	June 30, 2023 (unaudited)
Risk-free interest rate	3.97%
Expected term in years	7.0
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 income (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 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 income (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 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 six months ended June 30, 2023, $3.4 million was earned under item (iii) and recorded as a receivable on the condensed consolidated balance sheet as of June 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 six months ended June 30, 2023, resulting in a net gain of $3.3 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):

	Six Months Ended June 30, 2023 (unaudited)
Percentage of Product Net Sales Earnout accrued as of June 30, 2023	$ 3,381
Transaction costs	(102)
Gain on sale of business, net	$ 3,279

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 income (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 June 30, 2023 and December 31, 2022 (in thousands):

	June 30, 2023 (unaudited)			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities - short-term:				
U.S. treasury securities	$ 10,943	$ 1	$ (2)	$ 10,942
Commercial paper	19,265	—	—	19,265
Yankee debt securities	1,256	—	(2)	1,254
Total available-for-sale securities - short-term	31,464	1	(4)	31,461
Total available-for-sale securities	$ 31,464	$ 1	$ (4)	$ 31,461

	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 June 30, 2023, the Company’s available-for-sale securities classified as short-term of $31.5 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 June 30, 2023 and December 31, 2022 consisted of the following (in thousands):

	June 30, 2023	December 31, 2022
	(unaudited)	
Raw materials	$ 10,452	$ 9,179
Work in process	2,189	2,025
Finished goods	3,030	2,123
Total inventory	$ 15,671	$ 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. Lease revenue related to sales-type leases was $0.5 million and $0.2 million for both the three and six months ended June 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 income (loss).

As of June 30, 2023 and December 31, 2022, a balance of $0.8 million and $0.6 million, respectively, 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.

The following table is an estimation of maturities of customer sales-type lease receivables for each of the following years as of June 30, 2023 (in thousands):

	Total Maturities
Six months ending December 31, 2023	$ 414
Year ending December 31, 2024	524
Year ending December 31, 2025	194
Total maturities of customer sales-type leases	$ 1,132

Note 7—Property and Equipment, Net

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

	June 30, 2023	December 31, 2022
	(unaudited)	
Medical diagnostic equipment	$ 15,289	$ 14,826
Furniture and fixtures	452	432
Office equipment	1,561	1,556
Laboratory equipment and software	5,226	5,148
Leasehold improvements	608	580
Construction in process	1,691	2,166
Total property and equipment	24,827	24,708
Less: accumulated depreciation	(17,582)	(15,487)
Property and equipment, net	$ 7,245	$ 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 income (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 $1.2 million and $1.6 million for the three months ended June 30, 2023 and 2022, respectively, and $2.5 million and $3.1 million for the six months ended June 30, 2023 and 2022, respectively.

Note 8—Intangible Assets

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

	Intangible Assets
Balance, December 31, 2022	$ 1,583
Amortization expense	(100)
Balance, June 30, 2023 (unaudited)	$ 1,483

Intangible Assets

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

June 30, 2023	Estimated Useful Life (in years)	Weighted Average Remaining Life (in years)	Intangible Assets	Accumulated Amortization	Balance
					(unaudited)
Licensed intangibles	10.0	7.4	$ 2,000	$ (517)	$ 1,483
Total intangible assets			$ 2,000	$ (517)	$ 1,483

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 and $0.2 million for the three months ended June 30, 2023 and 2022, respectively, and $0.1 million and $0.3 million for the six months ended June 30, 2023 and 2022, respectively.

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

	Total Amortization
Six months ending December 31, 2023	$ 100
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	$ 1,483

Note 9—Accrued Liabilities

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

	June 30, 2023	December 31, 2022
	(unaudited)	
Compensation and related expenses	$ 5,327	$ 6,919
Professional fees	261	126
Deferred revenue	342	326
Sales and use tax	304	639
Clinical studies	371	390
Clinician Council payable	240	216
Accrued royalties	234	159
Accrued restructuring	173	45
Accrued contingent consideration payment	1,923	—
Other	584	866
Total accrued liabilities	$ 9,759	$ 9,686

Note 10—Debt

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

	June 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	(2,116)	(2,342)
Total outstanding debt, long-term	$ 34,634	$ 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 (the "2022 Credit Agreement") is with new lenders consisting of certain affiliates of Deerfield Management Company (collectively referred to as “Deerfield”) 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. The 2022 Credit Agreement 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. As of and for the six months ended June 30, 2023, the Company was in compliance with all such covenants.

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.

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 six months ended June 30, 2023 and 2022 (dollars in thousands):

	Six Months Ended June 30,	
	2023	2022
	(unaudited)	
Operating cash flows from operating leases	$ 281	$ 365
Weighted average remaining lease term – operating leases (in years)	4.4	3.3
Weighted average discount rate – operating leases	6.9%	7.0%

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(unaudited)		(unaudited)	
Operating leases				
Operating lease cost	$ 252	$ 246	$ 503	$ 493
Variable lease cost	81	63	162	140
Total operating lease expense	$ 333	$ 309	$ 665	$ 633

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

Six months ending December 31, 2023	$	49
Year ending December 31, 2024		1,159
Year ending December 31, 2025		1,151
Year ending December 31, 2026		1,185
Year ending December 31, 2027		1,221
Total		4,765
Less: present value discount		(620)
Operating lease liabilities	$	4,145

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

	Exercise Price	Expiration Date	June 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 six months ended June 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 income (loss). For the six months ended June 30, 2023, a favorable fair value change of $0.8 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 six months ended June 30, 2023 and 2022, stock options to acquire 3,218 shares and 35,478 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 six months ended June 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 six months ended June 30, 2023 and 2022, the Company issued 603,534 shares and 262,273 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 June 30, 2023, 6,000,000 shares of common stock were authorized for issuance under the 2022 Plan, of which 5,758,412 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 June 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 June 30, 2023, 1,515,992 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 June 30, 2023, 1,244,731 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 six months ended June 30, 2023 and 2022:

	Six Months Ended June 30,	
	2023	2022
	(unaudited)	
Risk-free interest rate	3.91% - 4.27%	1.76% - 3.35%
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 six months ended June 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	735,580	1.30		
Options exercised	(3,218)	1.34		$ 1
Options forfeited	(269,868)	9.30		
Outstanding as of June 30, 2023 (unaudited)	3,361,315	$ 5.43	4.9	$ 53
Options vested and exercisable as of June 30, 2023 (unaudited)	2,216,938	$ 7.49	3.1	$ 45

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 $0.89 and $1.15 as of June 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 six months ended June 30, 2023 was $0.88. As of June 30, 2023, the total unrecognized compensation related to unvested stock option awards granted was $3.3 million, which the Company expects to recognize over a weighted-average period of approximately 1.5 years.

Restricted Stock Units (RSUs)

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

	Number of Shares	Weighted Average Grant Price
Unvested as of December 31, 2022	1,659,898	$ 4.17
Granted	1,795,520	1.33
Forfeited	(257,446)	5.26
Vested	(774,950)	2.53
Unvested as of June 30, 2023 (unaudited)	2,423,022	$ 2.47

As of June 30, 2023, there was $4.6 million of unrecognized compensation related to unvested RSUs, which the Company expects to recognize over a weighted-average period of approximately 1.8 years.

