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

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 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 001-38238

Venus Concept Inc.

(Exact name of Registrant as specified in its Charter)

Delaware	**06-1681204**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

235 Yorkland Blvd. Suite 900
Toronto, Ontario M2J 4Y8
(877) 848-8430
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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, $0.0001 par value per share	**VERO**	**The Nasdaq Capital Market**

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	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 the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

As of June 30, 2023, (the last business day of the registrant's most recently completed second quarter), the aggregate market value of Registrant's common stock, par value $0.0001, held by non-affiliates of the Registrant was $6,630,292 based upon the closing price of $2.10 per share as reported for such date by the Nasdaq Capital Market. Shares of the Registrant's common stock held by executive officers and directors of the Registrant and by certain stockholders who owned 10% or more of the outstanding common stock have been excluded if such persons were deemed to be affiliates of the registrant. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares of Registrant's Common Stock outstanding as of March 27, 2024 was 6,355,230.

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SAFE HARBOR STATEMENT AND RISK FACTOR SUMMARY

Safe Harbor Statement

This Annual Report on Form 10-K (the "Annual Report") for the year ended December 31, 2023 contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Any statements contained herein that are not of historical facts may be deemed to be forward-looking statements. In some cases, you can identify these statements by words such as such as "anticipates," "believes," "plans," "expects," "projects," "future," "intends," "may," "should," "could," "estimates," "predicts," "potential," "continue," "guidance," and other similar expressions that are predictions of or indicate future events and future trends. These forward-looking statements are based on current expectations, estimates, forecasts, and projections about our business and the industry in which we operate and management's beliefs and assumptions and are not guarantees of future performance or developments and involve known and unknown risks, uncertainties, and other factors that are in some cases beyond our control. As a result, any or all of our forward-looking statements in this Annual Report may turn out to be inaccurate.

The factors which we currently believe could have a material adverse effect on our business operations and financial performance and condition include, but are not limited to, those risks and uncertainties that are detailed in the "Risk Factor Summary" below and under Item 1A. of Part I of this Annual Report. You are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on these statements. The forward-looking statements are based on information available to us as of the filing date of this Annual Report. Unless required by law, we do not intend to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. You should, however, review the factors and risks we describe in the reports we will file from time to time with the Securities and Exchange Commission (the "SEC"), after the date of this Annual Report.

This Annual Report also contains estimates, projections and other information concerning our industry, our business, and the markets in which we compete, including data regarding the estimated size of these markets. Information that is based on estimates, forecasts, projections, market research or similar methodologies is inherently subject to uncertainties and actual events or circumstances may differ materially from events and circumstances reflected in this information. Unless otherwise expressly stated, we obtained this industry, business, market and other data from reports, research surveys, studies and similar data prepared by market research firms and other third parties, industry, medical and general publications, government data and similar sources.

Market, Industry and Other Data

This Annual Report contains estimates, projections and other information concerning our industry, our business, and the markets for our products and services. Information that is based on estimates, forecasts, projections, market research or similar methodologies is inherently subject to uncertainties, and actual events or circumstances may differ materially from events and circumstances that are assumed in this information. Unless otherwise expressly stated, we obtained this industry, business, market and other data from our own internal estimates and research as well as from reports, research surveys, studies and similar data prepared by market research firms and other third parties, industry, medical and general publications, government data, and similar sources.

Risk Factor Summary

Our business is subject to a number of risks, a summary of which is set forth below. These risks are discussed more fully in Part I, Item 1A. Risk Factors.

- Our evaluation of strategic alternatives may not result in any transaction.
- We are exposed to the credit risk of certain of our customers and distributors.
- Unfavorable macroeconomic conditions may adversely impact our business.
- Any inability to recruit, hire, train, and retain sales professionals, senior management and key employees could have a material adverse effect on the Company's business, financial condition and results of operations.
- Our recurring losses from operations and negative cash flows raise substantial doubt about our ability to continue as a going concern.

- Global supply chain disruption and inflation may have a material adverse effect on the Company's business, financial condition and results of operations.

- Our loan and security agreements contain restrictions that may limit our flexibility to effectively operate our business.

- We will require additional financing to achieve our goals, and a failure to obtain this necessary capital when needed on acceptable terms, or at all, could force us to delay, limit, reduce or terminate our product development, commercialization and other operations or efforts.

- It is difficult to forecast our future performance and our financial results may fluctuate unpredictably.

- The clinical trial process required to obtain regulatory clearances or approvals is lengthy and expensive with uncertain outcomes and could result in delays in new product introductions.

- We may not be able to adequately protect our intellectual property rights throughout the world.

- Our devices and our operations are subject to extensive government regulation and oversight both in the United States of America (the "United States" or "U.S") and abroad, and our failure to comply with applicable requirements could harm our business.

- We conduct a significant portion of our operations in Israel and therefore our business, financial condition. and results of operations may be adversely affected by political, economic and military conditions in Israel, including but not limited to, the ongoing Israel-Hamas conflict.

- We may not be able to maintain our listing on the Nasdaq Capital Market, which could decrease the liquidity of our common stock and make it more difficult to sell our common stock in the public market.

- The market price of our common stock may be volatile, and you may not be able to resell our common stock at or above the price you paid.

- We do not intend to pay dividends on our common stock, and, consequently, our stockholders' ability to achieve a return on their investment will depend on appreciation in the price of our common stock.

- If we sell shares of our common stock in future financings, stockholders may experience immediate dilution and, as a result, our stock price may decline.

- We are a smaller reporting company and we have taken advantage of certain exemptions from disclosure requirements available to smaller reporting companies.

PART I

Item 1. Business.

Overview

Venus Concept Inc. (referred to herein, together with its subsidiaries unless the context otherwise denotes, as the "Company," "Venus Concept," "us," "our," or "we") is an innovative global medical technology company that develops, commercializes and delivers minimally invasive and non-invasive medical aesthetic and hair restoration technologies and related services. Our systems have been designed on cost-effective, proprietary and flexible platforms that enable us to expand beyond the aesthetic industry's traditional markets of dermatology and plastic surgery, and into non-traditional markets, including family medicine and general practitioners and aesthetic medical spas. In the years ended December 31, 2023 and 2022, respectively, a substantial majority of our systems delivered in North America were in non-traditional markets.

We have had recurring net operating losses and negative cash flows from operations. As of December 31, 2023 and December 31, 2022, we had an accumulated deficit of $261.9 million and $224.1 million, respectively. Until we generate revenue at a level to support our cost structure, we expect to continue to incur substantial operating losses and negative cash flows from operations. In order to continue our operations, we must achieve profitability and/or obtain additional equity investment or debt financing. Until we achieve profitability, we plan to fund our operations and capital expenditures with cash on hand, borrowings and issuances of capital stock. As of December 31, 2023 and December 31, 2022, we had cash and cash equivalents of $5.4 million and $11.6 million, respectively.

The global economy, including the financial and credit markets, has recently experienced extreme volatility and disruptions, including increases to inflation rates, rising interest rates, foreign currency impacts, declines in consumer confidence, and declines in economic growth. All these factors point to uncertainty about economic stability, and the severity and duration of these conditions on our business cannot be predicted.

Venus Viva®, Venus Viva® MD, Venus Legacy®, Venus Concept®, Venus Versa®, Venus Versa® Pro, Venus Fiore®, Venus Freedom™, Venus Bliss™, Venus Bliss Max™, NeoGraft®, Venus Glow™®, ARTAS®, ARTAS iX®, and AI.ME™, are trademarks of the Company and its subsidiaries. Our logo and other trade names, trademarks and service marks appearing in this document are our property. Other trade names, trademarks and service marks appearing in this document are the property of their respective owners. Solely for convenience, our trademarks and trade names referred to in this document appear without the TM or the ® symbol, but those references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights, or the rights of the applicable licensor to these trademarks and trade names.

Products and Services

We derive revenue from the sale of products and services. Product revenue includes revenue from the following:

- the sale, including traditional sales and subscription-based sales, of systems, inclusive of the main console and applicators/handpieces (referred to as system revenue);
- marketing supplies and kits;
- consumables and disposables;
- service revenue; and
- replacement applicators/handpieces.

Service revenue includes revenue derived from our extended warranty service contracts provided to our existing customers.

Systems are sold through traditional sales contracts directly, through our subscription model, and through distributors.

We generate revenue from traditional system sales and from sales under our subscription-based business model, which is available to customers in North America and select international markets. Approximately 33% and 42% of our total system revenues were derived from our subscription model in the year ended December 31, 2023 and 2022, respectively. We currently do not offer the ARTAS iX system under the subscription model. For additional details related to our subscription model, see *Item 1. Business – Subscription-Based Business Model.*

As of December 31, 2023, our subscription model included an up-front fee and a monthly payment schedule, typically over a period of 36 months, with approximately 40% to 45% of total contract payments collected in the first year. To ensure that each monthly payment is made on time and that the customer's system is serviced in accordance with the terms of the warranty, every product purchased under a subscription agreement requires a monthly activation code, which we provide to the customer upon receipt of the required monthly payment. These recurring monthly payments provide our customers with enhanced financial transparency and predictability. If economic circumstances are appropriate, we provide customers in good standing with the opportunity to "upgrade" into our newest available or alternative Venus Concept technology throughout the subscription period. This structure can provide greater flexibility than traditional equipment leases secured through financing companies. We work closely with our customers to provide business recommendations that improve the quality of service outcomes, build patient traffic and improve financial returns for the customer's business.

On January 17, 2024, we announced the launch of Venus Prime, a structured in-house financing program which replaces the legacy subscription program for new customers in North America. Under our Venus Prime program, select customers can qualify for competitive financing rates and continue to benefit from the payment flexibility afforded by our previous subscription financing program, inclusive of a seamless upgrade program. Under Venus Prime prospective customers are screened for credit worthiness utilizing standard commercial lending practices. Customers are graded according to their risk profile and qualifying customers are offered an interest rate that is commensurate with their credit risk. A minimum down payment is required, and the interest rate is based on a simple interest formula with equal monthly payments spread over 36 months. The Venus Prime program is simple and transparent, with equal monthly payments bearing the same interest and principal amounts over the term. Venus Prime is now available in most jurisdictions within the United States and Canada.

We have developed and received regulatory clearance for twelve novel aesthetic technology platforms, including our ARTAS and NeoGraft systems. We believe our ARTAS and NeoGraft systems are complementary and give us a hair restoration product offering that can serve a broad segment of the market. Our medical aesthetic technology platforms have received regulatory clearance for a variety of indications, including treatment of facial wrinkles in certain skin types, temporary reduction of appearance of cellulite, non-invasive fat reduction (lipolysis) in the abdomen and flanks for certain body types and relief of minor muscle aches and pains in jurisdictions around the world. In addition, our technology pipeline is focused on bringing the next generation of our successful energy-based device portfolio to market and the development of robotically assisted minimally invasive solutions for aesthetic procedures that are primarily treated by surgical intervention, including the AI.ME platform for which we received FDA 510(k) clearance for fractional skin resurfacing in December 2022.

In the United States, we have obtained 510(k) clearance from the United States Food and Drug Administration ("FDA") for our Venus Viva, Venus Viva MD, Venus Legacy, Venus Versa, Venus Versa Pro, Venus Velocity, Venus Bliss, Venus Bliss Max, Venus Epileve, Venus Fiore, ARTAS, ARTAS iX and AI.ME systems. Outside the United States, we market our technologies in over 60 countries across Europe, the Middle East, Africa, Asia-Pacific and Latin America. Because each country has its own regulatory scheme and clearance process, not every device is cleared or authorized for the same indications in each market in which a particular system is marketed.

As of December 31, 2023, we operated directly in 14 international markets through our 11 direct offices in the United States, Canada, United Kingdom, Japan, Mexico, Spain, Germany, Australia, China, Hong Kong, and Israel.

Our revenues for the year ended December 31, 2023, and 2022 were $76.4 million and $99.5 million, respectively. We had a net loss attributable to Venus Concept of $37.2 million and $43.7 million for the year ended December 31, 2023, and 2022, respectively. We had an Adjusted EBITDA loss of $20.3 million and $25.4 million for the year ended December 31, 2023, and 2022, respectively.

Market Overview

Aesthetic Procedures

The market for aesthetic procedures is large, growing, global in scale, and comprised of both surgical and non-surgical procedures. The International Society of Aesthetic Plastic Surgery reported approximately 33.7 million cosmetic procedures worldwide in 2022. Total cosmetic procedures worldwide in 2022 was comprised of approximately 14.9 million surgical cosmetic procedures and approximately 18.8 million non-surgical cosmetic procedures. Total non-surgical procedures worldwide in 2022 included approximately 13.3 million injectable procedures – primarily neurotoxin and hyaluronic acid fillers – with the remaining 5.5 million non-surgical, non-injectable procedures worldwide in 2022 representing annual addressable procedure opportunity for our minimally invasive and non-invasive medical aesthetic technologies.

Hair Restoration Procedures

According to the "2022 Practice Census Results Report" from the International Society of Hair Restoration ("ISHRS"), an estimated 703,183 patients worldwide had a surgical hair restoration procedure in 2021 and estimated the global market for surgical hair restoration treatments totaled $4.5 billion in 2021.

We believe several factors are contributing to the growth in the aesthetic and hair restoration markets, including:

- *Continuing focus on body image and appearance*. Both women and men continue to be concerned with their body image and appearance.

- *Wide acceptance of aesthetic procedures.* According to the American Society for Aesthetic Plastic Surgery ("ASAPS"), in 2022, people in the U.S. spent more than $11.8 billion on combined surgical and non-surgical aesthetic procedures. The number of non-surgical procedures has increased, growing 23% from 2021 to 2022, Nonsurgical procedures were boosted by large increases in infusions, skin treatments, body contouring, and neurotoxins.

- *Broader availability of minimally and non-invasive procedures.* Technological developments have resulted in the introduction of a broader range of safe, effective, easy-to-use, and low-cost minimally invasive and non-invasive aesthetic procedures, with fewer side effects. This has resulted in wider adoption of aesthetic procedures by practitioners. According to the ASAPS, nonsurgical procedures were performed more often in 2022 than surgical procedures. There has also been a market shift to less invasive hair restoration procedures such as follicular unit extraction ("FUE") surgery which, according to ISHRS, is the most common method among males (75.4%), followed by strip/linear harvesting (21.3%) and combination strip and FUE (3.3%). The most common type of procedure among female patients is also FUE (57.0%) followed by strip/linear harvesting (41.7%).

- *Increased physician focus and changing practitioner economics.* Managed care and government payor reimbursement restrictions in the United States, and similar payment-related constraints outside of the United States, are motivating practitioners to establish or expand their elective aesthetic practices with procedures that are paid for directly by patients. As a result, in addition to traditional aesthetic providers, non-traditional providers have begun to perform these procedures.

- *Increasingly affordable treatment solutions.* New, lower cost technologies combined with procedure pricing pressures will broaden the patient population for minimally invasive and non-invasive aesthetic procedures, which we believe will continue to contribute to increased market demand.

Aesthetic Solutions

Traditional Aesthetic Treatment Options and Their Limitations

We believe that several limitations have restricted the growth of traditional aesthetic technologies and that patients who do not require significant skin tightening, cellulite reduction, circumferential reduction or body contouring will explore non-invasive alternatives to minimize the pain, expense, downtime, and surgical risks associated with current invasive procedures. Most existing non-invasive procedures are based on various forms of directed energy treatments, such as Radiofrequency ("RF"), Intense Pulsed Light ("IPL"), lasers using various wavelengths, shockwave therapy or ultrasound.

Most traditional aesthetic technologies present several limitations, including surgical risks, potentially painful and medication-dependent surgical recovery, pain and discomfort, potentially undesired results. In addition, traditional aesthetic technologies are limited in efficacy by the relative skill and technique of the operator, and patient access to invasive treatments is often limited by cost.

Our Aesthetic Technology Solutions

We have designed a suite of medical aesthetic systems that use our proprietary multipolar pulsed technology ("$(MP)^2$") technology to address the limitations of existing medical aesthetic technologies and procedures. Our systems have the following characteristics:

- *Non-invasive.* Our systems use technologies that are primarily non-invasive. Our core $(MP)^2$ technology combines multipolar RF and magnetic pulse synthesizers to homogenously raise temperature over the entire treatment area and multiple skin layers. Controlled, targeted, uniform heat distribution and the ability to maintain clinically acceptable therapeutic temperature for the entire treatment results in no heat spikes (thermal surges) and eliminates the need for topical cooling agents.

- *Easy-to-use and delegable technology.* We believe that the effective use of our aesthetic systems is not technique-dependent and requires limited training and skills to obtain successful aesthetic results. This allows physicians to leverage their own time and increase throughput since procedures can be performed by non-physician operators, subject to local regulations. We design our systems to be easy to operate with this benefit in mind.

- *Results for broad range of skin types.* Our $(MP)^2$ technology uses proprietary algorithms that harness the benefits of both RF and Pulsed Electromagnetic Field Therapy ("PEMF") therapy. This resulting energy matrix penetrates multiple layers of skin, raising temperature homogenously and effectively. We believe this type of skin penetration improves treated conditions and provides visible results for a broad range of skin types.

- *Technology enables products to be designed for affordability.* Our technology enables us to focus on designing and manufacturing products at an affordable cost. We offer our products at competitive prices without sacrificing quality, while maintaining our margin objectives. Our competitive prices and subscription model also allow our customers the ability to offer more affordable treatment options to patients.

Our Competitive Advantages for the Aesthetic Market

- *Expands potential market.* Venus Prime, along with our legacy subscription-based model enables us to sell to both traditional and non-traditional customers without the involvement of third-party lenders, which allows us to reach many customers who choose not to purchase competitors' aesthetic products because of the barriers associated with equipment financing.

- *Maintains strong customer relationships.* Our "high-touch" customer philosophy leads to continuous interactions with our customers and enables us to cultivate strong and long-term relationships.

- *Controls secondary market resales*. Our 30-day activation code technology also reduces the risk that our products will be resold in the secondary market without authorization. This allows us to control the various distribution channels for our products and maximize the value of our products after purchase.

- *Opportunities for access to the newest available Venus Concept's technology and revenue enhancement.* Where the conditions are appropriate, our customers have the opportunity to upgrade into our newest available or alternative technology. In addition, our customers participate in the most current marketing and branding activities we offer. Our quarterly educational webinars, online promotions events, and periodic remote consultations lead to continuing client interaction and the ability to expand the client's business and service offerings.

Competitive Advantages for Our Customers in the Aesthetic Market

- *Return on investment.* By spreading payments over a 36-month period, our subscription-based model is designed to help our customers achieve positive cash-flow from their investment in our systems, thus reducing a portion of implementation risk and concerns associated with large initial capital outlays.

- *Expansion of services.* Our aesthetic systems allows customers to expand the services offered within their practices. A majority of our systems can be used to treat more than one clinical indication, and some products can be purchased as a modular platform that can be modified to match the needs of a growing aesthetic business. To the extent we are successful in receiving FDA and other clearances for additional clinical indications, the value of our modular platform technologies to customer practices may be further enhanced.

- *Leverage physician time and clinic infrastructure.* Subject to the local laws of each state in the United States and in other jurisdictions, our physician customers may delegate these non-invasive procedures to nurse practitioners, technicians, and other non-physician trained operators as long as the systems are operated under the physician supervision. We believe that this creates leverage to save physician time and requires the use of less practice infrastructure.

- *Customer Business Development program.* Our customer business development program offers marketing and clinical support to our customers. These services focus on improving practice or clinic revenue performance, as well as the customers' overall financial and business metrics. In addition, we provide remote educational programs that focus on driving best practices and increasing clinical and economic performance of our customers.

Hair Restoration Solutions

The treatments for hair loss can broadly be divided between non-surgical options and surgical procedures.

Non-Surgical Options

Traditional non-surgical options for hair loss include prescription therapeutics and non-prescription remedies. In the United States, the FDA has authorized two prescription therapeutics for hair loss: Rogaine which is applied topically, and Propecia, a pharmaceutical ingested in pill form. Both Rogaine and Propecia have several drawbacks, including limited efficacy in some individuals, potential side effects and the need for strict patient compliance for the treatment to have meaningful effect.

Surgical Procedures

Surgical procedures to address hair loss, specifically follicular unit transplantation ("FUT Strip Surgery") and FUE, continue to evolve and become more popular. FUE is significantly less invasive than FUT Strip Surgery, which requires the physician to surgically remove a large strip of the patient's scalp and implant individual hair follicles from the strip into the patient's scalp. This procedure results in a linear scar at the donor area. In a FUE procedure, the physician or technician removes individual hair follicles from the patient's scalp without removing a strip of tissue. Because a strip of the patient's scalp is not removed, a FUE procedure avoids a long linear scar and reduces the post-operative pain and numbness associated with strip surgery. FUE can be performed with manual hand-held punches, automated hand-held devices (e.g., NeoGraft) ("Manual FUE") or robotically with the ARTAS System.

Limitation of Traditional Hair Loss Treatment Options

While FUT Strip Surgery and Manual FUE can provide significant, long-term results in restoring hair, there are several limitations associated with these procedures, including the demanding training and major investment of time required for a physician or technician to become proficient, the labor intensive nature of the procedures, the ability of physician or technician to effective create sites for hair follicle implantation, and the risk of inconsistence of physician or technician performance.

Our Hair Loss Treatment Solutions

The ARTAS Solution

We believe the ARTAS System addresses many of the shortcomings of other hair restoration procedures. The ARTAS System is capable of robotically assisting a physician through many of the most challenging steps of the hair restoration process, including the dissection of hair follicles, site planning and recipient site making. We believe, with this assistance, the ARTAS System can help shorten the often-long learning curve for both physicians and technicians to become proficient in performing hair restoration procedures. In addition, we believe that by assisting the physician and technicians with many of the repetitive tasks associated with the hair restoration procedures, the ARTAS System can make hair restoration procedures less labor intensive and can reduce operator fatigue, thereby reducing inconsistent results. Further, we believe the ARTAS System's site making functionality, which includes an enhanced imaging system and sophisticated algorithms, helps physicians avoid damaging existing follicles and enables them to create a more natural, aesthetically pleasing outcome for the patient. In March 2018, we received 510(k) clearance from the FDA to expand the ARTAS technology to include implantation of harvested hair follicles into our ARTAS iX System for sale in the United States. As of December 1, 2022, the ARTAS iX conforms to the European Union's ("EU") "Low Voltage Directive" which allows us to affix the CE Mark and market the ARTAS iX system in the EU.

We strategically market the ARTAS System to hair restoration surgeons, dermatologists, plastic surgeons and aesthetic physicians. We believe we can reach our target physician customers effectively through focused marketing efforts. These efforts include participation in trade shows, scientific meetings, educational symposiums, webinars, online advertising and other activities. For physicians who purchase the ARTAS System, we provide comprehensive clinical training and practice-based marketing support. For example, we believe we help our physician customers increase the number of procedures performed by assigning a business development manager ("BDM") to aid in building the physician-customer's hair restoration practice. Support from a BDM includes assistance with recruitment, consultation, and conversion of patients. Additionally, BDMs deploy patient marketing materials, assist with social media and digital marketing strategies, and provide other marketing and sales support.

Advantages of the ARTAS Procedure

Patient Value. We believe the ARTAS System significantly improves the patient experience and outcome in hair transplantation procedures in the following ways:

- The ARTAS procedure provides patients with a minimally invasive, less painful alternative to FUT Strip Surgery. The ARTAS System has a faster recovery time and avoids the long linear scar at the back of the patient's head.

- Through the ARTAS System, the dissection of grafts is performed in a manner that leaves only small pinpoint scars that heal faster and are less detectable than the larger post-operative linear scar that would be produced from FUT Strip Surgery. As a result, an ARTAS procedure can, in many cases, offer a shorter recovery time and can enable patients to resume their daily lifestyle faster than with strip surgery. In addition, the ARTAS procedure allows patients to wear their hair shorter without a noticeable scar.

- The ARTAS site making functionality translates the physician-patient site design onto the patient's recipient area. The ARTAS System's enhanced imaging system and sophisticated algorithms enable the ARTAS System to rapidly create recipient sites at precise depths, replicate pre-existing hair angles, avoid damaging the healthy pre-existing hair and adjust the distribution of the recipient sites to optimally fill in the transplantation area. We believe these elements can contribute to a superior aesthetic outcome.

Physician Value. We believe the ARTAS System provides physicians with compelling economic benefits and enables physicians to achieve consistent reproducible results. As a result, we believe the ARTAS procedure also offers an attractive addition to existing dermatology, plastic surgery or aesthetics practices whether they do or do not currently provide hair restoration procedures in the following ways:

- We believe the ARTAS System and ARTAS 3D pre-operative planning software application provide compelling benefits for physicians. The ARTAS System's image-guided robotic capabilities allow physicians to perform procedures with fewer staff than what might be required for a traditional FUT Strip Surgery or a Manual FUE procedure. With the robotic assistance provided by the ARTAS System, we believe physicians and technicians will be able to perform the complicated, repetitive and often tedious task of dissecting hair grafts with less fatigue and greater productivity than would be possible in a Manual FUE procedure.

- Hair restoration procedures are generally paid for by the patient and do not involve the complexity of securing reimbursement from third-party payors.

- As we provide high quality training for physicians and their clinical teams on the use of the ARTAS System and because the robotic system and its intelligent algorithms assist these teams in performing hair restoration procedures, we believe we can significantly shorten the learning curve necessary for hair transplantation procedures using the ARTAS System. This shortened learning curve can reduce barriers to entry for a new hair restoration practice. It can also ease the adoption of a new technology into existing practices.

Clinically-Established Results. Four peer-reviewed clinical publications have demonstrated the quality and consistency of grafts produced by the ARTAS System. One published study indicated average damage rates for the hair follicles, or transection rates, with the ARTAS System were as low as 6.6%, with a second study documenting average transection rates as low as 4.9% in a separate population of patients. The third study documented that the ARTAS System can be programmed by the physician to select follicular units with larger groupings of hairs while skipping single hair grafts, which allows physicians to choose particular follicular units depending on the hair density they are trying to achieve, providing a clinical benefit as measured by the increase in hairs per harvest of 17% and as measured by the increase in hairs per graft of 11.4%. Results were statistically significant with a p-value less than 0.01. This study also demonstrates the ability of robotic follicular unit graft selection to increase the number of hairs a physician can extract for each incision made in the donor area. The fourth study demonstrated that FUE cases larger than 2,500 grafts, or mega-sessions, are possible using the ARTAS System. These peer-reviewed publications demonstrate the reproducibility and consistency of dissection results from the ARTAS System in a diverse group of patients, even as the system is used by different clinicians. To our knowledge, there are no other peer-reviewed clinical publications that demonstrate the reproducibility of results utilizing other products in FUE or strip surgery procedures. We continue to encourage scientific research in the study of hair restoration to improve our technology, solutions, enhance understanding of our industry and educate physicians on the capabilities of the ARTAS System.

The NeoGraft Solution

We believe that NeoGraft offers a technology solution that complements our robotic hair restoration system and provides an alternative to FUT Strip Surgery and Manual FUE procedures for our customers and their patients.

Patient Value

- Unlike traditional FUT Strip Surgery procedures, the NeoGraft system is minimally invasive. In a FUE procedure using NeoGraft, rather than surgically removing a portion of the patient's scalp, each hair graft is individually dissected from the scalp for transplantation. Because a strip of the patient's scalp is not removed, a FUE procedure avoids a long linear scar and reduces the post-operative pain and healing process, reducing the risk of potential infection and pain.

- In addition to treating male pattern hair loss for patients with black and brown straight hair, the NeoGraft may also be used for women and people with curly or light-colored hair.

- NeoGraft can be used for fine tuning of small, specific areas of the scalp, temples and temporal peaks.

Physician Value

- The highly ergonomic mechanical NeoGraft system works as a natural extension of the surgeon's hand, allowing for faster and more accurate harvesting of hair follicles. NeoGraft patients may reach their goal with less time in the procedure room or fewer FUE procedures.

- Our NeoGraft system is a lower priced option to our ARTAS System making it a feasible alternative for physicians who do not perform a large volume of hair restoration surgeries.

Our Strategy

Our goal is to become a leading global provider of minimally invasive and non-invasive medical aesthetic and hair restoration technologies and their complimentary products. To achieve this goal, we intend to:

- *Broaden our portfolio of product offering*. We continue to invest in and leverage the extensive energy-based technology developed by our experienced research and development team in Israel, and we believe that collaboration with the experienced robotic research and development team in the United States will bring new and innovative technology solutions to the hair restoration and non-invasive and minimally invasive categories of aesthetic medicine.

- *Apply robotic technologies to new applications.* Our research and development teams in Israel and the United States continue to collaborate on the development of new and innovative technology solutions in the non-invasive and minimally invasive aspects of aesthetic medicine. We continue the development of robotically assisted minimally invasive solutions for aesthetic procedures that, currently, are primarily treated by surgical intervention, including the AI.ME platform for which we received FDA 510(k) clearance for fractional skin resurfacing in December 2022. Shortly thereafter, our Medical Advisory Board began evaluating several new potential clinical applications including treatment of loose skin, striae and scars. Those evaluations remain ongoing. We believe that robotics, machine vision and artificial intelligence can provide significant improvements in the execution and performance of a broad range of non-invasive and minimally invasive aesthetic procedures. We are currently investigating a number of internal development programs combining energy-based devices and robotics and partnering opportunities for the application of our robotics technologies in a wide range of aesthetic procedures.

- *Hair restoration market.* We continue to focus on providing a complete set of products and services to the hair restoration market. With ARTAS and NeoGraft, we believe that our hair restoration product offering serves a broad segment of the market.

- *Expand FDA (and other regulatory agencies) cleared indications for our products.* We intend to seek additional regulatory clearances from the FDA and other national regulatory bodies and to extend the scope of our existing FDA clearance and CE Mark certifications. Additionally, we intend to expand the scope of marketable indications for our technologies in other markets.

- *Expand into non-traditional markets.* We intend to continue to market our systems to providers of aesthetic services in the large and under-penetrated non-traditional aesthetic market. We believe the ease of use of our technologies makes our systems suitable for adoption by physicians and other providers in non-traditional markets, including general and family practitioners and aesthetic medical spas.

- *Enhance our international operations.* We have built a direct sales force through wholly owned subsidiaries in the United States, Canada, United Kingdom, Japan, Mexico, Spain, Germany, Israel, Australia and China, with a majority-owned subsidiary in Hong Kong and a strong and growing network of international distributors and strategic partners. We have implemented a strategy to bolster our sales and marketing capabilities internationally and believe we are well positioned to continue to grow our revenue from customers located outside North America.

Our Aesthetic Technologies

We use a variety of technologies that allow us to expand into non-traditional physician markets. One differentiating technology is our proprietary $(MP)^2$ technology. Our $(MP)^2$ technology is applicable to a wide range of non-invasive skin tightening, wrinkle reduction, body contouring, cellulite, and fat reduction, which have been cleared in the United States, Canada, and Europe. We also currently have solutions based on other technologies such as fractional ablative RF, IPL and laser technologies, affording a broader set of solution options to address key markets for hair removal, and vascular pigmented lesions, circumference reduction and fat reduction (lipolysis). As part of our strategy, our Venus Velocity, Venus Viva, Venus Viva MD, Venus Fiore, Venus Bliss, Venus Bliss Max, Venus Epileve, ARTAS and NeoGraft systems come with integrated internet of things capabilities.

Our $(MP)^2$ Proprietary Technology

Our proprietary $(MP)^2$ technology employs both PEMF and multipolar RF energy in a synergistic manner. $(MP)^2$ is noninvasive and because $(MP)^2$ disperses heat equally across the treatment area, it does not produce potentially painful localized heat spikes, and unlike other devices employing RF, $(MP)^2$ does not require local cooling during treatment.

PEMFs energy is created by running short pulses of electrical current through metal coils, which results in the formation of electromagnetic fields. Electromagnetic fields, in turn, influence the behavior of charged particles, including various biomolecules, within the range of the electromagnetic field to cause one or more desired effects at the cellular level. The non-thermal impact of PEMF therapy is used for aesthetic application requiring enhanced collagen synthesis, for treatment of wounds, and in the management of postsurgical pain and edema.

RF energy, on the other hand, delivers radiofrequency energy that manifests itself as heat within various layers of the skin. The heat generated in the tissue by application of RF energy directly affects fibroblasts, extra cellular matrix and fat cells, thereby triggering natural wound healing processes of the skin and resulting in synthesis of new collagen and elastin fibers. In addition, under predetermined conditions, the heat causes contraction of collagen fibers and lipolysis. In our $(MP)^2$ technology, we employ a multipolar matrix of RF circuits to produce heat, which is distributed evenly across the treatment area and volume in a proprietary pattern, which results in the quick and uniform heating of the skin layers without overheating any particular area of the skin.

Elements of (MP)^2 Technology

Benefits of (MP)^2 Technology

Our proprietary (MP)^2 technology enables medical and aesthetic practitioners to offer a wide range of non-invasive skin tightening and body contouring solutions with a technology that is cleared for various indications by the FDA, Health Canada and the EU (CE Mark). Additional benefits of using our (MP)^2 technology include:

- Delivery of RF energy in a uniform manner. The volumetric homogeneous distribution of heat reduces localized temperature spikes and eliminates the requirement to use a cooling aid, resulting in comfortable treatments.

- Ergonomic handpieces designed to increase comfort and reduce operator fatigue. The (MP)^2 technology offers a user-friendly interface designed to facilitate intuitive operation, and in most cases does not require an extensive training process.

Our Additional Key Technologies

In addition to our core (MP)^2 technology, we have technologies that use fractional RF (delivery of ablation and coagulation to pre-determined fractions of the skin), IPL and laser technologies that allow us to address key markets for skin resurfacing, wrinkle reduction, body contouring, noninvasive lipolysis and circumference reduction, hair removal, acne treatment and treatment of vascular and pigmented lesions. In offering these solutions in the markets where we have marketing clearances or approvals, our goal is to provide improved technologies that are safe and effective for their intended uses and economically viable for our customers.

Fractional Ablative RF

Fractional ablative/coagulative techniques improve the appearance of skin surfaces by micro-injuring the skin in a fractional manner to trigger a healing response in the treated area. This both tightens the skin and elicits collagen formation, thus rejuvenating the skin surface. Because our fractional RF technology does not use lasers or other light technologies, which are skin color dependent, fractional RF can be used on patients of all skin tones. Fractional RF technology has been incorporated into our Venus Viva applicator, supported by our Venus Viva, Venus Viva MD and Venus Versa systems.

Intense Pulsed Light

Our IPL devices employ non-laser high intensity light sources as part of a high-output flash lamp to produce a broad wavelength of non-coherent light, usually in the 400 to 1200 nm range, that may be further filtered to narrower bands per specific absorption coefficients of predetermined chromophore targets and may be applied to remove unwanted hair as well as vascular and pigmented lesions.

We have incorporated IPL technology into our Venus Versa system to expand that treatment offering and to build a modular, upgradable platform that affords a comprehensive solution for common aesthetic treatments. Specifically, the IPL capability permits users of the Venus Versa systems to offer their patients the service options of removing unwanted hair, treating acne vulgaris, and treating vascular and pigmented dermal lesions.

Diode Lasers

Diode laser technology is a recognized technology for hair removal and lipolysis. The Venus Velocity and Venus Epileve systems achieve hair removal, permanent hair reduction and treatment of ingrown hair using the diode laser. Both devices employ the laser energy to the treatment area through a chilled sapphire light guide that conductively cools the skin surface simultaneously with the delivery of laser energy that is absorbed in the hair follicle pigment, thereby maintaining a lower temperature in the epidermis to enhance the comfort of the procedure and avoid potential epidermal damage while destroying the hair for hair removal. The Venus Velocity and the Venus Epileve systems allow us to expand our offering in the hair reduction market, which is one of the most popular non-invasive energy-based aesthetic procedures in the United States.

Our laser technology is also incorporated into our Venus Bliss and Venus Bliss Max devices. The diode laser system is intended for non-invasive lipolysis of the abdomen and flanks in individuals with a Body Mass Index of 30 or less. The 1064 nm laser emission performs hyperthermic treatment of the subcutaneous tissue layers and generates an injury to adipocytes (fat cells) through direct heating. The disrupted fat cells and other cellular debris are then removed through the body naturally.

Electrical Muscle Stimulation (EMS)

Electrical Muscular Stimulation ("EMS") employs electrical pulses of predetermined frequencies, durations, and intensities for elicitation of healthy muscle contraction. EMS employs its cycled stimuli of muscles' warm up contraction/relaxation of the treated area via two electrodes. We have incorporated EMS technology into Bliss Max and our upcoming LegacyMax device to create comprehensive multi-treatment body solutions.

Micro-Coring

Micro-coring employs a mechanical rotating needle assembly for fractional removal of portions of epidermal and dermal layers of the skin. The sub-millimetric excised skin columns are evacuated from the skin using a vacuum and the triggered demarcated wound healing process results in fractional skin resurfacing through the mechanisms of re-epithelization and deposition of newly synthesized collagen. The micro-coring procedure has been initially used in the ARTAS device for harvesting and implantation of hair follicles. In skin treatment, micro-coring is used by our robotic AI.ME device for fractional skin resurfacing.

Our Robotic Technology

We believe our robotic technology has improved multiple phases of the hair transplantation procedure, which include harvesting, recipient site making and implantation.

Harvesting

During the harvesting phase of an ARTAS hair restoration procedure, the robotic arm and integrated vision system work in tandem to identify the optimal hair follicles to be used in the procedure. The ARTAS vision system uses proprietary algorithms to identify individual hair follicles, growth angle, density, thickness, length and follicle grouping and to determine which grafts to dissect and the optimal order in which they should be dissected. The algorithms recalculate 60 times per second, accommodating patient movement, to provide the physician with accurate up-to-date information during the course of the procedure. We believe these assessments directly correlate to the quality of the outcome, the state of the donor area and the potential viability for subsequent harvesting for future transplantation procedures.

Once optimal hair follicles for transplant are identified by the ARTAS vison system, these follicles are dissected using a sharp needle to score the epidermis and a punch, coaxial with the needle, to separate the graft from the surrounding tissue. In the final step of the harvesting phase, the grafts are removed by the physician or the technician, cleaned, inspected, and prepared for implantation. During the procedure, the physician can customize the dissection incisions by choosing a needle and punch that will produce 0.8mm, 0.9mm or 1.0mm incisions.

The needle travels at speeds that produce targeted precision and a cleanly scored incision. In a clinical setting, the ARTAS System has been shown to move from graft to graft at a rate of approximately one to three seconds, thereby enabling the ARTAS System to dissect a graft every two to five seconds, or approximately 720 to over 1,800 grafts per hour.

Recipient Site Making

Prior to the ARTAS System, creating sites to receive harvested grafts was performed manually using a hand-held tool or needle to create hundreds or thousands of tiny incisions in the scalp. This is a critical step as it creates the hair pattern in which the harvested grafts will grow.

The ARTAS System site making functionality incorporates artificial intelligence and robotics precision to strategically make surgical incision sites for implanting hair follicles, while identifying and avoiding injuring healthy follicles in proximity of the implantation sites. This allows the patient's hair to look more natural and prevents damaging existing healthy hair in the transplant area which we believe results in patients with more hair than if the sites were created manually.

Robotic recipient site making is performed by the physician, who develops the ARTAS System treatment plan, or map, identifying where to make the incisions on the patient's scalp. The treatment plan is prepared using three-dimension modeling software that takes a picture of the patient's recipient area and generates a three-dimensional map that is utilized by the ARTAS System. With entry angle accuracy, consistency and precise depth control, the ARTAS System creates the recipient sites using a small solid core needle or a blade at a rate of approximately 2,500 to 3,000 sites per hour, which is significantly faster than the approximately 1,500 sites per hour achieved manually.

Implantation

Customers utilizing an ARTAS iX System can utilize the robotic functionality of the system to assist in implanting the dissected follicles. We believe this robotic implantation functionality will help further shorten the learning curve, improve the consistency and reproducibility of results by protecting permanent hair, reduce inconsistencies associated with manual implantation, potentially reduce the amount of time each graft spends outside of the scalp and decrease the overall time required for implantation.

Our Products

Our product portfolio includes nine energy-based systems that provide solutions for various non-invasive aesthetic applications using Venus Concept's (MP)² technology, as well as the VariPulse, and/or fractional ablative RF, IPL, or laser technologies. We offer two hair restoration solutions, NeoGraft and ARTAS, as well as the newest addition to our portfolio, our AI.ME next generation robotic platform for fractional skin resurfacing.

Product name	Technology	Regulatory Clearance
Venus Legacy 	Venus Legacy combines (MP)2 with Venus Concept's VariPulse technology, which is a software controlled vacuum application, delivering alternating negative and positive pressure to the tissue in three predefined programs, to achieve lymphatic drainage, and ease applicator movement as vacuum is applied, and real-time thermal feedback to act as a workstation, providing homogeneous heating to multiple tissue depths while allowing for adjustable pulsed suction.	**United States** ● The Venus Legacy BX is a noninvasive device intended for use in dermatological and general surgical procedures for females for the noninvasive treatment of moderate to severe facial wrinkles and rhytides in Fitzpatrick Skin Types I-IV. ● The Venus Legacy CX using the LB2 and LF2 applicators is intended for the treatment of the following medical conditions for delivery of non-thermal RF combined with massage and magnetic field pulses: relief of minor muscle aches and pain; relief of muscle spasm; temporary improvement of local blood circulation; and temporary reduction in the appearance of cellulite. **Canada** Temporary increase of skin tightening, temporary circumferential reduction, temporary cellulite reduction, temporary and wrinkle reduction. **EU** Increase of skin tightening, temporary circumferential reduction, cellulite reduction and wrinkle reduction.

Product Name	Technology	Regulatory Clearance
Venus Versa  **Venus Versa Pro** 	Venus Versa and Versa Pro are versatile systems based on a multi-application approach. It is a modular and upgradable platform that offers the most in-demand aesthetic treatments by supporting 10 optional applicators which utilize Venus Concept's $(MP)^2$, and IPL and NanoFractional RF technologies. Designed as an open platform, the Venus Versa and Versa Pro can be configured to best suit a practice's needs with the ability to add additional applications as the practice grows or changes. Depending on the applicator, or the applicator's sequence of use, the platform can provide multiple aesthetic solutions.	**United States, EU and Canada** The Venus Versa and Versa Pro* systems are multi-application devices intended for use in aesthetic and cosmetic procedures. The SR515 and SR580 IPL applicators are indicated for treatment of benign pigmented epidermal and cutaneous lesions including, hyperpigmentation, melasma, ephelides (freckles), lentigines, nevi, cafe-au-lait macules, benign cutaneous vascular lesions including port wine stains, hemangiomas, facial, truncal and leg telangiectasias, rosacea, angiomas and spider angiomas, poikiloderma of civatte, leg veins and venous malformations. The HR650, HR690, HR650XL and HR690XL IPL applicators are indicated for the removal of unwanted hair and to effect stable long-term or permanent hair reduction for Skin Types I-IV. Permanent hair reduction is defined as the long-term stable reduction in the number of hairs re-growing when measured at 6, 9, and 12 months after the completion of a treatment regimen. The ACDUAL applicator is intended to be used for the treatment of acne vulgaris. The Venus Versa Viva applicator with 160 pin RF tip is intended for dermatological procedures requiring ablation and resurfacing of the skin. The Versa Pro system adds the Viva MD applicator for use with an 80 pin RF tip for added dermatological procedures. The Diamondpolar and Octipolar applicators (United States only) are noninvasive devices intended for use in dermatologic and general surgery procedures for females for the noninvasive treatment of moderate to severe facial wrinkles and rhytides in Fitzpatrick skin types I-IV. The Octipolar applicator (EU and Canada only), is designed for use in temporary body contouring via skin tightening, circumferential reduction, and cellulite reduction. *Venus Versa Pro is cleared in the US only.
Venus Viva and Venus Viva MD 	Venus Viva is an advanced, portable, fractional RF system for dermatological procedures requiring ablation and resurfacing of the skin. Venus Viva uses (Nano)Fractional RF and Smart Scan technologies. The combination of technologies allows ablation/ coagulation heated zone density control and pattern generation via a proprietary tip. The energy is delivered through 160 (Viva) or 80 (Viva MD) pins per tip into the treated skin and maintains the surrounding tissue intact and healthy to support the healing process.	**United States, EU and Canada** The Venus Viva SR is intended for dermatological procedures requiring ablation and resurfacing of the skin. **EU and Canada** Using the Diamondpolar applicator for treatment of moderate to severe wrinkles and rhytides in Fitzpatrick skin types I-IV.

Product Name	Technology	Regulatory Clearance
Venus Velocity 	The Venus Velocity system uses pulsed laser energy of 800 mm that is absorbed by a chromophore or pigmented target (e.g., melanin in hair follicles) that has high optical absorption at the selected laser wavelength than the surrounding tissue. Different chromophores are targeted for different clinical indications. The selective absorption of different wavelengths leads to localized heating and thermal denaturation and destruction of the anatomic hair follicle target with minimal effect on surrounding tissues. The chilled sapphire light guide conductively cools the skin simultaneously with the delivery of laser energy, thereby maintaining low temperature in the epidermis to enhance the comfort of the procedure and avoid potential epidermal damage.	**United States, EU and Canada** The Venus Velocity is intended for all Fitzpatrick skin types, including tanned skin, for use in dermatology, general and plastic surgery applications for: ● Hair removal; ● Permanent hair reduction (defined as the long-term stable reduction in the number of hairs regrowing when measured at 6, 9, and 12 months after the completion of a treatment regimen); and ● Treatment of pseudofolliculitis barbae.
Venus Fiore 	Venus Fiore incorporates Venus Concept's (MP)2 technology, supporting three different applicators. Venus Fiore has a desktop configuration and is portable and compact. It incorporates ATC technology, allowing the operator to choose a target temperature within the therapeutic range and have the system adjust the output power accordingly, to automatically maintain the desired temperature. The applicator incorporates three pairs of electrodes, each pair of electrodes accompanied by a temperature sensor, allowing the operator to control the temperature in the distal, middle and proximal thirds of the applicator independently. Venus Fiore has received clearance in United States, Canada, the EU and Israel.	**United States** The Venus Fiore device (K211461) is intended for the treatment of the following medical conditions; using the Pearl, Diamond and Slim applicators for delivery of non-thermal RF combined with massage and magnetic field pulses: ● Relief of minor muscle aches and pain, relief of muscle spasm. ● Temporary improvement of local blood circulation. ● Temporary reduction in the appearance of cellulite. **EU and Canada** The Venus Fiore system is intended for the following: ● With the VG applicator – For improvement of symptoms of vaginal laxity and vaginal atrophy. ● With the MP applicator – For dermatological procedures requiring increasing of skin tightening improvement in skin laxity of the Mons Pubis (MP) area. ● With the LA applicator – For dermatological procedures for skin tightening improvement in skin laxity of the Labia Majora (LA) area. **Israel** Aesthetic and functional treatment of the vagina, labia and mons pubis.

