

Tenon Medical, Inc. Reports Fourth Quarter and Full Year 2022 Financial Results

~ Company Concludes First Year as Public Company, Surgical Procedures Increase 386% for the Quarter and 361% for the Full Year ~

~ Fourth Quarter 2022 Revenue Increased 423% Year-Over-Year ~

~ Full Year 2022 Revenue Increased 332% Year-Over-Year ~

LOS GATOS, CA / ACCESSWIRE / March 9, 2023 / [Tenon Medical, Inc.](#) (NASDAQ:TNON) ("Tenon Medical" or the "Company"), a company that has transformative care for patients suffering with certain sacroiliac disorders, today reported financial results for the fourth quarter and full year ended December 31, 2022.

Fourth Quarter & Full Year 2022 Highlights

- Revenue of \$277,000 in the fourth quarter of 2022, a 423% increase over the prior year quarter, and up 33% on a sequential basis compared to the third quarter 2022
- Revenue of \$691,000 in 2022, a 332% increase from the full year 2021
- During the year 1 US patent and 1 foreign patent were issued and the company submitted 13 US patent applications, significantly expanding our SI joint fixation intellectual property portfolio
- 78 physicians have completed a Catamaran workshop as of December 31, 2022
- National launch of the Catamaran™ SI Joint Fusion System ("Catamaran") at the North American Spine Society (NASS) meeting (Chicago, IL), October 12-15, 2022, with a technical exhibit, interactive surgeon training sessions, and outcomes from a single center experience with Catamaran presented at an Innovative Technology Session
- Successful treatment of first patient in the strategic post market clinical study with Catamaran™ SI Joint Fusion System at Zion Surgery Center
- Modified our National Distribution arrangement allowing accelerated commercial scale with development of Tenon Medical commercial infrastructure and sales management to support top line growth
- CMS final rule effective January 1, 2023 for code 27279 increases 2023 Medicare facility fee by approximately 26% for SI joint fusion procedures performed in ASCs and 33% for these procedures done in hospital outpatient settings
- Closed \$16 Million Initial Public Offering ("IPO") on April 29, 2022 and commenced trading on the Nasdaq Capital Markets

"2022 was a transformative year for Tenon, with multiple milestones along our commercialization path for both our Company and the Catamaran System," said Steve Foster, CEO and President of Tenon Medical. "We began the year with our \$16 million IPO in April, providing the necessary funds to execute on our commercial plans. We closed 2022 with the successful official national debut and full launch of Catamaran at the North American Spine Society conference, as well as successful treatment of the first study patient in a post market clinical study of the Catamaran System.

"In conjunction with the full launch, during the fourth quarter we significantly ramped our commercialization efforts including developing commercial infrastructure and building our sales management team to support top line growth. These efforts continue as we focus on targeting physicians who have been trained on SI procedures or have significant experience with SI surgical technologies. Utilizing area sales managers, clinical specialists, independent distributors and aggressive local workshop program, our go-to-market strategy is taking shape and gaining traction.

"Today, Catamaran is FDA cleared, reimbursement secured, and commercially launched to a large market with accelerating recognition in the physician community. As of December 31, 2022, we've hosted 78 physicians in Catamaran workshops. Additionally, we had 2 patents issued and filed a total of 13 patent applications, which represents

our continued commitment to delivering distinct solutions to our physician customers. Looking ahead on our commercialization pathway, and the addition of our synthetic training model option to the traditional cadaveric lab, we anticipate further acceleration of our outreach and building momentum for Tenon.

"Specific to Clinical Research, during the fourth quarter we received IRB approval for two strategic post market studies that will assess patient pain scores, fusion as well as other patient reported outcomes out to 12 and 24 months. This investment allows our designated Catamaran study centers to begin recruiting and enrolling patients into the respective studies and represents our continued commitment in validating and differentiating patient outcomes and radiographic assessment with the Catamaran System. In November we were excited to announce the successful treatment of our first enrolled patient at Zion Surgery Center. We look forward to our additional study centers and investigators beginning their enrollment, and we continue the process of identifying and qualifying additional clinical sites.

"Looking ahead on our commercialization pathway, we believe we are well-positioned to create long-term value for our shareholders. With the national launch of Catamaran and ongoing positive feedback, we are very optimistic for the commercialization of this unique technology. Ongoing post market clinical studies represent our continued commitment to validating and differentiating patient outcomes and radiographic assessment with the Catamaran System. We are now focused on building our sales and outreach through education and workshop events, and delivering clinical research that reinforces the promise of this distinct technology," concluded Foster.

