



Tenon Medical, Inc.

**First Quarter 2025 Financial Results and Corporate Update
Conference Call**

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CORPORATE PARTICIPANTS

Steve Foster, *President & Chief Executive Officer*

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CONFERENCE CALL PARTICIPANTS

Scott Henry, *Alliance Global Partners*

Nicholas Sherwood, *Maxim Group, LLC*

PRESENTATION

Operator

Greetings, and welcome to the Tenon Medical First Quarter 2025 Financial Results and Corporate Update Conference Call.

As a reminder, this call is being recorded.

Your hosts today are Steve Foster, President and Chief Executive Officer; and Kevin Williamson, Chief Financial Officer. Mr. Foster and Mr. Williamson will present results of operations for the first quarter ended March 31, 2025 and provide a corporate update. A press release detailing these results was released today and is available on the Investor Relations section of our Company's website www.tenonmed.com.

Before we begin the formal presentation, I would like to remind everyone that statements made on the call and webcast may include predictions, estimates, and other information that might be considered forward-looking. While these forward-looking statements represent our current judgment on what the future holds, they are subject to risks and uncertainties that could cause actual results to differ materially. You are cautioned not to place undue reliance on these forward-looking statements, which reflect our opinions only as of the date of this presentation.

Please keep in mind that we are not obligating ourselves to revise or publicly release the results of any revision to these forward-looking statements in light of new information or future events. Throughout today's discussion, we will attempt to present some important factors relating to our business that may affect our predictions. For a more complete discussion of these factors and other risks you should review our quarterly and annual reports on file with the Securities and Exchange Commission at www.sec.gov.

At this time, I'll turn the call over to Tenon Medical's Chief Executive Officer, Steve Foster. Please go ahead, sir.

Steve Foster

Thank you, Sachi. Good afternoon, everyone. I'm pleased to welcome you to today's first quarter 2025 financial results and corporate update conference call for Tenon Medical.

The first quarter was highlighted by continued progress in building evidence to support the Catamaran approach and technique, while adding versatility via the upcoming full launch of the new SE platform in the midyear. During the quarter, revenue improved steadily by 1% over the prior year quarter, partially impacted by reimbursement pre-authorization headwinds that we believe to be transient in nature.

We expect future coding clarity, combined with our recently published clinical data will positively impact these issues going forward. As we move forward to sustainable revenue growth, our stable cost structure is expected to maintain a gross margin performance at recent levels and improve with increases in revenue.

With the completion of the Alpha clinical review of our new Catamaran SE platform, a second-generation and smaller version of our implant and access profile we are now preparing for its full commercial launch in the midyear. The SE extends the line of implant offerings for physicians preferring a smaller Catamaran implant and access profile while performing SI joint fusion procedures.

During the Alpha clinical review, we found that the features of SE are well received across physician specialties and applications. In particular, the low profile of SE provides significant flexibility for the physician when doing SI revision surgery.

In March, the FDA cleared the Catamaran SI Joint Fusion System for an extended indication for use in augmenting thoracolumbar fusion. With this approval, the Catamaran is now indicated to treat the SI joint as either a standalone treatment or to augment a spinal fusion. We believe this can be an important tool in the complex spine surgeon arsenal to support the base of a multilevel fusion.

Recognition from the FDA of Catamaran's use to augment spinal fusion has been a long-term goal and further expands the platform's versatility. This new indication also opens the door to a previously untapped market and the potential for increased adoption.

Underscoring our technical advances, we received two European patents during the first quarter directed to the novel Catamaran SI joint fixation device. This continued development of our intellectual property portfolio improves our competitive position in the industry and protects the overall portfolio. The Catamaran SI Joint Fusion System Intellectual Property portfolio now includes 12 issued U.S. and foreign patents along with 31 pending U.S. and foreign patent applications.

Tenon is committed to funding and executing clinical research that reinforces the safety and effectiveness of our technologies. Our post-market study, we call MAINSAIL, is Tenon's prospective multicenter single-arm study that evaluates clinical outcomes of patients with Sacroiliac Joint disruption or degenerative sacroiliitis treated with the Catamaran SI Joint Fusion System. Patients will be evaluated for a period of up to 24 months reviewing various patient-reported outcomes radiographic assessments and adverse events. In short, the data collected aims to show the Catamaran System delivers on its promises.