Product Name	Technology	Regulatory Clearance
Venus Bliss 	The Venus Bliss device consists of a console (main unit), one RF applicator and four diode laser applicators. The system, via its different applicator types, delivers laser and/or bipolar RF energies, vacuum pressure, and pulsed magnetic fields to the skin and the underlying tissues of the treatment area. Venus Bliss delivers laser energy to the subcutaneous tissue layers via the four diode laser applicators connected to the console. The console utilizes diode laser modules as sources of optical energy and the optical output is fiber-coupled through the applicator to the treatment area so to increase the temperature of the fat resulting in fat breakdown (lipolysis). In addition, the Venus Bliss device through the (MP)2 applicator provides RF treatments combined with emitted magnetic fields and vacuum massaging. The RF heating effect, together with the non-thermal magnetic fields and vacuum, leads to the temporary reduction in the appearance of cellulite, temporary relief of muscle pain and spasm, and improvement of local blood circulation in the subdermal layers.	**United States and Canada** Using the diode laser system, the Venus Bliss device is intended for non-invasive lipolysis of the abdomen, flanks, back and thighs in individuals with a Body Mass Index (BMI) of 30 or less. Using the (MP)² applicator (United States only) for delivery of RF energy combined with massage and magnetic field pulses, the Venus Bliss device is intended for the treatment of the following medical conditions: ● Relief of minor muscle aches and pain, relief of muscle spasm. ● Temporary improvement of local blood circulation. ● Temporary reduction in the appearance of cellulite. Using the (MP2) applicator (EU and Canada only) is intended for: ● Temporary increase of skin tightening. ● Temporary circumferential reduction. ● Temporary cellulite reduction. ● Temporary wrinkle reduction. (Canada only)

Product Name	Technology	Regulatory Clearance
Venus Bliss Max 	The Venus Bliss Max device is a computerized system comprised of a system console (main unit), four (4) Diode Laser applicators, one (1) MP2 (RF+ PEMF+ Vacuum) applicator and four (4) FlexMAX (EMS) applicators. The system delivers laser, bipolar RF and biphasic electrical energies, vacuum pressure, and pulsed electromagnetic fields (PEMF) to the skin and the underlying tissues of the treatment area. The device provides individual adjustment of laser power, EMS intensity level, and RF power, in addition to vacuum levels, for each patient. The console of the Venus Bliss Max device contains a power supply unit, Laser, RF, and EMS controllers, (power modules, on main board), a suction module (vacuum), a controller unit (on main board), Laser water cooling system (power module, on main board), a touch- screen user interface and display panel. The applicators are connected to the console via a cable. The RF applicator is comprised of various combinations of RF electrodes, magnetic coils, and vacuum conduits. The Laser applicators are comprised of a light guide, touch sensors and light-emitting diodes. The EMS applicator is comprised of two electrodes and a light indicator.	**United States** The Venus Bliss Max device is a diode laser system intended for non-invasive lipolysis of the abdomen, flanks, back and thighs in individuals with a Body Mass Index (BMI) of 30 or less. In addition, the Venus Bliss Max device is intended for the treatment of the following medical conditions; using the MP^2 applicator for delivery of RF energy combined with massage and magnetic field pulses: ● Relief of minor muscle aches and pain, relief of muscle spasm ● Temporary improvement of local blood circulation ● Temporary reduction in the appearance of cellulite. In addition, the Venus Bliss Max device using the FlexMAX applicators is intended for muscle conditioning to stimulate healthy muscles. The Venus Bliss Max device using the FlexMAX applicators is not intended to be used in conjunction with therapy or treatment of medical diseases or medical conditions of any kind. The Venus Bliss Max device using the FlexMAX applicators is intended to be operated by a trained professional.

Product Name	Technology	Regulatory Clearance
Venus Glow 	Venus Glow consists of a console and applicator. It is used to improve skin appearance using powerful tri-modality treatment combining a rotating tip, a vacuum modality and a jet. Venus Glow deep-cleans pores by removing impurities such as daily dirt and debris, dry or dead skin cells, and excess sebum.	**United States (listed as a Class I device by the FDA)** Motorized dermabrasion device. **Canada** (listed as a Class I device). **EU** Not a medical device.
NeoGraft 	Venus Concept's NeoGraft device is an advanced hair restoration technology with an automated FUE and implantation system. The procedure leaves no linear scar and is minimally invasive.	**United States (listed as a Class I device by the FDA)** Surgical instrument motors and accessories that are intended for use during surgical procedures to provide power to operate various accessories or attachments to cut hard tissue or bone and soft tissue. **Canada** (listed as Class I without indication) **EU** Hair Transplant device.
Venus Epileve 	The Venus Epileve system uses pulsed laser energy of 800 mm that is absorbed by a chromophore or pigmented target (e.g., melanin in hair follicles) while skin surface is being chilled, for different indications of hair removal and permanent hair reduction. Venus Epileve is intended to provide an entry level, affordable solution for non-traditional markets for hair removal of all skin types.	**EU and Canada** The Venus Epileve is intended for all Fitzpatrick skin types, including tanned skin, for use in dermatology, general and plastic surgery applications for hair removal, permanent hair reduction (defined as the long-term stable reduction in the number of hairs re-growing when measured at 6, 9, and 12 months after the completion of a treatment regimen); and treatment of pseudofolliculitis barbae.

Product Name	Technology	Regulatory Clearance
ARTAS iX 	The ARTAS System is comprised of the cart, which includes the robotic arm, integrated vision system, artificial intelligence algorithms and a series of proprietary end effectors employed in an automatic manner. The accessories at the distal end of the robotic arm, such as the automated needle and punch, that interact with the patient's scalp and hair follicles and perform various clinical functions including hair follicle harvesting and implantation.	**United States and Canada** Harvesting hair follicles from the scalp in men diagnosed with androgenic alopecia who have black or brown straight hair. The ARTAS System is intended to assist physicians in identifying and extracting hair follicles units from the scalp during hair transplantation, creating recipient sites and implanting the harvested hair follicles. **EU** Computer assisted hair follicle harvesting, incision making and implantation system.
AI.ME 	The AI.ME System is an interactive, image-guided, computer assisted system consisting of several main subsystems. These include a cart robotic arm, integrated imaging system, vacuum assembly, coring mechanism, punch assembly, and computer. The AI.ME system is a micro coring device controlled by a robot that removes skin by using a disposable punch assembly containing six (6), hollow needle punches inserted into the skin with a fixed maximum penetration depth of 3 mm to remove up to 10% of skin in the treatment area for fractional skin resurfacing.	**United States** Fractional skin resurfacing.

Products in Development

Our ongoing research and development activities are primarily focused on improving and enhancing our current technologies, products, and services, as well as expanding our current product offering with the introduction of new products for different aesthetic, medical and hair restoration applications. We are currently developing the following products and technologies:

Skin Resurfacing on the AI.ME Platform

The skin resurfacing technology contained in our AI.ME platform is intended to provide a non-surgical alternative to lift and tighten skin for procedures typically requiring surgical intervention. It uses mechanical vision, artificial intelligence and robotics to achieve the intended outcomes. The punches utilized for coring are designed not to leave scars on tissue. The skin will be contracted and smoothed after coring by applying a flexible patch to the area which will allow healing of the skin with predefined directional effect.

Venus LegacyMax

We are working on the next generation of the well-established Venus Legacy product line. This device is intended to extend the capabilities of the original Venus Legacy system product line by combining $(MP)^2$ and VariPulse technologies with real-time thermal feedback and ATC to provide homogeneous heating to multiple tissue depths while allowing for adjustable pulsed suction to further support deep energy penetration. This will result in enhanced lymphatic drainage and improved circulation stimulation. The device will come with both hand-held and hands-free applicators which will include $(MP)^2$ and EMS technologies.

Other Developments

Our research and development efforts also currently include research to expand indications, broaden our offering of system applicators, advance our proprietary (MP)2 technology, add new technologies and indications, develop design improvements and new products, as well as continue to support our harvesting, site making and implantation functions for the ARTAS iX System.

Clinical Developments

We continue to invest in research and development to support our technology, marketing and post-marketing surveillance. We also have a portfolio of over 40 peer-reviewed publications and more than 20 white papers, many of which pertain to indications cleared outside of the United States to educate users in other countries and to study expanded indications in the United States. Authors for several of these publications hold stock options in Venus Concept or were paid consultants for us.

Research has shown that $(MP)^2$ technology improves aspects of textural lesions and body contouring. The fractional RF has been shown to improve skin structure, including wrinkles, scars and striae through ablation and resurfacing. IPL technology used in the Venus Versa has shown to be versatile and effective for treating vascular and pigmented lesions, acne and rosacea. Our diode laser technology has been shown to be effective for lipolysis and reduction of fat layer thickness, as well as efficiently effecting hair reduction/removal. Additionally, the Venus Fiore device has demonstrated ability to improve symptoms related to vaginal atrophy.

We have a number of ongoing clinical trials covering both new technologies and the development of expanded indications for existing technology. Clinical trials are conducted frequently to develop new technologies and applications and support existing technologies and applications and their respective enhancements and upgrades.

Sales and Marketing

We market and sell our products and services to the traditional medical aesthetic market including plastic surgeons and dermatologists, as well as to a broad base of non-traditional physician markets, including general and family practitioners and aesthetic medical spas.

Direct Sales

We currently provide our new Venus Prime financing model and traditional sales model, and associated marketing support programs in the United States and Canada. We provide our legacy subscription model and traditional sales model, as well as the associated marketing support programs through our wholly owned subsidiaries in Japan, Mexico, Spain, Germany, Israel, Australia, and China as well as through Venus Concept's majority-owned subsidiary in Hong Kong.

Direct sales force

In the United States and select international markets, we use our direct sales force to sell our systems and other products and services. As of December 31, 2023, we had a direct sales and marketing team of approximately 92 employees, managed by one Executive Vice President, Global Sales and Marketing, three Vice Presidents of Sales for various international markets and one Vice President of Global Marketing and Product Management. We plan to continue to focus our direct sales efforts in the North America market and continue to evaluate and optimize our use of direct and distributor resources in our international markets.

Distributors

In countries where we do not operate directly, we sell our products through distributors. As of December 31, 2023, we had distribution agreements in over 60 countries. We enter into both exclusive and non-exclusive distribution agreements, which generally provide the distributor with a right to distribute certain of our products within a designated territory. Each agreement sets forth the minimum quarterly purchase commitments and if the distributor fails to meet its minimum purchase commitments, we have the ability to either convert any exclusive distribution rights to non-exclusive rights during the then-remaining term or terminate the agreement. To provide more comprehensive customer support, these agreements require our distributors to provide after sales service to customers, such as training and technical support, and various marketing activities, such as preparing and executing marketing plans and working with key market leaders in the designated territory to promote the product.

Marketing and Branding Programs

We are focused on, and invest heavily in, direct-to-consumer marketing initiatives to increase awareness of our products and services. We believe our marketing activities are both cost effective and critical in supporting the continued growth and development of our business. As of December 31, 2023, we had a Vice President of Global Marketing and Product Management, with regional marketing support in select countries. We have an internal team of digital marketing, brand, marketing operations and events specialists that support North America and our regional markets.

We implemented business to business and business to customer public relations outreach strategies that incorporates both digital media and top national media channels in the fashion and beauty industries and have a presence on the most popular social media channels, such as Facebook, Twitter, YouTube, Pinterest, LinkedIn and Instagram. We also attend major medical and scientific meetings, as well as trade shows. Since some countries require customized marketing programs, we have hired country-specific marketing managers to ensure that marketing programs are executed successfully in those jurisdictions.

Customer Support

We provide our customers and authorized distributors with customer support through our fully integrated marketing program and strong clinical and technical support teams.

Customer Business Development Program

To support the growth initiatives of our customers, we have built a business development strategy that provides customers with a fully integrated marketing support program with business and marketing tools to grow their practices, improve their financial and business performance, and maximize their return on investment while also providing sales strategies related to our products and ancillary services. Our customer business development program includes the following features:

- Inclusion in an advanced clinic directory that is promoted online to consumers. The full-page listing includes the clinic's contact information, business hours, website, social media profiles and a full list of available Venus Concept device treatments.

- A comprehensive device launch plan, guidance on effective pricing and bundling strategies and involved in short and long-term business goal reviews and tracking.

- Online courses and private remote workshops related to business strategies and clinic efficiency including customer retention and conversion strategies, effective patient consultation, credentialing, Venus Concept devices sales talking points, telephone skills, cross-selling and up-selling techniques, and photography best practices. Our workshops related to marketing strategies include search engine optimization essentials and cover social media and marketing strategies.

- New Customer Launch Kits comprised of a starter package with marketing materials necessary to introduce and promote new Venus Concept products with a heavy emphasis on a digital and social media strategy.

- Analysis of business practices with instruction on effective patient consultation and conversion strategies.

- Analysis of current social media and online marketing efforts and guidance on how to attract and convert potential consumers more efficiently.

- For hair restoration customers, access to specialized VeroHair 12 Step Program designed to assist ARTAS and NeoGraft customers with building a successful hair restoration practice.

Technical and Clinical Support

We warranty our products against defects in materials and workmanship under normal use and service for a period of one year, with certain other products carrying a different warranty correlating to the number of uses the product undergoes or based upon the perishability of the product. Once the warranty expires, our customers have the option of purchasing an extended warranty service contract, which is typically for a term of one to three years.

We maintain a technical and clinical support team to field inquiries, troubleshoot product issues, facilitate sales activities and support the commercial activities of our direct offices and its international distributors. We provide immediate response technical support to our physician customers and distributors year-round. In the event that an issue arises, our technical support personnel will work with our customers to determine if a technical issue may be resolved over the telephone or requires a service visit. In markets where we do not have our own service engineers, the service and support of our products is managed by our independent distributors. In order to maximize customer "up time," we proactively deploy replacement systems, modules, and components to strategic hubs worldwide.

Manufacturing and Quality Assurance

We have our own research and development centers in Yokneam, Israel, and San Jose, California and use two ISO-certified contract manufacturers in Karmiel, Israel, and Mazet, France. We assemble the ARTAS System in San Jose, California, while reusable and disposable kits are assembled exclusively for us by NPI Solutions, Inc. ("NPI") based in Morgan Hill, California.

We work closely with our manufacturers and perform final quality control testing using our own employees stationed in the manufacturing facilities around the world. Having over 85% of the production of our systems in close proximity to our research and development and operations facilities enables us to control the entire process from product development through manufacturing and final testing, and to provide advanced, high-quality systems as well as the flexibility to create customized solutions for our customers.

Manufacturing facilities that produce medical devices intended for distribution in the United States and internationally are subject to regulation and periodic unannounced inspection by the FDA and other domestic and international regulatory agencies. In the United States, we are required to manufacture our products in compliance with the FDA's Quality System Regulations ("QSR"), which covers the methods and documentation of the design, testing, control, manufacturing, labeling, quality assurance, packaging, storage, and shipping of our products. In international markets, we are required to obtain and maintain various quality assurance and quality management certifications. We conform with and are in full compliance with ISO:13485:2016, CE (MDD→ MDR) and MDSAP.

We maintain a quality system designed to be compliant with quality system management and QSR and have procedures in place to ensure that all products and materials we purchase conform to our specifications, including evaluation of suppliers, and where required, qualification of the components supplied. We believe that our current facilities are adequate to support our operations.

Intellectual Property

Portfolio

We rely on a combination of patent, copyright, trademark and trade secret laws, and confidentiality and invention assignment agreements to protect our intellectual property rights. As of December 31, 2023, our patent portfolio is comprised of:

- 16 issued U.S. patents which cover our $(MP)^2$, fractional RF and Ai.ME, Directional Skin Tightening technology (including cellulite treatments) that are associated with six different patent families (the earliest of which will expire in 2028), 4 pending U.S. patent applications, 27 issued foreign counterpart patents, and 15 pending foreign counterpart patent applications (including PCT pending applications);
- 5 issued foreign patents covering the NeoGraft system and its methods of use (the earliest of which expired in 2022); and
- 91 issued U.S. patents primarily covering the ARTAS System and methods of use (the earliest of which expire in 2025, 1 pending U.S. patent applications, 159 issued foreign counterpart patents, and 5 pending foreign counterpart patent applications.

As of December 31, 2023, our trademark portfolio included the following trademark registrations, pending trademark applications or common law trademark rights, among others: MP2®, Tribella®, Vero Hair®, NANOFRACTIONAL RF®, Venus Viva®, Venus Legacy®, Venus Concept®, Venus Versa®, Venus Bliss™, Venus Bliss Max™, NeoGraft®, ARTAS®, ARTAS iX®, Aesthetic Intelligence™ and AI.ME™. We continue to file new trademark applications in many countries to protect our current and future products and related slogans.

License Agreement with HSC Development LLC and James A. Harris, MD

In July 2006, we entered into a license agreement (the "HSC License Agreement") HSC Development LLC ("HSC"), and James A. Harris, M.D., as amended, pursuant to which we received an exclusive, worldwide license to develop, manufacture and commercialize products covered by any of the licensed patent rights or that incorporate the licensed technology in the field of performance of hair removal and implantation, including transplantation, procedures using a computer controlled system in which a needle or other device carried on a mechanized arm is oriented to a follicular unit for extraction of same, or to an implant site for implantation of a follicular unit, or some combination thereof. Under the HSC License Agreement, we developed the ARTAS System to be utilized as a robotic system to assist a physician in performing hair restoration procedures. In consideration for the license, we issued to HSC 25,000 shares of our common stock, prior to the Company's 1-for-10 and 1-for-15 reverse stock splits, and paid HSC a one-time payment of $25,000. The license grant is perpetual, and the license agreement does not provide a right for HSC or Dr. Harris to terminate the HSC License Agreement. The licensed patents cover, in general, a method and device for the extraction of follicular units from a donor area on a patient. The method includes scoring the outer skin layers with a sharp punch, and then inserting a blunt punch into the incision to separate the hair follicle from the surrounding tissue and fatty layer. The method and device significantly decrease the amount of follicular transection and increase the rate at which follicular units can be extracted. There are other embodiments not herein disclosed. The licensed patents will expire from 2025 through 2030.

Competition

The medical technology and aesthetic product markets are highly competitive and dynamic and are characterized by rapid and substantial technological development and product innovation. Demand for our systems is impacted by the products and procedures offered by our competitors. Certain of our systems also compete against conventional non-energy-based treatments, such as neurotoxins and dermal fillers, chemical peels, and microdermabrasion. In the United States, we compete against companies that have developed minimally invasive and non-invasive medical aesthetic procedures. Outside of the United States, likely due to less stringent regulatory requirements, there are more aesthetic products and procedures available in international markets than are cleared for use in the United States. Sometimes, there are also fewer limitations on the claims our competitors in international markets can make about the effectiveness of their products and the manner in which they can market them. As a result, we may face a greater number of competitors in markets outside of the United States. We also compete generally with medical technology and aesthetic companies, including those offering products and services unrelated to skin treatment. Recently, there has been consolidation in the aesthetic industry leading to companies combining their resources, which increases competition and could result in increased downward pressure on our system prices.

In the surgical hair restoration market, we consider our direct competition to be FUT Strip Surgeries and Manual FUE procedures. Many of our surgical device and equipment competitors have greater capital resources, sales and marketing operations and service infrastructures than we do, as well as longer commercial histories and more extensive relationships with physicians. FUT Strip Surgery and some Manual FUE procedures have a greater penetration into the hair restoration market, due in part to having a longer history in the market. Our indirect competition in the hair restoration market also includes non-surgical treatments for hair loss, such as prescription therapeutics, including Propecia, and non-prescription remedies, such as wigs, hair pieces and spray-on applications.

We believe that our competitors' systems compete largely based on the following factors:

- company and product brand recognition;
- effective marketing and education;
- sales force experience and access;
- product support and service;
- technological innovation, product enhancements and speed of innovation;
- pricing and revenue strategies;
- product reliability, safety and durability;
- ease of use;
- consistency, predictability and durability of aesthetic results; and
- procedure costs to patients.

Government Regulation

The design, development, manufacture, testing and sale of our products are subject to regulation by numerous governmental authorities, including the FDA, and corresponding state and foreign regulatory agencies.

Regulation by the FDA

In the United States, the Federal Food, Drug, and Cosmetic Act ("FDCA"), the FDA regulations and other federal and state statutes and regulations govern, among other things, medical device design and development, preclinical and clinical testing, premarket clearance or approval, registration and listing, manufacturing, labeling, storage, advertising and promotion, sales and distribution, export and import, and post-market surveillance. The FDA enforces the FDCA, and the regulations promulgated pursuant to the FDCA.

Each medical device that we wish to distribute commercially in the United States requires marketing authorization from the FDA prior to distribution unless an exemption applies. The two primary types of FDA marketing authorizations applicable to a device are premarket notification, also called 510(k) clearance, and premarket approval ("PMA"). The type of marketing authorization is generally linked to the classification of the device. The FDA classifies medical devices into one of three classes (Class I, II, or III) based on the degree of risk the FDA determines to be associated with a device and the level of regulatory control deemed necessary to ensure the device's safety and effectiveness for its intended use(s). Devices requiring fewer controls because they are deemed to pose lower risk are placed in Class I or II. Class III devices are those for which insufficient information exists to assure safety and effectiveness solely through general or special controls and include life-sustaining, life-supporting or implantable devices, devices of substantial importance in preventing impairment of human health, or which present a potential, unreasonable risk of illness or injury.

Most Class I devices and some Class II devices are exempted by regulation from the 510(k) clearance requirement and can be marketed without prior authorization from the FDA. By contrast, devices placed in Class III generally require PMA approval or approval of a *de novo* reclassification petition prior to commercial marketing. The FDA's 510(k) clearance process usually takes from three to nine months but can take longer. For products requiring PMA approval, the regulatory process generally takes from one to three years or more, from the time the application is filed with the FDA and involves substantially greater risks and commitment of resources than either the 510(k) clearance or *de novo* processes.

510(k) Clearance

To obtain 510(k) clearance for a medical device, an applicant must submit a premarket notification to the FDA demonstrating that the device is "substantially equivalent" to a previously cleared 510(k) device or a device that was in commercial distribution before May 28, 1976 for which the FDA has not yet called for PMA approval, commonly known as the "predicate device." A device is substantially equivalent if, with respect to the predicate device, it has the same intended use and has either (i) the same technological characteristics or (ii) different technological characteristics and the information submitted demonstrates that the device is as safe and effective as a legally marketed device and does not raise different questions of safety or effectiveness. After a device receives 510(k) marketing clearance, any modification that could significantly affect its safety or effectiveness, or that would constitute a major change or modification in its intended use, will require a new 510(k) marketing clearance or, depending on the modification, a de novo classification or PMA approval.

We have made modifications to our products in the past and have determined based on our review of the applicable FDA regulations and guidance that in certain instances new 510(k) clearances or PMA approvals were not required.

PMA Approval

A PMA application must be submitted if the device cannot be cleared through the 510(k) process and is found ineligible for *de novo* reclassification. PMA applications must be supported by valid scientific evidence, which typically requires extensive data, including technical, preclinical, clinical, and manufacturing data, to demonstrate to the FDA's satisfaction the safety and effectiveness of the device. A PMA application must also include, among other things: a complete description of the device and its components; a detailed description of the methods, facilities and controls used to manufacture the device; and proposed labeling. Approval of FDA review of an initial PMA application may require several years to complete.

Clinical Trials

Clinical trials are almost always required to support the FDA's approval of a premarket approval application and are sometimes required for 510(k) clearances. If a device presents a "significant risk," as defined by the FDA, to human health, the device sponsor may need to file an investigational device exemption ("IDE") application with the FDA and obtain an IDE approval prior to commencing the human clinical trials. The IDE application must be supported by appropriate data, such as animal and laboratory testing results, showing that it is safe to test the device in humans and that the testing protocol is scientifically sound. The IDE application must be approved in advance by the FDA for a specified number of patients, unless the product is deemed a "non-significant risk" device and eligible for more abbreviated IDE requirements. Clinical trials for a significant risk device may begin once the IDE application is approved by the FDA and the appropriate institutional review boards ("IRB"). Clinical trials are subject to extensive monitoring, recordkeeping and reporting requirements.

Similarly, in Europe a clinical study must be approved by the local ethics committee and in some cases, including studies of high-risk devices, by the ministry of health in the applicable country. In the EU, physico-chemical tests carried out on the medical device may be necessary in order to obtain the CE mark. These tests must be performed by accredited laboratories for Class II b and III medical devices. The reports and tests are required to be filed in a technical file submitted to the notified body for validation of and obtaining the CE mark. Regulation 2017/745 (the "MDR") applicable as of May 2021 in the EU will significantly strengthen the requirements for clinical evaluation (EC). The clinical evaluation for Class II b and Class III medical devices will be based on a critical evaluation of relevant scientific publications, the results of all available clinical investigations as well as the consideration of other medical devices with the same purpose. Regulation 2017/745 notably requires the manufacturer to carry out a post-marketing safety monitoring plan, which includes post-marketing clinical follow-ups (SCAC) in order to update information about the devices marketed throughout its life cycle, and notably any adverse effects.

Post-market Regulation

Any devices that are manufactured or distributed pursuant to clearance or approval by the FDA are subject to pervasive and continuing regulation by the FDA and certain state agencies. After a device is placed on the market, numerous regulatory requirements continue to apply. These include establishment registration and device listing with the FDA, QSR requirements, labeling and marketing regulations, clearance or approval of product modifications, medical device reporting regulations, correction, removal and recall reporting regulations, Unique Device Identifiers compliance, the FDA's recall authority, and post-market surveillance activities and regulations.

We may be subject to similar foreign laws that may include applicable post-marketing requirements such as safety surveillance. Our manufacturing processes are required to comply with the applicable portions of the QSR, which cover the methods and the facilities and controls for the design, manufacture, testing, production, processes, controls, quality assurance, labeling, packaging, distribution, installation and servicing of finished devices intended for human use. The QSR also requires, among other things, maintenance of a device master file, device history file, and complaint files. As a manufacturer, we are subject to periodic scheduled or unscheduled inspections by the FDA. A failure to maintain compliance with the QSR requirements could result in the shut-down of, or restrictions on, our manufacturing operations and the recall or seizure of products. The FDA has broad regulatory compliance and enforcement powers. If the FDA determines that we failed to comply with applicable regulatory requirements, it can take a variety of compliance or enforcement actions. For additional information on these potential actions and other governmental regulation risks, see Part I, Item 1A "*Risk Factors—Risks Related to Government Regulation*" included elsewhere in this report.

Fraud and Abuse Regulations

Federal and state governmental agencies subject the healthcare industry to intense regulatory scrutiny, including heightened civil and criminal enforcement efforts. These laws constrain the sales, marketing and other promotional activities of medical device manufacturers by limiting the kinds of financial arrangements they may have with physicians and other potential purchasers of their products. Violations may result in substantial civil penalties, including treble damages, and criminal penalties, including imprisonment, fines and exclusion from participation in federal health care programs. The Federal False Claims Act also contains "whistleblower" or "qui tam" provisions that allow private individuals to bring actions on behalf of the government alleging that the defendant has defrauded the government.

Venus Concept's products, and treatment using our products, are not reimbursable by Medicare, Medicaid or other federal health care programs, or by commercial insurance. As a result, many federal and state fraud and abuse statutes do not apply to Venus Concept.

Compliance with applicable United States and foreign laws and regulations, such as import and export requirements, anti-corruption laws such as the *Foreign Corrupt Practices Act* and similar worldwide anti-bribery laws, tax laws, foreign exchange controls and cash repatriation restrictions, data privacy and data security requirements, environmental laws, labor laws and anti-competition regulations, increases the costs of doing business in foreign jurisdictions. In some cases, compliance with the laws and regulations of one country could violate the laws and regulations of another country.

Many foreign countries have similar laws relating to healthcare fraud and abuse. Foreign laws and regulations may vary greatly from country to country. Violations of these laws, or allegations of such violations, could result in fines, penalties, or prosecution and have a negative impact on our business, results of operations and reputation.

There has been a recent trend of increased foreign, federal, and state regulation of payments and transfers of value provided to healthcare professionals, such as physicians, and entities. However, certain foreign countries and the U.S. states also mandate implementation of commercial compliance programs, impose restrictions on device manufacturer marketing practices and require tracking and reporting of gifts, compensation and other remuneration to healthcare professionals and entities. Violations of these laws, or allegations of such violations, could result in fines, penalties, or prosecution and have a negative impact on our business, results of operations and reputation.

Foreign Government Regulation

The regulatory review process for medical devices varies from country to country, and many countries also impose product standards, packaging requirements, environmental requirements, labeling requirements and import restrictions on devices. Each country has its own tariff regulations, duties, and tax requirements. Failure to comply with applicable foreign regulatory requirements may subject a company to fines, suspension or withdrawal of regulatory approvals, product recalls, seizure of products, operating restrictions, criminal prosecution, or other consequences.

European Economic Area

In the European Economic Area ("EEA"), our devices are required to comply with the Essential Requirements set forth in Annex I to the Council Directive 93/42/EEC concerning medical devices, commonly referred to as the Medical Devices Directive. Compliance with the Medical Devices Directive entitles a manufacturer to affix the CE mark to its medical devices, without which they cannot be commercialized in the EEA. To demonstrate compliance with the Essential Requirements and to obtain the right to affix the CE mark to medical devices, they must undergo a conformity assessment procedure, which varies according to the type of medical device and its classification. Except for low risk medical devices (Class I with no measuring function and which are not sterile), where the manufacturer can issue an EC Declaration of Conformity based on a self-assessment of the conformity of its products with the Essential Requirements, a conformity assessment procedure requires the intervention of a notified body, which is an organization designated by the competent authorities of an EEA country to conduct conformity assessments. The notified body typically audits and examines products' Technical File and the quality system for the manufacture, design and final inspection of our devices before issuing a CE Certificate of Conformity demonstrating compliance with the relevant Essential Requirements. Following the issuance of this a CE Certificate of Conformity, Venus Concept can draw up an EC Declaration of Conformity and affix the CE mark to the products covered by this CE Certificate of Conformity and the EC Declaration of Conformity. We have successfully completed several notified body audits since our original certification in December 2009. Following these audits, our notified body issued ISO 13485:2016 Certificate and CE Certificates of Conformity allowing it to draw up an EC Declaration of Conformity and affix the CE mark to certain of our devices since 2019 MDSAP Certificate.

After the product has been CE marked and placed on the market in the EEA, a manufacturer must comply with a number of regulatory requirements relating to:

- registration of medical devices in individual EEA countries;
- pricing and reimbursement of medical devices;
- establishment of post-marketing surveillance and adverse event reporting procedures;
- field safety corrective actions, including product recalls and withdrawals; and
- interactions with physicians.

In 2017, the European Parliament passed the Medical Devices Regulation, which repeals and replaces the EU Medical Devices Directive. Unlike directives, which must be implemented into the national laws of the EEA member States, the regulations would be directly applicable, i.e., without the need for adoption of the EEA member State laws implementing them, in all the EEA member States and are intended to eliminate current differences in the regulation of medical devices among EEA member States. The Medical Devices Regulation, among other things, is intended to establish a uniform, transparent, predictable and sustainable regulatory framework across the EEA for medical devices and in vitro diagnostic devices and ensure a high level of safety and health while supporting innovation.

The Medical Devices Regulation is now effective. The new regulations will, among other things:

- strengthen the rules on placing devices on the market and reinforce surveillance once they are available;
- establish explicit provisions on manufacturers' responsibilities for the follow-up of the quality, performance and safety of devices placed on the market;
- improve the traceability of medical devices throughout the supply chain to the end-user or patient through a unique identification number;
- set up a central database to provide patients, healthcare professionals and the public with comprehensive information on products available in the EU; and
- strengthen rules for the assessment of certain high-risk devices, such as implants, which may have to undergo an additional check by experts before they are placed on the market.

To the extent that our products have already been certified under the existing regulatory framework, the MDR allows us to market them provided that the requirements of the transitional provisions are fulfilled. In particular, the certificate in question must still be valid. Under article 120(2) MDR, certificates issued by notified bodies before May 25, 2017 will remain valid until their indicated expiry dates. By contrast, certificates issued after May 25, 2017 will be void at the latest by May 27, 2024. Accordingly, before that date, we will need to obtain new CE Certificates of Conformity. Furthermore, the regulation introduces UDI, i.e. a bar code that must be placed on the label of the device or on its packaging, and manufacturers will be obligated to file adverse effects reports via the Eudamed platform in case there is an increase in the frequency or severity of incidents related to the medical device.

Environmental Regulation

We are subject to numerous foreign, federal, state, and local environmental, health and safety laws and regulations relating to, among other matters, safe working conditions, product stewardship and environmental protection, including those governing the generation, storage, handling, use, transportation and disposal of hazardous or potentially hazardous materials. Some of these laws and regulations require us to obtain licenses or permits to conduct our operations. Environmental laws and regulations are complex, change frequently and have tended to become more stringent over time. Although the costs to comply with applicable environmental laws and regulations have not been material, we cannot predict the impact on our business of new or amended laws or regulations or any changes in the way existing and future laws and regulations are interpreted or enforced, nor can we ensure we will be able to obtain or maintain any required licenses or permits.

Data Privacy and Data Security

We are subject to diverse laws and regulations relating to data privacy and data security, both in the United States and internationally. New global privacy rules are continually being enacted and existing ones are being updated and strengthened. Failure to comply with any privacy or data security laws or regulations or any security incident or breach involving the misappropriation, loss or other unauthorized access, use or disclosure of sensitive or confidential patient or consumer information, whether by us, one of our business associates or another third-party, could have a material adverse effect on our business, reputation, financial condition and results of operations, including but not limited to: material fines and penalties; damages; litigation; consent orders; and injunctive relief. For additional information on the risks we face with regard to data privacy and security, please see Part I, Item 1A "*Risk Factors*" included elsewhere in this report.

Because the laws and regulations continue to expand, differ from jurisdiction to jurisdiction, and are subject to evolving (and at times inconsistent) governmental interpretation, compliance with these laws and regulations may require significant additional cost expenditures or changes in products or business that increase competition or reduce revenue. Noncompliance could result in the imposition of fines, penalties, orders to stop noncompliant activities, or orders to stop doing business in a jurisdiction.

We are also subject to evolving international laws on data transfer, data localization and electronic marketing. The rules on data transfer will apply when we transfer personal data to group companies or third parties outside of certain geographies. For example, there is currently litigation challenging companies' data transfers using the EEA's standard contractual clauses and use of third-party cookies. It is uncertain whether such transfers will be invalidated by the European courts. These changes may require us to find alternative bases for the compliant transfer of personal data from the EEA to the United States to change vendors, or to arrange for local storage of personal data and we are monitoring developments in this area.

Employees

As of December 31, 2023, we had a total of 304 full-time employees. Of the total number of employees, 130 were based in the United States, 65 based in Canada, 37 based in Israel, and 72 in the rest of the world. Of the total number of full-time employees as of December 31, 2023, approximately 79 were direct sales representatives and sales management.

Corporate Information

We were founded on November 22, 2002 as a Delaware corporation. Our principal executive offices are located at 235 Yorkland Blvd., Suite 900, Toronto, Ontario M2J 4Y8, Canada and our telephone number is (877) 848-8430. You may find our website at www.venus.ai electronic copies of the Annual Report, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. Such filings are placed on our website as soon as reasonably practicable after they are filed with the SEC. Our most recent charter for our audit, compensation, and nominating and corporate governance committees and our Code of Business Conduct and Ethics and our Anti-Corruption Policy are available on our website as well. Any waiver of our Code of Business Conduct and Ethics may be made only by the Board of Directors of the Company (the "Board"). Any waiver of our Code of Business Conduct and Ethics for any of our directors or executive officers must be disclosed on a Current Report on Form 8-K within four business days, or such shorter period as may be required under applicable regulation. Information contained on, or that can be accessed through, our website is not incorporated by reference into this Annual Report, and you should not consider information on our website to be part of this Annual Report. We have included our website address as an inactive textual reference only.

Available Information

We file Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other information with the SEC. Our filings with the SEC are available free of charge on the SEC's website at www.sec.gov.edgar and on our website under the "Investor Relations" tab as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

Item 1A. Risk Factors.

Our operations and financial results are subject to various risks and uncertainties, including those described below, any of which could adversely affect our business, results of operations, financial condition and prospects. In such an event, the market price of our common stock could decline, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also adversely affect our business operations. You should carefully consider the risks described below and the other information in this Annual Report, including our audited consolidated financial statements and the related notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Risks Related to Our Business

Our evaluation of strategic alternatives may not result in any transaction.

Our ability to execute the current business plan depends on our ability to obtain additional support via a strategic transaction or a series of strategic transactions. The process of exploring strategic alternatives is time-consuming, and our Board has not set a timetable for the conclusion of its review of strategic alternatives. Our review of strategic options and alternatives could result in, among other things, a sale, merger, reverse merger, consolidation or business combination, asset divestiture, partnering, licensing or other collaboration agreements, or potential acquisitions, recapitalizations or restructurings, or in one or more transactions. There can be no assurance that the exploration of strategic alternatives is the correct strategy to pursue or that it will result in the identification or consummation of any transaction or, if consummated, the terms and conditions of any such transaction. Certain potential strategic transaction alternatives, if available and achieved, could result in substantial dilution to existing stockholders and have a material adverse effect on the market price of our common stock.

Additionally, there can be no assurance that we will have sufficient capital resources to fund any strategic transaction, if available. If we raise additional funds through the issuance of equity securities, including as part of a strategic transaction, it could result in substantial dilution to our existing stockholders, increased fixed payment obligations, and any issued securities may have rights senior to those of our shares of common stock.

We offer credit terms to some qualified customers and distributors. In the event that a customer or distributor defaults on the amounts payable to us, our financial results may be adversely affected.

For the year ended December 31, 2023 and 2022, approximately 33% and 42% of our system revenues were derived from our subscription-based model. Under our legacy subscription model, we collect an up-front fee, combined with a monthly payment schedule typically over a period of 36 months, with approximately 40% to 45% of total contract payments collected in the first year. For accounting purposes, these arrangements are considered to be sales-type finance leases, where the present value of all cash flows to be received under the subscription agreement is recognized as revenue upon shipment of the system to the customer. We cannot provide any assurance that the financial position of customers purchasing products and services under a Venus Prime or subscription agreement will not change adversely before we receive all the monthly installment payments due under the contract. In the event that there is a default by any of the customers to whom we have sold systems under the Venus Prime or subscription-based model, we may recognize bad debt expenses in our general and administrative expenses. If the extent of such defaults is material, it could negatively affect our results of operations and operating cash flows.

In addition to Venus Prime and our legacy subscription-based model, we generally offer credit terms of 30 to 90 days to qualified customers and distributors. In the event that there is a default by any of the customers or distributors to whom we have provided credit terms, we may recognize bad debt expenses in our general and administrative expenses. If the extent of such defaults is material, it could negatively affect our future results of operations and cash flows.

We may also be adversely affected by bankruptcies or other business failures of our customers, distributors, and potential customers. A significant delay in the collection of accounts receivable or a reduction of accounts receivables collected may impact our liquidity or result in bad debt expenses.

We have initiated and intend to initiate several restructuring programs to improve our operating performance and achieve cost savings, but we may not be able to implement and/or administer these programs in the manner contemplated and these restructuring programs may not produce the desired results.

On February 7, 2023, the Company announced its restructuring plan, including workforce reductions, management changes and the discontinuation of operations in unprofitable markets. Although we expect these initiatives to help us achieve operational improvements and cost savings, we may not be able to implement these initiatives in the manner contemplated or achieve the desired results. Additionally, the implementation of restructuring programs may result in additional costs, some of which could be material. Failure to successfully implement our restructuring initiatives may negatively affect our financial performance.

Our recurring losses from operations and negative cash flows raise substantial doubt about our ability to continue as a going concern.

The accompanying audited consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business for the foreseeable future, and, as such, the audited consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

The Company has recurring net operating losses and negative cash flows from operations. As of December 31, 2023 and December 31, 2022, the Company had an accumulated deficit of $261,903 and $224,105, respectively, though, the Company was in compliance with all required covenants as of December 31, 2023, and December 31, 2022. The Company's recurring losses from operations and negative cash flows raise substantial doubt about the Company's ability to continue as a going concern within 12 months from the date that the audited consolidated financial statements are issued. The global economy, including the financial and credit markets, has recently experienced extreme volatility and disruptions, including increasing inflation rates, rising interest rates, foreign currency impacts, declines in consumer confidence, and declines in economic growth. All these factors point to uncertainty about economic stability, and the severity and duration of these conditions on our business cannot be predicted, and the Company cannot assure that it will remain in compliance with the financial covenants contained within its credit facilities.

In order to continue its operations, the Company must achieve profitable operations and/or obtain additional equity or debt financing. Until the Company achieves profitability, management plans to fund its operations and capital expenditures with cash on hand, borrowings, and issuance of capital stock. Until the Company generates revenue at a level to support its cost structure, the Company expects to continue to incur substantial operating losses and net cash outflows from operating activities.

Unfavorable macroeconomic conditions may adversely impact our business and we may need additional capital to fund its future operations.

Given the economic uncertainty in the global markets, the Company cannot anticipate the extent to which the current economic turmoil and financial market conditions will continue to adversely impact the Company's business and the Company may need additional capital to fund its future operations and to access the capital markets sooner than planned. There can be no assurance that the Company will be successful in raising additional capital or that such capital, if available, will be on terms that are acceptable to the Company. If the Company is unable to raise sufficient additional capital, it may be compelled to reduce the scope of its operations and planned capital expenditures or sell certain assets, including intellectual property assets. These audited consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might result from the uncertainty. Such adjustments could be material.

Global supply chain disruption and inflation may have a material adverse effect on the Company's business, financial condition and results of operations.

Global supply chain disruption and inflation may have a material adverse effect on the Company's business, financial condition and results of operations. The Company maintains manufacturing operations at its facilities in San Jose, California and Yokneam, Israel. We depend on third-party suppliers and manufacturers to produce components and provide raw materials used to manufacture our products. The disruptions to the global economy in 2022 and 2023 impeded global supply chains and resulted in longer lead times and increased component costs and freight expenses. As a result, our suppliers or manufacturers may not have the materials, capacity, or capability to timely manufacture our products and alternative suppliers or manufacturers may not be readily available or cost efficient, which would negatively affect our results of

operations. Despite the actions the Company has undertaken to minimize the impacts from disruptions to the global economy, there can be no assurances that unforeseen future events in the global supply chain, and inflationary pressures, will not have a material adverse effect on its business, financial condition, and results of operations.

Our loan and security agreements contain restrictions that may limit our flexibility to effectively operate our business.

CNB Loan Agreement

We have a revolving credit facility with City National Bank of Florida ("CNB") pursuant to a loan agreement (the "CNB Loan Agreement") which, among other things, contains various covenants that limit our ability to engage in specified types of transactions and requires us to maintain either a minimum cash balance in deposit accounts or a maximum total liability to tangible net worth ratio and a minimum debt service coverage ratio. An event of default under the CNB Loan Agreement would cause a default under the Notes and the MSLP Loan Agreement each as described below, provided that a waiver of each default by CNB will also result in the termination of the corresponding default in the Notes. Upon the occurrence, and during the continuance of, an event of default under the CNB Loan Agreement, if we are unable to repay all outstanding amounts, CNB may foreclose on the collateral granted to it to collateralize the indebtedness, which would significantly affect our ability to operate our business. In addition, the CNB Loan Agreement is secured by substantially all of our assets and the assets of certain of our subsidiaries.

For additional details of the CNB Loan Agreement, the related agreements and the covenants to which we are subject, see *Management's Discussion and Analysis of Financial Condition and Results of Operations* and Note 12 *"Credit Facility"* to the consolidated financial statements included elsewhere in this report.

Main Street Priority Lending Program Term Loan

On December 8, 2020, Venus Concept USA Inc. ("Venus USA"), a wholly-owned subsidiary of the Company, executed a loan and security agreement (the "MSLP Loan Agreement"), a promissory note (the "MSLP Note"), and related documents for a loan in the aggregate amount of $50.0 million for which CNB will serve as lender pursuant to the Main Street Priority Loan Facility as established by the Board of Governors of the Federal Reserve System Section 13(3) of the Federal Reserve Act (the "MSLP Loan"). Venus USA's obligations under the MSLP Loan will be secured pursuant to a guaranty of payment and performance dated as of December 8, 2020 (the "Guaranty Agreement"), by and between the Company and CNB. On December 9, 2020, the MSLP Loan was funded and the transaction closed. For additional details of the MSLP Loan Agreement, see Note 10 "*Main Street Term Loan*" to our consolidated financial statements included elsewhere in this report.

The MSLP Note provides for customary events of default, including, among others, those relating to a failure to make payment, bankruptcy, breaches of representations and covenants, and the occurrence of certain events. In addition, the MSLP Loan Agreement and MSLP Note contain various covenants that limit our ability to engage in specified types of transactions. Subject to limited exceptions, these covenants limit our ability, without CNB's consent, to, among other things, sell, lease, transfer, exclusively license or dispose of our assets, incur, create or permit to exist additional indebtedness, or liens, to make dividends and other restricted payments, and to make certain changes to our ownership structure.