Employee Stock Purchase Plan

The 2020 ESPP permits 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 are 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 June 30, 2023, 669,017 shares are available for purchase under the Company's 2020 ESPP.

The 2020 ESPP is 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.

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 income (loss) for the three and six months ended June 30, 2023 and 2022 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(unaudited)		(unaudited)	
Cost of products sold	$ 153	$ 225	$ 228	$ 451
Research and development	336	554	682	1,068
Selling, general and administrative	1,245	1,802	2,729	4,094
Total stock-based compensation	$ 1,734	$ 2,581	$ 3,639	$ 5,613

Note 16—Net Loss Per Common Share

The Company calculates basic and diluted net income (loss) per share attributable to common stockholders in conformity with the two-class method required for participating securities as the application of the if-converted method is not more dilutive. The two-class method requires income available to common stockholders for the period to be allocated between common stock and

participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed.

The Company considers its convertible preferred stock and its warrants to be participating securities. In accordance with the two-class method, net income (loss) is adjusted for earnings allocated to these participating securities and the related number of outstanding shares of the participating securities have been excluded from the computation of basic and diluted net loss per share attributable to common stockholders. The convertible preferred stock does not contractually require the holders of such shares to participate in the Company's losses. As such, where applicable, net losses were not allocated to these securities.

Basic net income (loss) per share attributable to common stockholders is computed using net income (loss) attributable to common stockholders divided by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share attributable to common stockholders represents net income (loss) attributable to common stockholders divided by the weighted average number of common shares outstanding during the period, including the effects of any dilutive securities outstanding. Basic and diluted net loss per common share attributable to common stockholders are the same for the three and six months ended June 30, 2023 and the six months ended June 30, 2022, since the inclusion of all potential shares of common stock outstanding would have been anti-dilutive due to the Company's net loss.

The following table presents the calculation of basic and diluted net income (loss) per share attributable to common stockholders, as well as the calculation of basic and diluted weighted average number of common shares used to compute net income (loss) per share attributable to common stockholders (in thousands except share and per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(unaudited)		(unaudited)	
Net income (loss)	$ (18,346)	$ 5,718	$ (34,661)	$ (34,299)
Net income allocated to participating securities	—	(1,197)	—	—
Net income (loss) available to common stockholders	$ (18,346)	$ 4,521	$ (34,661)	$ (34,299)
Basic weighted average number of shares outstanding	29,039,732	28,339,362	28,902,808	28,229,338
Dilutive effect of stock options	—	10,067	—	—
Diluted weighted average number of shares outstanding	29,039,732	28,349,429	28,902,808	28,229,338
Basic net income (loss) per common share	$ (0.63)	$ 0.16	$ (1.20)	$ (1.22)
Diluted net income (loss) per common share	$ (0.63)	$ 0.16	$ (1.20)	$ (1.22)

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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(unaudited)		(unaudited)	
Shares issuable upon:				
Conversion of Series A Common Equivalent Preferred Stock	6,665,841	6,665,841	6,665,841	6,665,841
Exercise of common stock warrants	4,576,505	4,576,505	4,576,505	4,576,505
Exercise of stock options	2,216,938	3,915,381	2,216,938	3,925,448
Vesting of RSUs and RSAs	2,423,022	1,767,655	2,423,022	1,767,655
Issuance of shares under 2020 ESPP	61,361	—	61,361	—
Total potentially dilutive securities	15,943,667	16,925,382	15,943,667	16,935,449

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 six months ended June 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 June 30, 2023 and 2022, and less than $0.1 million and approximately $0.1 million for the six months ended June 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

On August 4, 2023, the Company and Deerfield entered into 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.

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

We are an arrhythmia management company focused on improving the way cardiac arrhythmias are diagnosed and treated. Despite several decades of effort by the incumbents in this field, the clinical and economic challenges associated with arrhythmia treatment continue to be a huge burden for patients, providers and payors. We are committed to advancing the field of electrophysiology with a unique array of products and technologies which will enable more physicians to treat more patients more effectively and efficiently. Through internal product development, acquisitions and global partnerships, we have established a global sales presence delivering a broad portfolio of highly differentiated electrophysiology products. Our goal is to provide our customers with a complete solution for catheter-based treatment of cardiac arrhythmias in each of our geographic markets.

Our product portfolio includes novel access sheaths, diagnostic and mapping catheters, conventional and contact force ablation catheters (currently available only in our European markets), mapping and imaging consoles and accessories, as well as supporting algorithms and software programs. Our foundational and most highly differentiated product is our AcQMap Imaging and Mapping System, which offers a paradigm-shifting approach to mapping the drivers and maintainers of arrhythmias with unmatched speed and precision. With the ability to rapidly and accurately identify ablation targets and to confirm both ablation success and procedural completion, we believe our AcQMap System addresses a significant primary unmet need in electrophysiology procedures today.

We were incorporated in the state of Delaware on March 25, 2011 and are headquartered in Carlsbad, California. Early versions of our AcQMap System and certain related accessory products have been used in the United States since May 2018 and Western Europe since July 2016 in a limited, pilot launch capacity, where our focus was on optimizing workflow and validating our value proposition. We fully commenced the launch of our commercial-grade console and software products in the first quarter of 2020. Critical to our launch and future market adoption are a series of strategic transactions, regulatory approvals, and clinical trial milestones including the following: ongoing development and expansion of our Bi-Lateral Distribution Agreements with Biotronik, Food and Drug Administration (the "FDA") 510(k) clearance and CE Mark of our second-generation AcQMap console and SuperMap software suite; and the completion of enrollment in our U.S. clinical study for the AcQBlate Force Sensing Ablation Catheter and System.

In June 2022, we completed the First Closing of the sale of our left-heart access portfolio 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 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. See *Contingent Consideration Relating to Sale of Left-heart Access Portfolio*, below.

We market our electrophysiology products worldwide to hospitals and electrophysiologists that treat patients with arrhythmias. We have strategically developed a direct selling presence in the United States and select markets in Western Europe where cardiac ablation is a standard of care and third-party reimbursement is well-established. In these markets, we install our AcQMap console and workstation with customer accounts and then sell our disposable products to those accounts for use with our system. In other international markets, we leverage our partnership with Biotronik to install our AcQMap console and

workstation with customer accounts and then to sell our disposable products to those accounts. Once an AcQMap console and workstation is 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 currently marketed disposable products include access sheaths, diagnostic and mapping catheters, ablation catheters and accessories. We plan to leverage the geographically concentrated nature of procedure volumes and the recurring nature of our sales to drive an increasingly efficient commercial model.

For the six months ended June 30, 2023 and 2022, we generated revenue of $9.5 million and $7.8 million, respectively, of which 43% and 48%, respectively, was from customers located outside of the United States. Since our inception, we have generated significant losses. Our net loss was $34.7 million and $34.3 million for the six months ended June 30, 2023 and 2022, respectively. As of June 30, 2023 and December 31, 2022, we had an accumulated deficit of $553.0 million and $518.3 million, respectively, and working capital of $69.1 million and $98.0 million, respectively.