Tenon announced the first peer-reviewed publication of our interim analysis from the MAINSAIL study in the third quarter of 2024. This interim analysis presents early experiences in the first 33 consecutive patients treated with the Catamaran SI Joint Fusion System across six U.S. clinical sites, with primary and secondary clinical endpoints analysis at six months and radiographic CT fusion assessment performed by independent reviewers at 12 months.

Notable outcomes from this interim analysis include statistically significant reduction in SI joint pain and disability scoring at six months, a robust safety profile and high patient satisfaction throughout all follow-up time points. Results provided definitive evidence of fusion response at 12 months and efficient surgical technique and procedure workflow.

This peer-reviewed analysis reinforced that the Catamaran System's minimally invasive inferior posterior approach is safe and effective in the objective of relieving pain and reducing disability in adult patients diagnosed with SI joint disruption or degenerative sacroiliitis that failed non-surgical treatment.

Early results and evaluations solidify our thesis that the Catamaran's unique design and less invasive inferior posterior approach is functioning as intended to optimize patient outcomes. Of note, the interim data from our study and the over 1,000 surgeries performed to-date with the Catamaran System demonstrate its exceptional safety profile benefiting patients and the patients they treat.

The second interim analysis will be published midyear 2025. At the time of publication, approximately one half of the up to 50 targeted enrollments will have crossed the 12-month milestone in follow-up. This 12-month milestone includes a CT scan to assess fusion of the SI joint. Combining this radiographic data with ODI and VAS scores at predetermined time points will provide increasingly robust evidence to support Catamaran technology.

The importance of this clinical research for the Company cannot be overstated. It will be compelling for treating physicians and payers alike within a market segment that is lacking peer-reviewed data. While innovative technologies are exciting for treating physicians, clinical research is required to reinforce the value proposition. Additionally, these data sets are foundation to achieve positive coverage throughout the payer network.

Our ongoing workshop activities led by a network of valued physician faculty, combined with the robust commercial infrastructure rebuild have prepared us for rapid expansion. We hosted 34 physicians in Catamaran workshops during the first quarter of 2025.

During the quarter, we took the opportunity to strengthen our balance sheet to execute on these upcoming milestones and fund growth initiatives. In March, we received a total of \$7.1 million in gross proceeds from equity financing, which contributed to a cash balance of \$10.3 million at quarter's end. Combined with a balanced financial discipline, we are confident that we have the cash runway to advance Tenon into our next phase of growth.

Looking ahead, we are now focusing our investments on driving our top line via commercial expansion and focus on our workshop and training programs. In addition, we will be finishing investments in launching our Catamaran SE platform, as well as completing the vital MAINSAIL prospective trial.

With that, I'll turn it over to Kevin to discuss our financials.

Kevin Williamson

Thank you, Steve. I will now provide a summarized review of our financial results. A full breakdown is available in our press release that crossed the wire this afternoon.

Our revenue was \$726,000 in the first quarter of 2025, an increase of 1% compared to \$719,000 in the first quarter of 2024. The increase in revenue was primarily due to an increase in implants per surgical procedure, partially offset by a slight decrease in ASP, driven by account mix.

We remain focused on investing in our growth initiatives and continue to see positive results building. We believe the upcoming Catamaran SE commercial launch, paired with the publishing of our second interim analysis of our MAINSAIL study, will be growth catalysts, along with the continued expansion of our sales force throughout the remainder of 2025.

Gross profit in the first quarter of 2025 was \$323,000, or 44% of revenue, compared to \$470,000, or 65% of revenue in the comparable year-ago quarter. Gross margin percentage varied from period-to-period,

driven by the absorption of production overhead costs into our standard costs, with operating leverage created by lower fixed costs.

Operating expenses totaled \$4 million for the first quarter of 2025, as compared to expenses of \$4 million in the first quarter of 2024. Operating expenses were flat due to increases in sales and marketing, offset primarily by decreases in professional fees, stock-based compensation, and insurance costs.

With continued planned investments in growth, including expanding the sales force, participation in industry trade show events, prioritizing market access efforts, and driving reimbursement and coverage initiatives, increases in sales and marketing expenses are expected in future quarters.

Net loss was \$3.6 million for the first quarter of 2025, as compared to a loss of \$3.6 million in the same period of 2024. While we expect to continue to improve our net loss, the Company does expect to incur additional losses in the future.