For additional details of the MSLP Loan Agreement, the related agreements and the covenants to which we are subject, see *Management's Discussion and Analysis of Financial Condition and Results of Operations* and Note 10 *"Main Street Term Loan"* to the consolidated financial statements included elsewhere in this Annual Report.

Madryn Credit Agreement and Exchange Agreement

On October 11, 2016, Venus Ltd. entered into a credit agreement as a guarantor with Madryn Health Partners, LP, as administrative agent, and certain of its affiliates as lenders (collectively, "Madryn"), as amended (the "Madryn Credit Agreement"), pursuant to which Madryn agreed to make certain loans to certain of Venus Concept's subsidiaries.

Contemporaneously with the MSLP Loan Agreement, the Company, Venus USA, Venus Concept Canada Corp. ("Venus Canada"), Venus Ltd., and the Madryn Noteholders (as defined below), entered into a Securities Exchange Agreement (the "Exchange Agreement") dated as of December 8, 2020, pursuant to which the Company (i) repaid on December 9, 2020, $42.5 million aggregate principal amount owed under the Madryn Credit Agreement, and (ii) issued, on December 9, 2020, to Madryn Health Partners (Cayman Master), LP and Madryn Health Partners, LP (the "Madryn Noteholders") secured subordinated convertible notes in the aggregate principal amount of $26.7 million (the "Notes"). The Madryn Credit Agreement was terminated effective December 9, 2020 upon the funding and closing of the MSLP Loan and the issuance of the Notes.

In connection with the Exchange Agreement, we also entered into a Guaranty and Security Agreement dated as of December 9, 2020 (the "Madryn Security Agreement"), pursuant to which we agreed to grant Madryn a security interest in substantially all of our assets to secure the obligations under the Notes. The Madryn Security Agreement contains various covenants that limit our ability to engage in specified types of transactions. Subject to limited exceptions, these covenants limit our ability, without the Madryn Noteholders' consent, to, among other things, incur, create or permit to exist additional indebtedness, or liens, and to make certain changes to our ownership structure. The Madryn Security Agreement also contains a covenant which requires that if we or any of our subsidiaries that has guaranteed the Notes consummates a disposition of material assets the result of which is that less than 50% of the consolidated net tangible assets of such entities secure the Notes then, within 90 days thereafter, we and our subsidiaries party to the Madryn Security Agreement must provide certain additional collateral so that more than 50% of the consolidated net tangible assets of the Company and its subsidiaries which have guaranteed the Notes will be collateral securing the Notes.

If an Event of Default occurs, then, the Madryn Noteholders may, subject to certain terms, (i) declare the outstanding principal amount of Notes, all accrued and unpaid interest and all other amounts owing under the Notes and other transaction documents entered into in connection therewith to be immediately become due and payable without any further action or notice by any person (ii) foreclose on the collateral granted to it to collateralize the indebtedness and (ii) exercise all rights and remedies available to it under the Notes, the Madryn Security Agreement and any other document entered into in connection with the foregoing, which would significantly affect our ability to operate our business.

For additional information regarding the Madryn Credit Agreement, the Exchange Agreement, the Notes and related agreements, see Note 11 *"Madryn Long-Term Debt and Convertible Notes"* to our consolidated financial statements included elsewhere in this report.

We will require additional financing to achieve our goals, and a failure to obtain this necessary capital when needed on acceptable terms, or at all, could force us to delay, limit, reduce or terminate our product development, commercialization and other operations or efforts.

Since our inception, we have invested a significant portion of our efforts and financial resources in research and development and sales and marketing activities. Research and development, clinical trials, product engineering, ongoing product upgrades and other enhancements, as well as seeking regulatory clearances and approvals to market future products will require substantial funds to complete. As of December 31, 2023, we had capital resources consisting of cash and cash equivalents of approximately $5.4 million. Further, in order to grow our business and increase revenues, we will need to introduce and commercialize new products, maintain an effective sales and marketing force, and implement new software systems. We believe that we will continue to expend substantial resources for the foreseeable future in connection with the ongoing commercializing of our systems, supporting our sales and marketing efforts, and continuing research and development and product enhancements activities. We will have to increase our revenues while effectively managing our expenses in order to achieve profitability and to sustain it. Our operating expenses may fluctuate significantly in the future because of a variety of factors, many of which are outside of our control. Our failure to control expenses could make it difficult to achieve profitability or to sustain profitability in the future.

Our budgeted expense levels are based in part on our expectations concerning future revenue from systems sales, product sales and servicing and procedure-based fees. We may be unable to reduce our expenditures in a timely manner to compensate for any unexpected shortfalls in revenue. Accordingly, a significant shortfall in market acceptance or demand for our systems and procedures could have a material adverse impact on our business and financial condition.

While we believe that the net proceeds from our recent and announced financing activities, our recent initiatives in pursuing strategic alternatives, together with our existing cash and cash equivalents, will enable us to fund our operating expenses and capital expenditure requirements for at least the next 12 months, we may need to raise additional capital through public or private equity or debt financings or other sources, such as strategic collaborations sooner than expected or otherwise implement additional cost-saving initiatives. Any such financing may result in dilution to stockholders, the issuance of securities that may have rights, preferences, or privileges senior to those of holders of our common stock, the imposition of more burdensome debt covenants and repayment obligations, the licensing of rights to our technology or other restrictions that may affect our business. In addition, we may seek additional capital if favorable market conditions exist or given other strategic considerations even if we believe we have sufficient capital to fund our current or future operating plans.

Additional funds may not be available when we need them, on terms that are acceptable to us, or at all. If adequate funds are not available to us on a timely basis, we may be required to:

- delay or curtail our efforts to develop system product enhancements or new products, including any clinical trials that may be required to market such enhancements;
- delay or curtail our plans to increase and expand our sales and marketing efforts; or
- delay or curtail our plans to enhance our customer support and marketing activities.

We are restricted by covenants in the MSLP Loan, the Amended CNB Loan Agreement, and the Madryn Security Agreement. These covenants restrict, among other things, our ability to incur additional indebtedness, which may limit our ability to obtain additional debt financing.

Because we incur a substantial portion of our expenses in currencies other than the U.S. dollar, our financial condition and results of operations may be adversely affected by currency fluctuations and inflation.

In the years ended December 31, 2023 and 2022, 65% and 62%, respectively, of our global revenues were denominated in U.S. dollars and our reporting currency was the U.S. dollar. We pay a meaningful portion of our expenses in New Israeli Shekels ("NIS"), Canadian Dollars ("CAD"), and other foreign currencies. Expenses in NIS and CAD accounted for 26% and 16%, respectively, of our expenses for the year ended December 31, 2023, and 27% and 15%, respectively, of our expenses for the year ended December 31, 2022. Salaries paid to our employees, general and administrative expenses and general sales and related expenses are paid in many different currencies. As a result, we are exposed to the currency fluctuation risks relating to the denomination of its future revenues in U.S. dollars. More specifically, if the U.S. dollar devalues against the CAD or the NIS, our CAD and NIS denominated expenses will be greater than anticipated when reported in U.S. dollars. Inflation in Israel compounds the adverse impact of such devaluation by further increasing the amount of our Israeli expenses. Israeli inflation may also in the future outweigh the positive effect of any appreciation of the U.S. dollar relative to the CAD and the NIS, if, and to the extent that, it outpaces such appreciation or precedes such appreciation. We generally do not engage in currency hedging to protect the Company from fluctuations in the exchange rates of the CAD, NIS, and other foreign currencies in relation to the U.S. dollar (and/or from inflation of such foreign currencies), and we may be exposed to material adverse effects from such movements. We cannot predict any future trends in the rate of inflation in Israel or the rate of devaluation (if any) of the U.S. dollar or any other currency against the NIS or CAD.

Downturns in the economy or economic uncertainty may reduce patient and customer demand for our systems and services, which could adversely affect our business, financial condition or results of operations.

Our results of operations could be adversely affected by general conditions in the global economy and in the global financial markets. Furthermore, the aesthetic industry in which we operate is particularly vulnerable to unfavorable economic trends. Treatments using our systems involve elective procedures, the cost of which must be borne by patients, and is not reimbursable through government or private health insurance. Economic uncertainty may reduce patient demand for the procedures performed using our systems; if there is not sufficient patient demand for the procedures for which our systems are used, practitioner demand for these systems could drop, negatively impacting operating results. The decision to undergo a procedure using our systems is driven by consumer demand. In times of economic uncertainty or recession, individuals generally reduce the amount of money that they spend on discretionary items, including aesthetic procedures. If our customers' patients face economic hardships, our business would be negatively impacted, and our financial performance would be materially harmed in the event that any of the above factors discourage patients from seeking the procedures for which our systems are used. A weak or declining economy could also strain our manufacturers or suppliers, possibly resulting in supply disruption, or cause our customers to delay or stop making payments for our systems or services. The impact of economic uncertainty on our industry may vary from region to region.

It is difficult to forecast our future performance and our financial results may fluctuate unpredictably.

The rapid evolution of the markets for medical technologies and aesthetic products makes it difficult for us to predict our future performance. Several factors, many of which are outside of our control, may contribute to fluctuations in our financial results, such as:

- variations in market demand for our systems and services from quarter to quarter;
- the inability of our customers to obtain the necessary financing or access capital;
- performance of new functionalities and system updates;
- performance of third-party distributors, manufacturers or suppliers;
- positive or negative media coverage of our systems, positive or negative patient experiences, the procedures or products of our competitors, or our industry generally;
- our ability to maintain our current, or obtain further, regulatory clearances, approvals or CE Certificates of Conformity;
- seasonal or other variations in patient demand for aesthetic procedures; and
- introduction of new medical aesthetic procedures or products and services that compete with our products and services.

We compete against companies that offer alternative solutions to our systems, or have greater resources, a larger installed base of customers and broader product offerings than we have. If we are not able to effectively compete with these companies and alternative solutions, our business may not continue to grow.

The medical technology and aesthetic product markets are highly competitive and dynamic and are characterized by rapid and substantial technological development and product innovation. Demand for our systems is impacted by the products and procedures offered by our competitors. Certain of our systems also compete against conventional non-energy-based treatments, such as Botox and collagen injections, chemical peels, and microdermabrasion. In the United States, we compete against companies that have developed minimally invasive and non-invasive medical aesthetic procedures. Outside of the United States, likely due to less stringent regulatory requirements, there are more aesthetic products and procedures available in international markets than are cleared for use in the United States. Sometimes, there are also fewer limitations on the claims our competitors in international markets can make about the effectiveness of their products and the manner in which they can market them. As a result, we may face a greater number of competitors in markets outside of the United States.

We also compete generally with medical technology and aesthetic companies, including those offering products and products unrelated to skin treatment. Aesthetic industry consolidations have created combined entities with greater financial resources, deeper sales channels, and greater pricing flexibility than ours. Rumored or actual consolidation of our competitors could cause uncertainty and disruption to our business. In the surgical hair restoration market, we consider our direct competition to be FUT Strip Surgeries and Manual FUE procedures. Many of our surgical device and equipment competitors have greater capital resources, sales and marketing operations and service infrastructures than we do, as well as longer commercial histories and more extensive relationships with physicians. Our indirect competition in the hair restoration market also includes non-surgical treatments for hair loss, such as prescription therapeutics, including Propecia, and non-prescription remedies, such as wigs, hair pieces and spray-on applications. Some of these companies have greater resources than we do, a broad range of product offerings, large direct sales forces, and long-term customer relationships with the physicians we target, which could make our market penetration efforts more difficult. Competition in the medical technology and aesthetic hair restoration markets could result in price-cutting, reduced profit margins, and limited market share, any of which would harm our business, financial condition, and results of operations.

Surgical alternatives to the ARTAS System may be able to compete more effectively than the ARTAS procedure in established practices with trained staff and workflows built around performing these surgical alternatives. Practices experienced in offering FUT Strip Surgery or Manual FUE using hand-held devices may be reluctant to incorporate or convert their practices to offer ARTAS procedures due to the effort involved to make such changes. These alternative options may be able to provide satisfactory results for male hair loss, generally at a lower cost to the patient than the ARTAS System. As a result, if patients choose these competitive alternatives, our results of operation could be adversely affected.

The aesthetic equipment market is characterized by rapid innovation. Our inability to develop and/or acquire new products and services, obtain regulatory clearance and maintain regulatory compliance, market new products successfully, and identify new markets for our technology may cause us to fail to compete effectively.

The aesthetic energy-based treatment equipment and hair restoration markets are subject to continuous technological development and product innovation. If we do not continue to innovate and develop new products, services and applications, our competitive position will likely deteriorate as other companies successfully design and commercialize new products, applications and services or enhancements to current products. To continue to grow in the future, we must continue to develop and/or acquire new and innovative aesthetic and medical products, services and applications, identify new markets, and successfully launch any newly developed or acquired product offerings.

We also believe that, to increase revenue from sales of new products, we need to continue to develop our clinical support, further expand and nurture relationships with industry thought leaders, and increase market awareness of the benefits of our new products. However, even with a significant investment in research and development, we may be unable to continue to develop, acquire or effectively launch and market new products and technologies regularly, or at all. If we fail to successfully innovate and commercialize new products or enhancements, our business may be harmed.

We depend on third-party distributors to market and sell our systems in certain markets.

In addition to our direct sales and marketing forces, we currently depend on third-party distributors to sell, market, and service our systems in certain markets outside of North America and to train our customers in these markets. For the years ended December 31, 2023 and 2022, we generated 8% and 10%, respectively, of our systems revenues from sales made through third-party distributors. Our agreements with third-party distributors set forth minimum quarterly purchase commitments required for each distributor and provide the distributor the right to distribute our systems within a designated territory. If we continue to expand into new markets outside of North America, we will need to engage additional third-party distributors which exposes us to a number of risks, including:

- the lack of day-to-day control over the activities of third-party distributors;
- third-party distributors may not commit the necessary resources to market, sell, train, support and service our systems to the level of our expectations;
- third-party distributors may emphasize the sale of third-party products over our products;

- third-party distributors may not be as selective as we would be in choosing customers to purchase our systems or as effective in training those customers in marketing and patient selection;

- third-party distributors may violate applicable laws and regulations, which may limit our ability to sell products in certain markets; and

- disagreements with our distributors that could require or result in costly and time-consuming litigation or arbitration, which we could be required to conduct in jurisdictions in which we are not familiar with the governing law.

We rely heavily on our sales professionals to market and sell our products worldwide. If we are unable to hire, effectively train, manage, improve the productivity of, and retain our sales professionals, our business may be harmed, which could impair our future revenue and profitability.

Our success depends on our ability to hire, train, manage, retain and improve the productivity levels of its sales professionals worldwide. Competition for sales professionals who are familiar with, and trained to sell in, the aesthetic equipment market continues to be robust. As a result, we occasionally lose our sales professionals to competitors.

Any measures we implement in an effort to recruit, train, manage and retain our sales professionals, strengthen their relationships with core market physicians, and improve their productivity may not be successful and may instead contribute to instability in our operations, increase the number of additional departures from our sales organization, or further reduce our revenue and harm our business. If we are not able to improve the productivity and retention of our sales professionals, then our total revenue, profitability and stock price may be adversely impacted.

We depend on senior management and key employees to operate our business. Changes to management or the inability to recruit, hire, train and retain qualified personnel, could harm our ability to successfully manage, develop and expand our business, which could impair our future revenue and profitability.

Our success depends on the skills, experience and efforts of our senior management and other key employees, the majority of whom are employed on an "at will" basis. The loss of any of our senior management and other key employees could weaken our management expertise and harm our business, and it may not be able to find adequate replacements on a timely basis, or at all. Any of our senior management and other key employees may terminate their employment at any time, with or without notice and their knowledge of our business and industry may be difficult to replace.

We may not be able to attract and retain personnel on acceptable terms given the competition for such personnel among technology and healthcare companies and universities. The loss of, or our inability to attract, train and retain qualified personnel could harm our business and our ability to compete and become profitable.

Economic and other risks associated with international sales and operations could adversely affect our business.

Sales in markets outside of the United States accounted for approximately 43% of our revenue for the year ended December 31, 2023 and 48% of our revenue for the year ended December 31, 2022. In addition, the majority of our research and development activities and the manufacture of our systems are located outside of the United States. As a result of our international business, we are subject to a number of risks, including:

- difficulties in staffing and managing our international operations;

- increased competition as a result of more products and procedures receiving regulatory approval or otherwise free to market in international markets;

- longer accounts receivable payment cycles and difficulties in collecting accounts receivable;

- reduced or varied protection for intellectual property rights in some countries;

- import and export restrictions, trade regulations, and non-U.S. tax laws;

- fluctuations in currency exchange rates;

- foreign certification and regulatory clearance or approval requirements;

- customs clearance and shipping delays;
- political, social, and economic instability abroad, terrorist attacks, and security concerns in general and uncertainties related to the coronavirus;
- preference for locally manufactured products;
- potentially adverse tax consequences, including the complexities of foreign value-added tax systems, tax inefficiencies related to our corporate structure, and restrictions on the repatriation of earnings;
- the burdens of complying with a wide variety of foreign laws and different legal standards; and
- increased financial accounting and reporting burdens and complexities.

If one or more of these risks were realized, it could require us to dedicate significant financial and managerial resources, and our results of operations and financial condition could be adversely affected.

We rely on a limited number of third-party contract manufacturers for the production of our systems and only have contracts with certain suppliers for the components used in our systems. The failure of these third parties to perform could adversely affect our ability to meet demand for our systems in a timely and cost-effective manner.

We rely on third-party contract manufacturers in Karmiel, Israel, Mazet, France, and San Jose, California for the manufacture of the majority of our systems. Other than with respect to the ARTAS iX System and diode stacks for certain of our devices, the majority of the components used in our systems are available off the shelf and we do not rely on any single supplier, and as a result we do not have any long-term supply agreements for these components. Our reliance on third-party contract manufacturers and suppliers involves a number of risks, including, among other things:

- contract manufacturers or suppliers may fail to comply with regulatory requirements or make errors in manufacturing that could negatively affect the efficacy or safety of our systems or cause delays in shipments of our systems;
- we or our contract manufacturers or suppliers may not be able to respond to unanticipated changes in customer orders, and if orders do not match forecasts, we or our contract manufactures may have excess or inadequate inventory of materials and components;
- we or our contract manufacturers and suppliers may be subject to price fluctuations due to a lack of long-term supply arrangements for key components;
- we or our contract manufacturers and suppliers may lose access to critical services and components, resulting in an interruption in the manufacture, assembly and shipment of our systems;
- we may experience delays in delivery by our contract manufacturers and suppliers due to changes in demand from us or their other customers;
- fluctuations in demand for systems that our contract manufacturers and suppliers manufacture for others may affect their ability or willingness to deliver components to us in a timely manner;
- our suppliers or those of our contract manufacturers may wish to discontinue supplying components or services to us for risk management reasons;
- we may not be able to find new or alternative components or reconfigure our system and manufacturing processes in a timely manner if the necessary components become unavailable; and
- our contract manufacturers and suppliers may encounter financial hardships unrelated to our demand, which could inhibit their ability to fulfill its orders and meet our requirements.

If any of these risks materialize, they could significantly increase our costs and effect our ability to meet demand for our systems. If we are unable to satisfy commercial demand for our systems in a timely manner, our ability to generate revenue would be impaired, market acceptance of our systems and our reputation could be adversely affected, and customers may instead purchase or use our competitors' products. In addition, we could be forced to secure new or alternative contract manufacturers or suppliers. Securing a replacement contract manufacturer or supplier could be difficult. The introduction of new or alternative manufacturers or suppliers also may require design changes to our medical device products that are subject to the FDA and other regulatory clearances or approvals, or a new or revised CE Certificate of Conformity. We may also be required to assess the new manufacturer's compliance with all applicable regulations and guidelines, which could further impede our ability to manufacture our systems in a timely manner. As a result, we could incur increased production costs, experience delays in deliveries of our systems, suffer damage to our reputation, and experience an adverse effect on our business and financial results.

Both our manufacturing of certain of our systems and NPI's manufacturing of the ARTAS procedure kits are dependent upon third-party suppliers and, in some cases, sole suppliers, for the majority of our components, subassemblies and materials, making us vulnerable to supply shortages and price fluctuations, which could harm our business.

We and NPI, as the case may be, rely on several sole source suppliers for certain components of the ARTAS System, reusable procedure kits, disposable procedure kits and spare procedure kits. We also rely on other suppliers for some of the components used to manufacture our other devices. These suppliers may be unwilling or unable to supply components of these systems to us or NPI reliably and at the levels we anticipate or require to meet demand for our products. For us to be successful, our suppliers must be able to provide products and components in substantial quantities, in compliance with regulatory requirements, in accordance with agreed upon specifications, at acceptable costs and on a timely basis. An interruption in our commercial operations could occur if we encounter delays or difficulties in securing these components, and if we cannot then obtain an acceptable substitute. We source a number of components used in the manufacture of our systems from China and given the lingering effects on global supply chain caused by the COVID-19 pandemic, access to our existing supply chain may be become impaired, which could result in manufacturing delays and inventory shortages. If we are required to transition to new third-party suppliers for certain components of our systems or our ARTAS procedure kits, we believe that there are only a few such suppliers that can supply the necessary components. A supply interruption, price fluctuation or an increase in demand beyond our current suppliers' capabilities could harm our ability to manufacture our systems and NPI's ability to manufacture our ARTAS procedure kits until new sources of supply are identified and qualified. In addition, the use of components or materials furnished by these alternative suppliers could require us to alter our operations.

In addition, our reliance on these suppliers subjects us to a number of risks that could harm our reputation, business, and financial condition, including, among other things, a lack of long-term supply arrangements for key components with our suppliers, difficulty and cost associated with locating and qualifying alternative suppliers for our components in a timely manner, production delays related to the evaluation and testing of products from alternative suppliers, and corresponding regulatory qualifications, delay in delivery due to our suppliers prioritizing other customer orders over ours, damage to our reputation caused by defective components produced by our suppliers, and increased cost of our warranty program due to product repair or replacement based upon defects in components produced by our suppliers.

Where practicable, we are seeking, or intending to seek, second-source manufacturers for certain of our components. However, we cannot provide assurances that we will be successful in establishing second-source manufacturers or that the second-source manufacturers will be able to satisfy commercial demand for our systems. If any of these risks materialize, costs could significantly increase and our ability to meet demand for our products could be impacted. If we are unable to satisfy commercial demand for our systems in a timely manner, our ability to generate revenue from these systems would be impaired.

Product liability suits could be brought against us for defective design, labeling, material, workmanship, or software or misuse of our systems, and could result in expensive and time-consuming litigation, payment of substantial damages, an increase in our insurance rates and substantial harm to our reputation.

If our systems are defectively designed, manufactured, or labeled, contain defective components or software, or are misused, we may become subject to substantial and costly litigation by our customers or their patients. For example, if a patient is injured or suffers unanticipated adverse events after undergoing a procedure using one of our systems, or if system operating guidelines are found to be inadequate, we may be subject to product liability claims. Claims could also be asserted under state consumer protection acts. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities. Even successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, product liability claims may result in:

- decreased demand for our systems, or any future systems or services;
- damage to our reputation;
- withdrawal of clinical trial participants;
- costs to defend the related litigation;
- a diversion of management's time and our resources;
- substantial monetary awards to customers, patients or clinical trial participants;
- regulatory investigations, product recalls, withdrawals or labeling, marketing or promotional restrictions;
- loss of revenue; and
- the inability to commercialize future products.

We currently have product liability insurance, but any claim that may be brought against us could result in a court judgment or settlement in an amount that is not covered, in whole or in part, by our insurance or that is in excess of the limits of our insurance coverage. Our insurance policies also have various exclusions and deductibles, and we may be subject to a product liability claim for which we have no coverage. We will have to pay any amounts awarded by a court or negotiated in a settlement that exceed our coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient funds to pay such amounts. Moreover, in the future, we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against losses.

Third parties may attempt to reverse engineer or produce counterfeit versions of our systems which may negatively affect our reputation, or harm patients and subject us to product liability claims.

Third parties have sought in the past, and in the future may seek, to reverse engineer or develop counterfeit products that are substantially similar or compatible with our systems and available to practitioners at lower prices than our own.

Any reverse engineered or counterfeit products that purport to be our systems that are currently in the market or that may be introduced in the future may harm our reputation and our sale of products. Moreover, if we commence litigation to stop or prevent any unauthorized use of our technology that occurs from reverse engineering or counterfeiting of our products, or if we have to defend allegations of such unauthorized use of a third party's technology, such litigation would be time-consuming, force us to incur significant costs and divert our attention and the efforts of its management and other employees.

Security breaches and other disruptions could compromise our information and expose us to liability.

In the ordinary course of our business and to the extent necessary, we rely on software to control the ongoing use of our systems, collect, and aggregate diagnostic data, and collect and store sensitive data, including intellectual property and proprietary business information, and certain personally identifiable information of customers, distributors, consultants and employees in our data centers and on our networks. The secure processing, maintenance, and transmission of this information is important to our operations and business strategy. We have established physical, electronic, and policy measures to secure our systems in an attempt to prevent a system breach and the theft of data we collect, and we rely on commercially available systems, software, tools, and monitoring in our effort to provide security for our information technology systems and the digital information we collect, process, transmit and store. Despite our security measures, our information technology systems and related infrastructure, and those of our current and any future collaborators, contractors, and consultants and other third parties on which we rely, may be vulnerable to attacks by computer viruses, malware, hackers, or breaches due to malfeasance, employee or contractor error, telecommunication or electrical failures, terrorism or other created or natural disasters. Despite our cybersecurity measures, it is possible for security vulnerabilities to remain undetected for an extended time period, up to and including several years. While we have experienced, and expect to continue to experience, threats and disruptions to the Company's information technology infrastructure, none of them to date has had a material impact to the Company. The costs to us to mitigate network security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities could be significant, and while we have implemented security measures to protect our data security and information technology systems, our efforts to address these problems may not be successful, and these problems could result in unexpected interruptions, delays, cessation of service and other harm to our business and our competitive position. Moreover, if a computer security breach affects our systems or results in the unauthorized release of personally identifiable information, our reputation could be materially damaged. In addition, such a breach may require notification to governmental agencies, the media, or individuals pursuant to various federal and state privacy and security laws, if applicable, and may be subject to financial liability to the extent we are not in compliance with privacy laws to which we are subject at the time of a breach. We could also be exposed to a risk of loss or litigation and potential liability, which could materially adversely affect our business, results of operations and financial condition.

The clinical trial process required to obtain regulatory clearances or approvals is lengthy and expensive with uncertain outcomes and could result in delays in new product introductions.

In order to obtain 510(k) clearance for certain of our systems, we were required to conduct clinical trials, and we expect to conduct clinical trials in support of marketing authorization for future products and product enhancements. Conducting clinical trials is a complex and expensive process, can take many years, and outcomes are inherently uncertain. We may suffer significant setbacks in clinical trials, even after earlier pre-clinical or clinical trials showed promising results, and failure can occur at any time during the clinical trial process. Any of our products may malfunction or may produce undesirable adverse effects that could cause us or regulatory authorities to interrupt, delay or halt clinical trials. We, the FDA, or another regulatory authority may suspend or terminate clinical trials at any time to avoid exposing trial participants to unacceptable health risks.

The data we collect from our pre-clinical studies and clinical trials may not be sufficient to support the FDA clearance or approval, and if we are unable to demonstrate the safety and efficacy of our future products in our clinical trials, we will be unable to obtain regulatory clearance or approval to market our products.

In addition, we may estimate and publicly announce the anticipated timing of the accomplishment of various clinical, regulatory and other product development goals, which are often referred to as milestones. The actual timing of these milestones could vary dramatically compared to our estimates, in some cases for reasons beyond our control. We cannot assure you that we will meet our projected milestones and if we do not meet these milestones as publicly announced, the commercialization of our products may be delayed and, as a result, our stock price may decline.

Delays in the commencement or completion of clinical testing could significantly affect our product development costs. The commencement and completion of clinical trials can be delayed or terminated for a number of reasons, including delays or failures related to:

- the FDA or comparable foreign regulatory authorities disagreeing as to the level of risk, design or implementation of our clinical studies;
- obtaining regulatory approval to commence a clinical trial;
- reaching agreement on acceptable terms with prospective clinical research organizations, or CROs, and trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- manufacturing sufficient quantities of a product for use in clinical trials;
- obtaining institutional review board, or IRB, or ethics committees' approval to conduct a clinical trial at each prospective site;
- recruiting and enrolling patients and maintaining their participation in clinical trials;
- having clinical sites observe trial protocol or continue to participate in a trial;
- addressing any patient safety concerns that arise during the course of a clinical trial;
- addressing any conflicts with new or existing laws or regulations; and
- adding a sufficient number of clinical trial sites.

Patient enrollment in clinical trials and completion of patient follow-up depend on many factors, including the size of the patient population, the nature of the trial protocol, the proximity of patients to clinical sites, the eligibility criteria for the clinical trial, patient compliance, competing clinical trials and clinicians' and patients' perceptions as to the potential advantages of the product being studied in relation to other available therapies, including any new treatments that may be cleared or approved for the indications we are investigating. Delays in patient enrollment or failure of patients to continue to participate in a clinical trial may delay commencement or completion of the clinical trial, cause an increase in the costs of the clinical trial and delays, or result in the failure of the clinical trial.

We could also encounter delays if the FDA concluded that our financial relationships with our principal investigators resulted in a perceived or actual conflict of interest that may have affected the interpretation of a study, the integrity of the data generated at the applicable clinical trial site or the utility of the clinical trial itself. Principal investigators for our clinical trials may serve as scientific advisors or consultants to us from time to time and receive cash compensation and/or stock options in connection with such services. If these relationships and any related compensation to or ownership interest by the clinical investigator carrying out the study result in perceived or actual conflicts of interest, or the FDA concludes that the financial relationship may have affected interpretation of the study, the integrity of the data generated at the applicable clinical trial site may be questioned and the utility of the clinical trial itself may be jeopardized, which could result in the delay or rejection of our marketing application by the FDA. Any such delay or rejection could prevent us from commercializing any of our products in development.

Furthermore, a clinical trial may be suspended or terminated by us, the FDA, the IRB overseeing the clinical trial at issue, the Data Safety Monitoring Board for such trial, any of our clinical trial sites with respect to that site, or other regulatory authorities due to several factors, including:

- failure to conduct the clinical trial in accordance with applicable regulatory requirements or our clinical protocols;
- inspection of the clinical trial operations or trial sites by the FDA or other regulatory authorities resulting in the imposition of a clinical hold;
- inability of a clinical investigator or clinical trial site to continue to participate in the clinical trial;
- unforeseen safety issues, governmental regulation or adverse side effects;
- failure to demonstrate a benefit from using the product; and
- lack of adequate funding to continue the clinical trial.

Additionally, changes in regulatory requirements and guidance may occur and we may need to amend clinical trial protocols to reflect these changes. Amendments may require us to resubmit our clinical trial protocols to IRBs for reexamination, which may impact the costs, timing or successful completion of a clinical trial. If we experience delays in completion of, or if we terminate, any of our clinical trials, the commercial prospects for our products may be harmed and our ability to generate product revenue from these products will be delayed or not realized at all. In addition, any delays in completing our clinical trials will increase our costs, slow down our product development and approval process and jeopardize our ability to commence product sales and generate revenue. Any of these occurrences may significantly harm our business, financial condition and prospects significantly. In addition, many of the factors that cause, or lead to, a delay in the commencement or completion of a clinical trial may also ultimately lead to the denial of regulatory approval of the subject product.

Our ability to manufacture and/or sell our products may be impaired by disruption to our manufacturing, warehousing or distribution capabilities, or to the capabilities of our suppliers, contract manufacturers, logistics service providers or independent distributors.

We maintain manufacturing operations at its facilities in San Jose, California and Yokneam, Israel. We rely on third-party suppliers and manufacturers in various countries to produce components and provide raw materials used in the manufacturing of our products. The lingering effects on the global supply chain brought about by the COVID-19 pandemic has resulted in both worldwide shortage of raw materials and goods required for manufacturing of our products. Therefore, our third-party suppliers and manufacturers may not have the materials, capacity, or capability to manufacture our products according to our schedule and specifications and we may need to seek alternate supply and/or manufacturing sources, which may be more expensive. Alternate sources may not be available or may result in delays in shipments to us from our supply chain and subsequently to our customers, each of which would affect our results of operations.

Risks Related to Intellectual Property

If we are unable to obtain, maintain, retain and enforce adequate intellectual property rights covering our products and any future products we develop, others may be able to make, use, or sell products that are substantially the same as ours, which could adversely affect our ability to compete in the market.

Our commercial success is dependent in part on obtaining, maintaining, retaining and enforcing our intellectual property rights, including our patents and the patents we exclusively license. If we are unable to obtain, maintain, retain and enforce sufficiently broad intellectual property protection covering our products and any other products we develop, others may be able to make, use, or sell products that are substantially the same as our products without incurring the sizeable development and licensing costs that we have incurred, which would adversely affect our ability to compete effectively in the market.

We protect our proprietary information and technology through nondisclosure agreements, noncompetition covenants, and other contractual provisions and agreements, as well as through patent, trademark and trade secret laws in the United States and similar laws in other countries. These protections may not be available in all jurisdictions and may be inadequate to prevent our competitors or other third-party manufacturers from copying, reverse engineering or otherwise obtaining and using our technology, proprietary rights or products. For example, the laws of certain countries in which our products are manufactured or licensed do not protect our proprietary rights to the same extent as the laws of the United States. In addition, third parties may seek to challenge, invalidate or circumvent our patents, trademarks or applications for any of the foregoing. We have focused patent, trademark, copyright and trade secret protection primarily in the United States and Europe, although we distribute our products globally. As a result, we may not have sufficient protection of our intellectual property in all countries where infringement may occur. There can be no assurance that our competitors will not independently develop technologies that are substantially equivalent or superior to our technology or design around our proprietary rights. In each case, our ability to compete could be significantly impaired. To prevent substantial unauthorized use of our intellectual property rights, it may be necessary to prosecute actions for infringement and/or misappropriation of our proprietary rights against third parties. Any such action could result in significant costs and diversion of our resources and management's attention, and we may not be successful in such action.

We have obtained and maintained our existing patents, sought to diligently prosecute our existing patent applications, and sought to file patent applications and obtain additional patents and other intellectual property rights to restrict the ability of others to market products that compete with our current and future products. As of December 31, 2023, the Company's patent portfolio was comprised of 16 issued U.S. patents, 4 pending U.S. patent applications, 27 issued foreign counterpart patents, and 15 pending foreign counterpart patent applications relating to the (MP)2, fractional RF and Ai.ME, and Directional Skin Tightening technology (including cellulite treatments), 5 issued foreign patents covering the NeoGraft system and its methods of use, and 91 issued U.S. patents, 1 pending U.S. patent applications, 159 issued foreign counterpart patents, and 5 pending foreign counterpart patent applications relating to the ARTAS System and methods of use. However, patents may not be issued on any pending or future patent applications we file, the claims that issue may provide limited or no coverage of its products and technologies, and, moreover, issued patents owned or licensed to us now or in the future may be found by a court to be invalid or otherwise unenforceable at any time. We may choose to not apply for patent protection or may fail to apply for patent protection on important technologies or product candidates in a timely fashion. In addition, we may be unable to obtain patents necessary to protect our technology or products due to prior uses of or claims to similar processes or systems by third parties, or to blocking intellectual property owned by third parties. Even though we have issued patents, and even if additional patents are issued to us in the future, they may be challenged, narrowed, invalidated, held to be unenforceable or circumvented, which could limit our ability to prevent competitors from using similar technology or marketing similar products, or limit the length of time our technologies and products have patent protection. Also, even if our existing and future patents are determined to be valid and enforceable, they may not be drafted or interpreted broadly enough to prevent others from marketing products and services similar to ours, by easily designing products around our patents or otherwise developing competing products or technologies. In addition, the ownership or inventorship of one or more of our patents and patent applications may be challenged by one or more parties in one or more jurisdictions, including in a patent interference or a derivation proceeding in the United States Patent and Trademark Office ("USPTO"), or a similar foreign governmental agency or during the course of a litigation. If a competitor were able to successfully design around our patents, we may not be able to block such competition, and furthermore the competitor's products may be more effective or commercially successful than its products. In addition, our current patents will eventually expire, or they may otherwise cease to provide meaningful competitive advantage, and we may be unable to adequately develop new technologies and obtain future patent protection to preserve our competitive advantage or avoid other adverse effects on our business.

We have a number of foreign patent applications, and while we generally try to pursue patent protection in the jurisdictions in which we do or intend to do significant business, the filing, prosecuting, maintaining and defending patents relating to our current or future products in all countries throughout the world would be prohibitively expensive. Furthermore, the laws of some foreign jurisdictions do not protect intellectual property rights to the same extent as laws in the U.S., and many companies have encountered significant difficulties in obtaining, protecting, and defending such rights in foreign jurisdictions. As a result, our intellectual property may not provide us with sufficient rights to exclude others from commercializing products similar or identical to its products in various jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products, and we may be unable to prevent such competitors from importing those infringing products into territories where we do not have patent protection or into territories where we do have patent protection but there is no prohibition against such importation, or even if such prohibitions exist, the law or related enforcement is not as strong as in the United States. These products may compete with our systems and our patents and our other intellectual property rights may not be effective or sufficient to prevent competitors from competing in those jurisdictions. If we encounter such difficulties or are otherwise precluded from effectively protecting and enforcing our intellectual property rights in foreign jurisdictions, our business prospects could be substantially harmed.

Third-party patent applications and patents could significantly reduce the scope of protection of patents owned by or licensed to us and limit our ability to obtain a meaningful scope of patent protection or market and sell our products or develop, market, and sell future products. In the United States, other parties may attack the validity of our patents after they issue, in a court proceeding, or in an ex-parte reexamination proceeding or one or more post-grant procedures that were authorized under the America Invents Act of 2011, that were available commencing on March 16, 2013 such as post-grant review, covered business method review or inter partes review, in front of the Patent Trial and Appeal Board of the USPTO. The costs of these proceedings could be substantial.

At any given time, we may be involved as either a plaintiff or a defendant in a number of patent infringement actions, the outcomes of which may not be known for prolonged periods of time. The large number of patents, the rapid rate of new patent applications and issuances, the complexities of the technologies involved, and the uncertainty of litigation significantly increase the risks related to any patent litigation. Any potential intellectual property litigation may (i) force us to withdraw existing products from the market or may be unable to commercialize one or more of our products, (ii) cause us to incur substantial costs, and (iii) could place a significant strain on our financial resources, divert the attention of management from our core business and harm our reputation.

Even if resolved in our favor, litigation or other legal proceedings relating to intellectual property claims may cause us to incur significant expenses and could distract our technical and management personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments, and if securities analysts or investors perceive these results to be negative, it could have a material adverse effect on the price of our common stock. Finally, any uncertainties resulting from the initiation and continuation of any litigation could have a material adverse effect on our ability to raise the funds necessary to continue our operations.

In addition, we may indemnify our customers, suppliers and international distributors against claims relating to the infringement of the intellectual property rights of third parties relating to our products, methods, and/or manufacturing processes. Third parties may assert infringement claims against our customers, suppliers, or distributors. These claims may require us to initiate or defend protracted and costly litigation on behalf of our customers, suppliers, or distributors, regardless of the merits of these claims. If any of these claims succeed, we may be forced to pay damages on behalf of our customers, suppliers, or distributors or may be required to obtain licenses for the products they use. If we cannot obtain all necessary licenses on commercially reasonable terms, our customers may be forced to stop using our products, or our suppliers may be forced to stop providing us with products.

The legal determinations relating to patent rights afforded to companies in the medical technology and aesthetic product fields can be uncertain and involve complex legal, factual, and scientific questions, sometimes involving important legal principles which remain uncertain or unresolved, and such uncertainty could affect the outcome or intellectual property related legal determinations in which we are involved.

Both the U.S. Supreme Court and the U.S. Court of Appeals for the Federal Circuit have made, and will likely continue to make, changes in how the patent laws of the United States are interpreted. Similarly, foreign courts have made, and will likely continue to make, changes in how the patent laws in their respective jurisdictions are interpreted. In addition, the U.S. Congress is currently considering legislation that would change certain provisions of U.S. federal patent law. We cannot predict future changes which U.S. and foreign courts may make in the interpretation of patent laws or changes to patent laws which might be enacted into law by U.S. and foreign legislative bodies. Those changes may materially affect our patent rights, and our ability to obtain patents in the future.

Prosecution of patent applications, post-grant opposition proceedings, and litigation to establish the validity, enforceability, and scope of patents, assert patent infringement claims against others or defend against patent infringement claims by others are expensive and time-consuming. There can be no assurance that, in the event that claims of any of our patents are challenged by one or more third parties, any court or patent authority ruling on such challenge will determine that such patent claims are valid and enforceable. An adverse outcome in such litigation or post grant proceeding could cause us to lose associated patent rights and may have a material adverse effect on our business.

We may not be able to adequately protect our intellectual property rights throughout the world.

Filing, prosecuting and defending patents on our products in all countries throughout the world would be prohibitively expensive. The requirements for patentability may differ in certain countries, particularly developing countries, and the breadth of patent claims which are allowed can be inconsistent. In addition, the laws of some foreign countries may not protect our intellectual property rights to the same extent as laws in the United States. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and, furthermore, may export otherwise infringing products to territories in which we have patent protection that may not be sufficient to terminate infringing activities.

We do not have patent rights in certain foreign countries in which a market may exist. Moreover, in foreign jurisdictions where we do have patent rights, proceedings to enforce such rights could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly, and our patent applications at risk of not issuing. Additionally, such proceedings could provoke third parties to assert claims against us. We may not prevail in lawsuits that we initiate, and the damages or other remedies awarded, if any, may not be commercially meaningful. Thus, we may not be able to stop a competitor from marketing and selling in foreign countries products that are the same as or similar to our products, and our competitive position in the international market would be harmed.

We depend on certain technologies that are licensed to us. We do not control these technologies and any loss of our rights to them could prevent us from selling our products.

Our rights to use the technology we license are subject to compliance with the terms of those licenses. In some cases, we do not control the prosecution, maintenance, or filing of the patents to which we hold licenses, or the enforcement of these patents against third parties. These patents and patent applications are not written by us or our advisors, and we did not have control over the drafting and prosecution. We cannot be certain that drafting and/or prosecution of the licensed patents and patent applications by the licensors have been or will be conducted in compliance with applicable laws and regulations or will result in valid and enforceable patents and other intellectual property rights.

Our intellectual property agreements with third parties may be subject to disagreements over contract interpretation, which could narrow the scope of our rights to the relevant intellectual property or technology or increase our financial or other obligations to our licensors.

Certain provisions in our intellectual property agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could affect the scope of our rights to the relevant intellectual property or technology or affect financial or other obligations under the relevant agreement, either of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, while it is our policy to require our employees and contractors who may be involved in the conception or development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact conceives or develops intellectual property that we regard as our own. Our assignment agreements may not be self-executing or may be breached, and we may be forced to bring claims against third parties, or defend claims they may bring against us, to determine the ownership of what we regard as our intellectual property.

If our trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our markets of interest and our business may be adversely affected.

We have trademark registrations and applications in the United States and in certain foreign countries. Actions taken by us to establish and protect our trademarks might not prevent imitation of our products or services, infringement of our trademark rights by unauthorized parties or other challenges to our ownership or validity of our trademarks. If we are unable to register our trademarks, enforce our trademarks, or bar a third-party from registering or using a trademark, our ability to establish name recognition based on our trademarks and compete effectively in our markets of interest may be adversely affected. In addition, our enforcement against third-party infringers or violators may be expensive and time-consuming, and the outcome is unpredictable and may not provide an adequate remedy.

Risks Related to Government Regulation

Our devices and our operations are subject to extensive government regulation and oversight both in the United States and abroad, and our failure to comply with applicable requirements could harm our business.

Certain of our systems are regulated as medical devices subject to extensive regulation in the United States and elsewhere, including by the FDA and its foreign counterparts. The FDA and foreign regulatory agencies regulate, among other things, with respect to medical devices:

- design, development and manufacturing;
- testing, labeling, content and language of instructions for use and storage;
- clinical trials;
- product safety;
- marketing, sales and distribution;
- premarket clearance and approval;
- record keeping procedures;
- advertising and promotion;
- recalls and field safety corrective actions;
- post-market surveillance, including reporting of deaths or serious injuries and malfunctions that, if they were to recur, could lead to death or serious injury;
- post-market approval studies; and
- product import and export.

The regulations to which we are subject are complex and have tended to become more stringent over time. Regulatory changes could result in restrictions on our ability to carry on or expand our operations, higher than anticipated costs or lower than anticipated sales.

The FDA's and other regulatory authorities' policies may change, and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our products. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may fail to obtain any marketing clearances or approvals, lose any marketing clearance or approval that we may have obtained, and we may not achieve or sustain profitability.

Even after we have obtained the proper regulatory clearance or approval to market a product, we have ongoing responsibilities under the FDA regulations. The failure to comply with applicable regulations could jeopardize our ability to sell our systems and result in enforcement actions such as fines, injunctions, civil penalties, recalls or seizure of products, withdrawal of current clearances, and refusal of future clearances.

Any of these sanctions could result in higher than anticipated costs or lower than anticipated sales and harm our reputation, business, financial condition and results of operations.

We must maintain regulatory approval in foreign jurisdictions in which we plan to market and sell our systems. In the EEA, for example, manufacturers of medical devices need to comply with the Essential Requirements laid down in Annex II to the EU Medical Devices Directive (Council Directive 93/42/EEC) and the MDR which is replacing the EU Medical Devices Directive. Compliance with these requirements is a prerequisite to be able to affix the CE mark to medical devices, without which they cannot be marketed or sold in the EEA. With respect to active implantable medical devices or Class III devices, the manufacturer must conduct clinical studies to obtain the required clinical data, unless reliance on existing clinical data from equivalent devices can be justified. The conduct of clinical studies in the EEA is governed by detailed regulatory obligations. These may include the requirement of prior authorization by the competent authorities of the country in which the study takes place and the requirement to obtain a positive opinion from a competent Ethics Committee. This process can be expensive and time-consuming.