Restructuring

In 2022, we completed an organizational workforce reduction and implemented additional cost reduction measures to reduce our operating expenses and optimize our cash resources. The restructuring was the result of a detailed review of our strategic priorities, the external environment, and cost structure and is intended to sharpen our focus and strengthen our financial position. As part of the restructuring, we intend to prioritize maximizing console utilization and procedure volume growth in targeted geographic regions, as well as a more focused scope of product development initiatives. In 2023, we continue to review and align company resources with our focused scope and strategic direction.

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 six months ended June 30, 2023, $3.4 million was earned under item (iii) and recorded as a receivable on the condensed consolidated balance sheet as of June 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, including the following key business 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 are representative of our current business. However, we anticipate these metrics may change or may be substituted for additional or different metrics as our business grows and as we introduce new products.

Installed Base

Our mapping and therapy platform is enabled by our AcQMap console that we install at customer sites globally. We believe our installed base is a key driver of our business model, enabling utilization and disposable pull-through. We define our installed base as the cumulative number of AcQMap consoles and workstations placed into service at customer sites. We install our AcQMap console and workstation with customers under evaluation contracts. Under these evaluation contracts, we place our AcQMap console and workstation with customers for no upfront fee to the customer during the applicable evaluation period and seek 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 has 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 June 30, 2023 and 2022 is set forth in the table below:

	As of June 30,	
	2023	2022
	(unaudited)	
Acutus		
U.S.	27	37
Outside the U.S.	51	38
Total Acutus net system placements	78	75

Procedure Volumes

Once an AcQMap console and workstation is 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. Procedure volumes and the utilization of our AcQMap console will be the primary driver of our business over the long-term.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(unaudited)		(unaudited)	
Procedure volumes	584	481	1,035	948

Factors Affecting Our Performance

There are a number of factors that have impacted, and we believe will continue to impact, or that we expect to impact, our results of operations and growth.

Market Acceptance.

The growth of our business will depend substantially on our ability to increase our installed base. Once an AcQMap console and workstation is 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 ability to increase our installed base will depend on our ability to gain broader acceptance of our AcQMap System by continuing to make physicians and other hospital staff aware of the benefits of the AcQMap System, thereby generating increased demand for system installations and the frequency of use of our disposable products. Although we are attempting to

increase our installed base through our established relationships and focused sales efforts, we cannot provide assurance that our efforts will be successful.

Commercial Organization Size and Effectiveness

As of June 30, 2023, our commercial organization consisted of 47 individuals with substantial applicable medical device, sales and clinical experience, which is comprised of sales representatives, sales managers, mappers and marketing personnel. We intend to continue to make investments in our commercial organization in training, development, continuing education, and targeted increases in sales representatives, sales managers and mappers to help facilitate further adoption of our products among existing and new customer accounts. The effectiveness with which we manage our commercial organization, the speed at which newly hired personnel contribute to business performance, and the impact of turnover can impact our revenue growth or our costs incurred in anticipation of such growth.

Strategic Partnerships and Acquisitions

We have in the past, and may in the future, enter into strategic partnerships and acquire complementary businesses, products or technologies. For example, we acquired our AcQBlate Force Sensing Ablation System from Biotronik in July 2019 and entered into our Global Alliance for Electrophysiology with Biotronik in May 2020. In addition, 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.

Our strategic partnerships and acquisitions have helped us establish a global sales presence delivering a broad portfolio of highly differentiated electrophysiology products. Our ability to grow our revenue will depend substantially on our ability to leverage our strategic partnerships and acquisitions to achieve distribution at a global scale, broaden our product portfolio and enable and accelerate global connectivity.

Continued Investment in Innovation

Our business strategy relies significantly on innovation to develop and introduce new products and to differentiate our products from our competitors. Research and development continued to provide both new products as well as generational improvements to the current product lines through the release of multiple versions of software and disposable products including significant improvements to our mapping system hardware. Additionally, research efforts evolved into development projects for advanced therapies, improved navigational accuracy and enhanced mapping capabilities.

We expect our investments in research and development to decrease as we have a focused scope on key product development initiatives. We plan our research and development expenditures with internal initiatives, as well as potentially licensing or acquiring technology from third parties. We also expect expenditures associated with our manufacturing organization to grow over time as production volume increases and we bring new products to market. Our internal and external investments will be focused on initiatives that we believe will offer the greatest opportunity for growth and profitability.

Introducing additional, innovative products is also expected to help support our existing installed base and help drive demand for additional installations of our system. If, however, our future innovations are not successful in meeting customers' needs or prove to be too costly relative to their perceived benefit, we may not be successful. Moreover, as cost of products sold, operating expenses and capital expenditures fluctuate over time, we may experience short-term, negative impacts to our results of operations and cash flows, but we are undertaking such investments in the belief that they will contribute to long-term growth.

Product and Geographic Mix and Timing

Our financial results, including our gross margins, may fluctuate from period to period due to a variety of factors, including: average selling prices; production volumes; the cost of direct materials; the timing of customer orders or medical procedures and the timing and number of system installations; the number of available selling days in a particular period, which can be impacted by a number of factors such as holidays or days of severe inclement weather in a particular geography; the mix of products sold and the geographic mix of where products are sold; the level of reimbursement available for our products; discounting practices; manufacturing costs; product yields; headcount and cost-reduction strategies. For example, gross margins on the sale of our products by our direct selling organization in the United States and Western Europe are higher than gross margins on the sale of our products by Biotronik in other parts of the world. Moreover, gross margins on the sale of our proprietary products are generally higher than gross margins on the sale of products we source through our strategic partnerships with third parties.

Future selling prices and gross margins for our 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. We aim to mitigate downward pressure on our selling prices by increasing the value proposition offered by our products through innovation. While we have not yet experienced significant seasonality in our results, it is not uncommon in our industry to experience seasonally weaker revenue during the summer months and end-of-year holiday season.

Regulatory Approvals / Clearances and Timing and Efficiency of New Product Introductions

In May 2022, we completed enrollment in our U.S. IDE study for the AcQBlate Force Sensing Ablation System for use in right atrial flutters. We filed for PMA in the second half of 2022. In December 2022, we announced receipt of MDR CE mark of the AcQMap 3D Imaging and Mapping catheter. In July 2022, we announced approval of the AcQMap High Resolution Imaging and Mapping System and the AcQMap 3D Imaging and Mapping Catheter in Japan.

In May 2021, we received FDA approval to initialize an atrial fibrillation IDE trial in the United States with the AcQBlate Force Sensing Ablation System. Additionally, we received CE Mark approval for a broad suite of electrophysiology products that includes the next-generation AcQGuide MAX and AcQGuide VUE large bore delivery sheaths and the next-generation AcQMap Mapping Catheter in May 2021. Further, we received CE Mark in December 2020 in Europe for the use of our AcQBlate Force Sensing Ablation System and are seeking FDA PMA for this system in the United States, as well as regulatory clearance or approval of our other pipeline products in the United States and in international markets.