Now, turning to the balance sheet. As of March 31, 2025, cash and cash equivalents totaled \$10.3 million, as compared to \$6.5 million as of December 31, 2024. Our healthy balance sheet is fortified with ample cash runway to accelerate investment in our growth initiatives, which was further boosted by three financing transactions in Q1 2025 totaling \$7.1 million in gross proceeds. Lastly, as of March 31, 2025, the Company has no outstanding debt.

I will now turn the call back to Steve, for closing thoughts.

Steve Foster

Thank you, Kevin. We are proud of the progress that has been made and the work that has gone into uniquely positioning Tenon Medical, Inc. to grow with this expanding market. Going forward, we will be investing heavily in growth through commercial operations, clinical research, and product refinement. I thank you all for attending. Now, I'd like to hand the call over to our Operator, to begin our question-and-answer session with our covering analysts. Sachi?

Operator

Thank you. We will now be conducting a question-and-answer session. If you would like to ask a question, please press star one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star two, if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment please while we poll for questions. The first question is from Scott Henry from Alliance Global Partners. Please go ahead.

Scott Henry

Thank you, and good afternoon. For starters, when we think about top-line revenues, how would you describe your expectations for the trajectory through the year? Would you expect sequential growth every quarter, and just any thoughts as regards to 2Q, at least in broad terms, how we should think about the revenue growth there? Thank you.

Steve Foster

Yes. Thank you, Scott. A couple of different factors. One, we mentioned earlier is the reimbursement environment. I was privileged enough to attend the recent AMA meeting up in New York City. I do believe that there are clarifications coming in coding that will assist in moving things along in the pre-authorization phase. When physicians submit a patient for pre-authorization, they're simply seeking sort of the thumbs

up, if you will, to proceed with the procedure. That has been delayed a good bit because of coding confusion and things of that nature. We do anticipate that will start to resolve.

Now, that's not the flick of a switch. The coding book comes out in 2026. People will be processing this information. It's not an overnight thing. It's a bit difficult to predict. We do anticipate that will improve and get better and better as time goes along here, and that will contribute to us delivering incremental growth quarter-over-quarter. The second part of that is the building of our team—the onboarding of commercial resources to go out and sell the technology aggressively, engage distributors in different geographies and what have you. That's really the part that we're focused on.

We anticipate being able to deliver incremental growth as these things develop the second quarter and beyond in particular. That's the way I would answer your question. Those are the two critical factors.

Scott Henry

Okay. Thank you. I appreciate the color. When we think about the SE launch coming in the middle of the year, will that be an inflection point, or is that something that will help build the platform over the long run but we won't notice a spike at that point? Just trying to get a sense of how we should be thinking about that product in the short-term and in the long run.

Steve Foster

Yes. We believe it leans more towards an inflection point. We launched our initial product year-and-a-half to two years ago. You get feedback immediately from the variety of different scenarios that our physicians face. I can't stress enough that the revision component when there's other SI technologies there having a smaller and lower profile implant can be really beneficial, because you have to work around stuff that's already there in really simple terms.

We do think it's going to be an inflection point. We think it will bring more physicians into the adoption phase of the technology. We've gotten a lot of feedback that people were seeking a lower profile. We're excited about delivering this technology and we think it will help us tremendously in delivering at the top line.

Scott Henry

Okay. Great. Final question just on the G&A. It was a little lower in the first quarter than the fourth quarter, as well as I believe any of the quarters in 2024. Is that reflective of what we should see for the rest of the year? Or was there some noise in that number?

Kevin Williamson

I'm happy to jump in here. Scott, thanks for joining. Reflective of the quarter and what you'll see moving forward with some additional investments and mainly on the sales side where you'll see those investments in the growth initiatives that we discussed in our remarks.

Scott Henry

Okay. Great. Thank you for taking the questions.

Steve Foster

Thank you, Scott.

Operator

The next question is from Nicholas Sherwood from Maxim Group. Please go ahead.

Nicholas Sherwood

Hi. Good evening. My first question is how does the new indication for multiple spinal fusion surgeries expand your total addressable market?