We are subject to restrictions on the indications for which we are permitted to market our products, and any violation of those restrictions, or marketing of systems for off-label uses, could subject us to enforcement action.

Our promotional materials and training methods must comply with FDA and other applicable laws and regulations, including the prohibition of the promotion of off-label use in both the United States and in foreign countries. The use of one of our systems for indications other than those cleared by the FDA or approved by any foreign regulatory body may not effectively treat such conditions, which could harm our reputation in the marketplace among physicians and patients.

If the FDA or any foreign regulatory body determines that our promotional materials or training constitute promotion of an off-label use, it could request that we modify our training or promotional materials or subject us to regulatory or enforcement actions, including, among other things, the issuance or imposition of an untitled letter, a warning letter, injunction, seizure, refusal to issue new 510(k)s or PMAs, withdrawal of existing 510(k)s or PMAs, refusal to grant export approvals, and civil fines or criminal penalties.

Our systems may cause or contribute to adverse medical events that we are required to report to the FDA, and if we fail to do so, we would be subject to sanctions that could harm our reputation, business, financial condition and results of operations.

The FDA's medical device reporting regulations require us to report to the FDA when we receive or become aware of information that reasonably suggests that one of our systems may have caused or contributed to a death or serious injury or malfunctioned in a way that, if the malfunction were to recur, it could cause or contribute to a death or serious injury. If we fail to comply with our reporting obligations, the FDA could act, including warning letters, untitled letters, administrative actions, criminal prosecution, imposition of civil monetary penalties, revocation of our device clearance, seizure of our products or delay in clearance of future products.

The FDA, state regulating agencies at times, and foreign regulatory bodies have the authority to require the recall of commercialized products in the event of material deficiencies or defects in design or manufacture of a product or if a product poses an unacceptable risk to health. The FDA's authority to require a recall must be based on a finding that there is reasonable probability that the device could cause serious injury or death. We may also choose to voluntarily recall a product if any material deficiency is found. A government-mandated or voluntary recall by us could occur because of an unacceptable risk to health, component failures, malfunctions, manufacturing defects, labeling or design deficiencies, packaging defects or other deficiencies or failures to comply with applicable regulations. We have received inquiries from regulatory agencies regarding post-market safety concerns in the past. We cannot assure you that product defects or other errors will not occur in the future. Recalls involving any of our systems could be particularly harmful to our business, financial condition, and results of operations because it is our only product.

If we or our distributors do not obtain and maintain international regulatory registrations or approvals for our systems, our ability to market and sell our systems outside of the United States will be diminished.

Sale of our systems, outside the United States, are subject to foreign regulatory requirements that vary widely from country to country. In addition, the FDA regulates exports of medical devices from the United States. While the regulations of some countries may not impose barriers to marketing and selling certain of our systems or only require notification, others require that we or our distributors obtain the approval of a specified regulatory body. Complying with foreign regulatory requirements, including obtaining registrations or approvals, can be expensive and time-consuming, and we cannot be certain that we or our distributors will receive regulatory approvals in each country in which we plan to market a particular system or that we will be able to do so on a timely basis. The time required to obtain registrations or approvals, if required by other countries, may be longer than that required for the FDA clearance, and requirements for such registrations, clearances, or approvals may significantly differ from FDA requirements. If we modify our systems, we or our distributors may need to apply for additional regulatory approvals or other authorizations before we are permitted to sell the modified product. In addition, we may not continue to meet the quality and safety standards required to maintain the authorizations that we or our distributors have received. If we or our distributors are unable to maintain our authorizations in a particular country, we will no longer be able to sell the applicable product in that country, which could harm our business.

Regulatory clearance or approval by the FDA does not ensure clearance or approval by regulatory authorities in other countries, and clearance or approval by one or more foreign regulatory authorities does not ensure clearance or approval by regulatory authorities in other foreign countries or by the FDA. However, a failure or delay in obtaining regulatory clearance or approval in one country may have a negative effect on the regulatory process in others.

Our ability to continue manufacturing and supplying our products depends on our continued adherence to ongoing FDA and other foreign regulatory authority manufacturing requirements.

Our manufacturing processes and facilities are required to comply with the quality management system regulations of its target markets (i.e., the QSR, ISO 13485:2016, and the MDSAP). Adherence to quality management system regulations and the effectiveness of our quality management control systems are periodically assessed through internal audits and inspections of manufacturing facilities by regulatory authorities. Failure to comply with applicable quality management system requirements, or later discovery of previously unknown problems with our products or manufacturing processes, including our failure or the failure of our third-party manufacturer to take satisfactory corrective action in response to an adverse quality system inspection, can result in enforcement action, which could have an adverse effect on our business. Our manufacturing process and facilities are audited annually for compliance with the last editions of QSR, ISO13485 and MDSAP requirements. Regulating agencies, including the FDA, foreign regulatory authorities, and our notified body can institute a wide variety of enforcement actions, ranging from inspectional observations to more severe sanctions such as:

- untitled letters or warning letters;
- clinical holds;
- administrative or judicially imposed sanctions;
- injunctions, fines, consent decrees, or the imposition of civil penalties;
- customer notifications for repair, replacement, or refunds;
- recall, detention, or seizure of products;
- operating restrictions, or total or partial suspension of production or distribution;
- refusal by the FDA, a foreign regulatory authority or the notified body to grant pending future clearance or pre-market approval, or to issue CE Certificates of Conformity for our devices;
- debarment of us or our employees;
- withdrawal or suspension of marketing clearances, approvals, and CE Certificates of Conformity;
- refusal to permit the import or export of our products; and
- criminal prosecution of us or our employees.

If any of these actions were to occur, it would harm our reputation and cause our system sales and profitability to suffer and may prevent us from generating revenue. Furthermore, our key component suppliers may not currently be or may not continue to be in compliance with all applicable regulatory requirements, which could result in the failure to produce our devices on a timely basis and in the required quantities, if at all.

We may be affected by healthcare policy changes and evolving regulations.

Our global regulatory environment is becoming increasingly stringent and unpredictable, which could increase the time, cost and complexity of obtaining regulatory approvals for our products, as well as the clinical and regulatory costs of supporting those approvals. We must also devote significant time to monitoring developments and changes to ensure our compliance with the various applicable regulations and required approvals. For example, several countries that did not have regulatory requirements for medical devices have established such requirements in recent years and other countries have expanded on existing regulations. Certain regulators are exhibiting less flexibility and are requiring local preclinical and clinical data in addition to global data. While harmonization of global regulations has been pursued, requirements continue to differ significantly among countries. We expect this global regulatory environment will continue to evolve, which could impact our ability to obtain future approvals for our products or could increase the cost and time to obtain such approvals in the future.

Risks Related to Our Operations in Israel

We conduct a significant portion of our operations in Israel and therefore our business, financial condition and results of operations may be adversely affected by political, economic and military conditions in Israel.

Our research and development facilities and key third-party suppliers are located in northern Israel, and some of our key employees are residents of Israel. Accordingly, political, economic and military conditions in Israel may directly affect our business.

Any hostilities, armed conflicts, terrorist activities or political instability involving Israel or the interruption or curtailment of trade within Israel or between Israel and its trading partners could adversely affect business conditions and have a material adverse effect on our business, financial condition and results of operations and could make it more difficult for us to raise capital. In addition, hostilities, armed conflicts, terrorist activities or political instability involving Israel could have a material adverse effect on our facilities including our corporate administrative office or on the facilities of our local suppliers, in which event all or a portion of our inventory may be damaged and our ability to deliver products to customers could be significantly delayed.

Several countries, principally in the Middle East, restrict doing business with Israel and Israeli companies, and additional countries may impose restrictions on doing business with Israel and Israeli companies whether as a result of hostilities in the region or otherwise. While these restrictions are loosening and countries previously barred from doing business with Israel are eliminating these restrictions, to the extent they still exist, these restrictions may limit our revenues.

Our commercial insurance does not cover losses that may occur as a result of events associated with the security situation in the Middle East, such as damages to our facilities resulting in disruption of our operations. Any losses or damages incurred by us could have a material adverse effect on our business, financial condition and results of operations. Any armed conflicts or political instability in the region would likely negatively affect business conditions and could harm our business, financial condition and results of operations.

Conditions in Israel, including the recent attack by Hamas and other terrorist organizations from the Gaza Strip and Israel's war against them, may adversely affect our operations and limit our ability to manage and market our products, which could lead to a decrease in revenues.

Certain of our operations are conducted in Israel and a number of our employees, contract manufacturers and consultants, including employees of our service providers, are located in Israel. As such, our business and operations may be directly affected by economic, political, geopolitical and military conditions affecting Israel.

On October 7, 2023, Hamas militants and members of other terrorist organizations infiltrated Israel's southern border from the Gaza Strip and conducted a series of terror attacks on civilian and military targets. Thereafter, these terrorists launched extensive rocket attacks on Israeli population and industrial centers located along the Israeli border with the Gaza Strip. Shortly following the attack, Israel's security cabinet declared war against Hamas. The intensity, duration and impact of Israel's current war against Hamas and the corresponding geopolitical instability in the region is difficult to predict, as are the war's economic implications on the Company's business and operations.

It is possible that the conflict in the region may escalate. Our facilities are within the range of rockets that could be launched from a number of surrounding territories. In the event that our facilities in Israel, or the facilities of our vendors in Israel, are damaged as a result of the hostilities or hostilities otherwise disrupt the ongoing operation of our facilities, our ability to deliver products to customers in a timely manner to meet our contractual obligations with customers and vendors could be materially and adversely affected. Any losses or damages incurred by us could have a material adverse effect on our business.

Our operations may be disrupted because of the obligation of Israeli citizens to perform military service.

As a result of the Israeli security cabinet's decision to declare war against Hamas, Israeli reservists have been drafted to perform immediate military service. Certain of our employees and consultants in Israel, in addition to employees of our service providers located in Israel, have been called for service in the current war with Hamas as of the date of this Annual Report, and such persons may be absent for an extended period of time. As a result, our operations may be disrupted by such absences, which may materially and adversely affect our business and results of operations. Additionally, the absence of employees of our Israeli suppliers and contract manufacturers due to their military service in the current war or future wars or other armed conflicts may disrupt their operations, in which event our ability to deliver products to customers may be materially and adversely affected.

Risks Related to Our Common Stock

We may not be able to maintain our listing on The Nasdaq Capital Market and it may become more difficult to sell our stock in the public market.

On May 31, 2023, we received a notice (the "Notice") from the Listing Qualifications Department of Nasdaq stating that our stockholders' equity as reported in our Quarterly Report on Form 10-Q for the period ended March 31, 2023 was below the minimum $2,500,000 required for continued listing under Listing Rule 5550(b)(1) ("Minimum Equity Requirement").

The Notice had no immediate effect on the listing of our common stock.

On July 17, 2023, we submitted to Nasdaq a plan to regain compliance with the Minimum Equity Requirement (the "Plan"). On July 28, 2023, Nasdaq granted us an extension until November 27, 2023 to evidence compliance with the Minimum Equity Requirement, conditioned upon our achievement of certain milestones as set forth in the Plan.

On November 28, 2023, the Company received a written notice from the Nasdaq Staff which described its determination that the Company had not regained compliance with the Minimum Equity Requirement within the Plan period. As a result, the Nasdaq Staff advised the Company that its securities will be delisted at the opening of business on December 7, 2023, unless the Company timely requests a hearing before a Nasdaq Hearings Panel (the "Panel").

On December 5, 2023, the Company timely requested a hearing before the Panel. The hearing was held on March 5, 2024, staying any delisting pending the issuance of the Panel's decision.

On March 20, 2024, the Company received a decision from the Panel granting its request for continued listing on the Nasdaq Capital Market, subject to the Company demonstrating compliance with Nasdaq Listing Rule 5550(b) on or before May 28, 2024, and certain other conditions. If our common stock ultimately is delisted, our shareholders could face significant adverse consequences, including:

- limited availability or market quotations for our common stock;
- reduced liquidity of our common stock;
- determination that shares of our common stock are "penny stock", which would require brokers trading in our common stock to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our common stocks;
- limited amount of news analysts' coverage of us; and
- decreased ability for us to issue additional equity securities or obtain additional equity or debt financing in the future.

The market price of our stock price may be volatile, and you may not be able to resell shares of our common stock at or above the price you paid.

The market price of our common stock could be subject to significant fluctuations. Some of the factors that may cause the market price of the Company's common stock to fluctuate include:

- uncertainties relating to potential strategic alternatives or any strategic transaction, including actual or perceived adverse developments in this process or the announcement or pendency of any such transaction;
- introduction of new products, services or technologies, significant contracts, commercial relationships or capital commitments by competitors;
- failure to meet or exceed financial and development projections the Company may provide to the public;
- failure to meet or exceed the financial and development projections of the investment community;
- announcements of significant acquisitions, strategic collaborations, joint ventures or capital commitments by the Company or its competitors;
- disputes or other developments relating to proprietary rights, including patents, litigation matters, and our ability to obtain patent protection for our technologies;
- additions or departures of key personnel;
- significant lawsuits or government investigations, including patent or stockholder litigation;
- if securities or industry analysts do not publish research or reports about the Company's business, or if they issue adverse or misleading opinions regarding our business and stock;
- changes in the market valuations of similar companies;
- general market or macroeconomic conditions;
- sales of common stock by us or our stockholders in the future;
- trading volume of our common stock;
- adverse publicity relating to hair restoration or other minimally invasive or non-invasive medical aesthetic procedures generally, including with respect to other products in such markets;
- the introduction of technological innovations that compete with the products and services of the Company; and
- period-to-period fluctuations in the Company's financial results.

In addition, the stock markets in general, and the markets for medical device and aesthetic stocks in particular, have experienced extreme volatility that may have been unrelated to the operating performance of the issuer. These broad market fluctuations may adversely affect the market price or liquidity of our common stock.

Under SEC rules, we are a smaller reporting company and we have taken advantage of certain exemptions from disclosure requirements available to smaller reporting companies; this could make our securities less attractive to investors and may make it more difficult to compare our performance with other public companies.

Under SEC rules, we qualify as, a "smaller reporting company". We have taken advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not smaller reporting companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, because of our non-accelerated filer status, and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. As a result, stockholders may not have access to certain information they may deem important. We cannot predict whether investors will find our securities less attractive because we rely on these exemptions. If some investors find the securities less attractive as a result of reliance on these exemptions, the trading prices of our securities may be lower than they otherwise would be, there may be a less active trading market for our securities and the trading prices of our securities may be more volatile.

We do not intend to pay dividends on our common stock, and, consequently, our stockholders' ability to achieve a return on their investment will depend on appreciation in the price of our common stock.

We do not intend to pay any cash dividends on our common stock for the foreseeable future. We intend to invest our future earnings, if any, to fund our growth. Payment of future cash dividends, if any, will be at the discretion of the Board, subject to applicable law and will depend on various factors, including our financial condition, operating results, current and anticipated cash needs, the requirements of current or then-existing debt instruments and other factors the Board deems relevant. Therefore, our stockholders are not likely to receive any dividends on their common stock for the foreseeable future. Since we do not intend to pay dividends, our stockholders' ability to receive a return on their investment will depend on any future appreciation in the market value of our common stock. There is no guarantee that our common stock will appreciate or even maintain the price at which our stockholders have purchased it. The terms of our credit facilities limit our ability to pay dividends.

Provisions in our charter documents and under Delaware law could make an acquisition more difficult and may discourage any takeover attempts our stockholders may consider favorable, and may lead to entrenchment of management.

Provisions of our amended and restated certificate of incorporation and amended and restated bylaws could delay or prevent changes in control or changes in management without the consent of the Board. These provisions will include the following:

- a classified board of directors with three-year staggered terms, which may delay the ability of stockholders to change the membership of a majority of the Board;
- no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- the exclusive right of the Board to elect a director to fill a vacancy created by the expansion of the Board or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on the Board;
- the ability of the Board to authorize the issuance of shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;
- the ability of the Board to alter its bylaws without obtaining stockholder approval;
- the required approval of at least 66⅔% of the shares entitled to vote at an election of directors to adopt, amend or repeal its bylaws or repeal the provisions of the amended and restated certificate of incorporation regarding the election and removal of directors;
- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of the stockholders;
- the requirement that a special meeting of stockholders may be called only by the chairman of the Board, the chief executive officer, the president or the Board, which may delay the ability of the stockholders to force consideration of a proposal or to act, including the removal of directors; and

- advance notice procedures that stockholders must comply with in order to nominate candidates to the Board or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of the Company.

These provisions would apply even we were to receive an offer that some stockholders may consider beneficial.

We are also subject to the anti-takeover provisions contained in Section 203 of the Delaware General Corporation Law ("Section 203"). Under Section 203, a corporation may not, in general, engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other exceptions, the Board has approved the transaction.

Our executive officers, directors and certain of our shareholders who are affiliated with our directors will have the ability to control or significantly influence all matters submitted to our stockholders for approval.

As of December 31, 2023, our executive officers, directors and certain of our shareholders who are affiliated with our directors, in the aggregate, beneficially own approximately 45% of our outstanding shares of common stock. As a result, if these stockholders were to choose to act together, they would be able to control or significantly influence all matters submitted to our stockholders for approval, as well as our management and affairs. For example, if they choose to act together, these persons would control or significantly influence the election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. This concentration of voting power could delay or prevent an acquisition of the Company on terms that other stockholders may desire.

If we sell shares of our common stock in future financings, stockholders may experience immediate dilution and, as a result, our stock price may decline.

We may from time-to-time issue additional shares of common stock at a discount from the current market price of our common stock. As a result, our stockholders would experience immediate dilution upon the purchase of any shares of our common stock sold at such discount. In addition, as opportunities present themselves, we may enter into financing or similar arrangements in the future, including the issuance of debt securities, preferred stock or common stock. If we issue common stock or securities convertible into common stock, our common stockholders would experience additional dilution and, as a result, our stock price may decline.

Item 1B. Unresolved Staff Comments.

None.

Item 1C. Cybersecurity.

We recognize the critical importance of maintaining the safety and security of our systems and data and have a holistic process for overseeing and managing cybersecurity and related risks. This process is supported by both management and our Board. As such, we are committed to maintaining robust governance and oversight of these risks and to implementing mechanisms, controls, technologies, and processes designed to help us assess, identify, and manage these risks. While we have not, as of the date of this Annual Report, experienced a "cybersecurity threat" (as defined in Item 106(a) of Regulation S-K) or "cybersecurity incident" (as defined in Item 106(a) of Regulation S-K) that has materially affected or was reasonably likely to materially affect the Company, including our business strategy, results of operations, or financial condition, there can be no guarantee that we will not experience such a cybersecurity threat or cybersecurity incident in the future. Such threats or incidents, whether or not successful, could result in us incurring significant costs related to rebuilding our internal systems, writing down inventory value, implementing additional threat protection measures, providing modifications or replacements to our products and services, defending against litigation, responding to regulatory inquiries or actions, paying damages, providing customers with incentives to maintain a business relationship with us, or taking other remedial steps with respect to third parties, as well as potentially incurring significant reputational harm. In addition, these cybersecurity threats are constantly evolving, thereby increasing the difficulty of successfully defending against them or implementing adequate preventative measures. Our cybersecurity program is designed to detect and investigate cybersecurity threats against our network, products, and services, and to prevent their occurrence and recurrence through changes or updates to our internal processes and tools and changes or updates to our products and services; however, we remain potentially vulnerable to known or unknown cybersecurity threats. In some instances, we, our suppliers and our customers can be unaware of a cybersecurity threat or cybersecurity incident or its magnitude and effects. Further, there is increasing regulation regarding responses to cybersecurity incidents, including reporting to regulators, which could subject us to additional liability and reputational harm.

We aim to incorporate industry best practices throughout our cybersecurity program. Our cybersecurity program focuses on implementing effective and efficient controls, technologies, and other processes to assess, identify, and manage material cybersecurity risks. Our cybersecurity program is designed to be aligned with applicable industry standards and is assessed periodically by independent third-party auditors. We have processes in place to assess, identify, manage, and address material cybersecurity threats and cybersecurity incidents. These include, among other things: ongoing security awareness training for our employees; mechanisms to detect and monitor unusual network activity; and containment and incident response tools. We actively engage with industry groups for benchmarking and awareness of best practices. We monitor potential cybersecurity threats that are internally discovered or externally reported to us that may affect our business and have processes to assess those issues for potential cybersecurity impact or risk. We also have a process in place to manage cybersecurity risks associated with third-party service providers. All transactions with third parties are conducted through secure gateways with access being controlled solely by the Company.

We describe how risks from identified cybersecurity threats, including as a result of any previous cybersecurity incidents, have materially affected or are reasonably likely to materially affect us, including our business strategy, results of operations, or financial condition, in *Item 1A. Risk Factors – Security breaches and other disruptions could compromise our information and expose us to liability* of this Annual Report.

Cybersecurity Governance

Management's Role

Our Director, Information Technology (the "DIT") and General Counsel have primary responsibility for assessing and managing material cybersecurity risks and are members of management's IT Steering Committee, which is comprised of a cross-functional team that consists, in part, of the executive team and certain members of the senior leadership team (the "Steering Committee"), which is a committee that drives alignment on information technology security decisions across the Company. The Steering Committee meets quarterly, or more frequently as determined to be necessary or advisable, to review security performance metrics, identify security risks, and assess the status of approved security enhancements. The Steering Committee also considers and makes recommendations on security policies and procedures, security service requirements, and risk mitigation strategies. The Steering Committee also receives prompt and timely information regarding any cybersecurity incident that meets established reporting thresholds, as well as ongoing updates regarding any such incident until it has been addressed from members of the Information Technology team. Once the Steering Committee has considered this information and recommended a course of action, senior executives provide the Board with updates concerning cybersecurity risks and the Company's cybersecurity strategies and objectives.

Our DIT has served in various roles in information technology and information security for over 20 years, delivering and managing complex information technology systems including the cybersecurity function for governments, industry leaders and public companies. Our DIT holds an undergraduate degree from Tel Aviv University and a postgraduate degree from the London School of Economics. Our General Counsel has over 13 years of experience managing risks, including risks arising from cybersecurity threats, at other publicly traded companies.

Board Oversight

Cybersecurity is an important part of our risk management processes and an area of focus for our Board and management. Our Board has ultimate oversight of cybersecurity risk, which it manages as part of our enterprise risk management program. That program is utilized in making decisions with respect to company priorities, resource allocations, and oversight structures. The Board is assisted by the Audit Committee, which is responsible for the oversight of risks from cybersecurity threats and regularly reviews our Company's risk matrices, including cybersecurity, with management and reports to the Board. Cybersecurity reviews by the Audit Committee or the Board generally occur at least annually, or more frequently as determined to be necessary or advisable. Our Board members also engage in ad hoc conversations with management on cybersecurity-related news events and discuss any updates to our cybersecurity risk management and strategy programs. As noted above, if a significant cybersecurity incident occurs, the Steering Committee will report same promptly to the Board on an ad hoc and as-needed basis. Otherwise, management reports cybersecurity risks and developments to the Board quarterly.

Item 2. Properties.

Our principal executive offices are located at 235 Yorkland Blvd, Suite 900, Toronto, Ontario, Canada. We lease these facilities pursuant to a lease agreement that expires on August 31, 2030. These facilities consist of 15,678 square feet of office space, and 2,134 square feet of warehouse space.

We lease a facility in San Jose, California which hosts our offices, research and development activities, logistics and manufacturing. We lease these facilities pursuant to a lease agreement that expires July 14, 2027. The facilities consist of approximately 30,011 square feet of total space.

We lease a facility in Davie, Florida, which is used to support our logistics and technical support services for our United States operations. We lease these facilities pursuant to a lease agreement that expires November 30, 2025. The facilities consist of approximately 4,733 square feet of total space.

We also have offices and a research and development center located at 1 Hamelacha Street, Yokne'am Illit 2069200, Israel. We lease these facilities pursuant to a lease agreement that expires on September 30, 2024, with an option to extend the term for an additional 24 months. These facilities consist of approximately 530 square meters of total space.

We believe that our existing facilities are sufficient to meet our current needs.

Item 3. Legal Proceedings.

As of December 31, 2023, the Company was not party to any material active or pending legal proceedings.

We may from time to time continue to be involved in various legal proceedings of a character normally incident to the ordinary course of our business.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock is listed for trading on the Nasdaq Capital Market under the symbol "VERO".

Holders

As of March 27, 2024, there were 88 holders of record of our common stock. The actual number of stockholders is greater than this number of record holders and includes stockholders who are beneficial owners but whose shares are held in street name by brokers and other nominees.

Dividends

We have never declared or paid cash dividends on our common stock. We currently intend to retain all available earnings, if any, for use in the operation of our business and do not anticipate paying any dividends on our common stock in the foreseeable future. Any future determination related to dividend policy will be made at the discretion of our Board and will depend on our financial condition, operating results, capital requirements, general business conditions and other factors that the Board may deem relevant.

Performance Graph

As a smaller reporting company, we are not required to provide disclosure for this Item.

Recent Sale of Unregistered Securities

None.

Purchase of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 6. Reserved.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion contains management's discussion and analysis of our financial condition and results of operations and should be read together with the historical consolidated financial statements and the notes thereto included in Part II, Item 8 "*Consolidated Financial Statements and Supplementary Data.*" *This discussion contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 that reflect our plans, estimates and beliefs and involve numerous risks and uncertainties, including but not limited to those described in Part I, Item 1A* "*Risk Factors*" *of this Annual Report. Any statements contained in this Annual Report that are not historical facts may be deemed to be forward-looking statements. In some cases, you can identify these statements by words such as such as* "*anticipates,*" "*believes,*" "*plans,*" "*expects,*" "*projects,*" "*future,*" "*intends,*" "*may,*" "*should,*" "*could,*" "*estimates,*" "*predicts,*" "*potential,*" "*continue,*" "*guidance,*" *and other similar expressions that are predictions of or indicate future events and future trends. These forward-looking statements are based on current expectations, estimates, forecasts, and projections about our business and the industry in which we operate and management's beliefs and assumptions and are not guarantees of future performance or developments and involve known and unknown risks, uncertainties, and other factors that are in some cases beyond our control. As a result, any or all of our forward-looking statements in this Annual Report may turn out to be inaccurate or may differ materially from those contained in any forward-looking statements. You should carefully read* "*Special Note Regarding Forward-Looking Statements*" *and Part I, Item 1A,* "*Risk Factors*"*. Any forward-looking statement made by us in this Annual Report is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statement, whether written or verbal, that may be made from time to time, whether as a result of new information, future developments or otherwise.*

Overview

We are an innovative global medical technology company that develops, commercializes and delivers minimally invasive and non-invasive medical aesthetic and hair restoration technologies and related services. Our systems have been designed on cost-effective, proprietary and flexible platforms that enable us to expand beyond the aesthetic industry's traditional markets of dermatology and plastic surgery, and into non-traditional markets, including family medicine, general practitioners and aesthetic medical spas. In 2023 and 2022, respectively, a substantial majority of our systems delivered in North America were in non-traditional markets. As we grow our ARTAS hair restoration business and expand robotics offerings through the AI.ME™ platform we expect our penetration into the core practices of dermatology and plastic surgery to increase.

We have had recurring net operating losses and negative cash flows from operations. As of December 31, 2023 and 2022, we had an accumulated deficit of $261.9 million and $224.1 million, respectively. Until we generate revenue at a level to support our cost structure, we expect to continue to incur substantial operating losses and negative cash flows from operations. In order to continue our operations, we must achieve profitability and/or obtain additional equity investment or debt financing. Until we achieve profitability, we plan to fund our operations and capital expenditures with cash on hand, borrowings and issuances of capital stock. As of December 31, 2023 and 2022, we had cash and cash equivalents of $5.4 million and $11.6 million, respectively.

The global economy, including the financial and credit markets, has recently experienced extreme volatility and disruption, including increases to inflation rates, rising interest rates, foreign currency impacts and declines in consumer confidence, and declines in economic growth. All these factors point to uncertainty about economic stability, and the severity and duration of these conditions on our business cannot be predicted. See ''*—Liquidity and Capital Resources*'' for additional information.

On January 24, 2024, the Company announced that the Board has authorized the review of the strategic alternatives with a goal of enhancing stockholder value. There is no set timetable for the strategic review process and there can be no assurance that such review will result in any transaction or other alternative or the terms and conditions of any transaction or other alternative.

Equity Purchase Agreement with Lincoln Park

On June 16, 2020, we entered into a purchase agreement (the "Equity Purchase Agreement") with Lincoln Park Capital Fund LLC ("Lincoln Park") which provided that, upon the terms and subject to the conditions and limitations set forth therein, we may sell to Lincoln Park up to $31.0 million of shares of our common stock pursuant to our shelf registration statement. The purchase price of shares of common stock related to a future sale was based on the then prevailing market prices of such shares at the time of sales as described in the Equity Purchase Agreement. Concurrently with entering into the Equity Purchase Agreement, we also entered into the Registration Rights Agreement. During the year ended December 31, 2022, we sold to Lincoln Park 0.03 million shares of our common stock under the Equity Purchase Agreement, at which point this agreement expired. The net cash proceeds from shares issuance as of December 31, 2022 were $0.3 million. The Equity Purchase Agreement expired on July 1, 2022.

On July 12, 2022, we entered into the 2022 LPC Purchase Agreement with Lincoln Park, and we issued and sold to Lincoln Park 0.05 million shares of our common stock as a commitment fee in connection with entering into the 2022 LPC Purchase Agreement, with the total value of $0.3 million. Subsequent to execution of the 2022 LPC Purchase Agreement the Company issued 0.43 million shares of common stock to Lincoln Park at an average price of $4.54 per share, for a total value of $1.97 million through December 31, 2022. During the twelve months ended December 31, 2023, the Company issued an additional 0.34 million shares of common stock to Lincoln Park at an average price of $3.23 per share, for a total value of $1.1 million. For additional information regarding the 2022 LPC Purchase Agreement, see Note 14 “*Stockholders Equity*” in the notes to our audited consolidated financial statements included elsewhere in this report.

The 2021 Private Placement

On December 15, 2021, we entered into a securities purchase agreement pursuant to which we issued and sold to certain investors an aggregate of 653,894 shares of our common stock and 252,717 shares of our Non-Voting Preferred Stock (the “2021 Private Placement”). The gross proceeds from the securities sold in the 2021 Private Placement was $17.0 million. The costs incurred with respect to the 2021 Private Placement totaled $0.3 million and were recorded as a reduction of the 2021 Private Placement proceeds in the consolidated statements of stockholders’ equity. The accounting effects of the 2021 Private Placement transaction are discussed in Note 14 *"Stockholders Equity"* in the notes to our consolidated financial statements included elsewhere in this report. These Non-Voting Preferred Stock shares were subsequently converted to common stock upon issuance of the 2022 Private Placement described below.

The 2022 Private Placement

On November 18, 2022, we entered into a securities purchase agreement pursuant to which we issued and sold to the 2022 Investors an aggregate of 116,668 shares of our common stock and 3,185,000 shares of our Voting Preferred Stock. The gross proceeds from the securities sold in the 2022 Private Placement totaled $6.7 million before offering expenses. The costs incurred with respect to the 2022 Private Placement totaled $0.2 million and were recorded as a reduction of the 2022 Private Placement proceeds in the consolidated statements of stockholders’ equity. The accounting effects of the 2022 Private Placement transaction are discussed in Note 14 *"Stockholders'Equity"* in the notes to our consolidated financial statements included elsewhere in this report.

The 2023 Multi-Tranche Private Placement

In May 2023, the Company entered into the 2023 Multi-Tranche Private Placement Stock Purchase Agreement with the 2023 Investors pursuant to which the Company may issue and sell to the 2023 Investors up to $9.0 million in shares of the Senior Preferred Stock in multiple tranches from time to time until December 31, 2025, subject to a minimum aggregate purchase amount of $0.5 million in each tranche. The Initial Placement occurred on May 15, 2023, under which the Company sold the 2023 Investors 280,899 shares of Senior Preferred Stock for an aggregate purchase price of $2.0 million.

On July 6, 2023, the Company and the 2023 Investors entered into the Multi-Tranche Amendment. The Multi-Tranche Amendment (a) clarifies the appropriate date pursuant to which the purchase price for each share of Senior Preferred Stock to be sold in the Private Placement is determined (such that the purchase price shall be equal to the "Minimum Price" as set forth in Nasdaq Listing Rule 5635(d)) and (b) permits the Company to specify a desired closing date (subject to approval by the 2023 Investors) for each sale in the 2023 Multi-Tranche Private Placement.

On July 12, 2023, the Company and the 2023 Investors consummated the Second Placement under the 2023 Multi-Tranche Private Placement, under which the Company sold the 2023 Investors 500,000 shares of Senior Preferred Stock for an aggregate purchase price of $2.0 million.

On September 8, 2023, the Company and the 2023 Investors consummated the Third Placement under the 2023 Multi-Tranche Private Placement, under which the Company sold the 2023 Investors 292,398 shares of Senior Preferred Stock for an aggregate purchase price of $1.0 million.

On October 20, 2023, the Company and the 2023 Investors consummated the Fourth Placement under the 2023 Multi-Tranche Private Placement, under which the Company sold the 2023 Investors 502,513 shares of Senior Preferred Stock for an aggregate purchase price of $2.0 million.

The Company expects to use the proceeds of the Placements, after the payment of transaction expenses, for general working capital purposes. The accounting effects of the 2023 Multi-Tranche Private Placement transaction are discussed in Note 14 *"Stockholders Equity"* in the notes to our consolidated financial statements included elsewhere in this report.

Series X Convertible Preferred Stock

On October 4, 2023, the Company entered into an Exchange Agreement (the "2023 Exchange Agreement") with the Madryn Noteholders, pursuant to which the Madryn Noteholders agreed to exchange $26,695,110.58 in aggregate principal amount outstanding under the Notes for (i) $22,791,748.32 in aggregate principal amount of new secured convertible notes of the Company and (ii) 248,755 shares of newly-created convertible preferred stock of the Company, par value $0.0001 per share designated as "Series X Convertible Preferred Stock." The transaction is discussed in Note 14 *"Stockholders Equity"* in the notes to our consolidated financial statements included elsewhere in this report.

Products and Services

We derive revenue from the sale of products and services. Product revenue includes revenue from the following:

- the sale, including traditional sales, Venus Prime and legacy subscription-based sales, of systems, inclusive of the main console and applicators/handpieces (referred to as system revenue);
- marketing supplies and kits;
- consumables and disposables
- service revenue; and
- replacement applicators/handpieces.

Service revenue includes revenue derived from our extended warranty service contracts provided to our existing customers.

Systems are sold through traditional sales contracts directly, through our subscription model, and through distributors. In the third quarter of 2022 we commenced an initiative to reduce our reliance on system sales sold under subscription agreements in the United States. This strategic shift is designed to improve cash generation and reduce our exposure to defaults and increased bad debt expense given the increasingly challenging economic environment caused by the coexistence of high inflation and high interest rates.

We generate revenue from traditional system sales and from sales under our subscription-based business model, which is available to customers in North America and select international markets. Approximately 33% and 42% of our aesthetic revenues were derived from our subscription model in the year ended December 31, 2023 and 2022, respectively. We currently do not offer the ARTAS iX system under the subscription model. For additional details related to our subscription model, see *Item 1. Business – Subscription-Based Business Model* and as included elsewhere in this report.

In January 2024, the Company launched its new Venus Prime program which is a structured in-house financing program replacing its legacy subscription program for customers in North America. Under our Venus Prime program, select customers can qualify for competitive financing rates and continue to benefit from the payment flexibility afforded by our previous subscription financing program when purchasing our aesthetic medical devices, as well as a seamless technology upgrade program made available to our customers in years 2 and 3 of ownership.

Like our legacy subscription model, Venus Prime includes an up-front fee and a monthly payment schedule, typically over a period of 36 months, with approximately 40% to 45% of total contract payments collected in the first year. To ensure that each monthly payment is made on time and that the customer's system is serviced in accordance with the terms of the warranty, every product purchased under Venus Prime requires a monthly activation code, which we provide to the customer upon receipt of the monthly payment. These recurring monthly payments provide our customers with enhanced financial transparency and predictability. This structure can provide greater flexibility than traditional equipment leases secured through financing companies. We work closely with our customers to provide business recommendations that improve the quality-of-service outcomes, build patient traffic and improve financial returns for the customer's business.

We have developed and received regulatory clearance for 12 novel aesthetic technology platforms, including our ARTAS and NeoGraft systems. We believe our ARTAS and NeoGraft systems are complementary and give us a hair restoration product offering that can serve a broad segment of the market. Our medical aesthetic technology platforms have received regulatory clearance for a variety of indications, including treatment of facial wrinkles in certain skin types, temporary reduction of appearance of cellulite, non-invasive fat reduction (lipolysis) in the abdomen and flanks for certain body types and relief of minor muscle aches and pains in jurisdictions around the world. In addition, our technology pipeline is heavily focused on improving and enhancing our current technologies, products, and services and the development of robotically assisted minimally invasive solutions for aesthetic procedures that are primarily treated by surgical intervention, including the AI.ME platform for which we received FDA 510(k) clearance for fractional skin resurfacing in December 2022.

In the United States, we have obtained 510(k) clearance from the FDA for our Venus Viva, Venus Viva MD, Venus Legacy, Venus Versa, Venus Versa Pro, Venus Velocity, Venus Bliss, Venus Bliss Max, Venus Epileve, Venus Fiore, ARTAS, ARTAS iX and AI.ME systems. Outside the United States, we market our technologies in over 60 countries across Europe, the Middle East, Africa, Asia-Pacific and Latin America. Because each country has its own regulatory scheme and clearance process, not every device is cleared or authorized for the same indications in each market in which a particular system is marketed.

As of December 31, 2023, we operated directly in 14 international markets through our 11 direct offices in the United States, Canada, United Kingdom, Japan, Mexico, Spain, Germany, Australia, China, Hong Kong, and Israel.

Our revenues for the year ended December 31, 2023, and 2022 were $76.4 million and $99.5 million, respectively. We had a net loss attributable to the Company of $37.2 million and $43.7 million in the year ended December 31, 2023, and 2022, respectively. We had an Adjusted EBITDA loss of $20.3 million and $25.4 million for the year ended December 31, 2023, and 2022, respectively.

Use of Non-GAAP Financial Measures

Adjusted EBITDA is a non-GAAP measure defined as net income (loss) before foreign exchange loss (gain), financial expenses, income tax expense (benefit), depreciation and amortization, stock-based compensation and non-recurring items for a given period. Adjusted EBITDA is not a measure of our financial performance under U.S. GAAP and should not be considered an alternative to net income or any other performance measures derived in accordance with U.S. GAAP. Accordingly, you should consider Adjusted EBITDA along with other financial performance measures, including net income, and our financial results presented in accordance with U.S. GAAP. Other companies, including companies in our industry, may calculate Adjusted EBITDA differently or not at all, which reduces its usefulness as a comparative measure. We understand that although Adjusted EBITDA is frequently used by securities analysts, lenders and others in their evaluation of companies, Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under U.S. GAAP. Some of these limitations are: Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments; Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs; and although depreciation and amortization are non-cash charges, the assets being depreciated will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements.

We believe that Adjusted EBITDA is a useful measure for analyzing the performance of our core business because it facilitates operating performance comparisons from period to period and company to company by backing out potential differences caused by changes in foreign exchange rates that impact financial assets and liabilities denominated in currencies other than the U.S. dollar, tax positions (such as the impact on periods or companies of changes in effective tax rates), the age and book depreciation of fixed assets (affecting relative depreciation expense), amortization of intangible assets, stock-based compensation expense (because it is a non-cash expense) and non-recurring items as explained below.

The following is a reconciliation of net loss to Adjusted EBITDA for the years presented:

Venus Concept Inc.

Reconciliation of Net loss to Non-GAAP Adjusted EBITDA

	Year Ended, December 31,	
	2023	2022
Reconciliation of net loss to adjusted EBITDA	(in thousands)	
Net loss	$ (37,050)	$ (43,584)
Foreign exchange (gain) loss	(295)	3,387
Loss on disposal of subsidiaries	174	1,482
Loss on debt extinguishment	2,040	—
Finance expenses	6,893	4,561
Income tax benefit	(71)	(722)
Depreciation and amortization	4,115	4,463
Stock-based compensation expense	1,569	2,104
Inventory provision (1)	—	1,388
Other adjustments (2)	2,362	1,544
Adjusted EBITDA	$ (20,263)	$ (25,377)

(1) For the year ended December 31, 2022, the inventory provision represents a strategic review of our product offerings which culminated in a decision to discontinue production and sale of certain models and component parts, resulting in an inventory adjustment of $1.4 million.

(2) For the year ended December 31, 2023, the other adjustments of $2.4 million primarily represent restructuring activities designed to improve the Company's operations and cost structure. For the year ended December 31, 2022, the other adjustments are represented by severance payments associated with a workforce reduction in Venus Spain and Venus Canada of $0.8 million and restructuring plan payments of $0.7 million.

Key Factors Impacting Our Results of Operations

Our results of operations are impacted by several factors, but we consider the following to be particularly significant to our business:

Number of systems delivered. The majority of our revenue is generated from the delivery of systems, both under traditional sales contracts and subscription agreements. The following table sets forth the number of systems we have delivered in the geographic regions indicated:

	Year Ended December 31,	
	2023	2022
United States	412	438
International	758	1,134
Total systems delivered	1,170	1,572

Mix between traditional sales, subscription model sales and distributor sales. We deliver systems through (1) traditional direct system sales contracts to customers, (2) our subscription model, and (3) system sales through distribution agreements. Unit deliveries under direct system sales contracts and subscription agreements have higher per unit revenues and gross margins, while revenues and gross margins on systems sold through distributors are lower. However, distributor sales do not require significant sales and marketing support as these expenses are borne by the distributors. In addition, while traditional system sales and subscription agreements have similar gross margins, cash collections on subscription agreements generally occur over a three-year period, with approximately 40% to 45% collected in the first year and the balance collected evenly over the remaining two years of the subscription agreement. In the third quarter of 2022 we commenced an initiative to reduce our reliance on system sales sold under subscription agreements in the United States. This strategic shift is designed to improve cash generation and reduce our exposure to defaults and increased bad debt expense given the increasingly challenging economic environment caused by the coexistence of high inflation and high interest rates.

Investment in Sales, Marketing and Operations. In recent years, we made a strategic decision to penetrate the global market by investing in sales and marketing expenses across all geographic segments. This included the opening of direct offices and hiring experienced sales, marketing, and operational staff. While we generated incremental product sales in these new markets, these revenues and the related margins did not fully offset the startup investments made in certain countries. We continue to evaluate our profitability and growth prospects in these countries and have taken and will continue to take steps to exit countries which we do not believe will produce sustainable results. Since June 2020 we have ceased direct sales operations in 13 countries across Europe, Asia Pacific, Latin America and Africa and have increased our investment and focus in the United States market.

In the years ended December 31, 2023 and 2022, respectively, we did not open any direct sales offices.

Bad Debt Expense. We maintain an allowance for expected credit losses for estimated losses that may primarily arise from subscription customers that are unable to make the remaining payments required under their subscription agreements. We continue to focus our selling efforts on cash sales and subscription customers with a stronger credit profile, thereby reducing our exposure to credit losses. During the year ended December 31, 2023, our collections results were favorably impacted by the above noted changes, resulting in a significant reduction in bad debt expenses by $5.9 million when compared to the year ended December 31, 2022. In addition, we decreased the allowance for expected credit losses as a percentage of gross outstanding accounts receivable from the period ended December 31, 2022 to the period ended December 31, 2023.

In the year ended December 31, 2023, we incurred bad debt expense of $1.4 million compared to a bad debt expense of $7.3 million in the year ended December 31, 2022. As of December 31, 2023, our allowance for expected credit losses stands at $7.4 million which represents 15.5% of the gross outstanding accounts receivable as of this date.

Outlook

The global economy, including the financial and credit markets, has recently experienced extreme volatility and disruption, including increases to inflation rates, rising interest rates, foreign currency impacts, declines in consumer confidence, and a challenging growth environment. All these factors point to uncertainty about economic stability, and the severity and duration of these conditions on our business cannot be predicted. The bulk of the revenue decline in the year ended December 31, 2023 was due to an acceleration of our international strategy to wind down underperforming countries as we transition to third party distributors and our shift to prioritize cash deals over subscription deals in order to improve cash generation. We continue to focus on quality of revenue and despite the revenue decline, our cash used in operations was $14.1 million lower than the same period in 2022. We remain focused on adapting to the challenges presented by the current macro-economic environment.

Israel – Hamas conflict. Following the October 7, 2023 attack by Hamas on Israeli citizens and the declaration of war that followed, we have taken steps to mitigate exposure to risks related to our Israeli operations, the risks of which are further described in *Item 1A. Risk Factors – Conditions in Israel, including the recent attack by Hamas and other terrorist organizations from the Gaza Strip and Israel's war against them, may adversely affect our operations and limit our ability to manage and market our products, which could lead to a decrease in revenues* and *Item 1A. Risk Factors – Our operations may be disrupted because of the obligation of Israeli citizens to perform military service* of this Annual Report. These efforts include but are not limited to, working with our contract manufacturers to accelerate inventory build, contingency planning with respect to alternative manufacturing sites within their network, and relocating larger amounts of finished goods to warehouses in North America to protect our ability to distribute products. Alongside the Company's continuity plan, we maintain daily contact with our employees in Israel and have instituted a wellness program designed to provide access to healthcare practitioners/consultants for short term counselling for colleagues and family members in order to provide assistance during the conflict.

Supply chain. We did not experience significant supply issues during the year ended December 31, 2023 as we continue to actively work with our suppliers and third-party manufacturers to mitigate supply issues and build inventory of key component parts. We anticipate some supply challenges in 2024, due to geopolitical disruption in the middle east impacting shipping lanes, deliveries of materials and component parts, impacting production lead times that may impact our ability to manufacture the number of systems required to meet customer demand. In addition, since the second quarter of 2021 we have experienced significant inflationary pressures throughout our supply chain, which we expect to continue into 2024. We expect to mitigate such pressures, where possible, through price increases and margin management.