Fourth Quarter and Full Year 2022 Financial Results

Revenue was \$277,000 in the fourth quarter of 2022, an increase of 423%, compared to \$53,000 in the comparable year ago period. Revenue was \$691,000 in the year ended December 31, 2022, an increase of 332%, compared to \$160,000 in the year ended December 31, 2021. The increase in revenue for the three month and full year 2022 was primarily due to increases of 386% and 361%, respectively, in the number of surgical procedures in which The Catamaran System was used, combined with lower revenue per procedure due to a national distribution agreement in effect for sales from July 2020 through April of 2021.

Gross loss in the three months ended December 31, 2022 was \$(207,000) compared to a gross profit of \$36,000 in the comparable year ago quarter. Gross loss in the year ended December 31, 2022 was (\$641,000) compared to a gross profit of \$105,000 in the year ended December 31, 2021. The changes were due to the increases in overhead spending and the number of surgical procedures. Gross margin percentage was (75)% in the fourth quarter of 2022 and (93)% in the year ended December 31, 2022, driven by higher operations overhead spending and partially offset by higher revenue per procedure resulting from an amended and restated national distribution agreement.

Operating losses totaled \$7.9 million for the fourth quarter of 2022, compared to a loss of \$2.6 million in the fourth quarter 2021. Operating losses were \$18.7 million for the year ended December 31, 2022, compared to \$6.5 million for the year ended December 31, 2021. Operating losses for both the fourth quarter of 2022 and the year ended December 31, 2022, included a charge of \$3.6 million associated with the termination of the Company's national distribution agreement with SpineSource. Stock-based compensation increased \$1.0 million in the fourth quarter of 2022 as compared to the same quarter in 2021 and increased \$2.5 million in the year ended December 31, 2022 compared with the year ended December 31, 2021. Remaining increases in operating expenses were a result of the creation of an infrastructure to support future growth and the costs associated with being a public operating company.

Net loss was \$7.9 million for the fourth quarter of 2022, compared to a loss of \$2.8 million in the same period of 2021. For the year ended December 31, 2022, net loss was \$18.9 million, compared to \$7.0 million in the prior year. The Company expects to incur additional losses in the future.

As of December 31, 2022, cash and cash equivalents and short-term investments totaled \$8.6 million, as compared to \$7.3 million as of December 31, 2021. The Company believes existing cash and cash equivalents and short-term investments will enable Tenon Medical to fund personnel to maintain a commercial sales organization, product

development and sales and marketing activities including clinician training and clinical study activities.

Q4 2022 Earnings Conference Call

Management will host an investor conference call at 4:30 p.m. ET (1:30 PT) today, Thursday, March 9, 2023, to discuss Tenon's fourth quarter and full year 2022 financial results, provide corporate update, and conclude with a Q&A session. To participate, please use the following information:

Date: Thursday, March 9, 2023
Time: 4:30 p.m. Eastern time
Dial-in: 1-877-407-0792
International Dial-in: 1-201-689-8263
Webcast: [TNON Conference Call](#)

About Tenon Medical, Inc.

Tenon Medical, Inc., a medical device company formed in 2012, has developed The Catamaran™ SI Joint Fusion System that offers a novel, less invasive Inferior-Posterior approach to the SI joint using a single, robust titanium implant. The system features the Catamaran™ Fixation Device which passes through both the axial and sagittal planes of the ilium and sacrum, transfixing the SI joint along its longitudinal axis. With an entry that mimics SI joint injection, the surgical approach is direct to the joint and inferior to the wide and variable dorsal recess. The angle and trajectory of the Inferior-Posterior approach is designed to provide a pathway away from critical neural and vascular structures and into the strongest cortical bone. Tenon is preparing a national launch of this system to address the greatly underserved market opportunity that exists in this space. For more information, please visit www.tenonmed.com.

The Tenon Medical logo and Tenon Medical, are registered trademarks of Tenon Medical, Inc. Catamaran is a trademark of Tenon Medical, Inc.

Safe Harbor

This press release contains "forward-looking statements," which are statements related to events, results, activities or developments that Tenon expects, believes or anticipates will or may occur in the future. Forward-looking often contain words such as "intends," "estimates," "anticipates," "hopes," "projects," "plans," "expects," "seek," "believes," "see," "should," "will," "would," "target," and similar expressions and the negative versions thereof. Such statements are based on Tenon's experience and perception of current conditions, trends, expected future developments and other factors it believes are appropriate under the circumstances, and speak only as of the date made. Forward-looking statements are inherently uncertain and actual results may differ materially from assumptions, estimates or expectations reflected or contained in the forward-looking statements as a result of various factors. For details on the uncertainties that may cause our actual results to be materially different than those expressed in our forward-looking statements, please review our Registration Statement on Form S-1 on file with the Securities and Exchange Commission at www.sec.gov, particularly the information contained in the section entitled "Risk Factors". We undertake no obligation to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise unless required by law.

Investor Contact

Shannon Devine
MZ North America
203-741-8811
tenon@mzgroup.us

Tenon Medical, Inc.