Our ability to grow our revenue will depend on our obtaining necessary regulatory approvals or clearances for our products. In addition, as we introduce new products, we expect to build our inventory of components and finished goods in advance of sales, which may cause quarterly and annual fluctuations in our results of operations.

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 our products. Publication of clinical results by us, our competitors and other third parties can also have a significant influence on whether, and the degree to which, we are able to gain market share and increase utilization of our 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, benefits and timing of new product introductions; the availability and cost of components and raw materials; fluctuations in foreign currency exchange rates, inflation rates and interest rates; and our ability to realize the benefits of our recent corporate restructuring. We continue to take proactive steps to recover and mitigate inflationary cost pressures through our overall pricing efforts and by managing our costs through efficiency, labor productivity, and investments in technology. These efforts may not be successful for various reasons, including the pace of inflation. Additionally, we may experience quarters in which our costs and operating expenses, in particular our research and development expenses, fluctuate depending on the stage and timing of product development.

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

Our revenue consists 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 install our AcQMap console and workstation with our customer accounts and then generate revenue from the sale of our disposable products to these accounts for use with our system. We also generate 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 generate 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 leverage our partnership with Biotronik to install our AcQMap console and workstation with customer accounts and then generate revenue from Biotronik's sale of our disposable products to these accounts for use with our system. Our currently marketed disposable products include access sheaths, diagnostic and mapping catheters, ablation catheters and accessories.

For the six months ended June 30, 2023 and 2022, approximately 43% and 48%, respectively, of our sales were sold outside of the United States. Additionally, for the six months ended June 30, 2023 and 2022, approximately 20% and 23% of our sales were denominated in currencies other than U.S. dollars, primarily in Euros and the British Pound Sterling. Our revenue is subject to fluctuation based on the foreign currency in which our products are sold.

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.

To align resources with our current strategic direction, we implemented an organizational workforce reduction and other cost reduction measures. Due to this strategic realignment, we expect our research and development expenses to moderate in absolute dollars in the upcoming years.

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.

To align resources with our current strategic direction, we implemented an organizational workforce reduction and are implementing additional cost reduction measures. Due to this on-going strategic realignment, we expect our SG&A expenses to decrease in absolute dollars in the upcoming years.

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.

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 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 income (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 June 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 $3.4 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 income (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 six months ended June 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 June 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 June 30, 2023 and 2022:

(dollars in thousands)	Three Months Ended June 30,		Change	
	2023	2022	$	%
	(unaudited)			
Revenue[1]	$ 5,289	$ 4,076	$ 1,213	30 %
Costs of products sold[2]	8,063	9,697	(1,634)	(17)%
Gross profit	(2,774)	(5,621)	2,847	(51)%
Operating expenses (income):				
Research and development[2]	6,799	7,935	(1,136)	(14)%
Selling, general and administrative[2]	9,284	14,143	(4,859)	(34)%
Restructuring	463	—	463	100%
Change in fair value of contingent consideration	(77)	948	(1,025)	(108)%
Gain on sale of business	(2,072)	(43,575)	41,503	(95)%
Total operating expenses (income)	14,397	(20,549)	34,946	(170)%
Income (loss) from operations	(17,171)	14,928	(32,099)	(215)%
Other income (expense):				
Loss on debt extinguishment	—	(7,947)	7,947	(100)%
Change in fair value of warrant liability	(604)	—	(604)	100%
Interest income	824	27	797	2952 %
Interest expense	(1,395)	(1,290)	(105)	8 %
Total other income (expense), net	(1,175)	(9,210)	8,035	(87)%
(Loss) income before income taxes	$ (18,346)	$ 5,718	$ (24,064)	(421)%
Income tax benefit	$ —	$ —	$ —	*
Net (loss) income	$ (18,346)	$ 5,718	$ (24,064)	(421)%
Other comprehensive income (loss)				
Unrealized gain (loss) on marketable securities	(8)	18	(26)	(144)%
Foreign currency translation adjustment	(85)	(387)	302	(78)%
Comprehensive income (loss)	$ (18,439)	$ 5,349	$ (23,788)	(445)%

* - Not meaningful

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

	Three Months Ended June 30,	
	2023	2022
	(unaudited)	
Disposables	$ 3,914	$ 3,334
Systems	691	346
Service/Other	684	396
Total revenue	$ 5,289	$ 4,076

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

	Three Months Ended June 30,	
	2023	2022
	(unaudited)	
United States	$ 3,125	$ 2,037
Outside the United States	2,164	2,039
Total revenue	$ 5,289	$ 4,076

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

	Three Months Ended June 30,	
	2023	2022
	(unaudited)	
Cost of products sold	$ 153	$ 225
Research and development	336	554
Selling, general and administrative	1,245	1,802
Total stock-based compensation	$ 1,734	$ 2,581

Revenue

Revenue was $5.3 million for the three months ended June 30, 2023, compared to $4.1 million for the three months ended June 30, 2022. This increase of $1.2 million, or 30%, 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 $0.3 million in both service/other and capital revenue.

Costs and Operating Expenses

Cost of Products Sold

Cost of products sold was $8.1 million for the three months ended June 30, 2023, compared to $9.7 million for the three months ended June 30, 2022. This decrease of $1.6 million, or 17%, was primarily attributable to improvements in manufacturing efficiencies. Gross margin was negative 52% for the three months ended June 30, 2023, compared to negative 138% for the three months ended June 30, 2022.

Research and Development Expenses

Research and development expenses were $6.8 million for the three months ended June 30, 2023, compared to $7.9 million for the three months ended June 30, 2022. This decrease of $1.1 million, or 14%, 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 $9.3 million for the three months ended June 30, 2023, as compared to $14.1 million for the three months ended June 30, 2022. This decrease of $4.9 million, or 34%, 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 $0.5 million for the three months ended June 30, 2023 and consisted of severance expenses for employees affected by an organizational workforce reduction that was made to align resources with the Company's current strategic direction.

Change in Fair Value of Contingent Consideration

For the three months ended June 30, 2023 and 2022, we recorded a decrease of less than $0.1 million and an increase of $0.9 million, respectively, for the change in the fair value of the contingent consideration for the acquisition of Rhythm Xience. The

earn-out period under the Rhythm Xience acquisition agreement concluded on June 19, 2023. Accordingly, the change in fair value of less than $0.1 million recorded in the current period was 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 three months ended June 30, 2022 upon the First Closing of the asset sale to Medtronic. During the three months ended June 30, 2023, the Company recognized an estimated gain on sale of $2.1 million related to Medtronic's left-heart access net sales earnouts.

Change in Fair Value of Warrant Liability

For the three months ended June 30, 2023 the fair value increased by $0.6 million. The change in fair value of the warrants is primarily due to an increase of the Company's share price as of June 30, 2023.

Other Expense, Net

Other expense, net was $1.2 million for the three months ended June 30, 2023, compared to $9.2 million for the three months ended June 30, 2022. This decrease of $8.0 million was primarily attributable to a $7.9 million loss on debt extinguishment recognized during the three months ended June 30, 2022.