Global Economic conditions. General global economic downturns and macroeconomic trends, including heightened inflation, capital markets volatility, interest rate and currency rate fluctuations, and economic slowdowns, have resulted and may continue to result in unfavorable conditions that negatively affect demand for our products and exacerbate some of the other risks that affect our business, financial condition and results of operations. Both domestic and international markets experienced significant inflationary pressures in fiscal year 2023. While inflation rates in the U.S., as well as in other countries in which we operate, are showing signs of moderation, they are expected to continue at elevated levels for the near-term, impacting our cost of sales as well as selling, general and administrative expenses. In addition, the Federal Reserve in the U.S. and other central banks in various countries have yet to decrease interest rates in response to concerns about inflation. Higher interest and inflation rates have resulted in recessionary pressures in many parts of the world and have had and may continue to have the effect of further increasing economic uncertainty and heightening these risks.

Sales markets. We are a global business, having established a commercial presence in more than 60 countries during our history. While the continued post-pandemic recovery remains challenging due to the coexistence of high inflation and high interest rates, we continue to evaluate our direct operations, particularly those outside of North America.

Accounts receivable collections. We remain fully focused on our revised credit screening practices and thereby reducing bad debt expenses. As of December 31, 2023, our allowance for expected credit losses stands at $7.4 million, which represents 15.5% of the gross outstanding accounts receivable as of that date. This represents a decrease of $6.2 million from our December 31, 2022 allowance for expected credit losses balance of $13.6 million.

Foreign Exchange fluctuations. We are primarily exposed to foreign exchange risk with respect to revenues generated outside of the United States denominated in NIS, Euro, CAD, British pound, Australian dollar, Chinese renminbi, Hong Kong dollar, Japanese yen, Argentina peso, Colombian peso, and Mexican peso. We manage our foreign currency exposures on a consolidated basis, which allows us to net exposures and take advantage of any natural offsets. We do not hedge our entire foreign exchange exposure and are still subject to earnings and stockholders' equity volatility relating to foreign exchange risk. Financial market and currency volatility may limit our ability to cost-effectively hedge these exposures.

Basis of Presentation

Revenues

We generate revenue from (1) sales of systems through our subscription model, traditional system sales to customers and distributors, (2) other product revenues from the sale of ARTAS kits, Viva tips, other consumables, marketing supplies, and (3) service revenue from our extended warranty service contracts provided to existing customers.

System Revenue

For the years ended December 31, 2023 and 2022, approximately 33% and 42%, respectively, of our total system revenues were derived from our subscription model. The relative decrease in subscription revenues in 2023 is in line with our strategy to prioritize cash deals over subscription deals in order to improve cash generation and preserve liquidity. Our subscription model is designed to provide a low barrier to ownership of our systems and includes an up-front fee followed by monthly payments, typically over a 36-month period. The up-front fee serves as a down payment. For accounting purposes, these arrangements are considered to be sales-type finance leases, where the present value of all cash flows to be received under the subscription agreement is recognized as revenue upon shipment to the customer and achievement of the required revenue recognition criteria.

For the years ended December 31, 2023 and 2022, approximately 59% and 47%, respectively, of our total system revenues were derived from traditional sales. The increased focus on traditional sales is in line with our strategy to prioritize cash deals over subscription deals in order to improve cash generation and preserve liquidity.

Customers generally demand higher discounts in connection with traditional sales. We recognize revenues from products sold to customers based on the following five steps: (1) identification of the contract(s) with the customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the separate performance obligations in the contract; and (5) recognition of revenue when (or as) the entity satisfies a performance obligation.

We do not grant rights of return or early termination rights to our customers under either our traditional sales or subscription models. These traditional sales are generally made through our sales team in the countries in which the team operates.

For the years ended December 31, 2023 and 2022, approximately 8% and 10% of our total system revenues were derived from distributor sales. Under the traditional distributor relationship, we do not sell directly to the end customer and, accordingly, achieve a lower overall margin on each system sold compared to our direct sales. These sales are non-refundable, non-returnable and without any rights of price protection or stock rotation. Accordingly, we consider distributors as end customers, and are accounted for using the sell-in method.

Procedure Based Revenue

We generate revenue from the harvesting, site making, and implantation procedures performed with our ARTAS system. The harvesting procedure, as the name suggests, is the act of harvesting hair follicles from the patient's scalp for implantation in the prescribed areas. To perform these procedures, a disposable clinical kit is required. These kits can be large (with an unlimited number of harvests) or small (with a maximum of 1,100 harvests). The customer must place an online order with us for the number and type of kits desired and make a payment. Upon receipt of the order and the related payment, we ship the kit(s), and the customer must scan the barcode on the kit label in order to perform the procedure. Once the kits are exhausted, the customer must purchase additional kits. The site making procedure uses the ARTAS system to create a recipient site (i.e., site making) in the patient's scalp affected by androgenic alopecia (or male pattern baldness). The site making procedure also requires a disposable site making kit. The site making kits are sold to customers in the same manner as the kits for harvesting procedures. The implantation procedure utilizes the same disposal kit that is used for site making and involves immediately implanting follicles into the created recipient site. The implantation kits are sold to customers in the same manner as the harvesting and site making kits.

Other Product Revenue

We also generate revenue from our customer base by selling Viva tips, Glide (a cooling/conductive gel which is required for use with many of our systems), marketing supplies and kits, various consumables and disposables, replacement applicators and handpieces, and ARTAS system training.

Service Revenue

We generate ancillary revenue from our existing customers by selling additional services including extended warranty service contracts.

Cost of Goods Sold and Gross Profit

Cost of goods sold consists primarily of costs associated with manufacturing our different systems, including direct product costs from third-party manufacturers, warehousing and storage costs and fulfillment and supply chain costs inclusive of personnel-related costs (primarily salaries, benefits, incentive compensation and stock-based compensation). Cost of goods sold also includes the cost of upgrades, technology amortization, royalty fees, parts, supplies, and cost of product warranties.

Operating Expenses

Selling and Marketing

We currently sell our products and services using direct sales representatives in North America and in select international markets. Our sales costs primarily consist of salaries, commissions, benefits, incentive compensation and stock-based compensation. Costs also include expenses for travel and other promotional and sales-related activities as well as clinical training costs.

Our marketing costs primarily consist of salaries, benefits, incentive compensation and stock-based compensation. They also include expenses for travel, trade shows, and other promotional and marketing activities, including direct and online marketing. As the business environment improves, we expect sales and marketing expenses to continue to increase, but at a rate slightly below our rate of revenue growth.

General and Administrative

Our general and administrative costs primarily consist of expenses associated with our executive, accounting and finance, information technology, legal, regulatory affairs, quality assurance and human resource departments, direct office rent/facilities costs, and intellectual property portfolio management. These expenses consist of personnel-related expenses (primarily salaries, benefits, incentive compensation and stock-based compensation), audit fees, legal fees, consultants, travel, insurance, and expected credit losses. During the normal course of operations, we may incur expected credit losses on accounts receivable balances that are deemed to be uncollectible.

Research and Development

Our research and development costs primarily consist of personnel-related costs (primarily salaries, benefits, incentive compensation, and stock-based compensation), material costs, amortization of intangible assets, clinical costs, and facilities costs in our Yokneam, Israel and San Jose, California research centers. Our ongoing research and development activities are primarily focused on improving and enhancing our current technologies, products, and services, and on expanding our current product offering with the introduction of new products and expanded indications.

We expense all research and development costs in the periods in which they are incurred. We expect our research and development expenses to increase in absolute dollars as we continue to invest in research, clinical studies, and development activities, but to decline as a percentage of revenue as our revenue increases over time.

Finance Expenses

Finance expenses consists of interest income, interest expense and other banking charges. Interest income consists of interest earned on our cash, cash equivalents and short-term bank deposits. We expect interest income to vary depending on our average investment balances and market interest rates during each reporting period. Interest expense consists of interest on long-term debt and other borrowings. The interest rates on our long-term debt were 8.71% for the MSLP Loan and 14.03% for the Notes as of December 31, 2023 and 7.39% for the MSLP Loan and 8.0% for the Notes as of December 31, 2022.

Foreign Exchange (Gain) Loss

Foreign currency exchange (gain) loss changes reflect foreign exchange gains or losses related to the change in value of assets and liabilities denominated in currencies other than the U.S. dollar.

Income Tax Benefit

We estimate our current and deferred tax liabilities based on current tax laws in the statutory jurisdictions in which we operate. These estimates include judgments about liabilities resulting from temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. In certain jurisdictions, only the payments invoiced in the current period are subject to tax, but for accounting purposes, the discounted value of the total subscription contract is reported and tax affected. This results in a deferred tax credit which is settled in the future period when the monthly installment payment is issued and settled with the customer. Since our inception, we have not recorded any tax benefits for the net operating losses we have incurred in each year or for the research and development tax credits we generated in the United States. We believe, based upon the weight of available evidence, that it is more likely than not that all of our net operating loss carryforwards and tax credits will not be realized.

Income tax benefit is recognized based on the actual taxable income or loss incurred during the year ended December 31, 2023.

Non-Controlling Interests

We have minority shareholders in one jurisdiction in which we have direct operations. For accounting purposes, these minority partners are referred to as non-controlling interests, and we record the non-controlling interests' share of earnings in our subsidiaries as a separate balance within stockholders' equity in the consolidated balance sheets and consolidated statements of stockholders' equity.

Results of Operations

The following tables set forth our consolidated results of operations in U.S. dollars and as a percentage of revenues for the years indicated:

	Year Ended December 31,	
	2023	2022
Consolidated Statements of Loss:	*(dollars in thousands)*	
Revenues:		
Leases	$ 20,504	$ 35,267
Products and services	55,850	64,230
Total revenue	76,354	99,497
Cost of goods sold	24,187	33,526
Gross profit	52,167	65,971
Operating expenses:		
Sales and marketing	31,231	40,276
General and administrative	41,048	49,618
Research and development	8,197	10,953
Total operating expenses	80,476	100,847
Loss from operations	(28,309)	(34,876)
Other expenses:		
Foreign exchange (gain) loss	(295)	3,387
Finance expenses	6,893	4,561
Loss on disposal of subsidiaries	174	1,482
Loss on debt extinguishment	2,040	—
Loss before income taxes	(37,121)	(44,306)
Income tax benefit	(71)	(722)
Net loss	$ **(37,050)**	$ **(43,584)**
Net loss attributable to the Company	(37,250)	(43,700)
Net income attributable to noncontrolling interest	200	116
As a % of revenue:		
Revenues	100%	100%
Cost of goods sold	31.7	33.7
Gross profit	68.3	66.3
Operating expenses:		
Selling and marketing	40.9	40.5
General and administrative	53.8	49.9
Research and development	10.7	11.0
Total operating expenses	105.4	101.4
Loss from operations	(37.1)	(35.1)
Foreign exchange (gain) loss	(0.4)	3.4
Finance expenses	8.9	4.6
Loss on disposal of subsidiaries	0.1	1.5
Loss on debt extinguishment	2.7	—
Loss before income taxes	(48.6)	(44.5)

The following tables set forth our revenue by region and by product type for the years indicated:

	Year Ended December 31,	
Revenues by region:	**2023**	**2022**
United States	$ 43,454	$ 52,101
International	32,900	47,396
Total revenue	$ 76,354	$ 99,497

	Year Ended December 31,	
Revenues by product:	**2023**	**2022**
	(in thousands)	
Subscription—Systems	$ 20,504	$ 35,267
Products—Systems	41,874	47,906
Products—Other(1)	10,563	13,316
Services [(2)]	3,413	3,008
Total revenue	$ 76,354	$ 99,497

(1) Products-Other include ARTAS procedure kits, Viva tips, Glide and other consumables.
(2) Services include extended warranty sales.

Comparison of the Years Ended December 31, 2023 and 2022
Revenues

	Year Ended December 31,					
(in thousands, except percentages)	**2023**		**2022**		**Change**	
	$	**% of Total**	**$**	**% of Total**	**$**	**%**
Revenues:						
Subscription—Systems	$ 20,504	26.9	$ 35,267	35.5	$ (14,763)	(41.9)
Products—Systems	41,874	54.8	47,906	48.1	(6,032)	(12.6)
Products—Other	10,563	13.8	13,316	13.4	(2,753)	(20.7)
Services	3,413	4.5	3,008	3.0	405	13.5
Total	$ 76,354	100.0	$ 99,497	100.0	$ (23,143)	(23.3)

Total revenue decreased by $23.1 million, or 23.3%, to $76.4 million for the year ended December 31, 2023 from $99.5 million for the year ended December 31, 2022. The decrease in revenue is primarily attributed to an acceleration in exiting unprofitable direct markets, and an initiative to reduce our reliance on system sales sold under subscription agreements, and the effects of tighter third party lending practices which negatively impacted capital equipment sales. These initiatives are designed to improve cash generation and reduce our exposure to defaults and increased bad debt expense given the increasingly challenging economic environment caused by the coexistence of high inflation and high interest rates. Our international business was also affected by general macroeconomic headwinds that impacted customer access to capital. Despite the reduction in systems sales sold under subscription agreements, our cash generation in the second half of 2023 improved due to a higher percentage of system sales sold on a cash basis.

We sold an aggregate of 1,170 systems in the year ended December 31, 2023 compared to 1,572 in the year ended December 31, 2022. The percentage of systems revenue derived from our subscription model was approximately 33% in the year ended December 31, 2023 compared to 42% in the year ended December 31, 2022. The relative decrease in subscription revenues is in line with our strategy to prioritize cash deals over subscription deals in order to improve cash generation and preserve liquidity.

Other product revenue decreased by $2.8 million, or 20.7%, to $10.6 million in the year ended December 31, 2023 from $13.3 million in the year ended December 31, 2022. The decrease was driven by weaker performance on ARTAS kits attributable to a challenging economic environment.

Services revenue increased by $0.4 million, or 13.5%, to $3.4 million in the year ended December 31, 2023 from $3.0 million in the year ended December 31, 2022. The increase was driven by an increase in systems that had their standard manufacturer warranty expire coupled with a concerted effort on the part of the company to sell new warranty packages for the same systems.

Cost of Goods Sold and Gross Profit

Cost of goods sold decreased by $9.3 million, or 28%, to $24.2 million in the year ended December 31, 2023 from $33.5 million in the year ended December 31, 2022. Gross profit decreased by $13.8 million, or 21%, to $52.2 million in the year ended December 31, 2023, as compared to $66.0 million in the year ended December 31, 2022. The decrease in gross profit is primarily attributed to an acceleration in exiting unprofitable direct markets, and an initiative to reduce our reliance on system sales sold under subscription agreements. Gross margin was 68.3% of revenue in the year ended December 31, 2023 compared to 66.3% of revenue in the year ended December 31, 2022. The increase was due to improved margin management, and reduced inventory write-offs when compared to the previous period.

Operating Expenses

	Year Ended December 31,					
	2023		2022		Change	
(in thousands, except percentages)	**$**	**% of Revenues**	**$**	**% of Revenues**	**$**	**%**
Operating expenses:						
Selling and marketing	$ 31,231	40.9	$ 40,276	40.5	$ (9,045)	(22.5)
General and administrative	41,048	53.8	49,618	49.9	(8,570)	(17.3)
Research and development	8,197	10.7	10,953	11.0	(2,756)	(25.2)
Total operating expenses	$ 80,476	105.4	$ 100,847	101.4	$ (20,371)	(20.2)

Selling and Marketing

Selling and marketing expenses decreased by $9.0 million or 22.5% in the year ended December 31, 2023 compared to the year ended December 31, 2022. This decrease is largely due to lower revenues and reduced marketing expenditures as we consolidate some of these activities. As a percentage of total revenues, our selling and marketing expenses increased by 0.4%, from 40.5% in the year ended December 31, 2022 to 40.9% in the year ended December 31, 2022. As the business environment improves we expect sales and marketing expenses to increase in absolute terms, but at a rate slightly below our rate of revenue growth.

General and Administrative

General and administrative expenses decreased by $8.6 million or 17.3% in the year ended December 31, 2023 compared to the year ended December 31, 2022, primarily due to lower bad debt expenses and the exit of certain unprofitable direct markets. As a percentage of total revenues, our general and administrative expenses increased by 3.9%, from 49.9% in the year ended December 31, 2022, to 53.8% in the year ended December 31, 2023, primarily due to lower revenues when compared to the prior year period.

Research and Development

Research and development expenses decreased by $2.8 million or 25.2% in the year ended December 31, 2023 compared to the year ended December 31, 2022. We experienced some cost savings through the consolidation of activities between our Israel and San Jose sites, partially offset by a reinvestment of research and development efforts directed at scaling our robotic technology across other aesthetic platforms. As a percentage of total revenues, our research and development expenses decreased by 0.3%, from 11.0% in the year ended December 31, 2022, to 10.7% in the year ended December 31, 2023.

Foreign Exchange (Gain) Loss

We had a foreign exchange gain of $0.3 million in the year ended December 31, 2023 and a foreign exchange loss of $3.4 million in the year ended December 31, 2022. Changes in foreign are driven mainly by the effect of foreign exchange on accounts receivable and accounts payable balances denominated in currencies other than the US dollar. For the year ended December 31, 2023, most currencies were relatively flat relative to the U.S. dollar. We do not currently hedge against foreign currency risk.

Finance Expenses

Finance expenses increased by $2.3 million, to $6.9 million in the year ended December 31, 2023 from $4.6 million in the year ended December 31, 2022, primarily due to an increase in LIBOR rates on the variable portion of our MSLP loan. See "*—Liquidity and Capital Resources*" below.

Loss on Disposal of Subsidiaries

During the year ended December 31, 2022, the Company commenced dissolution activities with respect to Venus Concept Argentina SA ("Venus Argentina"). These actions resulted in losses of approximately $0.2 million for the year ended December 31, 2023.

Income Tax Benefit

We had an income tax benefit of $0.07 million in the year ended December 31, 2023, compared to $0.7 million income tax benefit in the year ended December 31, 2022. In 2023, geographic sales mix, true up to tax return, and changes in timing of deductible expenses, resulted in a $0.07 million income tax benefit.

Liquidity and Capital Resources

We had $5.4 million and $11.6 million of cash and cash equivalents as of December 31, 2023 and December 31, 2022, respectively. We have funded our operations with cash generated from operating activities, through the sale of equity securities and through debt financing. We had total debt obligations of approximately $74.9 million as of December 31, 2023, including the MSLP Loan of $51.3 million, and convertible notes of $23.6 million, compared to total debt obligations of approximately $77.7 million as of December 31, 2022.

Working capital is primarily impacted by the ratio of subscription sales to traditional cash sales. Our recent shift to prioritize traditional cash sales over subscription sales is designed to improve liquidity and reduce working capital requirements over time. Our expanding product portfolio also requires higher inventory levels to meet demand and to accommodate the increased number of technology platforms offered. We had a split of subscription sales revenue to traditional sales revenue at a ratio of approximately 64:36 in the year ended December 31, 2023, compared to 47:53 in 2022. We expect a slight increase in the ratio of traditional sales to subscription sales in 2024 and beyond. We expect inventory to remain relatively flat in the short term but increase at a lower rate than the rate of revenue growth over the longer term.

We also require modest funding for capital expenditures. Our capital expenditures relate primarily to our research and development facilities in Yokneam, Israel and San Jose, California. In addition, our capital investments have included improvements and expansion of our subsidiaries' operations to support our growth, but do not expect to incur such costs over the next twelve months.

Issuance of Secured Subordinated Convertible Notes

Contemporaneously with the MSLP Loan Agreement, on December 9, 2020, we issued $26.7 million aggregate principal amount of the Notes to the Madryn Noteholders pursuant to the terms of the Exchange Agreement. The Notes accrued interest at a rate of 8.0% per annum from the date of original issuance of the Notes to the third anniversary date of the original issuance and thereafter interest would accrue at a rate of 6.0% per annum. In connection with the Exchange Agreement, we also entered into (i) the Madryn Security Agreement, pursuant to which we agreed to grant Madryn a security interest, in substantially all of our assets, to secure the obligations under the Notes and (ii) the CNB Subordination Agreement. The Notes were convertible at any time into shares of our common stock at an initial conversion price of $48.75 per share, subject to adjustment. On October 4, 2023, the Company entered into the 2023 Exchange Agreement with the Madryn Noteholders, pursuant to which the Madryn Noteholders agreed to exchange $26,695,110.58 in aggregate principal amount outstanding under the Notes for (i) $22,791,748.32 in aggregate principal amount of new secured convertible notes of the Company (the "New Notes"), and (ii) 248,755 shares of newly-created convertible preferred stock of the Company, par value $0.0001 per share designated as "Series X Convertible Preferred Stock". The New Notes accrued interest, payable in kind on a quarterly basis, at an annual rate of 90-day Adjusted SOFR + 8.5% and are convertible at any time into shares of our common stock at an initial conversion price of $24 per share, subject to adjustment.

For additional information regarding the Notes, Exchange Agreement, Madryn Security Agreement and CNB Subordination Agreement, see Note 11 "*Madryn Long-Term Debt and Convertible Notes*" to our consolidated financial statements included elsewhere in this report.

Main Street Priority Lending Program Term Loan

On December 8, 2020, we executed the MSLP Loan Agreement, MSLP Note, and related documents for a loan in the aggregate amount of $50.0 million for which CNB will serve as a lender pursuant to the Main Street Priority Loan Facility as established by the Board of Governors of the Federal Reserve System Section 13(3) of the Federal Reserve Act. On October 4, 2023, the Company, Venus USA, Venus Canada, and Venus Ltd. entered into the MSLP Loan Modification, which modified certain terms of the MSLP Loan Agreement. For additional information regarding this loan, see Note 10 "*Main Street Term Loan*" to our consolidated financial statements included elsewhere in this report.

CNB Loan Agreement

We had a revolving credit facility with CNB pursuant to which CNB agreed to provide a revolving credit facility to us and certain of our subsidiaries to be used to finance working capital requirements. On February 22, 2023, CNB notified the Company that it would be temporarily restricting advances under the Fourth Amended and Restated CNB Loan Agreement pursuant to its rights under Section 2 of the agreement. This revolving credit facility expired on July 24, 2023 and has not been renewed.

On August 26, 2021, the Company, Venus USA and Venus Canada entered into a Fourth Amended and Restated Loan Agreement (the "Amended CNB Loan Agreement") with CNB, pursuant to which, among other things, (i) the maximum principal amount the revolving credit facility was reduced from $10,000 to $5,000 at the LIBOR 30-Day rate plus 3.25%, subject to a minimum LIBOR rate floor of 0.50%, and (ii) beginning December 10, 2021, the cash deposit requirement was reduced from $3,000 to $1,500, to be maintained with CNB at all times during the term of the Amended CNB Loan Agreement. The Amended CNB Loan Agreement is secured by substantially all of the Company's assets and the assets of certain of its subsidiaries.

In connection with the Amended CNB Loan Agreement, the Company, Venus USA and Venus Canada issued a promissory note dated August 26, 2021, in favor of CNB (the "CNB Note") in the amount of $5,000 with a maturity date of July 24, 2023 and the obligations of the Company pursuant to certain of the Company's outstanding promissory notes were reaffirmed as subordinated to the indebtedness of the Company owing to CNB pursuant to a Supplement to Subordination of Debt Agreements dated as of August 26, 2021 by and among Madryn Health Partners, LP, Madryn Health Partners (Cayman Master), LP, the Company and CNB. The CNB Note expired at its maturity date.

Equity Purchase Agreement with Lincoln Park

On June 16, 2020, we entered into the Equity Purchase Agreement with Lincoln Park, which provides that, upon the terms and subject to the conditions and limitations set forth therein, we may sell to Lincoln Park up to $31.0 million of shares of our common stock pursuant to our shelf registration statement. The purchase price of shares of common stock related to a future sale will be based on the then prevailing market prices of such shares at the time of sales as described in the Equity Purchase Agreement. The aggregate number of shares that we can sell to Lincoln Park under the Equity Purchase Agreement may in no case exceed the Exchange Cap, unless (i) stockholder approval is obtained to issue shares above the Exchange Cap, in which case the Exchange Cap will no longer apply, or (ii) the average price of all applicable sales of common stock to Lincoln Park under the Equity Purchase Agreement equals or exceeds $59.6325 per share (subject to adjustment) (which represents the minimum price, as defined under Nasdaq Listing Rule 5635(d), on the Nasdaq Global Market immediately preceding the signing of the Equity Purchase Agreement, such that the transactions contemplated by the Equity Purchase Agreement are exempt from the Exchange Cap limitation under applicable Nasdaq Listing Rules). Also, at no time may Lincoln Park (together with its affiliates) beneficially own more than 9.99% of our issued and outstanding common stock. Concurrently with entering into the Equity Purchase Agreement, we also entered into a Registration Rights Agreement with Lincoln Park. The Equity Purchase Agreement expired on July 1, 2022.

On July 12, 2022, we entered into the 2022 LPC Purchase Agreement with Lincoln Park, and we issued and sold to Lincoln Park 0.05 million shares of our common stock as a commitment fee in connection with entering into the 2022 LPC Purchase Agreement, with the total value of $0.3 million. Through December 31, 2023 we issued an additional 0.78 million shares of common stock to Lincoln Park at an average price of $3.97 per share, for a total proceeds value of $3.1 million since entering into the Purchase Agreement. For additional information regarding the 2022 LPC Purchase Agreement, see Note 14 “*Stockholders Equity*” in the notes to our audited condensed consolidated financial statements included elsewhere in this report.

The 2021 Private Placement

On December 15, 2021, the Company consummated the 2021 Private Placement whereby it entered into a securities purchase agreement pursuant to which we issued and sold to the 2021 Investors an aggregate of 653,894 shares of our common stock and 252,717 shares of our Non-Voting Preferred Stock. The gross proceeds from the securities sold in the 2021 Private Placement was $17.0 million. The costs incurred with respect to the 2021 Private Placement totaled $0.3 million and were recorded as a reduction of the 2021 Private Placement proceeds in the consolidated statements of stockholders’ equity. The accounting effects of the 2021 Private Placement transaction are discussed in Note 14 "*Stockholders Equity*" in the notes to our consolidated financial statements included elsewhere in this report. These Non-Voting Preferred Stock shares were subsequently converted to common stock upon issuance of the 2022 Private Placement described below

The 2022 Private Placement

On November 18, 2022, we consummated the 2022 Private Placement whereby we entered into a securities purchase agreement pursuant to which we issued and sold to the 2022 Investors an aggregate of 116,668 shares of our common stock and 3,185,000 shares of our Voting Preferred Stock. The gross proceeds from the securities sold in the 2022 Private Placement totaled $6.7 million before offering expenses. The costs incurred with respect to the 2022 Private Placement totaled $0.2 million and were recorded as a reduction of the 2022 Private Placement proceeds in the consolidated statements of stockholders’ equity. The accounting effects of the 2022 Private Placement transaction are discussed in Note 14 "*Stockholders Equity*" in the notes to our consolidated financial statements included elsewhere in this report.

The 2023 Multi-Tranche Private Placement

In May 2023, we entered into the 2023 Multi-Tranche Private Placement Stock Purchase Agreement, with the 2023 Investors pursuant to which the Company may issue and sell to the 2023 Investors up to $9.0 million in shares of Senior Preferred Stock, in multiple tranches from time to time until December 31, 2025, subject to a minimum aggregate purchase amount of $0.5 million in each tranche. The Initial Placement occurred on May 15, 2023, under which the Company sold the 2023 Investors 280,899 shares of Senior Preferred Stock for an aggregate purchase price of $2.0 million.

On July 12, 2023, the Company and the 2023 Investors consummated the Second Placement under the 2023 Multi-Tranche Private Placement, under which the Company sold the 2023 Investors 500,000 shares of Senior Preferred Stock for an aggregate purchase price of $2.0 million.

On September 8, 2023, the Company and the 2023 Investors consummated the Third Placement under the 2023 Multi-Tranche Private Placement, under which the Company sold the 2023 Investors 292,398 shares of Senior Preferred Stock for an aggregate purchase price of $1.0 million.

On October 20, 2023, the Company and the 2023 Investors consummated the Fourth Placement under the 2023 Multi-Tranche Private Placement, under which the Company sold the 2023 Investors 502,513 shares of Senior Preferred Stock for an aggregate purchase price of $2.0 million. The Company expects to use the proceeds of the Placements, after the payment of transaction expenses, for general working capital purposes. The accounting effects of the 2023 Multi-Tranche Private Placement transactions are discussed in Note 14 "*Stockholders Equity*" in the notes to our consolidated financial statements included elsewhere in this report.

Capital Resources

As of December 31, 2023, we had capital resources consisting of cash and cash equivalents of approximately $5.4 million. We have financed our operations principally through the issuance and sale of our common stock and preferred stock, debt financing, and payments from customers.

We believe that the net proceeds from the 2023 Multi-Tranche Private Placement, the 2022 Private Placement, the proceeds from issuance of our common stock to Lincoln Park, the proceeds from the MSLP Loan, our continued availability under the 2022 LPC Purchase Agreement, our strategic cash flow enhancement initiatives, our initiatives to pursue strategic alternatives, together with our existing cash and cash equivalents, will enable us to fund our operating expenses and capital expenditure requirements for at least the next 12 months. We can provide no assurances that we will be successful in raising additional capital or that such capital, if available at all, will be on terms that are acceptable to us. If we are unable to raise sufficient additional capital, we may be compelled to reduce the scope of our operations and planned capital or research and development expenditures or sell certain assets, including intellectual property assets.

Additional funds may not be available when we need them, on terms that are acceptable to us, or at all. If adequate funds are not available to us on a timely basis, we may be required to:

- delay or curtail our efforts to develop system product enhancements or new products, including any clinical trials that may be required to market such enhancements;
- delay or curtail our plans to increase and expand our sales and marketing efforts; or
- delay or curtail our plans to enhance our customer support and marketing activities.

We are restricted by covenants in the MSLP Loan, the Amended CNB Loan Agreement, and the Madryn Security Agreement. These covenants restrict, among other things, our ability to incur additional indebtedness, which may limit our ability to obtain additional debt financing. In the event that the current macroeconomic headwinds continue to cause or present disruptions for an extended period of time, we cannot assure you that we will remain in compliance with the financial covenants contained in our credit facilities. We also cannot assure you that our lenders would provide relief or that we could secure alternative financing on favorable terms, if at all. Our failure to comply with the covenants contained in our credit facilities, including financial covenants, could result in an event of default, which could materially and adversely affect our results of operations and financial condition.

We have based our projections on the amount of time through which our financial resources will be adequate to support our operations on assumptions that may prove to be incorrect, and we may use all our available capital resources sooner than we expect. Our future funding requirements, including long-term funding requirements, will depend on many factors, including, but not limited to:

- the cost of growing our ongoing commercialization and sales and marketing activities;
- the costs of manufacturing and maintaining enough inventories of our systems to meet anticipated demand and inventory write-offs related to obsolete products or components;
- the costs of enhancing the existing functionality and development of new functionalities for our systems;
- the costs of preparing, filing, prosecuting, defending, and enforcing patent claims and other patent related costs, including litigation costs and the results of such litigation;
- any product liability or other lawsuits and the costs associated with defending them or the results of such lawsuits;
- the costs associated with conducting business and maintaining subsidiaries and other entities in foreign jurisdictions;
- customers in jurisdictions where our systems are not approved delaying their purchase, and not purchasing our systems, until they are approved or cleared for use in their market;
- the costs to attract and retain personnel with the skills required for effective operations; and
- the costs associated with being a public company.

In order to grow our business and increase revenues, we will need to introduce and commercialize new products, grow our sales and marketing force, implement new software systems, as well as identify and penetrate new markets. Such endeavors have in the past increased, and may continue in the future, to increase our expenses, including sales and marketing, and research and development. We will have to continue to increase our revenues while effectively managing our expenses in order to achieve profitability and to sustain it. Our failure to control expenses could make it difficult to achieve profitability or to sustain profitability in the future. Moreover, we cannot be sure that our expenditures will result in the successful development and introduction of new products in a cost-effective and timely manner or that any such new products will achieve market acceptance and generate revenues for our business.

Cash flows

The following table summarizes our cash flows for the years indicated:

	Year Ended December 31,	
	2023	2022
	(in thousands)	
Cash used in operating activities	$ (12,859)	$ (26,980)
Cash used in investing activities	(116)	(336)
Cash provided by financing activities	6,802	8,009
Net decrease in cash, cash equivalents and restricted cash	$ (6,173)	$ (19,307)

Cash Flows from Operating Activities

For the year ended December 31, 2023, cash used in operating activities consisted of a net loss of $37.0 million, partially offset by a decrease in net operating assets of $11.6 million and non-cash operating expenses of $12.6 million. The use of cash in net operating assets was attributable to a decrease in accounts receivable of $14.9 million, a decrease in other current assets of $1.6 million, a decrease in operating right-of-use assets of $1.3 million. These were offset by an decrease in unearned interest income of $1.2 million, a decrease in current operating lease liabilities of $0.2 million, a decrease in other long-term operating lease liabilities of $1.1 million, and a decrease in accrued expenses and other current liabilities of $5.1 million. The non-cash operating expenses consisted of provision for bad debts of $1.4 million, loss on debt extinguishment of $2.0 million, depreciation and amortization of $4.1 million, finance expenses and accretion of $2.2, stock-based compensation expense of $1.6 million, provision for inventory obsolescence of $1.2 million, partially offset by a deferred tax recovery of $0.1 million.

In the year ended December 31, 2022, cash used in operating activities consisted of a net loss of $43.6 million, partially offset by a decrease in net operating assets of $0.4 million and non-cash operating expenses of $16.2 million. The use of cash in net operating assets was attributable to a decrease in accounts receivable of $9.9 million, a decrease in prepaid expenses of $1.0 million, an increase in current operating lease liabilities of $1.8 million, and an increase in other long-term operating lease liabilities of $4.2 million. These were offset by an increase in inventories of $5.8 million, an increase in operating right-of-use assets of $5.9 million, and a decrease in accrued expenses and other current liabilities of $3.7 million. The non-cash operating expenses consisted of provision for bad debts of $7.3 million, depreciation and amortization of $4.5 million, finance expenses and accretion of $0.4 million, stock-based compensation expense of $2.1 million, provision for inventory obsolescence of $2.4 million, partially offset by a deferred tax recovery of $0.7 million.

Cash Flows from Investing Activities

In the year ended December 31, 2023, cash used in investing activities consisted of $0.1 million for the purchase of property and equipment.

In the year ended December 31, 2022, cash used in investing activities consisted of $0.3 million for the purchase of property and equipment.

Cash Flows from Financing Activities

In the year ended December 31, 2023, cash provided by financing activities consisted primarily of net proceeds from the 2023 Private Placement of $6.3 million and proceeds from the issuance of common stock of $0.8 million.

In the year ended December 31, 2022, cash provided by financing activities consisted primarily of net proceeds from the 2022 Private Placement of $6.5 million and proceeds from the issuance of common stock of $2.1 million, partially offset by the $0.5 million repayment of government assistance loans.

Contractual Obligations and Other Commitments

Our premises and those of our subsidiaries are leased under various operating lease agreements, which expire on various dates.

As of December 31, 2023, we had non-cancellable purchase orders placed with our contract manufacturers in the amount of $10.0 million. In addition, as of December 31, 2023, we had $2.8 million of open purchase orders that can be cancelled with 270 days' notice, except for a portion equal to 25% of the total amount representing the purchase of "long lead items."

The following table summarizes our contractual obligations as of December 31, 2023, which represent material expected or contractually committed future obligations.

	Payments Due by Period				
	Less than 1 Year	2 to 3 Years	4 to 5 Years	More than 5 Years	Total
	(dollars in thousands)				
Debt obligations, including interest	$ 8,438	$ 82,867	$ —	$ —	$ 91,305
Operating leases	1,589	2,011	598	554	4,752
Purchase commitments	10,006	—	—	—	10,006
Total contractual obligations	$ 20,033	$ 84,878	$ 598	$ 554	$ 106,063

For an additional description of our commitments see Note 9, "Commitments and Contingencies" to the consolidated financial statements included elsewhere in this Annual Report.

Off-Balance Sheet Arrangements

We do not currently engage in off-balance sheet financing arrangements. In addition, we do not have any interest in entities referred to as variable interest entities, which includes special purpose entities and other structure finance entities.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with U.S GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. These estimates form the basis for judgments we make about the carrying values of our assets and liabilities, which are not readily apparent from other sources. We base our estimates and judgments on historical experience and on various other assumptions that we believe are reasonable under the circumstances. On an ongoing basis, we evaluate our estimates and assumptions. Our actual results may differ from these estimates under different assumptions or conditions.

Our significant accounting policies are more fully described in Note 2 to our consolidated financial statements included in this Annual Report. We believe that the assumptions and estimates associated with revenue recognition, long-term receivables, allowance for expected credit losses, warranty accrual, and stock-based compensation have the most significant impact on our consolidated financial statements, and therefore, we consider these to be our critical accounting policies and estimates.

Revenue Recognition

We generate revenue from (1) sales of systems through our subscription model, in accordance with ASC 842, "Leases" ("ASC 842"), traditional system sales to customers and distributors, (2) other product revenues from the sale of ARTAS procedure kits, marketing supplies and kits, consumables and (3) our extended warranty service contracts provided to existing customers.

We recognize revenues on other products and services in accordance with ASC 606, "Revenue from Contracts with Customers" ("ASC 606"). Revenue is recognized based on the following five steps: (1) identification of the contract(s) with the customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the separate performance obligations in the contract; and (5) recognition of revenue when (or as) the entity satisfies a performance obligation.

We record our revenue net of sales tax and shipping and handling costs.

Long-term receivables

Long-term receivables relate to our subscription revenue or contracts which stipulate payment terms which exceed one year. They are comprised of the unpaid principal balance, net of the allowance for expected credit losses. These receivables have been discounted based on the implicit interest rate in the subscription lease which range between 8% to 10% for the year ended December 31, 2023, and 8% to 10% for the year ended December 31, 2022. Unearned interest revenue represents the interest only portion of the respective subscription payments and will be recognized in income over the respective payment term as it is earned.

Allowance for expected credit losses

The allowance for expected credit losses is based on our assessment of the collectability of customer accounts and the aging of the related invoices and represents our best estimate of probable credit losses in our existing trade accounts receivable. We regularly review the allowance by considering factors such as historical experience, credit quality, the age of the account receivable balances, and current economic conditions that may affect a customer's ability to pay.

Warranty accrual

We generally offer a one year warranty for all our systems against defects. The warranty period begins upon shipment and we record a liability for accrued warranty costs at the time of sale of a system, which consists of the remaining warranty on systems sold based on historical warranty costs and management's estimates. We periodically assess the adequacy of our recorded warranty liabilities and adjust the amounts thereof as necessary. We exercise judgment in estimating expected system warranty costs. If actual system failure rates, freight, material, technical support and labor costs differ from our estimates, we will be required to revise our estimated warranty liability. To date, our warranty reserve has been sufficient to satisfy warranty claims paid.

Stock-Based Compensation

We account for stock-based compensation costs in accordance with the accounting standards for stock-based compensation, which require that all stock-based payments to employees be recognized in the consolidated statements of operations based on their fair values.

The fair value of stock options on the grant date is estimated using the Black-Scholes option-pricing model using the single-option approach. The Black-Scholes option pricing model requires the use of highly subjective and complex assumptions, including the option's expected term and the price volatility of the underlying stock, to determine the fair value of the award. We recognize the expense associated with options using a single-award approach over the requisite service period.

Financial statements in U.S. dollars

We believe that the U.S. dollar is the currency in the primary economic environment in which we operate. The U.S. dollar is the most significant currency in which our revenues are generated, and our costs are incurred. In addition, our debt and equity financings are generally based in U.S. dollars. Therefore, our functional currency, and that of our subsidiaries, is the U.S. dollar.

Transactions and balances originally denominated in U.S. dollars are presented at their original amounts. Non-dollar transactions and balances are re-measured into U.S. dollars in accordance with the principles set forth in ASC 830-10 "Foreign Currency Translation." All exchange gains and losses from re-measurement of monetary balance sheet items resulting from transactions in non-U.S. dollar currencies are recorded as foreign exchange loss (income) in the consolidated statement of operations as they arise.

Recent Accounting Pronouncements

See Note 2 to our consolidated financial statements included elsewhere in this Annual Report for recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted as of the date of this Annual Report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

As a smaller reporting company, we are not required to provide disclosure for this Item.

Item 8. Consolidated Financial Statements and Supplementary Data.

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VENUS CONCEPT INC. **Page**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Venus Concept Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Venus Concept Inc. and its subsidiaries (the Company) as of December 31, 2023, and 2022, and the related consolidated statements of operations, comprehensive loss, stockholders' equity (deficit), and cash flows for each of the years in the two-year period ended December 31, 2023, and the related notes (collectively referred to as the consolidated financial statements).

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2023, and 2022, and the results of its consolidated operations and its consolidated cash flows for each of the years in the two-year period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Material Uncertainty Related to Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 of the consolidated financial statements, the Company has reported recurring net losses and negative cash flows from operations, that raise substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for credit losses as of January 1, 2023 due to the adoption of ASU No. 2016-13, Financial Instruments - Credit Losses (ASC 326) as amended.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Inventory valuation – Refer to Note 2 and 6 to the consolidated financial statements

Critical Audit Matter Description

As described in Note 2 and 6 to the consolidated financial statements, inventory is valued at the lower of cost and net realizable value, and management records a provision as necessary to appropriately value inventories that are obsolete, have quality issues, or are damaged. Provision expense is recorded in cost of goods sold. As of December 31, 2023, the Company's consolidated net inventories balance was $23,072 ('000) inclusive of the inventory provision.

Auditing management's inventory carrying value adjustments involved significant judgment because the estimates are based on a number of factors that are affected by market, industry, and competitive conditions outside the Company's control. In particular, in estimating inventory carrying value adjustments, management developed assumptions such as forecasts of future sales quantities and the selling prices, which are sensitive to the competitiveness of product offerings, customer requirements, and product life cycles. These significant assumptions are forward-looking and could be affected by future economic and market conditions.

How the Critical Audit Matter Was Addressed in the Audit

Our approach to addressing the matter included the following procedures, among others:

- We obtained an understanding, evaluated the design and implementation of internal controls over the Company's inventory carrying value adjustment determination process, including the basis for developing above-described assumptions and management's judgments.
- We observed the physical condition of inventories during inventory counts.
- We evaluated the appropriateness of management's process for developing the estimates of net realizable value.
- We tested the reliability of reports used by management by agreeing to underlying records.
- We tested the reasonableness of the assumptions about quality, damaged inventory, future demand, selling prices and cost necessary to sell by considering historical trends and consistency with evidence obtained in other areas of the audit.
- We confirmed the assumptions related to future sales with individuals within the production and manufacturing teams to ensure consistency with management's estimates.

Going Concern

Critical Audit Matter Description

As described in Note 1 to the consolidated financial statements, the Company may not have sufficient cash to fund its operations, and therefore, must achieve profitable operations and/ or obtain additional equity or debt financing. In addition, the global economy, including the financial and credits markets has recently experienced extreme volatility and disruptions including increases in inflation rates, rising interest rates, foreign currency fluctuations. All these factors point to uncertainty and about economic stability and impacted management's judgements and estimates. Management has prepared future cash flow forecasts, which involves judgement and estimation of key variables that affect cash flows, such as planned capital expenditures, revenue, production volumes and market conditions.

We identified the Company's ability to continue as a going concern as a critical audit matter because auditing the Company's going concern assessment is complex and involves a high degree of auditor judgment to assess the reasonableness of the cash flow forecasts, planned refinancing actions and other assumptions used in the Company's going concern analysis. The Company's ability to execute the planned financing actions are especially judgmental given that the global financial markets and economic conditions have been, and continue to be, volatile.

This matter is also described in the "Material Uncertainty Related to Going Concern" section of our report.

Audit Response

We responded to this matter by evaluating management's assessment of the Company's ability to continue as a going concern. Our audit work in relation to this included, but was not restricted to, the following:

- We evaluated the cash flow forecasts prepared by management and evaluated the integrity and arithmetical accuracy of the model.
- We evaluated the key assumptions used in management's model to estimate future cash flows by comparing assumptions used by management against historical performance, budgets, economic and industry indicators and publicly available information.
- We compared the assumptions related to revenue projections to those used in impairment assessments of non-financial assets.
- We assessed the adequacy of the going concern disclosure included in Note 1 to the consolidated financial statements and consider these to appropriately reflect the assessments that management has performed.

/s/ MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

We have served as the Company's auditor since 2019.
Toronto, Canada
April 1, 2024

VENUS CONCEPT INC.

Consolidated Balance Sheets

(in thousands, except share and per share data)

	Year Ended, December 31,	
	2023	2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 5,396	$ 11,569
Accounts receivable, net of allowance of $7,415 and $13,619 as of December 31, 2023, and 2022	29,151	37,262
Inventories	23,072	23,906
Prepaid expenses	1,298	1,688
Advances to suppliers	5,604	5,881
Other current assets	1,925	3,702
Total current assets	66,446	84,008
LONG-TERM ASSETS:		
Long-term receivables, net	11,318	20,044
Deferred tax assets	1,032	947
Severance pay funds	573	741
Property and equipment, net	1,322	1,857
Operating right-of-use assets, net	4,517	5,862
Intangible assets	8,446	11,919
Total long-term assets	27,208	41,370
TOTAL ASSETS	$ 93,654	$ 125,378
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Trade payables	$ 9,038	$ 8,033
Accrued expenses and other current liabilities	12,437	16,667
Current portion of long-term debt	4,155	7,735
Income taxes payable	366	117
Unearned interest income	1,468	2,397
Warranty accrual	1,029	1,074
Deferred revenues	1,076	1,765
Operating lease liabilities	1,590	1,807
Total current liabilities	31,159	39,595
LONG-TERM LIABILITIES:		
Long-term debt	70,790	70,003
Income tax payable	—	374
Accrued severance pay	634	867
Deferred tax liabilities	15	—
Unearned interest revenue	671	957
Warranty accrual	334	408
Operating lease liabilities	3,162	4,221
Other long-term liabilities	338	215
Total long-term liabilities	75,944	77,045
TOTAL LIABILITIES	107,103	116,640
Commitments and Contingencies (Note 9)		
STOCKHOLDERS' EQUITY (DEFICIT) (Note 14):		
Common Stock, $0.0001 par value: 300,000,000 shares authorized as of December 31, 2023 and 2022; 5,529,149 and 5,161,374 issued and outstanding as of December 31, 2023 and 2022, respectively	30	29
Additional paid-in capital	247,854	232,169
Accumulated deficit	(261,903)	(224,105)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	(14,019)	8,093
Non-controlling interests	570	645
	(13,449)	8,738
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 93,654	$ 125,378

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

VENUS CONCEPT INC.