Steve Foster

Thank you, Nicholas. Yes, this is a really important clearance for us. To be clear, the physicians oftentimes, because of the way the patient presents choose to fuse multiple levels of the lumbar or even thoracic spine. It could be because of deformity. It could be because of degenerative issues etc. When they do that, they have specific concerns at what we refer to as the bottom of that construct, which is the sacropelvic part of the anatomy. One of the challenges there is the SI joint is moving. It's moving around. It may be a part of the patient's pain it may not.

We all know from long experience that if we put any kind of hardware across the joint that's moving over time the body breaks it down and either shakes (phon) it loose, or even at times fractures that hardware. The purpose of augmenting a long construct like that with Catamaran is to immobilize the SI joint in the short-term protect that hardware that's being placed there, so it doesn't create lucencies, shape loose, fracture, etc., and then set the joint up to heal and fuse in the long-term, so the SI joint doesn't become an issue for the patient.

I want to take just a moment to describe what we're trying to accomplish there. It's all about immobilizing the SI joint healing that so it doesn't move in the future. There are thousands of those kinds of procedures done in the U.S. market alone every single year. It's obviously a very big market and the biggest players in spine participate in that market with their pedicle screws, their rods, their interbody spacers, their biologics, their computer-assisted navigation technology, all those things.

Us participating in that space in the sacropelvic part of that construct, is really meaningful. We believe, it's a significant increase in addressable market, the way the technology can be implemented in one of these instances. It really now is about us going out and explaining that value proposition to complex spine surgeons, presenting the data that we have both biomechanical and clinical data and compelling them to look at this, as a solution for their patients. Significant opportunity for us moving forward.

Nicholas Sherwood

Understood. Can you talk about the reaction you've gotten about that approval from your trained physician base? Also, is there any additional insurance reimbursement work or approvals that need to be received before the device can be used in these surgeries?

Steve Foster

Yes. The reaction from physicians—again, it's early we just got the clearance, etc. But the reaction is a positive, because there is a lot of concern about the sacropelvic component of those long constructs. As a matter of fact, we were just out down in Florida, at a significant spine meeting down there. There was a full three hour afternoon session focused exclusively on, "Hey, what do we do in the sacropelvic part of a construct? What do we do at the bottom of this construct?"

It's a hot topic. It's a significant issue that's seeking solutions out there right now. The way I would respond to your question is, there's a lot of interest. There are a lot of inquiries. There are a lot of opportunities to train. We're in those early stages of moving physicians towards adopting the technology and making it part of their practice.

As to reimbursement, yes, it's a slightly different reimbursement setup in those types of scenarios, because there's obviously a big spinal procedure, with a long incision and things like that going on, as part of that procedure. In these instances, more often than not, we find physicians wanting to utilize our technology, what they refer to as bilaterally. There's an SI joint on the left; there's an SI joint on the right. In that instance, there would be two Catamaran implants used in the procedure to immobilize both the left and the right side.

We believe that existing codes for the fusion of the SI joint will be applicable in this scenario. We'll see as things move along, but we anticipate the coding is there and clear for the application of our technology in these instances.

Nicholas Sherwood

My last question is, can you talk about the success you've had in targeting physicians for your workshops? I know that you started to develop a more targeted approach to recruiting physicians. Have you improved your capabilities in targeting the right people to get more retention rates and more procedures done by the physicians that you trained?

Steve Foster

It's a great question. Yes, we believe so. There's two big components to that. One, is having the data to target appropriately and we made some investments there. The second thing, is to be able to bring training to them. There's a big difference between asking a physician to burn their weekend, fly somewhere, stay in a hotel, get trained, etc. versus being able to bring the technology to them in their own clinic and utilize our synthetic model and do the training right there in a very convenient and efficient way for them. We now have both of those things in place. We do believe that we're targeting better and that we're delivering a meaningful training in the most cost-effective and efficient manner possible for the physician.

Nicholas Sherwood

Sounds great. Thank you for answering all my questions and I will return to the queue.

Steve Foster

Thanks, Nicholas.

Operator

There are no further questions at this time. I would like to turn the floor back over to Steven Foster, CEO for closing comments.

Steve Foster

Thank you, Sachi. We appreciate your help. I'd like to thank each of you for joining our earnings conference call today, and look forward to continuing to update you on our ongoing progress and growth. If we were unable to answer any of your questions, please reach out to our IR firm, MZ Group who will be more than happy to assist. With that, I wish everyone a good day.

Operator

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.