Results of Operations for the Six Months Ended June 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 six months ended June 30, 2023 and 2022:

	Six Months Ended June 30,		Change	
(dollars in thousands)	**2023**	**2022**	**$**	**%**
	(unaudited)			
Revenue[1]	$ 9,458	$ 7,757	$ 1,701	22 %
Costs of products sold[2]	14,852	16,638	(1,786)	(11)%
Gross profit	(5,394)	(8,881)	3,487	(39)%
Operating expenses (income):				
Research and development[2]	12,916	15,938	(3,022)	(19)%
Selling, general and administrative[2]	18,849	28,528	(9,679)	(34)%
Goodwill impairment	—	12,026	(12,026)	(100)%
Restructuring	475	949	(474)	(50)%
Change in fair value of contingent consideration	123	955	(832)	(87)%
Gain on sale of business	(3,279)	(43,575)	40,296	(92)%
Total operating expenses (income)	29,084	14,821	14,263	96 %
Loss from operations	(34,478)	(23,702)	(10,776)	45 %
Other income (expense):				
Loss on debt extinguishment	—	(7,947)	7,947	(100)%
Change in fair value of warrant liability	842	—	842	100%
Interest income	1,676	51	1,625	3186 %
Interest expense	(2,701)	(2,701)	—	— %
Total other expense, net	(183)	(10,597)	10,414	(98)%
(Loss) income before income taxes	$ (34,661)	$ (34,299)	$ (362)	1 %
Income tax benefit	$ —	$ —	$ —	*
Net (loss) income	$ (34,661)	$ (34,299)	$ (362)	1 %
Other comprehensive income (loss)				
Unrealized gain (loss) on marketable securities	4	(39)	43	(110)%
Foreign currency translation adjustment	(26)	(553)	527	(95)%
Comprehensive loss	$ (34,683)	$ (34,891)	$ 208	(1)%

* - Not meaningful

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

	Six Months Ended June 30,	
	2023	**2022**
	(unaudited)	
Disposables	$ 7,340	$ 6,545
Systems	691	346
Service/Other	1,427	866
Total revenue	$ 9,458	$ 7,757

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

	Six Months Ended June 30,	
	2023	2022
	(unaudited)	
United States	$ 5,373	$ 4,060
Outside the United States	4,085	3,697
Total revenue	$ 9,458	$ 7,757

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

	Six Months Ended June 30,	
	2023	2022
	(unaudited)	
Cost of products sold	$ 228	$ 451
Research and development	682	1,068
Selling, general and administrative	2,729	4,094
Total stock-based compensation	$ 3,639	$ 5,613

Revenue

Revenue was $9.5 million for the six months ended June 30, 2023, compared to $7.8 million for the six months ended June 30, 2022. This increase of $1.7 million, or 22%, 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 $0.6 million in service/other revenue and an increase of $0.3 million in capital revenue.

Costs and Operating Expenses

Cost of Products Sold

Cost of products sold was $14.9 million for the six months ended June 30, 2023, compared to $16.6 million for the six months ended June 30, 2022. This decrease of $1.8 million, or 11%, was primarily attributable to improvements in manufacturing efficiencies. Gross margin was negative 57% for the six months ended June 30, 2023, compared to negative 114% for the six months ended June 30, 2022.

Research and Development Expenses

Research and development expenses were $12.9 million for the six months ended June 30, 2023, compared to $15.9 million for the six months ended June 30, 2022. This decrease of $3.0 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 $18.8 million for the six months ended June 30, 2023, as compared to $28.5 million for the six months ended June 30, 2022. This decrease of $9.7 million, or 34%, 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 six months ended June 30, 2022, which consisted of a full impairment of our goodwill balance.

Restructuring

Restructuring expenses were $0.5 million for the six months ended June 30, 2023, compared to $0.9 million for the six months ended June 30, 2022. This decrease of $0.5 million, or 50%, was primarily attributable to the organizational reduction in workforce that occurred in early 2022.

Change in Fair Value of Contingent Consideration

For the six months ended June 30, 2023 and 2022, we recorded a decrease of $0.1 million and $1.0 million, respectively, for the change in the fair value of the contingent consideration for the acquisition of Rhythm Xience. The earn-out 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 six months ended June 30, 2022 upon the First Closing of the asset sale to Medtronic. During the six months ended June 30, 2023, the Company recognized an estimated gain on sale of $3.3 million related to Medtronic's left-heart access net sales earnouts.

Change in Fair Value of Warrant Liability

For the six months ended June 30, 2023 the fair value increased by $0.8 million. The change in fair value of the warrants is primarily due to an increase of the Company's share price as of June 30, 2023.

Other Expense, Net

Other expense, net was $0.2 million for the six months ended June 30, 2023, compared to $10.6 million for the six months ended June 30, 2022. This decrease of $10.4 million was primarily attributable to a $7.9 million loss on debt extinguishment recognized during the six months ended June 30, 2022 as well as an increase in interest income earned from investments of $1.6 million during the six months ended June 30, 2023.

Liquidity, Capital Resources, and Going Concern

We have limited revenue, have incurred significant operating losses and negative cash flows from operations since our inception, and anticipate that we will incur significant losses for at least the next several years. As of June 30, 2023, and December 31, 2022, we had cash, cash equivalents, restricted cash and marketable securities of $61.5 million and $76.2 million, respectively. For the six months ended June 30, 2023 and 2022, net losses were $34.7 million and $34.3 million, respectively, and net cash used in operating activities was $31.1 million and $50.7 million, respectively. As of June 30, 2023, and December 31, 2022, we had an accumulated deficit of $553.0 million and $518.3 million, respectively, and working capital of $69.1 million and $98.0 million, respectively.

Since raising $166.3 million from our IPO in August 2020, we have issued additional shares of common stock. From time to time, our Board of Directors authorizes the issuance of common stock for our stock-based compensation plans and for our ESPP. Additionally, in July 2021, we issued 6,325,000 shares of common stock in a public offering, which included 825,000 shares of common stock issued upon the underwriter’s exercise in full of an option to purchase additional shares of common stock. The price to the public for each share was $14.00. We received gross proceeds of $88.6 million from the offering. Net of underwriting discounts and commission and other offering expenses, we received proceeds of $82.7 million.

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.

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.

In the future, we may need to raise additional funds through the issuance of debt and/or equity securities or otherwise. Until such time, if ever, that we can generate revenue sufficient to achieve profitability, we expect to finance our operations through equity or debt financings, which may not be available to us on the timing needed or on terms that we deem to be favorable. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of common stockholders. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making

acquisitions or capital expenditures or declaring dividends. If we are unable to maintain sufficient financial resources, our business, financial condition, and results of operations will be materially and adversely affected. We may be required to delay, limit, reduce or terminate our product discovery and development activities or future commercialization efforts.

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

- our revenue growth;
- our research and development efforts;
- our sales and marketing activities;
- our success in leveraging our strategic partnerships, including with Biotronik, as well as entrance into any other strategic partnerships or strategic transactions in the future;
- Medtronic's success in selling Products following the achievement of the OEM Earnout;
- our ability to raise additional funds to finance our operations;
- the outcome, costs and timing of any clinical trial results for our current or future products;
- the emergence and effect of competing or complementary products;
- the availability and amount of reimbursement for procedures using our products;
- our ability to maintain, expand and defend the scope of our intellectual property portfolio, including the amount and timing of any payments we may be required to make, or that we may receive, in connection with the licensing, filing, prosecution, defense and enforcement of any patents or other intellectual property rights;
- our ability to retain our current employees and the need and ability to hire additional management and sales, scientific and medical personnel;
- the terms and timing of any collaboration, licensing or other arrangements that we have or may establish;
- debt service requirements; and
- the extent to which we acquire or invest in businesses, products or technologies.