Consolidated Statements of Operations
(in thousands, except per share data)

	Year Ended, December 31,	
	2023	**2022**
Revenue		
Leases	$ 20,504	$ 35,267
Products and services	55,850	64,230
	76,354	99,497
Cost of goods sold		
Leases	4,312	9,435
Products and services	19,875	24,091
	24,187	33,526
Gross profit	52,167	65,971
Operating expenses:		
Selling and marketing	31,231	40,276
General and administrative	41,048	49,618
Research and development	8,197	10,953
Total operating expenses	80,476	100,847
Loss from operations	(28,309)	(34,876)
Other expenses:		
Foreign exchange (gain) loss	(295)	3,387
Finance expenses	6,893	4,561
Loss on disposal of subsidiaries	174	1,482
Loss on debt extinguishment	2,040	-
Loss before income taxes	(37,121)	(44,306)
Income tax benefit	(71)	(722)
Net loss	(37,050)	(43,584)
Net loss attributable to stockholders of the Company	(37,250)	(43,700)
Net income attributable to non-controlling interest	200	116
Net loss per share:		
Basic	$ (6.84)	$ (9.94)
Diluted	$ (6.84)	$ (9.94)
Weighted-average number of shares used in per share calculation:		
Basic	5,442	4,398
Diluted	5,442	4,398

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

VENUS CONCEPT INC.

Consolidated Statements of Comprehensive Loss
(in thousands)

	Year Ended December 31,	
	2023	**2022**
Net loss	$ (37,050)	$ (43,584)
Loss attributable to stockholders of the Company	(37,250)	(43,700)
Income attributable to non-controlling interest	200	116
Comprehensive loss	$ (37,050)	$ (43,584)

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

VENUS CONCEPT INC.

Consolidated Statement of Stockholders' Equity (Deficit)
(in thousands, except share data)

	Preferred Shares			Common Stock					
	2022 Private Placement Shares*	2023 Multi-Tranche Private Placement Shares*	2023 Series X Private Placement Shares*	Shares	Amount	Additional Paid-in-Capital	Accumulated Deficit	Non-controlling Interest	Total Stockholders' Equity
Balance — January 1, 2022	252,717	—	—	4,265,506	$ 27	$ 221,321	$ (180,405)	$ 653	$ 41,596
Conversion of 2021 Private Placement shares	(252,717)	—	—	252,717	1	—	—	—	1
2022 Private Placement shares, net of costs	3,185,000	—	—	116,668	0*	6,518	—	—	6,518
Issuance of common stock	—	—	—	525,385	1	2,203	—	—	2,204
Net loss — the Company	—	—	—	—	—	—	(43,700)	—	(43,700)
Net loss — non-controlling interest	—	—	—	—	—	—	—	116	116
Dividends from subsidiaries	—	—	—	—	—	—	—	(124)	(124)
Options exercised	—	—	—	1,098	0*	23	—	—	23
Stock-based compensation	—	—	—	—	—	2,104	—	—	2,104
Balance — December 31, 2022	3,185,000	—	—	5,161,374	$ 29	$ 232,169	$ (224,105)	$ 645	$ 8,738
Net loss — the Company	—	—	—	—	—	—	(37,250)	—	(37,250)
Net income — non-controlling interest	—	—	—	—	—	—	—	200	200
Adoption of ASC 326	—	—	—	—	—	—	(548)	—	(548)
Dividends from subsidiaries	—	—	—	—	—	—	—	(275)	(275)
Restricted share units vested	—	—	—	24,668	—	—	—	—	-
2023 Series X Private Placement shares	—	—	256,356	—	—	7,040	—	—	7,040
2023 Private Placement shares, net of costs	—	1,575,810	—	—	—	3,694	—	—	3,694
Beneficial conversion feature	—	—	—	—	—	2,567	—	—	2,567
Issuance of common stock	—	—	—	343,107	1	815	—	—	816
Stock-based compensation	—	—	—	—	—	1,569	—	—	1,569
Balance — December 31, 2023	3,185,000	1,575,810	256,356	5,529,149	30	247,854	(261,903)	570	(13,449)

Note: Share amounts have been retroactively adjusted to reflect the impact of a 1-for-15 reverse stock split effected in May 2023, as discussed in Note 2.

* Presented as $0 due to rounding.

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

VENUS CONCEPT INC.

Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,	
	2023	**2022**
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net loss	$ (37,050)	$ (43,584)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	4,115	4,463
Stock-based compensation	1,569	2,104
Provision for bad debt	1,350	7,337
Provision for inventory obsolescence	1,158	2,420
Finance expenses and accretion	2,206	414
Deferred tax recovery	(69)	(709)
Loss on sale of subsidiary	174	-
Loss on disposal of property and equipment	10	158
Loss on debt extinguishment	2,040	-
Changes in operating assets and liabilities:		
Accounts receivable short- and long-term	14,891	9,855
Inventories	(324)	(5,783)
Prepaid expenses	390	1,049
Advances to suppliers	277	(214)
Other current assets	1,603	56
Operating right-of-use assets, net	1,345	(5,862)
Other long-term assets	47	200
Trade payables	1,005	(385)
Accrued expenses and other current liabilities	(5,089)	(3,647)
Current operating lease liabilities	(217)	1,807
Severance pay funds	168	76
Unearned interest income	(1,215)	(679)
Long-term operating lease liabilities	(1,059)	4,221
Other long-term liabilities	(184)	(277)
Net cash used in operating activities	(12,859)	(26,980)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Purchases of property and equipment	(116)	(336)
Net cash used in investing activities	(116)	(336)
CASH FLOWS FROM FINANCING ACTIVITIES:		
2022 Private Placement, net of costs of $202	-	6,518
2023 Private Placement, net of costs of $739	6,261	-
Proceeds from issuance of common stock	816	2,135
Repayment of government assistance loans	-	(543)
Dividends from subsidiaries paid to non-controlling interest	(275)	(124)
Proceeds from exercise of options	-	23
Net cash provided by financing activities	6,802	8,009
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(6,173)	(19,307)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH — Beginning of year	11,569	30,876
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH — End of year	$ 5,396	$ 11,569
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for income taxes	$ 124	$ 329
Cash paid for interest	$ 4,473	$ 4,147

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

1. NATURE OF OPERATIONS

Venus Concept Inc. is a global medical technology company that develops, commercializes, and sells minimally invasive and non-invasive medical aesthetic and hair restoration technologies and related services. The Company's systems have been designed on cost-effective, proprietary and flexible platforms that enable it to expand beyond the aesthetic industry's traditional markets of dermatology and plastic surgery, and into non-traditional markets, including family and general practitioners and aesthetic medical spas. The Company was incorporated in the state of Delaware on November 22, 2002. In these notes to the consolidated financial statements, the "Company," "Venus Concept," "our," and "we," refer to Venus Concept Inc. and its subsidiaries on a consolidated basis.

Going Concern

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business for the foreseeable future, and, as such, the consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

The Company has had recurring net operating losses and negative cash flows from operations. As of December 31, 2023 and December 31, 2022, the Company had an accumulated deficit of $261,903 and $224,105, respectively, though, the Company was in compliance with all required covenants as of December 31, 2023, and December 31, 2022. The Company's recurring losses from operations and negative cash flows raise substantial doubt about the Company's ability to continue as a going concern within 12 months from the date that the consolidated financial statements are issued. The global economy, including the financial and credit markets, has recently experienced extreme volatility and disruptions, including increasing inflation rates, rising interest rates, foreign currency impacts, declines in consumer confidence, and declines in economic growth. All these factors point to uncertainty about economic stability, and the severity and duration of these conditions on our business cannot be predicted, and the Company cannot assure that it will remain in compliance with the financial covenants contained within its credit facilities.

In order to continue its operations, the Company must achieve profitable operations and/or obtain additional equity or debt financing. Until the Company achieves profitability, management plans to fund its operations and capital expenditures with cash on hand, borrowings, and issuance of capital stock. Until the Company generates revenue at a level to support its cost structure, the Company expects to continue to incur substantial operating losses and net cash outflows from operating activities.

Given the economic uncertainty in U.S. and international markets, the Company cannot anticipate the extent to which the current economic turmoil and financial market conditions will continue to adversely impact the Company's business and the Company may need additional capital to fund its future operations and to access the capital markets sooner than planned. There can be no assurance that the Company will be successful in raising additional capital or that such capital, if available, will be on terms that are acceptable to the Company. If the Company is unable to raise sufficient additional capital, it may be compelled to reduce the scope of its operations and planned capital expenditures or sell certain assets, including intellectual property assets. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might result from the uncertainty. Such adjustments could be material.

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business for the foreseeable future, and, as such, the consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP") and with the instructions to Form 10-K and Regulation S-X.

The preparation of these consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ materially from those estimates. The Company assessed certain accounting matters that generally require consideration of forecasted financial information in context with the information reasonably available to the Company as of December 31, 2023 and through the date of this report filing. The accounting matters assessed included, but were not limited to, the allowance for expected credit losses and the carrying value of intangible and long-lived assets.

Amounts reported in thousands within this report are computed based on the amounts in U.S. dollars. As a result, the sum of the components reported in thousands may not equal the total amount reported in thousands due to rounding. Certain columns and rows within tables may not add due to the use of rounded numbers. Percentages presented are calculated from the underlying numbers in dollars.

At the annual and special meeting of the Company's shareholders held on May 10, 2023, the Company's shareholders granted the Company's Board of Directors discretionary authority to implement a consolidation of the issued and outstanding common shares of the Company (a "Reverse Stock Split") and to fix the specific ratio within a range of one-for-five (1-for-5) to a maximum of a one-for-fifteen (1-for-15) consolidation. On May 11, 2023, the Company filed an amendment to the Company's Certificate of Incorporation to implement the Reverse Stock Split based on a one-for-fifteen (1-for-15) consolidation ratio. The Company's common shares began trading on the Nasdaq Capital Market on a split-adjusted basis under the Company's existing trade symbol "VERO" at the opening of the market on May 12, 2023. In accordance with U.S. GAAP, the change has been applied retroactively.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Venus Concept Inc. and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated on consolidation. Where the Company does not own 100% of its subsidiaries, it accounts for the partial ownership interest through non-controlling interest.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates and assumptions made in the accompanying consolidated financial statements include, but are not limited to, the implicit interest rate used to record lease revenue, allowance for expected credit losses, inventory valuation, stock-based compensation, warranty accrual, the valuation and measurement of deferred tax assets and liabilities, accrued severance pay, useful lives of property and equipment, useful lives of intangible assets, and impairment of long-lived assets. The Company evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors and adjusts those estimates and assumptions when facts and circumstances dictate. Actual results could materially differ from those estimates.

Foreign Currency

The Company and its subsidiaries' functional currency is the U.S. dollar as determined by management.

All exchange gains and losses from remeasurement of monetary balance sheet items resulting from transactions in non-functional currencies are recorded in the consolidated statements of operations as they arise.

In respect of transactions denominated in currencies other than the Company and its subsidiaries' functional currencies, the monetary assets and liabilities are remeasured at the period end rates. Revenue and expenses are remeasured at rates of exchange prevailing on the transaction dates. All of the exchange gains or losses resulting from these transactions are recognized in the consolidated statements of operations.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less from the date of purchase to be cash equivalents. Cash and cash equivalents consist primarily of funds invested in readily available checking and savings accounts, investments in money market funds and short-term time deposits.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and cash equivalents, accounts receivable and long-term receivables. The Company's cash and cash equivalents are invested primarily in deposits with major banks worldwide, as such minimal credit risk exists with respect to such investments. The Company's trade receivables are derived from global sales to customers. An allowance for expected credit losses is provided with respect to all balances for which collection is deemed to be doubtful.

Risks and Uncertainties

The global economy, including the financial and credit markets, has recently experienced extreme volatility and disruptions, including increases to inflation rates, rising interest rates, foreign currency impacts, and declines in economic growth. All these factors point to uncertainty about economic stability, and the severity and duration of these conditions on our Company cannot be predicted.

The Company's future results of operations involve a number of risks and uncertainties. Factors that could affect the Company's future operating results and cause actual results to vary materially from expectations include, but are not limited to, rapid technological change, continued acceptance of the Company's products, competition from substitute products and larger companies, protection of proprietary technology, strategic relationships and dependence on key individuals. If the Company fails to adhere to the FDA's Quality System Regulation, or regulations in countries other than the United States, the FDA or other regulators may withdraw its market clearances or take other action. The Company relies on suppliers to manufacture some of the components used in its products. The Company's suppliers may encounter supply interruptions or problems during manufacturing due to a variety of reasons, including failure to comply with applicable regulations, including the FDA's Quality System Regulation, making errors in manufacturing or losing access to critical services and components, any of which could delay or impede the Company's ability to meet demand for its products.

The Company has borrowings with interest rates that are subject to fluctuations as charged by the lender. The Company does not use derivative financial instruments to mitigate the exposure to interest rate risk. The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balances and cash used in operating activities to meet its requirements. As of December 31, 2023 and 2022, the most significant financial liabilities are trade payables, accrued expenses and other current liabilities and long-term debt.

Concentration of Customers

For the years ended December 31, 2023 and 2022, there were no customers accounting for more than 10% of the Company's revenue and no customers accounting for more than 10% of the Company's accounts receivable.

Allowance for Expected Credit Losses

Trade accounts receivable do not bear interest and are typically not collateralized. The Company performs ongoing credit evaluations of its customers' financial condition and maintains an allowance for expected credit losses. Uncollectible accounts are charged to expense when deemed uncollectible, and accounts receivable are presented net of an allowance for expected credit losses. Accounts receivable are deemed past due in accordance with the contractual terms of the agreement. Actual losses may differ from the Company's estimates and could be material to the Company's consolidated financial position, results of operations and cash flows. The allowance for expected credit losses was $7,415 and $13,619 as of December 31, 2023 and 2022, respectively.

Inventory

Inventories are stated at the lower of cost or net realizable value and include raw materials, work in progress and finished goods. Cost is determined as follows:

Raw Materials and Work in Progress ("WIP") – Cost is determined on a standard cost basis utilizing the weighted average cost of historical purchases, which approximates actual cost.

The cost of WIP and finished goods includes the cost of raw materials and the applicable share of the cost of labor and fixed and variable production overheads.

The Company regularly evaluates the value of inventory based on a combination of factors including the following: historical usage rates, product end of life dates, technological obsolescence and product introductions. The Company includes demonstration units within inventories. Proceeds from the sale of demonstration units are recorded as revenue.

Long-term Receivables

Long-term receivables relate to the Company's subscription revenue or contracts which stipulate payment terms which exceed one year. They are comprised of the unpaid principal balance, plus accrued interest, net of the allowance for credit losses. These receivables have been discounted based on the implicit interest rate in the subscription lease which range between 8% to 10% for the year ended December 31, 2023 and 8% to 10% for the year ended December 31, 2022. Unearned interest revenue represents the interest only portion of the respective subscription payments and will be recognized in income over the respective payment term as it is earned.

Deferred revenues represent payments received prior to the income being earned. Once the equipment has been delivered or the services have been rendered, these amounts are recognized in income.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is between three and ten years. Leasehold improvements are depreciated over the lesser of the life of the lease or the useful life of the improvements. Maintenance and repairs are charged to expense as incurred. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the consolidated balance sheets, and any resulting gain or loss is reflected in the consolidated statements of operations.

Leases

The Company determines if an agreement is, or contains, a lease at inception. An agreement is, or contains, a lease if the contact conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company leases assets including land and buildings, vehicles, and equipment. For leases with a term of 12 months or less or of low value, the payments are expensed as incurred.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

An operating lease is a lease in which a lessor transfers the use of an asset to a lessee for a period of time but does not effectively transfer control of the underlying asset. For lessees, a lease is a finance lease if the lessee effectively obtains control of the underlying asset, by meeting any of the following five criteria:

i. The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.

ii. The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise.

iii. The lease term is for a major part (generally 75%) of the remaining economic life of the underlying asset.

iv. The sum of the lease payments and the present value of any residual value guaranteed by the lessee amounts to or exceeds substantially all (generally 90%) of the fair value of the underlying asset.

v. The underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.

For a finance lease, the right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. For an operating lease, amortization of the right-of-use asset is calculated as the difference between the straight-line rent expense and the interest expense on the lease liability for a given period. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company uses its incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The Company has determined that there are no variable payments, residual value guarantees, lease renewal options or early termination options that are reasonably certain to be exercised, and therefore have been excluded these from initial measurement.

The lease liabilities are subsequently measured at amortized cost using the effective interest method. They are remeasured when there is a change in future lease payments arising from a change in the lease term, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

All of our leases for which we are the lessee are operating leases and are included within operating lease right-of-use assets, net, operating lease liabilities, and long-term operating lease liabilities in our Consolidated Balance Sheets.

Intangible Assets

Intangible assets consist of customer relationships, brand, technology and supplier agreement. Intangible assets are stated at cost less accumulated amortization. Amortization is computed using the straight-line method over the estimated useful lives of the respective assets, which range from approximately six to fifteen years.

The useful lives of intangible assets are based on the Company's assessment of various factors impacting estimated cash flows, such as the product's position in its lifecycle, the existence or absence of like products in the market, various other competitive and regulatory issues, and contractual terms.

Impairment of Long-Lived Assets

The Company accounts for the impairment of long-lived assets in accordance with FASB, ASC 360-10, "Accounting for the Impairment of Long-Lived Assets". This standard requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the assets' carrying amounts may not be recoverable. For assets that are to be held and used, impairment is assessed when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying values. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows or internal and external appraisals, as applicable. Assets to be disposed of are carried at the lower of carrying value and estimated net realizable value. During the years ended December 31, 2023 and 2022, there was no impairment of long-lived assets.

Debt Issuance Costs

Costs related to the issuance of debt are presented as a direct deduction to the carrying value of the debt and are amortized to accretion expenses using the effective interest rate method over the term of the related debt.

Derivatives

The Company reviews the terms of convertible notes, equity instruments and other financing arrangements to determine whether there are embedded derivative instruments, including embedded conversion options that are required to be bifurcated and accounted for separately as a derivative financial instrument. Derivative financial instruments are initially measured at their fair value. Derivative financial instruments that are accounted for as liabilities, are initially recorded at fair value and then re-valued at each reporting date, with changes in the fair value recognized in the consolidated statements of operations.

Revenue Recognition

The Company generates revenue from (1) sales of systems through our subscription model, traditional system sales to customers and distributors, (2) other product revenues from the sale of ARTAS procedure kits, marketing supplies and kits, consumables and (3) and our extended warranty service contracts provided to existing customers.

Many of the Company's products are sold under subscription contracts with unencumbered title passing to the customer at the earlier of the end of the term and when the payment is received in full. The subscription contracts include an initial deposit followed by monthly installments typically over a period of 36 months. In accordance with ASC 842, these arrangements are considered to be sales-type leases, where the present value of all cash flows to be received within the arrangement is recognized upon shipment to the customer and achievement of the required revenue recognition criteria. Various accounting and reporting systems are used to monitor subscription receivables which include providing access codes to operate the machines to paying customers and restricting access codes on machines to non-paying customers.

The Company recognizes revenues on other products and services in accordance with ASC 606. Revenue is recognized based on the following five steps: (1) identification of the contract(s) with the customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the separate performance obligations in the contract; and (5) recognition of revenue when (or as) the entity satisfies a performance obligation.

The Company does not grant rights of return to its end customers. The Company's products sold through arrangements with distributors are non-refundable, non-returnable and without any rights of price protection. The Company records revenue net of sales tax and shipping and handling costs.

Cost of Goods

For subscription sales (qualifying as sales-type lease arrangements) and product sales, the costs are recognized upon shipment to the customer or distributor.

Advertising Costs

The cost of advertising and media is expensed as incurred. For the years ended December 31, 2023 and 2022, advertising costs totaled $1,121 and $1,776, respectively.

Research and Development

Research and development costs are charged to operations as incurred. Major components of research and development expenses consist of personnel costs, including salaries and benefits, hardware and software research and development costs, and clinical studies.

Warranty

The Company provides a standard warranty against defects for all of its systems. The warranty period begins upon shipment and is for a period of one to three years.

The Company records a liability for accrued warranty costs at the time of sale of a system, which consists of the warranty on products sold based on histroical warranty costs and management's estimates. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts thereof as necessary. The Company also provides an extended warranty service. Extended warranty can be purchased at any time after the purchase of a system and prior to the expiration of the standard warranty provided with the sale of the system. Extended warranty services include standard warranty services.

The Company recognizes the revenue from the sale of an extended warranty over the period of the extended warranty and accounts it for separately from the standard warranty.

Income Taxes

The Company follows the deferred income taxes method of accounting for income taxes. Under this method, deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying values of accounts and their respective income tax basis. Deferred income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years during which the temporary differences are expected to be realized or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is included in income in the period that includes the enactment date.

The Company establishes valuation allowances when necessary to reduce deferred tax assets to the amounts that are more likely than not to be realized. The Company evaluates tax positions taken or expected to be taken in the course of preparing tax returns to determine whether the tax positions have met a "more likely-than-not" threshold of being sustained by the applicable tax authority. Tax benefits related to tax positions not deemed to meet the "more likely-than-not" threshold are not permitted to be recognized in the consolidated financial statements.

Uncertain Tax Positions

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained on examination based on the technical merit of the position. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on examination, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount, which is more than 50% likely of being realized upon ultimate settlement.

The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments. The Company recognizes interest charges and penalties related to unrecognized tax benefits as a component of the tax provision and recognizes interest charges and penalties related to recognized tax positions in the accompanying consolidated statements of operations.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with ASC 718, "Compensation – Stock Compensation" ("ASC 718"). ASC 718 requires companies to estimate the fair value of equity-based payment awards on the date of grant. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service period in the Company's consolidated statements of operations.

The fair value of stock options ("options") on the grant date is estimated using the Black-Scholes option-pricing model using the single-option approach. The Black-Scholes option pricing model requires the use of highly subjective and complex assumptions, including the option's expected term and the price volatility of the underlying stock, to determine the fair value of the award. The Company recognizes compensation expenses for the value of its awards granted based on the straight-line method over the requisite service period of each of the awards. The Company has made a policy choice to account for forfeitures when they occur.

Net Loss Per Share

The Company computes net (loss) income per share in accordance with ASC Topic 260, "Earnings Per Share" ("ASC 260") and related guidance, which requires two calculations of net (loss) income attributable to the Company's shareholders per share to be disclosed: basic and diluted. Convertible preferred shares are participating securities and are included in the calculation of basic and diluted net (loss) income per share using the two-class method. In periods where the Company reports net losses, such losses are not allocated to the convertible preferred shares for the computation of basic or diluted net (loss) income.

Diluted net (loss) income per share is the same as basic net (loss) income per share for the periods in which the Company had a net loss because the inclusion of outstanding common stock equivalents would be anti-dilutive.

Recently Adopted Accounting Standards

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Board Update ("ASU") 2016-13, Financial Instruments – Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments, and also issued subsequent amendments to the initial guidance: ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-10, ASU 2019-11, and ASU 2020-02, which replace the existing incurred loss impairment model with an expected credit loss model and require a financial asset measured at amortized cost to be presented at the net amount expected to be collected. This guidance was adopted as of January 1, 2023. The Company recognized a charge of $0.5 million to opening retained earnings as a result of the adoption.

Recently Issued Accounting Standards Not Yet Adopted

In August 2020, the FASB issued ASU No. 2020-06 ("ASU 2020-06"): Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40). ASU 2020-06 reduces the number of accounting models for convertible debt instruments by eliminating the cash conversion and beneficial conversion models. The diluted net income per share calculation for convertible instruments will require the Company to use the if-converted method. For contracts in an entity's own equity, the type of contracts primarily affected by this update are freestanding and embedded features that are accounted for as derivatives under the current guidance due to a failure to meet the settlement conditions of the derivative scope exception. This update simplifies the related settlement assessment by removing the requirements to (i) consider whether the contract would be settled in registered shares, (ii) consider whether collateral is required to be posted, and (iii) assess shareholder rights. ASU 2020-06 is effective for the Company on January 1, 2024, with early adoption permitted. ASU No. 2020-06 can be adopted on either a fully retrospective or modified retrospective basis. The Company is currently assessing the impact of applying this guidance.

In October 2023, the FASB issued ASU No. 2023-06 ("ASU 2023-06"): Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative. This ASU was issued to clarify or improve disclosure and presentation requirements of a variety of topics, which will allow users to more easily compare entities subject to the SEC's existing disclosures with those entities that were not previously subject to the requirements, and align the requirements in the FASB accounting standard codification with the SEC's regulations. The ASU will become effective prospectively on the earlier of the date on which the SEC removes its disclosure requirements for the related disclosure or June 30, 2027. The Company is currently evaluating the provisions of the amendments and the impact on its future consolidated statements.

In November 2023, the FASB issued ASU No. 2023-07 ("ASU 2023-07") Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. The new standard requires the disclosure of the Company's Chief Operating Decision Maker (CODM), expanded incremental line-item disclosures of significant segment expenses used by the CODM for decision-making, and the inclusion of previous annual only segment disclosure requirements on a quarterly basis. This ASU must be applied on a retrospective basis to all prior periods presented in the financial statements. This pronouncement is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The Company is currently assessing the impact of applying this guidance.

In December 2023, the FASB issued ASU No. 2023-09 ("ASU 2023-09") Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The guidance requires entities to disclose disaggregated information about their effective tax rate reconciliation as well as information on income taxes paid. The disclosure requirements will be applied on a prospective basis, with the option to apply it retrospectively. This pronouncement is effective for fiscal years beginning after December 15, 2024 and early adoption is permitted. The Company is currently assessing the impact of applying this guidance.

3. NET LOSS PER SHARE

Net Loss Per Share

Basic net loss per share is calculated by dividing net loss by the weighted-average number of shares of common stock outstanding during the period, without consideration for common stock equivalents. Diluted net loss per share is computed by dividing net loss by the weighted-average number of common stock equivalents outstanding for the period determined using the treasury-stock method. For purposes of this calculation, common stock warrants and stock options are considered to be common stock equivalents and are only included in the calculation of diluted net loss per share when their effect is dilutive.

The following table sets forth the computation of basic and diluted net loss and the weighted average number of shares used in computing basic and diluted net loss per share (in thousands, except per share data):

	For the year ended December 31,	
	2023	2022
Numerator:		
Net loss	$ (37,050)	$ (43,584)
Net loss allocated to stockholders of the Company	$ (37,250)	$ (43,700)
Denominator:		
Weighted-average shares of common stock outstanding used in computing net loss per share, basic and diluted	5,442	4,398
Net loss per share:		
Basic and diluted	$ (6.84)	$ (9.94)

Due to the net loss, all the outstanding shares of common stock equivalents were excluded from the calculation of diluted net loss per share attributable to common stockholders for the years ended December 31, 2023 and 2022 because including them would have been antidilutive:

	December 31,	
	2023	2022
Options to purchase common stock	981,834	849,600
Preferred stock	8,889,221	2,123,443
Restricted share units	-	25,924
Shares reserved for convertible notes	983,314	547,714
Warrants for common stock	1,061,930	1,061,930
Total potential dilutive shares	11,916,299	4,608,611

4. FAIR VALUE MEASUREMENTS

Financial assets and financial liabilities are initially recognized at fair value when the Company becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost using the effective interest method.

The financial instruments of the Company consist of cash and cash equivalents, restricted cash, accounts receivable, long-term receivables, lines of credit, trade payables, government assistance loans, accrued expenses and other current liabilities, other long-term liabilities and long-term debt. In view of their nature, the fair value of these financial instruments approximates their carrying amounts.

The Company measures the fair value of its financial assets and financial liabilities using the fair value hierarchy. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The accounting guidance establishes a three-tiered hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

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

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Guaranteed investment certificates are classified within Level 2 as the Company uses alternative pricing sources and models utilizing market observable inputs for valuation. The following tables set forth the fair value of the Company's Level 1, Level 2 and Level 3 financial assets and liabilities within the fair value hierarchy:

	Fair Value Measurements as of December 31, 2023			
	Quoted Prices in Active Markets using Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Guaranteed Investment Certificates	$ —	$ 62	$ —	$ 62
Total assets	$ —	$ 62	$ —	$ 62

	Fair Value Measurements as of December 31, 2022			
	Quoted Prices in Active Markets using Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Guaranteed Investment Certificates	$ —	$ 59	$ —	$ 59
Total assets	$ —	$ 59	$ —	$ 59

5. ACCOUNTS RECEIVABLE

The Company's products may be sold under subscription agreements with unencumbered title passing to the customer at the end of the lease term, which is generally 36 months. These arrangements are considered to be sales-type leases, where the present value of all cash flows to be received under the agreement is recognized upon shipment to the customer as lease revenue.

A financing receivable is a contractual right to receive money, on demand or on fixed or determinable dates, that is recognized as an asset on the Company's consolidated balance sheets. The Company's financing receivables, consisting of sales-type leases, totaled $32,393 and $40,377 at December 31, 2023 and 2022, respectively, and are included in accounts receivable and long-term receivables on the consolidated balance sheets. The Company evaluates the credit quality of an obligor at lease inception and monitors credit quality over the term of the underlying transactions.

The Company performed an assessment of the allowance for expected credit losses as of December 31, 2023 and 2022. Based upon such assessment, the Company recorded an allowance for expected credit losses totaling $7,415 and $13,619 as of December 31, 2023 and 2022, respectively. The balance as of December 31, 2023 includes $0.5 million due to the adoption of revised guidance of ASC 326 "Financial Instruments – Credit Losses" (Topic 326) Measurement of Credit Losses on Financial Instruments.

A summary of the Company's accounts receivables is presented below:

	As of December 31,	
	2023	2022
Gross accounts receivable	$ 47,884	$ 70,925
Unearned income	(2,139)	(3,354)
Allowance for expected credit losses	(7,415)	(13,619)
	$ 38,330	$ 53,952
Reported as:		
Current trade receivables	$ 29,151	$ 37,262
Current unearned interest income	(1,468)	(2,397)
Long-term trade receivables	11,318	20,044
Long-term unearned interest income	(671)	(957)
	$ 38,330	$ 53,952

Current subscription agreements are reported as part of accounts receivable. The following are the contractual commitments, net of allowance for expected credit losses, to be received by the Company over the next 5 years:

		December 31,				
	Total	2024	2025	2026	2027	2028
Current financing receivables, net of allowance of $486	$ 21,075	$ 21,075	$ —	$ —	$ —	$ —
Long-term financing receivables, net of allowance of $77	11,318	—	8,923	2,327	68	—
	$ 32,393	$ 21,075	$ 8,923	$ 2,327	$ 68	$ —

Accounts receivable do not bear interest and are typically not collateralized. The Company performs credit evaluations on new and existing customers' financial condition and maintains an allowance for expected credit losses. Uncollectible accounts are charged to expense when deemed uncollectible, and accounts receivable are presented net of an allowance for expected credit losses. Accounts receivable are deemed past due in accordance with the contractual terms of the agreement. Actual losses may differ from the Company's estimates and could be material to its consolidated financial position, results of operations and cash flows.

The allowance for expected credit losses consisted of the following activity:

	As of December 31,	
	2023	2022
Balance at beginning of year	$ 13,619	$ 11,997
Write-offs	(7,554)	(5,715)
Provision	1,350	7,337
Balance at end of year	$ 7,415	$ 13,619

6. SELECT BALANCE SHEET AND STATEMENT OF OPERATIONS INFORMATION

Inventory

Inventory consists of the following:

	December 31,	
	2023	2022
Raw materials	$ 1,949	$ 2,478
Work-in-progress	2,048	2,112
Finished goods	19,075	19,316
Total inventory	$ 23,072	$ 23,906

Additions to inventory are primarily comprised of newly produced units and applicators, refurbishment cost from demonstration units and used equipment which were reacquired during the year from upgraded sales. The Company expensed $22,687 ($31,555 in 2022) in cost of goods sold during the year. The balance of cost of goods sold represents the sale of applicators, parts, consumables and warranties.

The Company provides for excess and obsolete inventories when conditions indicate that the inventory cost is not recoverable due to physical deterioration, usage, obsolescence, reductions in estimated future demand and reductions in selling prices. Inventory provisions are measured as the difference between the cost of inventory and net realizable value to establish a lower cost basis for the inventories. As of December 31, 2023, a provision for obsolescence of $2,733 ($3,258 in 2022) was taken against inventory.

Property and Equipment, Net

Property and equipment, net consist of the following:

		December 31,	
	Useful Lives (in years)	2023	2022
Lab equipment tooling and molds	4 – 10	$ 4,356	$ 4,356
Office furniture and equipment	6 – 10	1,223	1,240
Leasehold improvements	up to 10	854	794
Computers and software	3	919	906
Vehicles	5 – 7	37	37
Demo units	5	214	214
Total property and equipment		7,603	7,547
Less: Accumulated depreciation		(6,281)	(5,690)
Total property and equipment, net		$ 1,322	$ 1,857

Depreciation expense amounted to $642 and $990 for the years ended December 31, 2023 and 2022.

Other Current Assets

	December 31,	
	2023	2022
Government remittances [1]	$ 1,336	$ 1,602
Consideration receivable from subsidiaries sale	85	629
Deferred financing costs	1	301
Sundry assets and miscellaneous	503	1,170
Total other current assets	$ 1,925	$ 3,702

[1] Government remittances are receivables from the local tax authorities for refunds of sales taxes and income taxes.

Accrued Expenses and Other Current Liabilities

	December 31,	
	2023	2022
Payroll and related expense	$ 2,260	$ 2,244
Accrued expenses	3,924	5,045
Commission accrual	2,385	3,761
Sales and consumption taxes	3,868	5,617
Total accrued expenses and other current liabilities	$ 12,437	$ 16,667

Warranty Accrual

The following table provides the details of the change in the Company's warranty accrual:

	December 31,	
	2023	2022
Balance as of the beginning of the year	$ 1,482	$ 1,753
Warranties issued during the year	933	993
Warranty costs incurred during the year	(1,052)	(1,264)
Balance at the end of the year	$ 1,363	$ 1,482
Current	1,029	1,074
Long-term	334	408
Total	$ 1,363	$ 1,482

Finance Expenses

The following table provides the details of the Company's finance expenses:

	Year Ended December 31,	
	2023	2022
Interest expense	$ 6,629	$ 4,297
Accretion on long-term debt and amortization of fees	264	264
Total finance expenses	$ 6,893	$ 4,561

7. LEASES

The following presents the various components of lease costs.

	Year Ended December 31,	
	2023	2022
Operating lease cost	$ 1,933	$ 1,943
Short-term lease cost	—	267
Total lease cost	$ 1,933	$ 2,210

The following table presents supplemental information relating to the cash flows arising from lease transactions. Cash payments related to short-term leases are not included in the measurement of operating lease liabilities, and as such, are excluded from the amounts below.

	Year Ended December 31,	
	2023	2022
Operating cash outflows from operating leases	$ 1,933	$ 1,943

The following table presents the weighted-average lease term and discount rate for operating leases.

	Year Ended December 31,	
	2023	2022
Operating leases		
Weighted-average remaining lease term	2.8 yrs.	4.2 yrs.
Weighted-average discount rate	4.00%	4.00%

The following table presents a maturity analysis of expected undiscounted cash flows for operating leases on an annual basis for the next five years and thereafter.

Years ending December 31,	Operating leases
2024	$ 1,526
2025	1,236
2026	1,046
2027	598
2028	554
Thereafter	—
Imputed Interest (1)	(208)
Total	$ 4,752

(1) Imputed interest represents the difference between undiscounted cash flows and cash flows.

8. INTANGIBLE ASSETS

The carrying values of goodwill and indefinite-life intangible assets are subject to annual impairment assessment as of the last day of each fiscal year. Between annual assessments, impairment review may also be triggered by any significant events or changes in circumstances affecting the Company's business. Based on the analysis of the intangible assets performed by management as of December 31, 2023 and 2022, no impairment was considered necessary.

Intangible assets net of accumulated amortization were as follows:

	At December 31, 2023		
	Gross Amount	Accumulated Amortization	Net Amount
Customer relationships	$ 1,400	$ (522)	$ 878
Brand	2,500	(1,330)	1,170
Technology	16,900	(11,735)	5,165
Supplier agreement	3,000	(1,767)	1,233
Total intangible assets	$ 23,800	$ (15,354)	$ 8,446

	At December 31, 2022		
	Gross Amount	Accumulated Amortization	Net Amount
Customer relationships	$ 1,400	$ (429)	$ 971
Brand	2,500	(1,066)	1,434
Technology	16,900	(8,919)	7,981
Supplier agreement	3,000	(1,467)	1,533
Total intangible assets	$ 23,800	$ (11,881)	$ 11,919

Amortization expense was $3,473 for the years ended December 31, 2023 and 2022.

Estimated amortization expense for the next five fiscal years and all years thereafter are as follows:

Years ending December 31,	
2024	$ 3,473
2025	3,004
2026	656
2027	657
2028	656
Thereafter	—
Total	$ 8,446

9. COMMITMENTS AND CONTINGENCIES

Commitments

As of December 31, 2023, the Company has non-cancellable purchase orders placed with its contract manufacturers in the amount of $10.0 million. In addition, as of December 31, 2023, the Company had $2.8 million of open purchase orders that can be cancelled with 270 days' notice, except for a portion equal to 25% of the total amount representing the purchase of "long lead items."

Aggregate future service and purchase commitments with manufacturers as of December 31, 2023 are as follows:

Years ending December 31,	Purchase and Service Commitments
2024	$ 10,006
2025	—
2026	—
2027	—
2028	—
Thereafter	—
Total	$ 10,006

10. MAIN STREET TERM LOAN

On December 8, 2020, the Company executed a loan and security agreement (the "MSLP Loan Agreement"), a promissory note (the "MSLP Note"), and related documents for a loan in the aggregate amount of $50,000 for which CNB will serve as a lender pursuant to the Main Street Priority Loan Facility as established by the Board of Governors of the Federal Reserve System Section 13(3) of the Federal Reserve Act (the "MSLP Loan"). On December 9, 2020, the MSLP Loan had been funded and the transaction was closed. The MSLP Note has a term of five years and bears interest at a rate per annum equal to 30-day LIBOR plus 3%. On December 8, 2023 and December 8, 2024, the Company must make an annual payment of principal plus accrued but unpaid interest in an amount equal to fifteen percent (15%) of the outstanding principal balance of the MSLP Note (inclusive of accrued but unpaid interest). The entire outstanding principal balance of the MSLP Note together with all accrued and unpaid interest is due and payable in full on December 8, 2025. The Company may prepay the MSLP Loan at any time without incurring any prepayment penalties. The MSLP Note provides for customary events of default, including, among others, those relating to a failure to make payment, bankruptcy, breaches of representations and covenants, and the occurrence of certain events. In addition, the MSLP Loan Agreement and MSLP Note contain various covenants that limit the Company's ability to engage in specified types of transactions. Subject to limited exceptions, these covenants limit the Company's ability, without CNB's consent, to, among other things, sell, lease, transfer, exclusively license or dispose of the Company's assets, incur, create, or permit to exist additional indebtedness, or liens, to make dividends and other restricted payments, and to make certain changes to its ownership structure.

On October 4, 2023, the Company, Venus USA, Venus Canada and Venus Ltd. entered into the Loan Modification Agreement with CNB, which modified certain terms of the MSLP Loan Agreement. The primary modifications of the MSLP Loan Modification were (i) the principal payment in the amount of 15% of the outstanding principal balance of the loan originally due December 31, 2023 is deferred until maturity, (ii) the principal payment in the amount of 15% of the outstanding principal balance of the loan originally due December 31, 2024 is reduced to 7.5% with the remainder deferred until maturity, (iii) the interest rate of the loan is reset from one-month LIBOR plus three percent (3%) to one-month term Secured Overnight Financing Rate (SOFR) plus three and one-quarter percent (3.25%), and (iv) Venus USA has assigned certain of its subscription sales contracts to CNB.

As of December 31, 2023 and December 31, 2022, the Company was in compliance with all required covenants.

The scheduled payments, inclusive of principal and estimated interest, on the outstanding borrowings as of December 31, 2023 are as follows:

	As of December 31, 2023
2024	$ 8,438
2025	51,916
Total	$ 60,354

11. MADRYN LONG-TERM DEBT AND CONVERTIBLE NOTES

On October 11, 2016, Venus Ltd. entered into a credit agreement as a guarantor with Madryn Health Partners, LP, as administrative agent, and certain of its affiliates as lenders (collectively, “Madryn”), as amended (the “Madryn Credit Agreement”), pursuant to which Madryn agreed to make certain loans to certain of Venus Concept’s subsidiaries.

On December 9, 2020, contemporaneously with the MSLP Loan Agreement (Note 10), the Company and its subsidiaries, Venus USA, Venus Ltd., Venus Concept Canada, Corp. ("Venus Canada"), and the Madryn Noteholders (as defined below), entered into a securities exchange agreement (the "Exchange Agreement") dated as of December 8, 2020, pursuant to which the Company (i) repaid on December 9, 2020, $42.5 million aggregate principal amount owed under the Madryn Credit Agreement, and (ii) issued, on December 9, 2020, to Madryn Health Partners (Cayman Master), LP and Madryn Health Partners, LP (the "Madryn Noteholders") secured subordinated convertible notes in the aggregate principal amount of $26.7 million (the "Notes"). The Madryn Credit Agreement was terminated effective December 9, 2020 upon the funding and closing of the MSLP Loan and the issuance of the Notes.

On October 4, 2023, the Company entered into a securities exchange agreement (the "2023 Exchange Agreement") with the Madryn Noteholders. Pursuant to the 2023 Exchange Agreement, the Madryn Noteholders agreed to exchange (the "Exchange") $26.695 million in aggregate principal amount of outstanding secured convertible notes of the Company for (i) $22.792 million in aggregate principal amount of New Notes of the Company and (ii) 248,755 shares of newly-created convertible preferred stock of the Company, par value $0.0001 per share designated as "Series X Convertible Preferred Stock" (the "Series X Preferred Stock"). The Series X Preferred Stock is priced at $20.10 per share (the "Issuance Price"), being equal to the "Minimum Price" as set forth in Nasdaq Listing Rule 5635(d), multiplied by ten. The New Notes accrue interest at a rate of 3-month adjusted term Secured Overnight Financing Rate (SOFR) plus 8.50% per annum. In the case of an event of default under the New Notes, the then-applicable interest rate will increase by four percent (4.00%) per annum. Interest is payable in kind in arrears on the last business day of each calendar quarter of each year after the original issuance date, beginning on December 31, 2023. The New Notes mature on December 9, 2025, unless earlier redeemed or converted. As part of the extinguishment of principal, the Company recognized a $2.0 million loss.

As of December 31, 2023, the Company had approximately $23.6 million principal and interest of convertible notes outstanding that were issued pursuant to the 2023 Exchange Agreement (as defined below).

In connection with the Notes, the Company recognized interest expense of $2,438 and $2,165 during the years ended December 31, 2023 and December 31, 2022, respectively. The conversion feature, providing the Madryn Noteholders with a right to receive the Company’s shares upon conversion of the Notes, was qualified for a scope exception in ASC 815-10-15 and did not require bifurcation. The Notes also contained embedded redemption features that provided multiple redemption alternatives. Certain redemption features provided the Madryn Noteholders with a right to receive cash and a variable number of shares upon change of control and an event of default (as defined in the Notes). The Company evaluated redemption upon change of control and an event of default under ASC 815, Derivatives and Hedging, and determined that these two redemption features required bifurcation. These embedded derivatives were accounted for as liabilities at their estimated fair value as of the date of issuance, and then subsequently remeasured to fair value as of each balance sheet date, with the related remeasurement adjustment being recognized as a component of change in fair value of derivative liabilities in the unaudited condensed consolidated statements of operations. The Company determined the likelihood of an event of default and change of control as remote as of December 31, 2023, and December 31, 2022, therefore a nominal value was allocated to the underlying embedded derivative liabilities as of December 31, 2023, and December 31, 2022.

The scheduled payments, inclusive of principal and interest, on the outstanding borrowings as of December 31, 2023 are as follows:

	As of December 31, 2023
2024	$ -
2025	30,952
Total	$ 30,952

For the years ended December 31, 2023 and 2022, the Company did not make any principal repayments.

12. CREDIT FACILITY

On August 29, 2018, Venus Ltd. entered into an Amended and Restated Loan Agreement as a guarantor with CNB, as amended on March 20, 2020, December 9, 2020 and August 26, 2021 (the "CNB Loan Agreement"), pursuant to which CNB agreed to make certain loans and other financial accommodations to certain of Venus Ltd.'s subsidiaries to be used to finance working capital requirements. In connection with the CNB Loan Agreement, Venus Ltd. also entered into a guaranty agreement with CNB dated as of August 29, 2018, as amended on March 20, 2020, December 9, 2020 and August 26, 2021 (the "CNB Guaranty"), pursuant to which Venus Ltd. agreed to guaranty the obligations of its subsidiaries under the CNB Loan Agreement. On March 20, 2020, the Company also entered into a Security Agreement with CNB (the "CNB Security Agreement"), as amended on December 9, 2020 and August 26, 2021, pursuant to which it agreed to grant CNB a security interest in substantially all of our assets to secure the obligations under the CNB Loan Agreement.