Condensed Consolidated Statements of Operations and Comprehensive Loss (Unaudited)

(In thousands, except per share data)

	Three Months Ended December 31,		Years Ended December 31,	
	2022	2021	2022	2021
Revenue	\$ 277	\$ 53	\$ 691	\$ 160
Cost of sales	484	17	1,332	55
Gross (Loss) Profit	(207)	36	(641)	105
Operating Expenses				
Research and development	812	793	2,828	1,718
Sales and marketing	4,969	668	7,833	2,141
General and administrative	1,940	1,137	7,423	2,707
Total Operating Expenses	7,721	2,598	18,084	6,566
Loss from Operations	(7,928)	(2,562)	(18,725)	(6,461)
Other Income (Expense)				
Gain on investments	72	1	180	2
Interest expense	8	(281)	(354)	(621)
Other income (expense)	(57)	-	(18)	(1)
Total Other Income (Expense), net	23	(280)	(192)	(620)
Net Loss	(7,905)	(2,842)	(18,917)	(7,081)
Loss attributable to non-controlling interest	-	-)	-	(33)
Net Loss Attributable to Tenon Medical, Inc.	<u>\$ (7,905)</u>	<u>\$ (2,842)</u>	<u>\$ (18,917)</u>	<u>\$ (7,048)</u>
Net Loss Attributable to Tenon Medical, Inc. Per Share of Common Stock				
Basic and diluted	\$ (0.70)	\$ (2.91)	\$ (2.36)	\$ (7.81)
Weighted-Average Shares of Common Stock Outstanding				
Basic and diluted	11,237	977	8,008	903
Consolidated Statements of Comprehensive Loss:				
Net loss	\$ (7,905)	\$ (2,842)	\$ (18,917)	\$ (7,081)
Unrealized loss on investments	21	-	(16)	-
Foreign currency translation adjustment	47	1	7	1
Total Comprehensive Loss	(7,837)	(2,841)	(18,926)	(7,080)
Comprehensive loss attributable to non-controlling interest	-	-	-	(33)
Total comprehensive loss attributable to Tenon Medical, Inc.	<u>\$ (7,837)</u>	<u>\$ (2,841)</u>	<u>\$ (18,926)</u>	<u>\$ (7,047)</u>

Tenon Medical, Inc.

Condensed Consolidated Balance Sheets (Unaudited)

(In thousands, except share data)

December 31, 2022	December 31, 2021
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Assets

Current assets:

Cash and cash equivalents	\$ 2,129	\$ 2,917
Short-term investments	6,441	4,404
Accounts receivable	228	76
Inventory	415	188
Prepaid expenses	134	87
Total current assets	9,347	7,672
Fixed assets, net	793	101
Deposits	51	41
Operating lease right-of-use asset	873	1,084
Deferred offering costs	25	374

TOTAL ASSETS

\$ 11,089	\$ 9,272
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Liabilities, Convertible Preferred Stock, and Stockholders' EQUITY (DEFICIT)

Current liabilities:

Accounts payable	\$ 550	\$ 478
Accrued expenses	717	1,074
Current portion of accrued commissions	1,035	14
Current portion of operating lease liability	228	202
Convertible notes payable and accrued interest, net of debt discount of \$0 and \$31 at December 31, 2022 and 2021, respectively	-	12,857
Convertible notes payable and accrued interest due to related parties, net of debt discount of \$0 and \$2 at December 31, 2022 and 2021, respectively	-	649
Total current liabilities	2,530	15,274
Accrued commissions, net of current portion	1,624	-
Operating lease liability, net of current portion	683	911
Total liabilities	4,837	16,185

Commitments and contingencies (Notes 6 and 9)

Convertible preferred stock:

Series A convertible preferred stock, \$0.001 par value; 4,500,000 and 2,805,839 shares authorized at December 31, 2022 and 2021, respectively; 0 and 2,550,763 shares issued and outstanding at December 31, 2022 and 2021, respectively	-	12,367
Series B convertible preferred stock, \$0.001 par value; 491,222 shares authorized; 0 and 491,222 shares issued and outstanding at December 31, 2022 and 2021, respectively	-	1,272

Stockholders' equity (deficit):

Common stock, \$0.001 par value; 130,000,000 and 10,487,904 shares authorized at December 31, 2022 and 2021, respectively; 11,236,801 and 989,954 shares issued and outstanding at December 31, 2022 and 2021, respectively	11	1
Additional paid-in capital	45,833	113
Accumulated deficit	(39,492)	(20,575)
Accumulated other comprehensive income (loss)	(100)	(91)
Total stockholders' equity (deficit)	6,252	(20,552)

**TOTAL LIABILITIES, CONVERTIBLE PREFERRED STOCK, AND
STOCKHOLDERS' EQUITY (DEFICIT)**

\$ 11,089

\$ 9,272

SOURCE: Tenon Medical, Inc.

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