Our primary uses of capital are, and we expect will continue to be, 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 addition, we have acquired, and may in the future seek to acquire or invest in, additional businesses, products or technologies that we believe 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 earn out 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. No payments were made to Rhythm Xience during the six months ended June 30, 2023. However, 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 June 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. In addition, our recent corporate restructuring is intended to reduce our operating expenses and optimize our cash resources. Based on the timing of notifications under the WARN Act, we started realizing the benefits of our restructuring plan beginning late in the first quarter of 2022; however, there can be no assurance that we will realize the benefits of the restructuring on the anticipated timeline, or at all.

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.

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 six months ended June 30, 2023 and 2022 (in thousands):

	Six Months Ended June 30,	
	2023	2022
	(unaudited)	
Net cash used in operating activities	$ (31,097)	$ (50,706)
Net cash provided by investing activities	30,386	89,168
Net cash used in financing activities	(234)	(11,643)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(346)	(323)
Net change in cash, cash equivalents and restricted cash	$ (1,291)	$ 26,496

Operating Activities

During the six months ended June 30, 2023, operating activities used $31.1 million of cash, a decrease of $19.6 million from the six months ended June 30, 2022. This decrease was attributable to favorable changes in operating assets and liabilities of $3.3 million and non-cash items and reclasses of $16.7 million. The favorable change in operating assets and liabilities was primarily due to the $4.7 million Employee Retention Credit receivable refunded during the six months ended June 30, 2023, partially offset by an increase in inventory purchases of $3.4 million to meet customer demand and other changes in working capital. 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 $40.3 million, offset by reduced stock-based compensation expense of $2.0 million, increased accretion of discounts on marketable securities of $1.3 million, and the goodwill impairment charge of $12.0 million and loss on debt extinguishment of $7.9 million recognized during the six months ended June 30, 2022.

Investing Activities

During the six months ended June 30, 2023, investing activities provided $30.4 million of cash, a decrease of $58.8 million from the six months ended June 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 $33.9 million compared to the prior period and a decrease in the sales of marketable securities of $13.1 million compared to the

prior period. This decrease was offset by an increase in the maturities of marketable securities of $20.5 million compared to the prior period and a decrease in purchase of property and equipment of $0.7 million compared to the prior period.

Financing Activities

During the six months ended June 30, 2023, financing activities used $0.2 million of cash, a decrease of $11.4 million from the six months ended June 30, 2022. This decrease is primarily attributable to the $11.2 million net cash outflow made during the six months ended June 30, 2022 to amend and restate the Company's 2019 debt facility.

Contractual Obligations and Commitments

We enter into agreements in the normal course of business with contract research organizations for clinical trials and with vendors for preclinical trials and other services and products for operating purposes which are cancellable at any time by us, generally upon 30 days prior written notice.

Further, the agreement to acquire Rhythm Xience requires us to pay the former owners of Rhythm Xience up to $17.0 million in earn-out 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. No payments were made to Rhythm Xience during the six months ended June 30, 2023. However, 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 June 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 June 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 six months ended June 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.

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 June 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 June 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.

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. 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.

Item 2. Recent Sales of Unregistered Securities.

On June 30, 2022, in connection with entering into the 2022 Credit Agreement, we entered into the 2022 Warrant Purchase Agreement with the lenders under the 2022 Credit Agreement (the "Lenders"), pursuant to which we issued to the Lenders warrants to purchase up to an aggregate 3,779,018 shares (the "2022 Warrant Shares") of our common stock, par value $0.001 per share, at an exercise price of $1.1114 per 2022 Warrant Share for a period of eight years following the issuance thereof, on and subject to the terms and conditions set forth in the warrants evidencing such rights.

The 2022 Warrants are exercisable on a cash or cashless (net exercise) basis, and are subject to a 4.9% beneficial ownership limitation, as well as certain other customary anti-dilution adjustments upon the occurrence of certain events such as stock splits, subdivisions, reclassifications or combinations of common stock. Upon the consummation of a "Major Transaction" (as defined in the 2022 Warrants), holders of the 2022 Warrants may elect to (i) have their 2022 Warrants redeemed by us for an amount equal to the Black-Scholes value of such warrant, in cash or, if applicable, in the form of the consideration paid to our stockholders in a Major Transaction (i.e. securities or other property of the buyer), or (ii) have such 2022 Warrants be assumed by the successor to us in a Major Transaction, if applicable. Holders of the 2022 Warrants are also entitled to participate in any dividends or distributions to holders of common stock at the time such dividends or distributions are paid to such stockholders.

The 2022 Warrants and 2022 Warrant Shares issuable thereunder have not been registered under the Securities Act of 1933, as amended (the "Securities Act") and were issued in a private placement pursuant to Section 4(a)(2) thereof. We relied on this exemption from registration based in part on representations made by the Lenders in the 2022 Warrant Purchase Agreement, including representations that each Lender was an "accredited investor" as defined in Regulation D of the Securities Act.

The Warrant Purchase Agreement contains customary representations, warranties, and covenants made by us and the Lenders. Pursuant to the Warrant Purchase Agreement, we have agreed to indemnify the Lenders for losses arising from certain breaches

of the Warrant Purchase Agreement, the 2022 Warrants and the registration rights agreement entered into in connection with the Warrant Purchase Agreement.

Item 5. Other Information.

On August 4, 2023, we 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 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.

The foregoing description of Amendment No.1 does not purport to be complete and is qualified in its entirety by reference to Amendment No. 1, a copy of which is filed as Exhibit 10.1 to this Quarterly Report on Form 10-Q and is incorporated by reference herein.

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. 1 to Amended and Restated Credit Agreement, dated as of August 4, 2023, by and between Acutus Medical, Inc and the Lenders party thereto					X
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 June 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 Income (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: August 7, 2023

By: /s/ David H. Roman

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

Date: August 7, 2023

By: /s/ Takeo Mukai

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

AMENDMENT NO. 1
TO AMENDED AND RESTATED CREDIT AGREEMENT

This AMENDMENT NO 1. TO AMENDED AND RESTATED CREDIT AGREEMENT, dated as of August 4, 2023 (this "Amendment"), is entered into by and between Acutus Medical, Inc. (the "Borrower") and the Lenders party hereto, and acknowledged by Wilmington Trust, National Association, as Administrative Agent.

WHEREAS, Borrower, the Lenders and Administrative Agent are party to that certain Amended and Restated Credit Agreement, dated as of June 30, 2022 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among the Borrower, the Lenders from time to time party thereto and Wilmington Trust, National Association, as the Administrative Agent.