The CNB Loan Agreement contains various covenants that limit the Company's ability to engage in specified types of transactions. Subject to limited exceptions, these covenants limit the Company's ability, without CNB's consent, to, among other things, sell, lease, transfer, exclusively license or dispose of the Company's assets, incur, create or permit to exist additional indebtedness, or liens, to make dividends and certain other restricted payments, and to make certain changes to its management and/or ownership structure. The Company is required to maintain $3,000 in cash in a deposit account maintained with CNB at all times during the term of the CNB Loan Agreement. In addition, the CNB Loan Agreement contains certain covenants that require the Company to achieve certain minimum account balances, or a minimum debt service coverage ratio and a maximum total liability to tangible net worth ratio. If the Company fails to comply with these covenants, it will result in a default and require the Company to repay all outstanding principal amounts and any accrued interest. In connection with the CNB Loan Agreement, a loan fee of $1,000 was paid in equal installments on January 25, February 25 and March 25, 2021.

On August 26, 2021, the Company, Venus USA and Venus Canada entered into a Fourth Amended and Restated Loan Agreement (the "Amended CNB Loan Agreement") with CNB, pursuant to which, among other things, (i) the maximum principal amount the revolving credit facility was reduced from $10,000 to $5,000 at the LIBOR 30-Day rate plus 3.25%, subject to a minimum LIBOR rate floor of 0.50%, and (ii) beginning December 10, 2021, the cash deposit requirement was reduced from $3,000 to $1,500, to be maintained with CNB at all times during the term of the Amended CNB Loan Agreement. The Amended CNB Loan Agreement is secured by substantially all of the Company's assets and the assets of certain of its subsidiaries.

In connection with the Amended CNB Loan Agreement, the Company, Venus USA and Venus Canada issued a promissory note dated August 26, 2021, in favor of CNB (the "CNB Note") in the amount of $5,000 with a maturity date of July 24, 2023 and the obligations of the Company pursuant to certain of the Company's outstanding promissory notes were reaffirmed as subordinated to the indebtedness of the Company owing to CNB pursuant to a Supplement to Subordination of Debt Agreements dated as of August 26, 2021 by and among Madryn Health Partners, LP, Madryn Health Partners (Cayman Master), LP, the Company and CNB. The CNB Note expired at its maturity date.

As of December 31, 2023 and December 31, 2022, the Company was in compliance with all required covenants. An event of default under this agreement would cause a default under the MSLP Loan (see Note 10).

13. COMMON STOCK RESERVED FOR ISSUANCE

The Company is required to reserve and keep available out of its authorized but unissued shares of common stock a number of shares sufficient to affect the exercise of all classes of preferred stock, convertible promissory notes, options granted and available for grant under the incentive plans and warrants to purchase common stock.

	December 31, 2023	December 31, 2022
Outstanding common stock warrants	1,061,930	1,061,930
Outstanding stock options and RSUs	981,834	875,524
Preferred shares	8,889,221	2,123,443
Shares reserved for conversion of future non-voting preferred share issuance	—	80,617
Shares reserved for conversion of future voting preferred share issuance	5,844,213	609,891
Shares reserved for future option grants and RSUs	99,580	24,999
Shares reserved for Lincoln Park	711,180	1,054,299
Shares reserved for Madryn Noteholders	1,300,000	547,714
Total common stock reserved for issuance	18,887,958	6,378,417

14. STOCKHOLDERS' EQUITY

Common Stock

The Company's common stock confers upon its holders the following rights:

- The right to participate and vote in the Company's stockholder meetings, whether annual or special. Each share will entitle its holder, when attending and participating in the voting in person or via proxy, to one vote;
- The right to a share in the distribution of dividends, whether in cash or in the form of bonus shares, the distribution of assets or any other distribution pro rata to the par value of the shares held by them; and
- The right to a share in the distribution of the Company's excess assets upon liquidation pro rata to the par value of the shares held by them.

Reverse Stock Split

At the annual and special meeting of the Company's shareholders held on May 10, 2023, the Company's shareholders granted the Company's Board of Directors discretionary authority to implement the Reverse Stock Split and to fix the specific consolidation ratio within a range of one-for-five (1-for-5) to one-for-fifteen (1 for 15). On May 11, 2023, the Company filed an amendment to the Company's Certificate of Incorporation to implement the Reverse Stock Split based on a one-for-fifteen (1-for-15) consolidation ratio. The Company's common shares began trading on the Nasdaq Capital Market on a reverse split-adjusted basis under the Company's existing trade symbol "VERO" at the opening of the market on May 12, 2023. In accordance with U.S. GAAP, the change has been applied retroactively.

Equity Purchase Agreement with Lincoln Park

On June 16, 2020, the Company entered into the Equity Purchase Agreement with Lincoln Park, which provides that, upon the terms and subject to the conditions and limitations set forth therein, the Company may sell to Lincoln Park up to $31,000 worth of shares of its common stock, par value $0.0001 per share, pursuant to its shelf registration statement. The purchase price of shares of common stock related to a future sale will be based on the then prevailing market prices of such shares at the time of sales as described in the Equity Purchase Agreement. The aggregate number of shares that the Company can sell to Lincoln Park under the Equity Purchase Agreement may in no case exceed 517,560 shares (subject to adjustment) of common stock (which is equal to approximately 19.99% of the shares of the common stock outstanding immediately prior to the execution of the Equity Purchase Agreement) (the "Exchange Cap"), unless (i) stockholder approval is obtained to issue shares above the Exchange Cap, in which case the Exchange Cap will no longer apply, or (ii) with Equity Purchase Agreement equals or exceeds $59.6325 per share (subject to adjustment) (which represents the minimum price, as defined under Nasdaq Stock Market LLC ("Nasdaq") Listing Rule 5635(d), on the Nasdaq Global Market immediately preceding the signing of the Equity Purchase Agreement, such that the transactions contemplated by the Equity Purchase Agreement are exempt from the Exchange Cap limitation under applicable Nasdaq rules. Also, at no time may Lincoln Park (together with its affiliates) beneficially own more than 9.99% of the Company's issued and outstanding common stock. Concurrently with entering into the Equity Purchase Agreement, the Company also entered into a registration rights agreement with Lincoln Park, pursuant to which it agreed to provide Lincoln Park with certain registration rights related to the shares of common stock issued under the Equity Purchase Agreement (the "Registration Rights Agreement").

From commencement to expiry on July 1, 2022, the Company issued and sold to Lincoln Park 229,139 shares of its common stock at an average price of $40.50 per share, and 13,971 of these shares were issued to Lincoln Park as a commitment fee in connection with entering into the Equity Purchase Agreement (the "Commitment Shares"). The total value of the Commitment Shares of $620 together with the issuance costs of $123 were recorded as deferred issuance costs in the consolidated balance sheet at inception and were amortized into consolidated statements of stockholders' equity proportionally based on proceeds received during the term of the Equity Purchase Agreement. In 2022, the Company issued 26,666 shares of its common stock and the proceeds from common stock issuances as of December 31, 2022 were $272, with no issuance costs. The proceeds in the amount of $272 were recorded in the condensed consolidated statements of cash flows as net cash proceeds from issuance of common stock. The Equity Purchase Agreement expired on July 1, 2022, and was replaced with the 2022 LPC Purchase Agreement discussed below.

2022 LPC Purchase Agreement with Lincoln Park

On July 12, 2022, the Company entered into the 2022 LPC Purchase Agreement with Lincoln Park, as the Equity Purchase Agreement expired on July 1, 2022. The 2022 LPC Purchase Agreement provides that, upon the terms and subject to the conditions and limitations set forth therein, the Company may sell to Lincoln Park up to $11,000 of shares (the "Purchase Shares") of its common stock, par value $0.0001 per share. Concurrently with entering into the 2022 LPC Purchase Agreement, the Company also entered into a registration rights agreement (the "2022 LPC Registration Rights Agreement") with Lincoln Park, pursuant to which it agreed to provide Lincoln Park with certain registration rights related to the shares issued under the 2022 LPC Purchase Agreement. The aggregate number of shares that the Company can issue to Lincoln Park under the 2022 LPC Purchase Agreement may not exceed 858,224 shares of common stock, which is equal to 19.99% of the shares of common stock outstanding immediately prior to the execution of the 2022 LPC Purchase Agreement (the "2022 Exchange Cap"), unless (i) stockholder approval is obtained to issue shares of common stock in excess of the 2022 Exchange Cap, in which case the 2022 Exchange Cap will no longer apply, or (ii) the average price of all applicable sales of common stock to Lincoln Park under the 2022 LPC Purchase Agreement equals or exceeds the lower of (i) the Nasdaq official closing price immediately preceding the execution of the 2022 LPC Purchase Agreement or (ii) the arithmetic average of the five Nasdaq official closing prices for the common stock immediately preceding the execution of the 2022 LPC Purchase Agreement, plus an incremental amount to take into account the issuance of the commitment shares to Lincoln Park under the 2022 LPC Purchase Agreement, such that the transactions contemplated by the 2022 LPC Purchase Agreement are exempt from the 2022 Exchange Cap limitation under applicable Nasdaq rules. In all instances, the Company may not sell shares of its common stock to Lincoln Park under the 2022 LPC Purchase Agreement if it would result in Lincoln Park beneficially owning more than 9.99% of the outstanding shares of common stock. Upon execution of the 2022 LPC Purchase Agreement, the Company issued 45,701 shares of common stock to Lincoln Park as a commitment fee in connection with entering into the 2022 LPC Purchase Agreement at the total amount of $330. Through December 31, 2022, the Company issued an additional 433,336 shares of common stock to Lincoln Park at an average price of $4.54 per share for a total value of $1,970. Through December 31, 2023, the Company issued an additional 343,116 shares of common stock to Lincoln Park at an average price of $3.23 per share for a total value of $1,109. Further information regarding the 2022 LPC Purchase Agreement is contained in the Company's Form 8-K filed with the SEC on July 12, 2022.

The 2021 Private Placement

On December 15, 2021, we entered into a securities purchase agreement pursuant to which we issued and sold to certain investors (collectively the "2021 Investors") an aggregate of 653,894 shares of our common stock and 252,717 shares of our non-voting convertible preferred stock (the "Non-Voting Preferred Stock"), par value $0.0001 per share, which are convertible upon receipt of a valid conversion notice by the Company from a 2021 Investor ("2021 Private Placement"). The gross proceeds from the securities sold in the 2021 Private Placement was $17.0 million. The costs incurred with respect to the 2021 Private Placement totaled $0.3 million and were recorded as a reduction of the 2021 Private Placement proceeds in the consolidated statements of stockholders' equity. These Non-Voting Preferred Stock shares were subsequently converted to common stock upon issuance of the 2022 Private Placement described below.

Non-Voting Preferred Stock issued in December 2021

As noted above, in December 2021, the Company issued and sold to the 2021 Investors an aggregate of 252,717 shares of the Non-Voting Preferred Stock. The terms of the Non-Voting Preferred Stock were governed by a Certificate of Designation filed by the Company with the Secretary of State of the State of Delaware on December 14, 2021. On May 15, 2023, the Company filed with the Delaware Secretary of State a Certificate of Elimination with respect to the Company's Non-Voting Preferred Stock, thereby returning the unused share balance to the status of authorized but unissued shares of "blank check" preferred stock of the Company. Refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC for a summary of the material terms and information regarding the issuance of the Non-Voting Preferred Stock.

The 2022 Private Placement

In November 2022, we entered into a securities purchase agreement with certain investors (collectively, the "2022 Investors") pursuant to which the Company issued and sold to the 2022 Investors an aggregate of 116,668 shares of common stock, par value $0.0001 per share, and 3,185,000 shares of voting convertible preferred stock, par value $0.0001 per share (the "Voting Preferred Stock"), which are convertible into 2,123,443 shares of common stock upon receipt of a valid conversion notice from a 2022 Investor or at the option of the Company within 30 days following the occurrence of certain events (the "2022 Private Placement"). The 2022 Private Placement was completed on November 18, 2022. The gross proceeds from the securities sold in the 2022 Private Placement was $6,720. The costs incurred with respect to the 2022 Private Placement totaled $202 and were recorded as a reduction of the 2022 Private Placement proceeds in the consolidated statements of

stockholders' equity. Further information regarding the 2022 Private Placement is contained in the Company's Form 8-K filed with the SEC on November 18, 2022.

Voting Preferred Stock issued in November 2022

As noted above, in November 2022, the Company issued and sold to certain 2022 Investors an aggregate of 3,185,000 shares of Voting Preferred Stock. The terms of the Voting Preferred Stock are governed by a Certificate of Designation filed by the Company with the Secretary of State of the State of Delaware on November 17, 2022. The following is a summary of the material terms of the Voting Preferred Stock:

- *Voting Rights.* The Voting Preferred Stock votes with the Common Stock on an as-converted basis.

- *Liquidation.* Each share of Voting Preferred Stock carries a liquidation preference, senior to the Common Stock, in an amount equal to the greater of (a) $30.00 (being the issuance price) and (b) the amount that would be distributed in respect of such share of Voting Preferred Stock if it were converted into Common Stock and participated in such liquidating distribution with the other shares of Common Stock.

- *Conversion*. The Voting Preferred Stock will convert into shares of Common Stock on a one for 0.6667 basis (i) at the option of a 2022 Investor upon delivery of a valid conversion notice to the Company or (ii) at the option of the Company within 30 days following the earlier to occur of (a) the date on which the volume-weighted average price of the Common Stock has been greater than or equal to $18.75 for 30 consecutive trading days and (b) the date on which the Company has reported two consecutive fiscal quarters of positive cash flow.

- *Dividends.* Each share of Voting Preferred Stock is entitled to participate in dividends and other non-liquidating distributions (if, as and when declared by the Board of the Company) on an as-converted basis, *pari passu* with the Common Stock.

- *Redemption*. The Voting Preferred Stock is not redeemable at the election of the Company or at the election of the holder.

- *Maturity.* The Voting Preferred Stock shall be perpetual unless converted.

The 2023 Multi-Tranche Private Placement

In May 2023, we entered into a securities purchase agreement (the "2023 Multi-Tranche Private Placement Stock Purchase Agreement") with certain investors (collectively, the "2023 Investors") pursuant to which the Company may issue and sell to the 2023 Investors up to $9,000,000 in shares (the "2023 Multi-Tranche Private Placement") of newly-created senior convertible preferred stock, par value $0.0001 per share (the "Senior Preferred Stock"), in multiple tranches from time to time until December 31, 2025, subject to a minimum aggregate purchase amount of $0.5 million in each tranche. The initial sale in the 2023 Multi-Tranche Private Placement occurred on May 15, 2023, under which the Company sold the 2023 Investors 280,899 shares of Senior Preferred Stock for an aggregate purchase price of $2.0 million (the "Initial Placement"). The Company used the proceeds of the Initial Placement, after the payment of transaction expenses, for general working capital purposes. The following is a summary of the material terms of the Senior Preferred Stock:

- *Voting Rights.* The Senior Preferred Stock has aggregate number of votes equal to the product of (a) the quotient of (i) the aggregate purchase price paid under the Stock Purchase Agreement for all shares of Senior Preferred Stock issued and outstanding as of such time, divided by (ii) the highest purchase price paid by a holder for a share of Senior Preferred Stock prior to or as of such time, multiplied by (b) two. Such formula ensures that no share of senior preferred stock will ever have more than two votes per share, with such number of votes subject to reduction (but not increase) depending on the pricing of future sales of Senior Preferred Stock in the Private Placement. The Senior Preferred Stock votes with the Company's common stock on all matters submitted to holders of common stock and does not vote as a separate class.

- *Liquidation.* Each share of Senior Preferred Stock carries a liquidation preference, senior to the Common Stock and Voting Preferred Stock, in an amount equal to the product of the Purchase Price for such share, multiplied by 2.50.

- *Conversion*. The Senior Preferred Stock will convert into shares of Common Stock on a one for 2.6667 basis at the option of (a) the investors at any time or (b) the Company within 30 days following the date on which the 30-day volume-weighted average price of the common stock exceeds the product of (i) the Purchase Price for the shares of senior preferred stock to be converted, multiplied by (ii) 2.75.

- *Dividends.* Each share of Senior Preferred Stock is entitled to participate in dividends and other non-liquidating distributions (if, as and when declared by the Board of the Company) on an as-converted basis, pari passu with the Common Stock and Voting Preferred Stock.

- *Redemption*. The Senior Preferred Stock is not redeemable at the election of the Company or at the election of the holder.

- *Maturity.* The Senior Preferred Stock shall be perpetual unless converted.

On July 6, 2023, the Company and the 2023 Investors entered into an amendment to the 2023 Multi-Tranche Private Placement Stock Purchase Agreement (the "Multi-Tranche Amendment"). The Multi-Tranche Amendment (a) clarifies the appropriate date pursuant to which the purchase price for each share of Senior Preferred Stock to be sold in the Private Placement is determined (such that the purchase price shall be equal to the "Minimum Price" as set forth in Nasdaq Listing Rule 5635(d)) and (b) permits the Company to specify a desired closing date (subject to approval by the 2023 Investors) for each sale in the 2023 Multi-Tranche Private Placement.

On July 12, 2023, the Company and the 2023 Investors consummated the second tranche in the 2023 Multi-Tranche Private Placement, under which the Company sold the 2023 Investors 500,000 shares of Senior Preferred Stock for an aggregate purchase price of $2.0 million (the "Second Placement"). The Company used the proceeds of the Second Placement, after the payment of transaction expenses, for general working capital purposes.

On September 8, 2023, the Company and the 2023 Investors consummated the third tranche in the 2023 Multi-Tranche Private Placement, under which the Company sold the 2023 Investors 292,398 shares of Senior Preferred Stock for an aggregate purchase price of $1.0 million (the "Third Placement", and together with the First Placement and Second Placement, the "Placements"). The Company used the proceeds of the Third Placement, after the payment of transaction expenses, for general working capital purposes.

On October 20, 2023, the Company and the 2023 Investors consummated the fourth tranche in the 2023 Multi-Tranche Private Placement, under which the Company sold the 2023 Investors 502,513 shares of Senior Preferred Stock for an aggregate purchase price of $2.0 million (the "Fourth Placement"). The Company used the proceeds of the Fourth Placement, after the payment of transaction expenses, for general working capital purposes.

Series X Preferred Stock

On October 4, 2023, the Company filed a Certificate of Designations with respect to the Series X Preferred Stock with the Secretary of State of the State of Delaware, thereby creating the Series X Preferred Stock. The Certificate of Designations authorizes the issuance of up to 400,000 shares of Series X Preferred Stock. The Series X Preferred Stock is convertible into shares of Common Stock on a one-for-ten basis, in whole or in part, at the option of the holder at any time upon delivery of a valid conversion notice of the Company; provided, however, that the Series X Preferred Stock is subject to limitations on convertibility to the extent necessary to comply with the rules and regulations of the Nasdaq. Each share of Series X Preferred Stock carries a liquidation preference, senior to the Common Stock, the Senior Preferred Stock and Voting Preferred Stock, in an amount equal to the Issuance Price, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or similar recapitalization with respect to the Common Stock. From the date of issuance until December 31, 2026, each share of Series X Preferred Stock accrues a dividend at a rate of 12.5% per annum. Such dividend is payable on a quarterly basis in cash or additional shares of Series X Preferred Stock, at the Company's election. In addition, each share of Series X Preferred Stock is entitled to participate in dividends and other non-liquidating distributions, if, as and when declared by the Board, on a pari passu basis with the Common Stock, Senior Preferred Stock and Junior Preferred Stock. The following is a summary of the material terms of the Senior Preferred Stock:

- *Voting Rights.* The holders of the Series X Preferred Stock shall be entitled to vote on all matters on which holders of Common Stock shall be entitled to vote, and shall be entitled to a number of votes equal to the Converted Stock Equivalent which is 10 common shares per 1 Series X Preferred stock.

- *Liquidation.* Each share of Series X Preferred Stock carries a liquidation preference, senior to the Common Stock and Voting Preferred Stock, in an amount equal to the Unpaid Liquidation Preference at that time.

- *Conversion*. The Series X Preferred Stock will convert into shares of Common Stock on a one for 10 basis at the option of the investors at any time.

- *Dividends.* The Series X Preferred Stock accrues a dividend at a rate of 12.5% per annum, payable on a quarterly basis in cash or additional shares of Series X Preferred Stock, at the Company's election. In addition, each share of Series X Preferred Stock is entitled to participate in dividends and other non-liquidating distributions, if, as and when declared by the Board, on a pari passu basis with the Common Stock, Senior Preferred Stock and Junior Preferred Stock.

- *Redemption*. The Senior Preferred Stock is not redeemable at the election of the Company or at the election of the holder.

- *Maturity.* The Senior Preferred Stock shall be perpetual unless converted, however dividends will stop accruing on December 31, 2026.

2010 Share Option Plan

In November 2010, the Board adopted a share option plan (the "2010 Share Option Plan") pursuant to which shares of the Company's common stock are reserved for issuance upon the exercise of options to be granted to directors, officers, employees and consultants of the Company. The 2010 Share Option Plan is administered by the Board, which designates the options and dates of grant. Options granted vest over a period determined by the Board, originally had a contractual life of seven years, which was extended to ten years in November 2017 and are non-assignable except by the laws of descent. The Board has the authority to prescribe, amend and rescind rules and regulations relating to the 2010 Share Option Plan, provided that any such amendment or rescindment that would adversely affect the rights of an optionee that has received or been granted an option shall not be made without the optionee's written consent. As of December 31, 2023 and December 31, 2022, the number of shares of the Company's common stock reserved for issuance and available for grant under the 2010 Share Option Plan was 28,168 (6,284 as of December 31, 2022).

2019 Incentive Award Plan

The 2019 Incentive Award Plan (the "2019 Plan") was originally established under the name Restoration Robotics, Inc., as the 2017 Incentive Award Plan. It was adopted by the Board on September 12, 2017 and approved by the Company's stockholders on September 14, 2017. The 2017 Incentive Award Plan was amended, restated, and renamed as set forth above, and was approved by the Company's stockholders on October 4, 2019.

Under the 2019 Plan, 30,000 shares of common stock were initially reserved for issuance pursuant to a variety of stock-based compensation awards, including stock options, stock appreciation rights, performance stock awards, performance stock unit awards, restricted stock awards, restricted stock unit awards and other stock-based awards, plus the number of shares remaining available for future awards under the 2019 Plan as of the date we completed our business combination with Venus Ltd. and the business of Venus Ltd. became the primary business of the Company (the "Merger"). As of December 31, 2023, there were 71,412 of shares of common stock available under the 2019 Plan (18,715 as of December 31, 2022). The 2019 Plan contains an "evergreen" provision, pursuant to which the number of shares of common stock reserved for issuance pursuant to awards under such plan shall be increased on the first day of each year from 2020 and ending in 2029 equal to the lesser of (A) four percent (4.00%) of the shares of stock outstanding on the last day of the immediately preceding fiscal year and (B) such smaller number of shares of stock as determined by the Board.

The Company recognized stock-based compensation for its employees and non-employees in the accompanying consolidated statements of operations as follows:

	Year Ended December 31,	
	2023	2022
Cost of sales	$ 47	$ 73
Selling and marketing	343	576
General and administrative	1,035	1,195
Research and development	144	260
Total stock-based compensation	$ 1,569	$ 2,104

Stock Options

The fair value of each option is estimated at the date of grant using the Black-Scholes option pricing formula with the following assumptions:

	Year Ended December 31,	
	2023	2022
Expected term (in years)	6.00	6.00
Risk-free interest rate	3.37-4.68%	2.56-4.20%
Expected volatility	42.93%	42.77%
Expected dividend rate	0%	0%

Expected Term—The expected term represents management's best estimate for the options to be exercised by option holders.

Volatility—Since the Company does not have a trading history for its common stock, the expected volatility was derived from the historical stock volatilities of comparable peer public companies within its industry that are considered to be comparable to the Company's business over a period equivalent to the expected term of the stock-based awards.

Risk-Free Interest Rate—The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the date of grant for zero-coupon U.S. Treasury notes with maturities approximately equal to the stock-based awards' expected term.

Dividend Rate—The expected dividend is zero as the Company has not paid nor does it anticipate paying any dividends on its common stock in the foreseeable future.

Fair Value of Common Stock— Prior to the Merger, Venus Ltd. used the price per share in its latest sale of securities as an estimate of the fair value of its ordinary shares. After the closing of the Merger, the fair value of the Company's common stock is used to estimate the fair value of the stock-based awards at grant date.

The following table summarizes stock option activity under the Company's stock option plan:

	Number of Shares	Weighted-Average Exercise Price per Share, $	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding – January 1, 2023	849,613	$ 25.05	8.23	$ 209
Options granted	229,531	2.81	-	-
Options exercised	-	-	-	-
Options forfeited/cancelled	(97,310)	25.37	-	-
Outstanding - December 31, 2023	981,834	$ 19.85	7.58	$ —
Exercisable – December 31, 2023	396,267	$ 36.44	6.24	$ —
Expected to vest – after December 31, 2023	585,567	$ 8.62	8.48	$ —

The following tables summarize information about stock options outstanding and exercisable at December 31, 2023:

	Options Outstanding			Options Exercisable		
Exercise Price Range	Number	Weighted average remaining contractual term (years)	Weighted average Exercise Price	Options exercisable	Weighted average remaining contractual term (years)	Weighted average Exercise Price
$1.90 - $54.60	933,055	7.79	$14.90	348,118	6.63	$25.59
$63.90 - $119.25	46,063	3.44	99.31	45,433	3.41	99.44
$186.75 - $382.50	1,627	4.74	271.15	1,627	4.74	271.15
$405.00 - $438.75	637	0.72	405.21	637	0.72	405.21
$650.25 - $958.50	452	2.68	696.15	452	2.68	696.15
	981,834	7.58	$ 19.85	396,267	6.24	$ 36.44

The aggregate intrinsic value of options is calculated as the difference between the exercise price of the stock options and the fair value of the Company's common stock for those options that had exercise prices lower than the fair value of the Company's common stock. The total intrinsic value of options exercised were $nil and $nil for the years ended December 31, 2023 and 2022, respectively.

The weighted-average grant date fair value of options granted was $2.81 and $9.30 per share for the years ended December 31, 2023 and 2022, respectively. The fair value of options vested was $1,552 and $1,645 for the years ended December 31, 2023 and 2022, respectively.

Restricted Stock Units

The following table summarizes information about RSUs outstanding at December 31, 2023:

	Number of Shares	Weighted-Average Grant Date Fair Value per Share, $
Outstanding - January 1, 2023	25,918	$ 19.50
RSUs forfeited/cancelled	(1,250)	20.70
RSUs exercised	(24,668)	19.40
Outstanding - December 31, 2023	—	$ —

15. INCOME TAXES

The geographical breakdown of loss before provision for income taxes is as follows:

	Year Ended December 31,	
	2023	2022
United States	$ (41,197)	$ (32,045)
Other jurisdictions	4,076	(12,261)
Loss before income taxes	$ (37,121)	$ (44,306)

The components of the provision for income taxes are as follows:

	Year Ended December 31,	
	2023	2022
Current tax benefit:		
Federal	$ —	$ —
Foreign	(2)	(13)
Total current tax benefit	(2)	(13)
Deferred tax benefit:		
Federal	—	—
Foreign	(69)	(709)
Total deferred tax benefit	$ (69)	$ (709)
Total benefit for income taxes	$ (71)	$ (722)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

A valuation allowance is provided when it is more likely than not that the deferred tax assets will not be realized. On the basis of this evaluation, as of December 31, 2023, a valuation allowance of $73,416 ($64,341 as of December 31, 2022) has been recorded to recognize only the portion of the deferred tax asset that is more likely than not to be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as our projections for growth. The valuation allowance increased by $9,075 and $12,904 for the years ended December 31, 2023 and 2022, respectively.

The Company's effective tax rate substantially differed from the federal statutory tax rate primarily due to the change in the valuation allowance. The reconciliation between income taxes computed at the federal statutory income tax rate and the provision for income taxes is as follows:

	Year Ended December 31,	
	2023	2022
Loss before income taxes	$ (37,121)	$ (44,306)
Theoretical tax benefit at the statutory rate (21% in 2023 and 2022)	(7,796)	(9,304)
Differences in jurisdictional tax rates	(1,465)	(1,671)
Valuation allowance	8,452	10,015
Non-deductible expenses	1,059	803
Other	(321)	(565)
Total income tax benefit	(71)	(722)
Net loss	$ (37,050)	$ (43,584)

The components of the deferred tax assets and deferred tax liabilities are as follows:

	December 31,	
	2023	2022
Deferred tax assets:		
Property and equipment	$ 685	$ 690
Deferred revenue	1,453	1,560
Allowance for expected credit losses	3,188	3,917
Intangible assets	(20)	(785)
Non-deductible expenses	12,280	10,371
Warranty and other reserves	1,221	1,806
Other	1,373	1,020
Loss carryforwards	54,268	46,709
Valuation allowance	(73,416)	(64,341)
Total deferred tax assets	$ 1,032	$ 947
Deferred tax liabilities:		
Deferred revenue	$ 15	$ —
Total deferred tax liabilities	$ 15	$ —

As of December 31, 2023, the Company had federal, state and foreign non-operating loss ("NOL") carryforwards of approximately $217,643 ($191,313 in 2022). The use of these NOL carryforwards might be subject to limitation under the rules regarding a change in stock ownership as determined by the IRC and similar state provisions; however, a complete analysis of the limitation of the NOL carryforwards will not be complete until the time the Company projects it will be able to utilize such NOLs. The NOL carryforwards expire between 2023 and indefinitely, and valuation allowances have been reserved, where necessary. The Company also had federal and state research and development credit carryforwards of approximately $377 and $nil as of December 31, 2023. The federal credits will expire starting in 2025 if not utilized. The state credits have no expiration date.

We may recognize the tax benefit from uncertain tax positions only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. ASC 740 also provides guidance on de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, and income tax disclosures. During the year, the Company determined that $1,032 of future tax benefits met this criterion.

Utilization of the research and development credits carryforwards may be subject to an annual limitation due to the ownership percentage change limitations provided by the IRC. However, the Company has not conducted a formal study to determine the extent of the limitations, which could impact the realizability of these credit carryforwards in future periods. The annual limitations may result in the expiration of the net operating losses and research and development credits before utilization.

The Company files income tax returns in the United States and in various state jurisdictions with varying statutes of limitations. Tax years 2017 through 2023 remain open to examination by the Internal Revenue Service for U.S. federal tax purposes.

Uncertain Tax Positions

The activity related to gross amount of unrecognized tax benefits is as follows:

	Year Ended December 31,	
	2023	2022
Balance as of the beginning of the year	$ 83	$ 36
Increases related to tax positions in prior period	30	47
Increases related to tax positions taken during the current period	—	—
Balance as of the end of the year	$ 113	$ 83

These amounts are related to certain deferred tax assets with a corresponding valuation allowance. If recognized, the impact on the Company's effective tax rate would not be material due to the full valuation allowance. Management believes that there will not be any significant changes in the Company's unrecognized tax benefits in the next twelve months.

The Company recognizes interest and penalties related to unrecognized tax benefits in the provision for income taxes in the accompanying consolidated statements of operations. Accrued interest and penalties, if applicable, are included in accrued expenses and other current liabilities in the consolidated balance sheets. For the years ended December 31, 2023 and 2022, the Company did not recognize any accrued interest and penalties.

The activity related to the tax effected amount of the recognized tax position as follows:

	Year Ended December 31,	
	2023	2022
Balance as of the beginning of the year	$ (376)	$ (563)
Increases related to tax positions in prior period	—	—
Reduction related to tax position taken during the current period	376	210
Increase related to interest expense	—	(23)
Balance as of the end of the year	$ —	$ (376)

The Company has derecognized the full amount of the potential tax liability plus interest as the uncertain tax position is statute barred as of December 31, 2023.

16. SEGMENT AND GEOGRAPHIC INFORMATION

Operating segments are defined as components of an entity for which separate financial information is available and that is regularly reviewed by the Chief Operating Decision Maker ("CODM") in deciding how to allocate resources to an individual segment and in assessing performance. The Company's CODM is its Chief Executive Officer. The Company has determined it operates in a single operating segment and has one reportable segment, as the CODM reviews financial information presented on a consolidated basis accompanied by disaggregated information about revenues by geography and type for purposes of making operating decisions, allocating resources, and evaluating financial performance. The Company does not assess the performance of individual product lines on measures of profit or loss, or asset-based metrics. Therefore, the information below is presented only for revenues by geography and type.

Revenue by geographic location, which is based on the product shipped to location, is summarized as follows:

	Year Ended December 31,	
	2023	2022
United States	$ 43,454	$ 52,101
International	32,900	47,396
Total revenue	$ 76,354	$ 99,497

As of December 31, 2023, long-lived assets in the amount of $8,705 were located in the United States and $1,063 were located in foreign locations. As of December 31, 2022, long-lived assets in the amount of $12,346 were located in the United States and $1,431 were located in foreign locations.

Revenue by type is a key indicator for providing management with an understanding of the Company's financial performance, which is organized into four different categories:

1. Lease revenue - includes all system sales with typical lease terms of 36 months.

2. System revenue - includes all systems sales with payment terms within 12 months.

3. Product revenue - includes skincare, hair and other consumables payable upon receipt.

4. Service revenue - includes NeoGraft technician services, ad agency services and extended warranty sales.

The following table presents revenue by type:

	Year Ended December 31,	
	2023	**2022**
Lease revenue	$ 20,504	$ 35,267
System revenue	41,874	47,906
Product revenue	10,563	13,316
Service revenue	3,413	3,008
Total revenue	$ 76,354	$ 99,497

17. RELATED PARTY TRANSACTIONS

All amounts were recorded at the exchange amount, which is the amount established and agreed to by the related parties. The following are transactions between the Company and parties related through employment.

Distribution agreements

On January 1, 2018, the Company entered into a Distribution Agreement with Technicalbiomed Co., Ltd. (“TBC”), pursuant to which TBC will distribute the Company’s products in Thailand. A former senior officer of the Company is a 30.0% shareholder of TBC. For the year ended December 31, 2023 and 2022, TBC purchased products in the amount of $322 and $951, respectively, under this distribution agreement. These sales are included in products and services revenue. These sales are included in products and services revenue. TBC is no longer a related party as of December 31, 2023.

In 2020, the Company made several strategic decisions to divest itself of underperforming direct sales offices and sold its share in several subsidiaries, including its 55.0% shareholding in Venus Concept Singapore Pte. Ltd. ("Venus Singapore"). On January 1, 2021, the Company entered into a distribution agreement with Aexel Biomed Pte Ltd. (“Aexel Biomed”), formerly Venus Singapore, pursuant to which Aexel Biomed will continue to distribute the Company’s products in Singapore. A former senior officer of the Company is a 45.0% shareholder of Aexel Biomed. During the year ended December 31, 2023 and 2022, Aexel Biomed purchased products in the amount of $122 and $441, respectively, under the distribution agreement. These sales are included in products and services revenue. Aexel Biomed is no longer a related party as of December 31, 2023.

18. SUBSEQUENT EVENTS

Note Purchase Agreement

On January 18, 2024, the Company, Venus USA, Venus Canada and Venus Ltd (the “Guarantors”) entered into a Note Purchase and Registration Rights Agreement (the “Note Purchase Agreement”) with EW Healthcare Partners, L.P. (“EW”) and EW Healthcare Partners-A, L.P. (“EW-A,” and together with EW, the “Investors”). Pursuant to the Note Purchase Agreement, the Company issued and sold to the Investors $2,000,000 in aggregate principal amount of secured subordinated convertible notes (the “2024 Notes”).

The terms of the 2024 Notes are described below under “2024 Notes.” The 2024 Notes are secured by a Guaranty and Security Agreement, dated January 18, 2024 (the “Security Agreement”), the terms of which are described below under “Security Agreement.”

Under the Note Purchase Agreement, the Company is required to file one or more demand shelf registration statements registering the resale of the shares of the Company’s common stock issuable upon conversion of the 2024 Notes. The Company is required to file the initial registration statement no later than March 18, 2024 and cause such registration statement to be declared effective by the SEC as soon as practicable thereafter.

The Note Purchase Agreement contains customary representations, warranties and covenants by the Company, as well as indemnification obligations of the Company, including for liabilities under the Securities Act and other obligations of the parties.

2024 Notes

The 2024 Notes accrue interest at a rate equal to the 90-day adjusted term Secured Overnight Financing Rate (SOFR) plus 8.50% per annum; provided, however, that if there is an Event of Default (as defined below), the then-applicable interest rate will increase by 4.00% per annum. Interest is payable in kind in arrears on the last business day of each calendar quarter of each year after the original issuance date, beginning on March 31, 2024. The 2024 Notes mature on December 9, 2025, unless earlier redeemed or converted, at which time all outstanding principal and interest is payable in cash, except as described below.

At any time prior to the maturity date, a holder may convert the 2024 Notes at their option into shares of common stock at the then-applicable conversion rate. The initial conversion rate is 799.3605 shares of common stock per $1,000 principal amount of 2024 Notes, which represents an initial conversion price of approximately $1.251 per share of common stock. The conversion rate is subject to customary anti-dilution adjustments.

The 2024 Notes are redeemable, in whole and not in part, at the Company's option at any time, at a redemption price equal to the principal amount of the 2024 Notes to be redeemed, plus accrued and unpaid interest, if any, to, the redemption date, plus a redemption premium. The Company' redemption option is subject to satisfaction of the conditions set forth in the 2024 Notes, including that a registration statement covering the resale of the shares of common stock issuable upon conversion of the 2024 Notes is effective and available for use.

The 2024 Notes have customary provisions relating to the occurrence of "Events of Default," as defined in the 2024 Notes. If an Event of Default occurs, then the Investors may, subject to the terms of the CNB Subordination Agreement (as defined below), (i) declare the outstanding principal amount of the 2024 Notes, all accrued and unpaid interest and all other amounts owing under the 2024 Notes and other transaction documents entered into in connection therewith to be immediately become due and payable, without any further action or notice by any person, and (ii) exercise all rights and remedies available to them under the 2024 Notes, the Security Agreement and any other document entered into in connection with the foregoing.

The 2024 Notes constitute the Company's secured, subordinated obligations and are (i) equal in right of payment with the Company's existing and future senior unsecured indebtedness; (ii) senior in right of payment to the Company's existing and future indebtedness that is expressly subordinated to the 2024 Notes; and (iii) subordinated to the Company's existing secured indebtedness in a manner consistent with the Existing Subordination Agreements (as defined below).

Security Agreement

On January 18, 2024, the Company and the Guarantors entered into the Security Agreement with EW, as collateral agent. Pursuant to the Security Agreement, the Guarantors jointly and severally guaranteed to the Investors the prompt payment of all outstanding amounts under the 2024 Notes when due. The Guarantors also granted to the Investors a security interest in substantially all of their assets to secure the obligations under the 2024 Notes.

Pursuant to the Security Agreement, during the continuance of an Event of Default under the 2024 Notes, if the Company is unable to repay all outstanding amounts under the 2024 Notes, the Investors may, subject to the terms of the CNB Subordination Agreement (as defined below), foreclose on the collateral to collateralize such indebtedness. Any such foreclosure could significantly affect the Company's ability to operate its business.

The Security Agreement contains various covenants that limit the Company's ability to engage in specified types of transactions. Subject to limited exceptions, these covenants include restrictions on the Company's ability, to incur, create or permit to exist additional indebtedness, or liens, and to make certain changes to its ownership structure, in each case without the Investor's consent.

CNB Subordination Agreement

On January 18, 2024, the Company and the Guarantors entered into a Subordination of Debt Agreement (the "CNB Subordination Agreement") with CNB and the Investors.

The CNB Subordination Agreement provides that the 2024 Notes are subordinated to the Company's existing secured indebtedness with CNB, in a manner consistent with the subordination of the Secured Subordinated Convertible Notes, dated October 4, 2023 (the "Madryn Notes"), issued to Madryn pursuant to those certain existing Subordination of Debt Agreements, dated as of December 8, 2020 entered into by the Company and the Guarantors, CNB, and Madryn (the "Existing Subordination Agreements"). The 2024 Notes and the Madryn Notes are secured by the same collateral, except that the 2024 Notes also receive a first priority perfected security interest and lien on the Company's right to receive certain amounts from the Internal Revenue Service in respect of certain employee retention credits claimed by the Company (defined in the Notes as the "ERC Claim").

Loan Modification Agreement

On January 18, 2024, the Company and the Guarantors entered into a Loan Modification Agreement (the "Loan Modification Agreement") with CNB and Madryn. The Loan Modification Agreement amends the Loan and Security Agreement, dated December 8, 2020, between Venus USA and CNB (the "Original Main Street Loan Agreement") to, among other things, satisfy the 2023 Minimum Deposit Requirements (as defined in the Loan Modification Agreement) and defer the testing of the Minimum Deposit Relationship obligations set forth in the Original Main Street Loan Agreement for the monthly periods ending on January 31, 2024, February 28, 2024 and March 31, 2024 until April 30, 2024.

Review of Strategic Alternatives

On January 24, 2024, the Company announced that its Board is evaluating potential strategic alternatives to maximize shareholder value. As part of the process, the Board is considering a full range of strategic alternatives, which may include one or more financings, mergers, reverse mergers, other business combinations, sales of assets, licensings or other transactions.

There can be no assurance that the evaluation of strategic alternatives will result in any transaction, nor can there be any assurance regarding any transaction's timing or ultimate outcome. The Company has not set a timetable for completion of the process and does not intend to disclose developments related to the process unless and until the Company executes a definitive agreement with respect thereto, or the Board otherwise determines that further disclosure is appropriate or required.

Registered Direct Offering

On February 22, 2024, the Company, entered into a securities purchase agreement (the "SPA") with certain institutional investors (each, a "2024 Investor"), pursuant to which the Company agreed to issue and sell to the 2024 Investors (i) in a registered direct offering, an aggregate of 817,748 shares of the Company's common stock, at a price of $1.465 per share and (ii) in a concurrent private placement, warrants to acquire up to an aggregate of 817,748 shares of Common Stock (the "2024 Investor Warrants"), at an initial exercise price of $1.34 per share (the "Offering").

The Shares were offered at-the-market under Nasdaq rules and pursuant to the Company's shelf registration statement on Form S-3 initially filed by the Company with the Securities and Exchange Commission (the "SEC") under the Securities Act, on October 15, 2021 and declared effective on October 25, 2021.

The 2024 Investor Warrants (and the shares of common stock issuable upon the exercise of the 2024 Investor Warrants) were not registered under the Securities Act and were offered pursuant to an exemption from the registration requirements provided under Section 4(a)(2) of the Securities Act. The 2024 Investor Warrants are exercisable upon issuance and will expire five years from the issuance date, and in certain circumstances may be exercised on a cashless basis. If the Company fails for any reason to deliver shares of common stock upon the valid exercise of the 2024 Investor Warrants within the prescribed period set forth in the 2024 Investor Warrants, the Company is required to pay the applicable holder liquidated damages in cash as set forth in the 2024 Investor Warrants.

A holder is not be entitled to exercise any portion of a 2024 Investor Warrant, if, after giving effect to such exercise, the aggregate number of shares of common stock beneficially owned by the holder (together with its affiliates and any other persons whose beneficial ownership of Common Stock would or could be aggregated with the holder's for purposes of Section 13(d) or Section 16 of the Exchange Act would exceed 4.99%, or at the election of a 2024 Investor 9.99%, of the common stock outstanding after giving effect to the exercise. Such 4.99% limitation may be increased at the holder's election upon 61 days' notice to the Company, provided that such percentage may not exceed 9.99%.

On February 27, 2024, the Company closed the Offering, raising gross proceeds of approximately $1.2 million before deducting placement agent fees and other offering expenses payable by the Company.

Under the SPA, no later than March 8, 2024, the Company is required to file a registration statement on Form S-3 (or other appropriate form if the Company is not then S-3 eligible) registering the resale of the shares of common stock issued or issuable upon exercise of the 2024 Investor Warrants. The Company is required to use commercially reasonable efforts to cause such registration to become effective within 45 days of the closing date of the Offering (or within 75 days following the closing of the Offering in case of "full review" of the registration statement by the SEC), and to keep the registration statement effective at all times until no 2024 Investor owns any 2024 Investor Warrants or shares issuable upon exercise thereof.

The SPA contains customary representations, warranties and covenants by the Company, among other customary provisions.

H.C. Wainwright & Co., LLC ("HCW") acted as the Company's placement agent in connection with Offering. The Company paid HCW consideration consisting of (i) a cash fee equal to 7.0% of the aggregate gross proceeds in the Offering, (ii) a management fee equal to 1.0% of the aggregate gross proceeds in the Offering, (iii) reimbursement of certain expenses and (iv) warrants to acquire up to an aggregate of 57,242 shares of common stock (the "Placement Agent Warrants"). The Placement Agent Warrants are similar to the 2024 Investor Warrants, except that the initial exercise price of the Placement Agent Warrants is $1.8313 per share.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of disclosure controls and procedures.

As of December 31, 2023, our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2023.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. We have performed an evaluation of the effectiveness of our internal control over financial reporting, based on criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its 2013 Internal Control-Integrated Framework. Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our internal controls over financial reporting were effective as of December 31, 2023.

This Annual Report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the company's registered public accounting firm pursuant to rules of the SEC, as the Company is a non-accelerated filer.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. 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. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. Because of these limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become ineffective because of changes in conditions or that the degree of compliance with established policies or procedures may deteriorate.

Changes in Internal Control over Financial Reporting

There were no material changes in our internal control over financial reporting during the year ended December 31, 2023, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Item 9B. Other Information.

Rule 10b5-1 Trading Plans

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance.

Board of Directors

The Company's business and affairs are governed by its Board. The Board consists of eight directors. The Board has full authority to act on behalf of the Company. The Board acts collectively through meetings, committees and executive officers it appoints. In addition, the Company employs a staff of professionals to manage the day-to-day business of the Company. The members of the Board and the executive officers are identified below.