WHEREAS, the Borrower and the Lenders desire to amend the Credit Agreement in certain respects, on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Defined Terms. Capitalized terms used herein (including in the preamble and recitals above) but not otherwise defined herein shall have the respective meanings ascribed to such terms in the Credit Agreement.

2. Amendment to Credit Agreement. Subject to satisfaction of the conditions set forth in Section 4 below, the Credit Agreement is hereby amended as follows:

(a) Section 1.1 of the Credit Agreement is hereby amended by adding the following definitions in the appropriate alphabetical order thereto:

"First Amendment Effective Date" means August 4, 2023.

"Minimum Liquidity Increase Date" is defined in Section 8.4.

(b) Section 8.4 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

SECTION 8.4. Minimum Liquidity. The Liquidity of the Borrower shall not be less than (i) from and after the First Amendment Effective Date until immediately prior to the date that is eighteen (18) months after the First Amendment Effective Date (the "Minimum Liquidity Increase Date"), $5,000,000 and (ii) from and after the Minimum Liquidity Increase Date, $20,000,000; provided, that if, after the First Amendment Effective Date, the Borrower has prepaid the Amendment and Restatement Term Loans pursuant to Section 3.2(a) and/or Section 3.2(b) of this Agreement in an aggregate principal amount of not less than $10,000,000 (together with any Prepayment Premium, Exit Fee and other amounts required to be paid with any such prepayment), then, from and after the Minimum Liquidity Increase Date, the Liquidity of the Borrower shall be not less than $10,000,000 (rather than $20,000,000).

3. Consent Fee. The Borrower agrees to pay to Administrative Agent, for the ratable benefit of each consenting Lender party hereto, a consent fee (the "Consent Fee") equal to $175,000, which Consent Fee shall be earned as of the First Amendment Effective Date and due and payable in its entirety on the earlier to occur of (i) the date on which the first amortization pursuant to Section 3.2(d) of the Credit Agreement is made or required to be made by the Borrower on and after the First Amendment Effective Date and (ii) the date on which the Borrower has prepaid or repaid a portion of the unpaid principal amount of the Loans pursuant to Section 3.2(a) of the Credit Agreement on and after the First

Amendment Effective Date, and distributed by Administrative Agent to the Lenders party hereto on a pro rata basis (calculated based on the respective amount of Loans of each such Lender as of the First Amendment Effective Date) on such earlier date. The Consent Fee shall be paid in U.S. dollars and in immediately available funds. Each Lender shall have the right to allocate, in whole or in part, to any of its affiliates any of the Consent Fee payable to it pursuant hereto in such manner as such Lender determines in its sole discretion.

4. Conditions. The effectiveness of this Amendment is subject to the satisfaction (or waiver) of the following conditions precedent (the date of satisfaction or waiver of all such conditions precedent hereunder shall be referred to herein as the "First Amendment Effective Date"):

(a) the execution and delivery of this Amendment by the Borrower and the Lenders constituting Required Lenders, and acknowledged by the Administrative Agent;

(b) the Borrower shall have paid any other outstanding fees and expenses owing to Administrative Agent and the Lenders, including legal fees and expenses of legal counsel, in each case, to the extent required to be reimbursed pursuant to Section 10.4(b) of the Credit Agreement, including, for the avoidance of doubt, legal fees incurred by the Lenders and their Affiliates in connection with the negotiation, execution and delivery of this Amendment;

(c) the Lenders' receipt of a duly and fully executed copy of a Patent Security Agreement; and

(d) the representations and warranties in Section 5 hereof being true and correct in all material respects (except with respect to any representation or warranty qualified by materiality or Material Adverse Effect, which representation or warranty shall be true and correct in all respects) as of the date hereof; provided, however that those representations and warranties expressly referring to a specific date shall be true and correct in all material respects (except with respect to any representation or warranty qualified by materiality or Material Adverse Effect, which representation or warranty shall be true and correct in all respects) as of such date; and

(e) no Default or Event of Default shall have occurred and be continuing.

5. Representations and Warranties. The Borrower hereby represents and warrants that (a) the Borrower has duly executed this Amendment, and execution, delivery and performance by the Borrower of this Amendment are within its corporate powers, have been duly authorized by all necessary corporate or organizational action, and do not contravene the Borrower's Organic Documents, any court decree or order binding on or affecting it or any Law or regulation binding on or affecting it and this Amendment and the Credit Agreement, as amended hereby, constitutes the legal, valid and binding obligations of the Borrower, enforceable against it in accordance with their respective terms (except, in any case, as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization or similar Laws affecting creditors' rights generally and by principles of equity), (b) the representations and warranties of the Borrower set forth in the Credit Agreement are, in each case, true and correct in all material respects (except with respect to any representation or warranty qualified by materiality or Material Adverse Effect, which representation or warranty shall be true and correct in all respects) as of the date hereof; provided, however that those representations and warranties expressly referring to a specific date shall be true and correct in all material respects (except with respect to any representation or warranty qualified by materiality or Material Adverse Effect, which representation or warranty shall be true and correct in all respects) as of such date, (c) after giving effect to this Amendment, no Default or Event of Default shall have occurred and be continuing, (d) the execution, delivery and performance by the Borrower of this Amendment will not result in a default under any material contract, agreement, or instrument binding on or affecting the Borrower or any Subsidiary and (e) except as required by Section 11, no authorization, approval, clearance or other action by, and no notice to or filing with, any

Governmental Authority or other Person (other than those that have been, or on the Amendment and Restatement Closing Date will be, duly obtained or made and which are, or on the Amendment and Restatement Closing Date will be, in full force and effect) is required for the due execution, delivery or performance by the Borrower or any Subsidiary of this Amendment or any Credit Document to which it is a party.

6. Post-Closing Covenants and Representations. (a) Notwithstanding anything to the contrary contained in the Credit Agreement or the other Loan Documents, the Borrower (i) shall deliver, or cause to be delivered, to Administrative Agent, no later than ten (10) days after the date hereof (or such later date as agreed to by the Required Lenders in their sole discretion), a duly and fully executed copy of a Perfection Certificate and (ii) use commercially reasonable efforts to deliver, or cause to be delivered, to Administrative Agent, an account control agreement for each account (other than Excluded Accounts) maintained by the Borrower at Bank of America, N.A., in each case, in form and substance reasonably satisfactory to Administrative Agent. Failure by the Borrower to comply with the covenants set forth in this Section 6(a) shall result in an immediate Event of Default under the Credit Agreement.

(b) The Borrower represents, warrants, covenants and agrees that the Perfection Certificate to be delivered pursuant to Section 6(a)(i) above will not contain or reflect, and the delivery thereof shall not constitute disclosure to any Lender (or any of their respective Affiliates, attorneys, agents or representatives) of, material nonpublic information regarding the Borrower and its Subsidiaries, their respective Capital Securities, any of their respective Affiliates or any other Person. Neither any Lender nor any of their respective Affiliates, attorneys, agents or representatives shall have any duty of trust or confidence with respect to, or any obligation not to trade in any securities while aware of, any information possessed by any Lender (or any of their respective Affiliates, attorneys, agents or representatives) as a result of any breach or violation of any representation, covenant or agreement set forth in this paragraph. For the avoidance of doubt, nothing contained in this Amendment shall in any way limit, or be deemed a waiver of, the obligations of the Borrower or any other Loan Party under Section 7.14 of the Credit Agreement.

7. Reaffirmation. The Borrower as debtor, grantor, pledgor, guarantor, assignor, or in other any other similar capacity in which the Borrower grants liens or security interests in its property or otherwise acts as accommodation party or guarantor, as the case may be, hereby (i) ratifies and reaffirms all of its payment and performance obligations, contingent or otherwise, under each of the Loan Documents to which it is a party (after giving effect hereto) and, (ii) to the extent the Borrower granted Liens on or security interests in any of its property pursuant to any such Loan Document as security for the Obligations of the Borrower under or with respect to the Loan Documents, ratifies and reaffirms such guarantee and grant of security interests and Liens and confirms and agrees that such security interests and liens hereafter secure all of the Obligations as amended hereby. The Borrower consents to this Amendment and acknowledges that the Credit Agreement, as amended by this Amendment, and each of the other Loan Documents remains in full force and effect and is hereby ratified and reaffirmed. The execution of this Agreement shall not operate as a waiver of any right, power or remedy of the Administrative Agent or Lenders, constitute a waiver of any provision of any of the Loan Documents or serve to effect a novation of the Obligations..

8. References to Credit Agreement. From and after the date hereof, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein", or words of like import, and each reference to the Credit Agreement in any other Loan Document shall be deemed a reference to the Credit Agreement as modified hereby, and this Amendment shall constitute a "Loan Document" for all purposes of the Credit Agreement and the other Loan Documents.

9. Counterparts; Electronic Signatures. This Amendment may be executed by the parties hereto in several counterparts, each of which shall be an original and all of which shall constitute together but one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by email (in "pdf," "tiff" or similar format) or telecopy shall be effective as delivery of a

manually executed counterpart of this Amendment. The words "execute," "execution," "signed," "signature" and words of like import herein or in any amendment or other modification hereof (including waivers and consents) shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by the Administrative Agent, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable Law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

10. Severability. The illegality or unenforceability of any provision of this Amendment or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Amendment or any instrument or agreement required hereunder.

11. Governing Law. THIS AMENDMENT AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING FOR SUCH PURPOSE SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK) WITHOUT REGARD TO ANY CHOICE OR CONFLICT OF LAWS PROVISIONS OR RULES THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION.

12. Disclosure. At or prior to the fourth Business Day following the date hereof, the Borrower shall file with the SEC a Form 8-K or Form 10-Q describing the transactions contemplated by this Amendment, and including as an Exhibit to such Form 8-K or Form 10-Q this Amendment (including the schedules and exhibits hereto), without any redactions.

13. General Release. In consideration of, among other things, the Lenders' execution and delivery of this Amendment, Borrower, on behalf of itself and its agents, representatives, officers, directors, advisors, employees, subsidiaries, affiliates, successors and assigns (collectively, "Releasors"), hereby waives, releases and discharges, to the fullest extent permitted by law, each Releasee from any and all claims (including, without limitation, crossclaims, counterclaims, rights of set-off and recoupment), actions, causes of action, suits, debts, accounts, interests, liens, promises, warranties, damages and consequential damages, demands, agreements, bonds, bills, specialties, covenants, controversies, variances, trespasses, judgments, executions, costs, expenses or claims whatsoever, that such Releasor now has or hereafter may have, of whatsoever nature and kind, whether known or unknown, whether now existing or hereafter arising, whether arising at law or in equity (collectively, the "Claims"), against Administrative Agent or any or all Lenders in any capacity and each of their respective affiliates, subsidiaries, shareholders and "controlling persons" (within the meaning of the federal securities laws), and their respective successors and assigns and each and all of the officers, directors, employees, agents, attorneys, advisors and other representatives of each of the foregoing (collectively, the "Releasees"), based in whole or in part on facts, whether or not now known, existing on or before the First Amendment Effective Date, that relate to, arise out of or otherwise are in connection with any or all of the Loan Documents or transactions contemplated thereby or any actions or omissions in connection therewith through the date of this Amendment. The receipt by Borrower of any Loans or other financial accommodations made by any Lender after the date hereof shall constitute a ratification, adoption, and confirmation by such party of the foregoing general release of all Claims against the Releasees that are based in whole or in part on facts, whether or not now known or unknown, existing on or prior to the date of receipt of any such Loans or other financial accommodations. In entering into this Amendment, Borrower consulted with, and has been represented by, legal counsel and expressly disclaims any reliance on any representations, acts or omissions by any of the Releasees and hereby agrees and acknowledges

that the validity and effectiveness of the releases set forth above do not depend in any way on any such representations, acts and/or omissions or the accuracy, completeness or validity thereof. The provisions of this Section shall survive the termination of this Amendment, the Credit Agreement and the other Loan Documents and payment in full of the Obligations. Borrower hereby agrees that it shall be obligated to indemnify and hold the Releasees harmless with respect to any and all liabilities, obligations, losses, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever incurred by the Releasees, or any of them, whether direct, indirect or consequential, as a result of or arising from or relating to any proceeding by or on behalf of any Person, including, without limitation, the respective officers, directors, agents, trustees, creditors, partners or shareholders of Borrower or any of its Subsidiaries, whether threatened or initiated, in respect of any claim for legal or equitable remedy under any statute, regulation or common law principle arising from or in connection with the negotiation, preparation, execution, delivery, performance, administration and enforcement of the Credit Agreement, the other Loan Documents, this Amendment or any other document executed and/or delivered in connection herewith or therewith prior to the date of this Amendment; *provided*, that Borrower shall have no obligation to indemnify or hold harmless any Releasee hereunder with respect to liabilities to the extent they result from the gross negligence or willful misconduct of that Releasee as determined by a final non-appealable order of a court of competent jurisdiction. If and to the extent that the foregoing undertaking may be unenforceable for any reason, Borrower agrees to make the maximum contribution to the payment and satisfaction thereof that is permissible under Applicable Law. The foregoing indemnity shall survive the termination of this Amendment, the Credit Agreement, the other Loan Documents and the payment in full of the Obligations.

14. Agent Authorization. Each of the Lenders hereby authorizes and directs the Administrative Agent to execute and deliver this Amendment.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

ACUTUS MEDICAL, INC.,
as the Borrower

By: _____
Name:
Title:

[*Signature Page to Amendment No. 1 to Amended and Restated Credit Agreement*]

DEERFIELD PARTNERS, L.P.

By: Deerfield Mgmt, L.P., its General Partner
By: J.E. Flynn Capital, LLC, its General Partner

By: _____
Name:
Title:

DEERFIELD PRIVATE DESIGN FUND III, L.P.

By: Deerfield Mgmt, L.P., its General Partner
By: J.E. Flynn Capital, LLC, its General Partner

By: _____
Name:
Title:

[*Signature Page to Amendment No. 1 to Amended and Restated Credit Agreement*]

Acknowledged by:

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as the Administrative Agent

By: _____

Name:

Title:

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)

August 7, 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)

August 7, 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 June 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)

August 7, 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 June 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)

August 7, 2023