Directors and Executive Officers

Name	Age	Position(s)
Directors		
Scott Barry	51	Chair of the Board
Fritz LaPorte	53	Director
Louise Lacchin	66	Director
Keith Sullivan	65	Director
Anthony Natale, M.D.	50	Director
S. Tyler Hollmig, M.D.	42	Director
Garheng Kong, M.D.	48	Director
Rajiv De Silva	57	Chief Executive Officer and Director

Name	Age	Position(s)
Executive Officers		
Rajiv De Silva	57	Chief Executive Officer and Director
Domenic Della Penna	62	Executive Vice President & Chief Financial Officer
Hemanth Varghese	48	President & Chief Operating Officer
Ross Portaro	61	Executive Vice President & General Manager, Global Sales & Marketing
Anna Georgiadis	52	Chief Human Resources Officer
Michael Mandarello	39	General Counsel and Corporate Secretary
William McGrail	61	Executive Vice President, Technical Operations & Compliance

Scott Barry has served as a member of the Company's Board and the Chair of the Board since November 2019 and as a director of Venus Concept Ltd. from June 2017 until November 2019. Mr. Barry joined EW Healthcare Partners in 2006 and has been a Managing Director of EW Healthcare Partners since 2012. Prior to joining EW Healthcare, Mr. Barry worked at Novartis Pharma AG where he most recently served as the Global Head of Pharma M&A and Collaborations. He was responsible for global acquisitions, equity investments and corporate partnerships across all therapeutic areas. Prior to joining Novartis, Mr. Barry was a director for Century Capital Associates LLC, a boutique healthcare investment bank and consulting firm, where he focused on mergers and acquisitions, strategic partnering and financing transactions. Previously, he held positions at KPMG LLP in their healthcare corporate finance and assurance services groups. Mr. Barry serves as a director of current EW Healthcare portfolio companies including Breg, Inc. and Metabolon, Inc. He previously served on the boards of directors of Orthovita Inc. (NASDAQ:VITA), which was acquired by Stryker Corporation, Victory Pharma, Inc., which was acquired by Shiongi, Inc., and Velcera, Inc., which was acquired by Perrigo Company plc. Mr. Barry has a Bachelor of Arts degree from Wesleyan University and a Master of Business Administration from New York University. Venus Concept believes that Mr. Barry is qualified to serve on the Company's Board based on his experience investing in healthcare companies and his experience on boards of directors in the healthcare and medical device industries.

Fritz LaPorte has served as a member of the Company's Board since November 2019 and as a director of Venus Concept Ltd. from August 2015 until November 2019. Mr. LaPorte is a Partner at Dovere Advisory Group, LLC, which he co-founded in October 2014 to guide early-stage operating growth companies primarily in the medical device and healthcare sectors, in creating and sustaining value while reducing risk in the process. Mr. LaPorte co-founded MAKO Surgical Corp., an orthopedic surgical robotic company, in November 2004 and served as its Senior Vice President, Chief Financial Officer and Treasurer until December 2013, when it was acquired by Stryker Corporation (formerly NASDAQ:MAKO). Mr. LaPorte subsequently served as Vice President and Chief Financial Officer of Stryker Corporation – Stryker Mako Business Unit from December 2013 until June 2014 to assist in the integration of MAKO Surgical Corp. into Stryker Corporation. Since January 2018, he has served on the board of directors of Holy Cross Health in Fort Lauderdale, Florida and, from January 2021 through December 2023, served as the chair of Holy Cross's board of directors. From October 2021 Through April 2023, he served on the board of directors of LAVA Acquisition Corp. (formerly Nasdaq: LVACU), a special purpose acquisition company targeting the medtech sector and served as chair of its audit committee. Mr. LaPorte holds a Bachelor of Business Administration in Accounting from Florida Atlantic University. Venus Concept believes Mr. LaPorte is qualified to serve on the Company's Board based on his extensive financial and operational experience, including his leadership, management and accounting experience in the medical device field.

Louise Lacchin has served as a member of the Company's Board since November 2019 and as a director of Venus Concept Ltd. from August 2015 until November 2019. Prior to joining Venus Concept Ltd.'s board of directors, Ms. Lacchin was a director and the treasurer and chair of the finance committee at Sheena's Place from October 2011 until May 2015. From 1983 until 2010 Ms. Lacchin held various positions with Loblaw Companies Limited (TSX:L), and its parent, George Weston Limited (OTCMKTS:WNGRF) ("Weston"). Most recently, from 2007 until 2010, Ms. Lacchin was Executive Vice President of Finance at Weston with direct responsibility over Weston's and Loblaw's corporate treasury, tax, insurance and risk, pension and benefits and commodity risk management departments and Weston's financial reporting, corporate development and other corporate office departments. Ms. Lacchin served as chair of Weston's disclosure committee from 2008 until 2010. In 2006, Ms. Lacchin was named one of the TOP 100 Canada's™ Most Powerful Women. Ms. Lacchin holds a B.A. in Economics and Accounting from Algoma University and an MBA in Accounting and Finance from McMaster University. Venus Concept believes that Ms. Lacchin is qualified to serve on the Company's Board based on her extensive financial, accounting and executive management experience.

Keith J. Sullivan has served as a member of the Company's Board since July 2018 and as its Chief Commercial Officer from November 2018 until November 2019. Mr. Sullivan is currently the President and Chief Executive Officer of Neuronetics, Inc., a medical device company serving the needs of patients suffering with depression and other mental health conditions. Mr. Sullivan has previously served as Chief Commercial Officer and President, North America of ZELTIQ Aesthetics, Inc., a medical technology company focused on developing and commercializing products utilizing its proprietary controlled-cooling technology platform under the Coolsculpting® brand, from January 2016 until the acquisition of ZELTIQ by Allergan, Inc. in April 2017. Mr. Sullivan served as Senior Vice President and Chief Commercial Officer of ZELTIQ from November 2014 until January 2016 and as Senior Vice President of Worldwide Sales and Marketing from July 2013 through October 2014. Mr. Sullivan, who has more than 30 years of senior sales leadership experience in the medical device industry, has previously held leadership positions with Medicis Pharmaceuticals, Reliant Technologies, Medtronic, Vision Quest Laser Center and Coherent Medical. Mr. Sullivan currently serves on the board of directors of Neuronetics and Cutera, Inc. (NASDAQ: CUTR), and formerly served on the board of directors of Sientra, Inc. from June 2017 to April 2023. Mr. Sullivan received a Bachelor of Business Administration from the College of William and Mary. Venus Concept believes Mr. Sullivan is qualified to serve on the Company's Board based his experience in the aesthetic medical device industry.

Anthony Natale, M.D. has served as a member of the Company's Board since November 2019 and as a director of Venus Concept Ltd. from December 2014 until November 2019. Dr. Natale has served as a Managing Partner at Aperture Venture Partners, a healthcare venture capital firm, since 2010. From 2006 until 2010 and 2002 until 2006, respectively, Dr. Natale was a Partner at Prism Ventures and MDS Capital, where he made and managed healthcare venture investments. He has been a founder, director and/or lead investor of numerous venture-backed life sciences companies. Dr. Natale currently serves on the board of directors of Neuros Medical, XII Medical, ENT Specialty Partners and KOKO Medical. He previously served on the board of directors of LAVA Medtech Acquisition Corp. and has had board roles at multiple portfolio companies, including Xlumena, Spirox, Mako Surgical, Inspire Medical, Avedro, Otonomy and Entrigue Surgical. He holds a B.A. from the University of Virginia, an M.D. from the University of Florida and an M.B.A. from Yale University. Prior to transitioning into venture capital, Dr. Natale trained in General Surgery and Otolaryngology/Head and Neck Surgery at the University of Connecticut and Hartford Hospital. Venus Concept believes that Dr. Natale is qualified to serve on the Company's Board based on experience investing in healthcare companies, his experience on boards of directors in the healthcare industry, and his medical training.

Stanley Tyler Hollmig, M.D. has served on the Company's Board since January 2022. Dr. Hollmig is Director of Dermatologic Surgery and Director of Laser & Cosmetic Dermatology at Dell Medical School at the University of Texas and Ascension Texas. Dr. Hollmig returned to Stanford to join the medical faculty as Mohs surgeon and Director of Laser and Aesthetic Dermatology for five years and then was recruited to the University of Texas and Ascension Seton to become the Director of Dermatologic surgery and Director of Laser and Cosmetic Dermatology. Outside of his busy clinical practice, Dr. Hollmig serves on the medical advisory boards of Proven Skincare and Happy 2nd Birthday Skincare, and as a Key Opinion Leader (KOL) for Sciton and Lumenis. Dr. Hollmig attended Duke University, graduating magna cum laude, and attended medical school at the University of Texas Southwestern, graduating as valedictorian. He underwent dermatology residency training at Stanford University, followed by a fellowship in Mohs and Dermatologic Surgery at the Medical University of South Carolina in Charleston. Venus Concept believes Dr. Hollmig is qualified to serve on the Company's Board based on his extensive experience as a national leader in aesthetic and surgical dermatology and his experience working with successful companies in this field.

Garheng Kong, M.D., Ph.D. has served as a member of the Company's Board since November 2019 and as a director of Venus Concept Ltd. from June 2017 until November 2019. Dr. Kong has been the managing partner of HealthQuest Capital, a healthcare investment firm, since July 2013. He was a general partner at Sofinnova Ventures, a venture firm focused on healthcare, from September 2010 until December 2013. From 2000 until September 2010, he was at Intersouth Partners, a venture capital firm, most recently as a general partner, where he was a founding investor or board member for multiple healthcare companies, several of which were acquired by large healthcare companies. Dr. Kong also served on the board of directors of Alimera Sciences, Inc. (NASDAQ:ALIM), a biopharmaceutical company, from 2012 until 2023, Laboratory Corporation of America Holdings (NYSE:LH), a healthcare company, since December 2013, and Xeris Pharmaceuticals (NASDAQ: XERS), a biopharmaceutical company, since October 2021. Dr. Kong holds a B.S. from Stanford University and an M.D., Ph.D. and M.B.A. from Duke University. Venus Concept believes that Dr. Kong is qualified to serve on the Company's Board based on his experience investing in healthcare companies, his experience on boards of directors in the medical industry, and his medical training.

Rajiv De Silva has served as the Company's Chief Executive Officer and director since October 2022. Mr. De Silva brings extensive executive experience and expertise in the fields of dermatology, aesthetics, pharmaceuticals, medical devices and healthcare. He currently serves as the Chairman of the board of directors of Covis Pharma, a multinational specialty pharmaceutical company, and is a co-founder of Asiri Skincare, a privately held company focused on topical consumer therapeutic skincare products. He has previously served as President, Chief Executive Officer, and Director of Endo International Plc, a publicly traded, multinational pharmaceutical corporation, as well as President of Valeant Pharmaceuticals International (now Bausch Health), where he also served as Chief Operating Officer of the company's Specialty Pharmaceuticals business, including its dermatology and aesthetics unit. Prior to that, Rajiv held various leadership positions within Novartis AG, including President of Novartis Pharma Canada. Mr. De Silva began his career in healthcare at McKinsey & Company in 1995, where he rose to Partner. Venus Concept believes Mr. De Silva is qualified to serve on the Company's Board based on his extensive management experience in the medical and aesthetic industries and his role as the Chief Executive Officer of Venus Concept.

Domenic Della Penna has served as the Company's Executive Vice President and Chief Financial Officer since February 2023. Previously, Mr. Della Penna served as the Company's Chief Financial Officer since November 2019 and served in the same role at Venus Concept Ltd. from September 2017 until November 2019. Prior to joining Venus Concept, Mr. Della Penna served as Chief Financial Officer of Intellipharmaceutics International Inc. (Nasdaq: IPCI; and TSX:IPCI) from November 2014 until September 2017 and as Chief Financial Officer of Teva Canada Ltd., a subsidiary of Teva Pharmaceuticals Industries Ltd (NYSE:TEVA), from December 2010 until September 2014. Mr. Della Penna is a C.A., CPA and holds a BBA and MBA from the Schulich School of Business at York University (Toronto).

Hemanth Varghese, Ph.D, CFA has served as the Company's President and Chief Operating Officer since October 2023. Previously, Dr. Varghese served as the Company's President and Chief Innovation & Business Officer since February 2023. Previously, Dr. Varghese served as the Company's President and Chief Business Officer since October 2022. Before joining Venus Concept, Dr. Varghese served as Senior Vice President of Strategy & Operations at HLS Therapeutics from 2017 until 2022. He previously worked for Endo International Plc, a multinational healthcare company, from 2014 until 2017 as President of International Pharmaceuticals and Executive Vice President of Corporate Development & Strategy. From 2009 until 2014, Dr. Varghese served as General Manager of Vision Care at Bausch & Lomb and Senior Vice President of Corporate Development at Valeant Pharmaceuticals (now Bausch Health). He has also held leadership roles in venture capital and corporate development enterprises with a specialization in healthcare technology, medical devices, and imaging modalities. Dr. Varghese has an Honors BSc and a PhD in Medical Biophysics from Western University and is a CFA charter holder.

Ross Portaro has served as the Company's Executive Vice President & General Manager, Global Sales & Marketing since February 2023. Previously, he served as the Company's President of Global Sales from October 2021 until February 2023. Before becoming the Company's President of Global Sales, Mr. Portaro served as the Vice President (EMEA) for Venus Concept from May 2021 until October 2021. Before joining Venus Concept in May 2021, Mr. Portaro served various executive roles at Candela Laser Corporation from January 2016 until May 2021. This included service for Candela Laser Corporation from October 2019 until May 2021 as the Vice President of EMEA Direct, from January 2018 until October 2019 as the Global Vice President of the Surgical Business Unit, and from January 2016 until January 2018 as the Global Vice President of Profound. From April 2014 until January 2016, Mr. Portaro served as Senior Vice President of Sales for BioPharmx. Mr. Portaro is an industry veteran previously working for Coherent Lasers, Cutera Inc., Lumenis Inc., TRIA Beauty, Medicis Inc, and Merz Inc. (formerly Ulthera). Mr. Portaro earned his Bachelor of Science degree in Commerce from the University of Virginia in 1984.

Anna Georgiadis has served as the Company's Chief Human Resources Officer since February 2023. Previously, Ms. Georgiadis served as the Company's Vice President of Global Human Resources since November 2019 and served in the same role at Venus Concept Ltd. from September 2018 until November 2019. Prior to joining Venus Concept, Ms. Georgiadis served as Senior Director of Telecom and Sales Enablement at Loblaw Companies Limited (OTCMKTS:LBLCF) where her responsibilities included human resources, training, internal communications, sales enablement and P&L responsibilities in various business units, from January 2008 until September 2018. Ms. Georgiadis earned a Bachelor of Arts from the University of Toronto and holds a Certificate in HR Management from the Human Resources Professionals Association.

Michael Mandarello has served as the Company's General Counsel and Corporate Secretary since September 2021. Mr. Mandarello served as the Company's Head of Legal and Corporate Secretary from September 2020 until September 2021, and as its Associate General Counsel from November 2019 until September 2020, and in the same role with Venus Concept Ltd. from October 2019 until November 2019. Before joining Venus Concept, Mr. Mandarello practiced business law in progressive in-house roles, serving as Corporate Counsel at Walmart Canada Corp. from 2015 until 2019 and Legal Counsel to the Toronto Organizing Committee for the 2015 Pan-Am Games. Mr. Mandarello began his legal career in 2011 with Osler, Hoskin & Harcourt LLP in its Corporate Law group. Mr. Mandarello earned his Juris Doctor from the University of Windsor, Faculty of Law in 2010, graduating in the top 5th percentile, and also holds an Honors Bachelor of Arts Degree from the University of Toronto, graduating with High Distinction in 2007. Michael was called to the Bar of Ontario in 2011.

William McGrail has served as the Company's Executive Vice President, Technical Operations and Compliance since November 2023. Previously, Mr. McGrail served as Senior Vice President, Technical Operations and Compliance from February 2023 until October 2023 and the Company's Vice President, Global Regulatory Affairs and Quality Assurance from October 2021 until January 2023. Mr. McGrail served as Principal Consultant for McGrail Consulting, LLC, from January 2014 until September 2021. During that time, Mr. McGrail served as Vice President Regulatory Affairs & Quality Assurance at Linus Health, Inc from 2018 until 2021, Vice President, Regulatory Affairs & Quality Assurance at ROM Technologies, Inc. from 2017 until 2020, Vice President Quality and Regulatory Assurance at Infobionic, Inc. from 2016 until 2017 and Vice President Regulatory Affairs at Labstyle Innovations, Ltd. from 2014 until 2016. Mr. McGrail served as Vice President, Research & Development, Clinical, Quality and Regulatory at Agamatrix, Inc. from 2011 until 2014, Vice President, Research & Development, Clinical & Regulatory at Eleme Medical, Inc. from 2007 until 2011. Mr. McGrail was employed by Candela Corporation from 1987 until 2007. While at Candela Mr. McGrail served as Senior Vice President, Operations from 2003 until 2007, Vice President, Research & Development and Operations from 2000 until 2003, Vice President, Development Engineering from 1998 until 2000, Hardware/Software Design Engineer and Project Manager from 1987 until 1998. Mr. McGrail earned a Master of Business Administration degree from Boston University and a Bachelor of Science in Electrical Engineering degree from the University of Lowell.

Corporate Governance

Code of Business Conduct and Ethics

We have adopted a code of business conduct and ethics that applies to all of our employees, officers and directors, including those officers responsible for financial reporting. The code of business conduct and ethics is available on our website at http://ir.venusconcept.com. Any amendments to the code, or any waivers of its requirements, will be disclosed on our website.

Corporate Governance Guidelines

We believe in sound corporate governance practices and have adopted formal corporate governance guidelines to enhance our effectiveness. Our Board adopted these corporate governance guidelines in order to ensure that it has the necessary practices in place to review and evaluate our business operations as needed and to make decisions that are independent of our management. The corporate governance guidelines are also intended to align the interests of directors and management with

those of our stockholders. The corporate governance guidelines set forth the practices our Board follows with respect to the composition of the Board, the composition of the committees of the Board, the selection of Board committee members, meetings of the Board, Chief Executive Officer performance evaluation and succession planning. A copy of our corporate governance guidelines is available on our website at http://ir.venusconcept.com.

Cybersecurity

Cybersecurity is an important part of our risk management processes and an area of focus for our Board and management. Our Board has ultimate oversight of cybersecurity risk, which it manages as part of our enterprise risk management program. That program is utilized in making decisions with respect to company priorities, resource allocations, and oversight structures. The Board is assisted by the Audit Committee, which is responsible for the oversight of risks from cybersecurity threats and regularly reviews our Company's risk matrices, including cybersecurity, with management and reports to the Board. Cybersecurity reviews by the Audit Committee or the Board generally occur at least annually, or more frequently as determined to be necessary or advisable. Our Board members also engage in ad hoc conversations with management on cybersecurity-related news events and discuss any updates to our cybersecurity risk management and strategy programs. As noted above, if a significant cybersecurity incident occurs, the Steering Committee will report same promptly to the Board on an ad hoc and as-needed basis. Otherwise, management reports cybersecurity risks and developments to the Board quarterly.

Independence of the Board of Directors

As required under the Nasdaq rules and regulations, a majority of the members of a listed company's board of directors must qualify as "independent," as affirmatively determined by such board. Our Board consults with the Company's legal counsel to ensure that the Board's determinations are consistent with all relevant securities and other applicable laws and regulations regarding the definition of "independent," including those set forth in pertinent Nasdaq listing standards, as in effect from time to time.

Consistent with these considerations, our Board has determined that all of our directors, other than Rajiv De Silva, qualify as "independent" directors in accordance with the Nasdaq requirements. Mr. De Silva is not considered independent because he is an employee of the Company. The Nasdaq independence definition includes a series of objective tests, such as that the director is not, and has not been for at least three years, one of our employees and that neither the director nor any of his or her family members has engaged in various types of business dealings with us. In addition, as required by Nasdaq rules, our Board has made a subjective determination as to each independent director that no relationships exist, which, in the opinion of our Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making these determinations, our Board considered information provided by the directors and us with regard to each director's business and personal activities and relationships as they may relate to us and our management. There are no family relationships among any of our directors or executive officers.

As required under Nasdaq rules and regulations, our independent directors meet in regularly scheduled executive sessions at which only independent directors are present. All of the committees of our Board are comprised entirely of directors determined by the Board to be independent within the meaning of Nasdaq and SEC rules and regulations applicable to the members of such committees.

Board Committees

Audit Committee

Our audit committee oversees our corporate accounting and financial reporting process. Among other matters, the audit committee:

- appoints our independent registered public accounting firm;
- evaluates the independent registered public accounting firm's qualifications, independence and performance;
- determines the engagement of the independent registered public accounting firm;
- reviews and approves the scope of the annual audit and the audit fee;
- discusses with management and the independent registered public accounting firm the results of the annual audit and the review of our quarterly consolidated financial statements;
- approves the retention of the independent registered public accounting firm to perform any proposed permissible non-audit services;
- monitors the rotation of partners of the independent registered public accounting firm on our engagement team in accordance with requirements established by the SEC;
- is responsible for reviewing our consolidated financial statements and our management's discussion and analysis of financial condition and results of operations to be included in our annual and quarterly reports to be filed with the SEC;
- reviews our critical accounting policies and estimates; and
- reviews the audit committee charter and the committee's performance at least annually.

During the 2023 fiscal year, the audit committee met four times. The current members of our audit committee are Louise Lacchin, Fritz LaPorte and Anthony Natale, M.D. Ms. Lacchin serves as the chair of the audit committee. All members of our audit committee meet the requirements for financial literacy under the applicable rules and regulations of the SEC and Nasdaq. Our Board has determined that Mr. LaPorte is an audit committee financial expert as defined under the applicable rules of the SEC and has the requisite financial sophistication as defined under the applicable rules and regulations of Nasdaq. Under the rules of the SEC, members of the audit committee must also meet heightened independence standards. Our Board has determined that each of Louise Lacchin, Fritz LaPorte and Anthony Natale, M.D. are independent under the applicable rules of the SEC and Nasdaq. The audit committee operates under a written charter that satisfies the applicable standards of the SEC and Nasdaq rules. A copy of the audit committee charter is available to security holders on the Company's website at http://ir.venusconcept.com.

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The audit committee assists the Board with its oversight of cybersecurity risk. The audit committee is responsible for the oversight of risks from cybersecurity threats and regularly reviews our Company's risk matrices, including cybersecurity, with management and reports to the Board.

Compensation Committee

Our compensation committee oversees policies relating to compensation and benefits of our officers and employees. The compensation committee reviews and approves or recommends corporate goals and objectives relevant to compensation of our executive officers (other than our Chief Executive Officer), evaluates the performance of these officers in light of those goals and objectives and approves the compensation of these officers based on such evaluations. The compensation committee also reviews and approves or makes recommendations to our Board regarding the issuance of stock options and other awards under our incentive plans to our executive officers (other than our Chief Executive Officer). The compensation committee reviews the performance of our Chief Executive Officer and makes recommendations to our Board with respect to his compensation and our Board retains the authority to make compensation decisions relative to our Chief Executive Officer. The compensation committee will review and evaluate, at least annually, the performance of the compensation committee and its members, including compliance by the compensation committee with its charter.

During the 2023 fiscal year, the compensation committee met three times. The current members of our compensation committee are Fritz LaPorte, Louise Lacchin and Keith Sullivan. Mr. LaPorte serves as the chair of the compensation committee. Each of the members of our compensation committee is independent under the applicable rules and regulations of Nasdaq, is a "non-employee director" as defined in Rule 16b-3 promulgated under the Exchange Act and is an "outside director" as that term is defined in Section 162(m) of the U.S. Internal Revenue Code of 1986, as amended, or Section 162(m). The compensation committee operates under a written charter that satisfies the applicable standards of the SEC and Nasdaq rules. A copy of the compensation committee charter is available to security holders on the Company's website at http://ir.venusconcept.com.

Nominating and Corporate Governance Committee

The nominating and corporate governance committee is responsible for making recommendations to our Board regarding candidates for directorships and the size and composition of our Board. In addition, the nominating and corporate governance committee is responsible for ensuring that the Board has the requisite expertise, its membership consists of persons with sufficiently diverse and independent backgrounds, overseeing our corporate governance policies and reporting and making recommendations to our Board concerning governance matters.

During the 2023 fiscal year, the nominating and corporate governance committee met one time. The current members of our nominating and corporate governance committee are Scott Barry, Garheng Kong, M.D. and Anthony Natale M.D. Dr. Kong serves as the chair of the nominating and corporate governance committee. Each of the members of our nominating and corporate governance committee is an independent director under the applicable rules and regulations of Nasdaq relating to nominating and corporate governance committee independence. The nominating and corporate governance committee operates under a written charter that satisfies the applicable standards of the SEC and Nasdaq rules. A copy of the nominating and corporate governance committee charter is available to security holders on the Company's website at http://ir.venusconcept.com.

Stockholder Nominations

The nominating and corporate governance committee will consider director candidates recommended by stockholders. For a stockholder to make any nomination for election to the Board at an annual meeting, the stockholder must provide notice to the Company in accordance with our bylaws, which notice must be delivered to, or mailed and received at, the Company's principal executive offices not less than 90 days and not more than 120 days prior to the one-year anniversary of the preceding year's annual meeting; provided, that if the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, the stockholder's notice must be delivered, or mailed and received, not later than 90 days prior to the date of the annual meeting or, if later, the 10th day following the date on which public disclosure of the date of such annual meeting is made. Further updates and supplements to such notice may be required at the times, and in the forms, required under our bylaws. As set forth in our bylaws, submissions must include the name and address of the proposed nominee, information regarding the proposed nominee that is required to be disclosed in a proxy statement or other filings in a contested election pursuant to Section 14(a) under the Exchange Act, information regarding the proposed nominee's indirect and direct interests in shares of the Company's common stock, and a completed and signed questionnaire, representation and agreement of the proposed nominee. Our bylaws also specify further requirements as to the form and content of a stockholder's notice. We recommend that any stockholder wishing to make a nomination for director review a copy of our bylaws, as amended and restated to date, which is available, without charge, from our General Counsel and Corporate Secretary, at 235 Yorkland Blvd., Suite 900, Toronto, Ontario M2J 4Y8.

Employee, Officer and Director Hedging

The Company's Insider Trading Policy prohibits hedging transactions involving the Company's equity securities, including but not limited to zero-cost collars and forward sale contracts. This policy applies to all officers, directors, employees and certain consultants of the Company.

Section 16(a) Beneficial Ownership Reporting Compliance Delinquent Section 16(A) Reports

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who own more than 10% of a registered class of the Company's equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than 10% stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required, except as described below, the Company believes that all Section 16(a) filing requirements applicable to our officers, directors and greater than 10% beneficial owners were complied with during the year ended December 31, 2023.

Item 11. Executive Compensation.

The following is an overview of the compensation arrangements of our named executive officers ("NEOs"). This discussion contains forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs. As a "smaller reporting company", we are not required to include a Compensation Discussion and Analysis section and have elected to comply with the scaled disclosure requirements applicable to smaller reporting companies.

Our compensation committee, which is appointed by our Board, is responsible for establishing, implementing and monitoring our compensation philosophy and objectives. We seek to ensure that the total compensation paid to our executive officers is reasonable and competitive. We have structured the compensation programs for our executives around the achievement of individual performance and near-term corporate targets as well as long-term business objectives.

Our NEOs for fiscal year 2023 are as follows, and their current and former positions with the Company are listed next to their name:

- Rajiv De Silva, Chief Executive Officer;
- Hemanth Varghese, President and Chief Operating Officer; and
- Ross Portaro, Executive Vice President & General Manager, Global Sales & Marketing.

Summary Compensation Table

The following table sets forth total compensation for our NEOs during 2023 and 2022.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Option Awards ($)[1]	Stock Awards ($)[3]	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)	Total ($)
Rajiv De Silva	2023	525,000	315,000	—	—	—	2,625	842,625
Chief Executive Officer	2022	131,250	80,700	684,090	—	—	2,625	898,655
Hemanth Varghese[2]	2023	374,418	208,250	—	—	—	—	582,668
President and Chief Operating Officer	2022	76,174	182,000	142,560	—	—	—	400,734
Ross Portaro	2023	300,000	144,000	17,382	—	140,622	—	602,004
Executive Vice President & General Manager, Global Sales & Marketing	2022	300,000	12,300	55,887	34,500	227,600	150	630,438

(1) Amounts shown represent the grant date fair value of options or stock awards granted as calculated in accordance with ASC Topic 718, *Stock-based compensation*. See Part II, Item 8, Note 14 *"Stockholders' Equity"* of the audited consolidated financial statements for the assumptions used in calculating these amounts.

(2) The amounts for Dr. Varghese's Salary, Bonus, and All Other Compensation are presented in US dollars. Bonus amounts are approved by the Board in US dollars and are presented as such. All Other Compensation amounts are paid in Canadian dollars and were translated to US dollars based upon the following average annual exchange rates per US dollar, as applicable and as published by www.ofx.com: 2023 – 1.3503 and 2022 – 1.3012.

(3) The stock awards were comprised of RSUs, which were granted in 2022 for performance in 2021. The fair value of each RSU award granted was calculated by multiplying the closing trading price on the Nasdaq Global Markets Exchange on the day of grant of the RSU by the number of RSU awards granted.

Outstanding Equity Awards at 2023 Fiscal Year End

The following table lists all outstanding equity awards held by our NEOs as of December 31, 2023.

Name	Vesting Commencement Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
Rajiv De Silva	10/02/2022[2]	55,001	165,000	6.60	10/02/2032
Hemanth Varghese	10/17/2022[2]	18,334	55,000	4.10	10/17/2032
Ross Portaro	05/25/2021	4,306	2,361	30.15	05/25/2031
	11/12/2021[1]	6,668	6,666	26.10	11/12/2031
	03/25/2022[1]	2,194	2,807	20.70	03/25/2032
	11/10/2022[1]	1,669	4,998	3.18	11/10/2032
	03/24/2023[1]	2,503	10,831	2.82	03/24/2033

(1) The options subject to this award vest and become exercisable in equal quarterly installment on each quarterly anniversary of the grant date for four years, subject to the holder continuing to provide services to the Company through such vesting date.

(2) These awards represent an inducement grant made outside of the 2019 Plan as incentive to Mr. De Silva and Dr. Varghese accepting employment with the Company.

Narrative to 2023 Summary Compensation Table and Additional Narrative Disclosure

2023 Salaries

As of December 31, 2023, Mr. De Silva's annual base salary was $525,000, Dr. Varghese's annual base salary was $425,000, and Mr. Portaro's annual base salary was $300,000.

Terms and Conditions of 2023 Annual Bonuses and Retention Awards – Messrs. De Silva, Varghese and Portaro

With respect to the annual bonus opportunity for Messrs. De Silva, Varghese and Portaro, achievement against the predetermined performance objectives, determined by our Board, directly impacts the annual bonus payout and links the compensation of these NEOs with the overall performance of the Company. These objectives are set forth on the management scorecard established by the Company's Board. For 2023, the management scorecard applicable to Messrs. De Silva, Varghese and Portaro included revenue, gross profit and operating cash flow metrics, product innovation, and operating cost reduction targets. The NEOs are eligible to receive between 80% to 120% of their respective target base bonus, which is determined based on Company performance as measured against the management scorecard. For 2023, Mr. De Silva was eligible for a bonus range with the maximum equal to 90% of his base salary, Dr. Varghese was eligible for a bonus range with a maximum equal to 73.5% of his base salary, and Mr. Portaro was eligible for a bonus range with a maximum equal to 72% of his base salary. The Company's Board reviews the Company's actual performance against the metrics established in the management scorecard for the respective year to determine each NEO's annual cash bonus payout.

While the Company was able to meet or exceed many critical metrics during 2023 and executed well against its transformational plan, a series of factors, including facing challenging capital market conditions to raise capital during the fiscal year, required the Company to alter certain of its fiscal year 2023 business and product roadmap initiatives. In addition, the restructuring of the Company's debt was a critical objective which required a substantial amount of attention from the Company's executive team members.

In light of these factors, the compensation committee reviewed the performance metrics established in the 2023 management scorecard. During this review, it was determined that it was appropriate to update the 2023 management scorecard to accurately reflect the Company's changing priorities and critical objectives for 2023, including the restructuring of the Company's debt.

In August 2023, the Board, at the recommendation of the compensation committee, resolved to adjust to the management scorecard accordingly, establishing a revised set of operating objectives that, if achieved, would be reflective of senior management's ability to successfully steer the Company through a complex phase of the Company's transformational plan, effect meaningful change in strategy and competitive positioning, implement cash generative solutions and continue to optimize operational capacities.

Against the adjusted management scorecard, the Company met 85.5% of its target. The Company's achievements included (i) obtaining significant reductions in operating expenses, (ii) notably reducing the Company's cash burn, (iii) executing business initiatives related to the Company's on-going transformation, and (iv) progressing the Company's innovation

strategy through the commercial release of Venus Versa Pro in the United States. Based on the Board's assessment of the Company's performance, the performance of each of the Messrs. De Silva, Varghese and Portaro, the important achievements described above, and the existence of significant challenges to the business, discretionary cash awards in the amounts of $315,000, $208,250, and $144,000 respectively were awarded for performance in 2023. These awards are payable by or before the end of the third quarter of fiscal year 2024.

Terms and Conditions of 2024 Transaction Completion Bonuses – Messrs. De Silva, Varghese and Portaro

On February 8, 2024, the Board approved the award of transaction completion bonuses to Messrs. De Silva, Varghese and Portaro (each an "Awardee") to be paid in accordance with transaction completion bonus award letters (each an "Award Letter") upon completion of a Strategic Transaction (as defined in the Award Letters). The Awardees are each eligible to receive a transaction completion bonus that will be paid in the form of cash and/or cash equivalents in the manner and ratio proscribed by the respective Award Letters. The bonus amounts for each Awardee are subject to a range calculated based on the size of the Strategic Transaction. Mr. De Silva's transaction completion bonus payment ranges from $500,000 to $1,125,000. Dr. Varghese's transaction completion bonus payment ranges from $320,000 to $720,000. Mr. Portaro's transaction completion bonus payment ranges from $120,000 to $270,000.

In addition, each bonus payment is contingent upon the satisfaction of certain terms and conditions set forth in the respective Award Letters, including, but not limited to, (a) the successful completion of a Strategic Transaction resulting in a change of control, as determined by the Board, within the time period prescribed in the Award Letters and (b) the Awardee is an active, full-time employee of the Company, in good standing as determined in the reasonable discretion of the Board, on the Payment Date (as defined in the Award Letters).

Terms and Conditions of Employee Arrangements with our NEOs

Employment Agreements

We have agreements with each of the NEOs. These agreements set forth the terms and conditions of employment of each NEO, including base salary, initial equity award grants, and standard employee benefit plan participation. Our Board or the compensation committee reviews each NEO's base salary from time to time to ensure compensation adequately reflects the NEO's qualifications, experience, role and responsibilities.

Venus Concept Inc. employed Mr. De Silva as Chief Executive Officer, beginning in October 2022 and continues as Chief Executive Officer of the Company currently. Mr. De Silva's employment agreement effective October 2, 2022, provided for an annual base salary of $525,000 and provided for an undefined term. Per his employment agreement he was eligible to receive a prorated discretionary annual target bonus of 75% of his annual base salary, based upon achievement of annual performance targets and is eligible to receive other customary benefits. Mr. De Silva received an inducement grant of stock options upon commencement of employment in 2022 as included above in Outstanding Equity Awards at 2023 Fiscal Year-End Table. Mr. De Silva's agreement included a non-competition and non-solicitation clause, which continue for 12 months beyond termination. Pursuant to his agreement, upon termination of employment by us for Cause, Mr. De Silva will not be eligible to receive any payments from us.

Venus Concept Inc. employed Dr. Varghese as President & Chief Business Officer, beginning in October 2022 and was promoted to President & Chief Innovation and Business Officer in February 2023 and to President & Chief Operating Officer of the Company on October 16, 2023. Dr. Varghese's employment agreement, effective October 17, 2022, as amended on October 16, 2023, provided for an annual salary of $425,000 and provided for an undefined term. Per his employment agreement, he was eligible to receive a prorated discretionary annual target bonus of 65% of his annual base salary, based upon achievement of annual performance targets and is eligible to receive other customary benefits. Dr. Varghese received an inducement grant of stock options upon commencement of employment in 2022 as included above in Outstanding Equity Awards at 2023 Fiscal Year-End Table. Dr. Varghese's agreement included a non-competition and non-solicitation clause, which continue for 12 months beyond termination. Pursuant to his agreement, upon termination of employment by us for Cause, Dr. Varghese will not be eligible to receive any payments from us.

Venus Concept Inc. employed Mr. Portaro as Vice President, EMEA, beginning May 2021. Mr. Portaro was promoted to President, Global Sales beginning October 2021 and continuing as Executive Vice President & General Manager, Global Sales & Marketing as of February 2023. Mr. Portaro's current employment agreement provides for an annual base salary of $300,000 and provides for an undefined term. During fiscal year 2023, Mr. Portaro was eligible to receive a discretionary annual target base bonus of 60% of his annual base salary, based upon achievement of annual performance targets, as well as other customary benefits. In addition, Mr. Portaro was eligible to receive commission at an annual target base of 60% of his annual salary. Effective January 1, 2024, Mr. Portaro annual target base bonus was reduced to 45% of his annual base salary, based upon achievement of annual performance targets, as well as other customary benefits. As part of his employment, Mr. Portaro received an initial grant of stock options upon commencement of his employment in 2021 as included above in

Outstanding Equity Awards at 2023 Fiscal Year-End Table. Mr. Portaro's agreement includes non-competition and non-solicitation clauses, which continue for 12 months following termination. Pursuant to his agreement, upon termination of employment by us for Cause or Gross Misconduct, Mr. Portaro will not be eligible to receive any payments from us.

Change in Control and Severance Arrangements

Mr. De Silva. Under Mr. De Silva's employment agreement, in the event his employment is terminated by the Company for any reason other than "Cause" or if Mr. De Silva resigns for "good reason," as each term is defined in the employment agreement, in either case outside of a Change in Control Period, Mr. De Silva will receive the following: (i) a lump sum payment of twelve months of his then base salary; (ii) a lump sum payment of one time the average of the last two annual bonus payments received prior to termination, and if Mr. De Silva has not been employed for two years, then this amount shall be Mr. De Silva's target bonus for the year of termination date (iii) a lump sum payment of the prorated annual performance bonus assuming achievement of applicable performance goals at target, as in effect as of his termination date; and (iii) continued participation in group benefits plans, for twelve months.

Under Mr. De Silva's employment agreement, in the event his employment is terminated by the Company for any reason other than "Cause" or if Mr. De Silva resigns for "good reason" during a Change in Control Period, as determined in the employment agreement, Mr. De Silva will receive the following: (i) a lump sum payment of twenty-four months of his then base salary; (ii) a lump sum payment of two times the average of the last two annual bonus payments received prior to termination, and if Mr. De Silva has not been employed for two years, then this amount shall be two times Mr. De Silva's target bonus for the year of termination date; (iii) a lump sum payment of the prorated annual performance bonus assuming achievement of applicable performance goals at target, as in effect as of his termination date; (iv) continued participation in group benefits plans, for twenty-four months (iv) his outstanding equity award, including and without limitation, each stock option and restricted stock award held by him shall automatically vest and if applicable become exercisable and any forfeiture or rights of repurchase thereon shall immediately lapse with respect to all of the then-unvested shares.

Dr. Varghese. Under Dr. Varghese's employment agreement, in the event his employment is terminated by the Company for any reason other than "Cause" or if Mr. Varghese resigns for "good reason," as each term is defined in the employment agreement, in either case outside of a Change in Control Period, Dr. Varghese will receive the following: (i) a lump sum payment of nine months of his then base salary; (ii) a lump sum payment equal to 75% of the average of the last two annual bonus payments received prior to termination and if Dr. Varghese has not been employed for two years, then this amount shall be two times Dr. Varghese's target bonus for the year of termination date; (iii) a lump sum payment of the prorated annual performance bonus assuming achievement of applicable performance goals at target, as in effect as of his termination date; and (iii) continued participation in group benefits plans, for nine months.

Under Dr. Varghese's employment agreement, in the event his employment is terminated by the Company for any reason other than "Cause" or if Dr. Varghese resigns for "good reason" during a Change in Control Period, as determined in the employment agreement, Dr. Varghese will receive the following: (i) a lump sum payment of eighteen months of his then base salary; (ii) a lump sum payment of one and one-half times the average of the last two annual bonus payments received prior to termination, and if Dr. Varghese has not been employed for two years, then this amount shall be one and one-half times Dr. Varghese's target bonus for the year of termination date; (iii) a lump sum payment of the prorated annual performance bonus assuming achievement of applicable performance goals at target, as in effect as of his termination date; (iv) continued participation in group benefits plans, for eighteen months (v) his outstanding equity award, including and without limitation, each stock option and restricted stock award held by him shall automatically vest and if applicable become exercisable and any forfeiture or rights of repurchase thereon shall immediately lapse with respect to all of the then-unvested shares.

Mr. Portaro. Under Mr. Portaro's employment agreement, in the event his employment is terminated by the Company for any reason other than "Cause" and outside of a Change in Control Period, Mr. Portaro will receive the following: (i) a lump sum payment of six months of his then base salary;(ii) a lump sum payment of the prorated annual performance bonus assuming achievement of applicable performance goals at target, as in effect as of his termination date; (iii) continued participation in group benefits plans, commencing on the termination date through to the earlier of (a) the last day of the sixth calendar month following the date of termination; and (b) the date Mr. Portaro becomes eligible for similar coverage under another employer's plan.

Under Mr. Portaro's employment agreement, in the event his employment is terminated by the Company for any reason other than "cause" during a Change of Control Period, Mr. Portaro will receive the following: (i) a lump sum payment of nine months of his then base salary; (ii) a prorated annual performance bonus assuming achievement of applicable performance goals at target, as in effect as of his termination date; (iii) continued participation in group benefits plans, commencing on the termination date through to the earlier of (a) the last day of the ninth calendar month following the date of termination and (b) the date Mr. Portaro becomes eligible for similar coverage under another employer's plan; and (iv) his outstanding equity award, including and without limitation, each stock option and restricted stock award held by him shall automatically vest

and if applicable become exercisable and any forfeiture or rights of repurchase thereon shall immediately lapse with respect to all of the then-unvested shares.

Clawback Policy

Our Incentive Compensation Recovery Policy (the "Clawback Policy") complies with SEC rules and related Nasdaq listing standards by mandating recovery of incentive-based compensation if it is determined that an accounting restatement is required due to our material noncompliance with any financial reporting requirements under the federal securities laws. The Company will recoup incentive-based compensation received by "Executive Officers" (as defined in the Clawback Policy) during the three fiscal years prior to such determination, to the extent those amounts would not have been received based on the restated financial statements.

We have filed our Clawback Policy as Exhibit 97.1 to this Annual Report.

Director Compensation

The following outlines the compensation paid to the directors of the Company for the full fiscal year ended December 31, 2023.

Pursuant to its current non-employee director policy (the "Director Policy"), each non-employee director receives an annual retainer of $45,000 and a non-employee director serving as Chair of the Board receives an additional annual retainer of $30,000. Non-employee directors who served on one or more committees were eligible to receive the following annual committee fees:

Committee	Chair	Other Member
Audit committee	$25,000	$10,000
Compensation committee	$20,000	$10,000
Nominating and corporate governance committee	$15,000	$5,000

Upon each non-employee director's initial appointment or election to the Company's Board, each individual was automatically granted an option award to purchase shares of common stock. In addition, each non-employee director who is serving on the Company's Board may from time to time be granted additional options to purchase shares of common stock as determined by the Board based upon individual contributions and overall performance. These options typically vest over a four-year period following the applicable grant date, subject to continued service through each applicable vesting date. These awards typically vest either in equal quarterly installments or with a one-year cliff vesting followed by vesting of equal monthly tranches thereafter. Any unvested equity awards that are held by non-employee directors would not automatically vest immediately prior to the occurrence of a change in control. Pursuant to a Compensation Committee policy, non-employee directors affiliated with a venture fund or an investment fund may also elect to forfeit their right to receive any cash compensation and grants of options.

The following table sets forth information concerning the compensation earned, during the year ended December 31, 2023, by the non-employee directors of the Company. The tables below do not include the compensation and equity holdings for Mr. De Silva, who serves as the Chief Executive Officer of the Company, which compensation and holdings are reflected in the *Summary Compensation Table* and *Outstanding Equity Awards at 2023 Fiscal Year-End Table* below. Mr. De Silva does not receive any compensation for his service on the board of directors of the Company.

Name	Fees Earned or Paid in Cash ($)	Option Awards ($)[1]	Total ($)
Scott Barry	80,000	6,518	86,518
Garheng Kong	60,000	6,518	66,518
Louise Lacchin	80,000	6,518	86,518
Fritz LaPorte	75,000	6,518	81,518
Tony Natale	63,325	6,518	69,843
Keith Sullivan	51,675	6,518	58,193
Stanley Tyler Hollmig	45,000	6,518	51,518

(1) Amounts shown represent the grant date fair value of stock awards and options granted as calculated in accordance with ASC Topic 718, *Stock-based compensation*. See Part II, Item 8, Note 14 *"Stockholders' Equity"* of the audited consolidated financial statements for the assumptions used in calculating these amounts. As of December 31, 2023, these non-employee directors held options to purchase the aggregate number of shares of our common stock set forth in the table below.

Name	Shares Subject to Outstanding Options
Scott Barry	11,155
Garheng Kong	11,155
Louise Lacchin	12,117
Fritz LaPorte	14,360
Tony Natale	13,399
Keith Sullivan	10,123
Stanley Tyler Hollmig	6,667

Pay Versus Performance

Pay Versus Performance Table

The following table presents, for each of the three most recent fiscal years:

- total compensation, as calculated in the Summary Compensation Table, for our CEO and an average for our other Named Executive Officers ("NEOs");
- compensation actually paid ("CAP") to the NEOs, an SEC prescribed calculation which adjusts total compensation for the items described below and which does not equate to realized compensation;
- our cumulative total stockholder return ("TSR") since the last trading day before the earliest year presented; and
- our net income.

This section should be read in conjunction with Part III, Item 11 *"Executive Compensation - Narrative to 2023 Summary Compensation Table and Additional Narrative,"* which includes additional discussion of the objectives of our executive compensation program and how they are aligned with the Company's financial performance.

Year	Summary Compensation Table Total for Domenic Serafino (Former CEO)[1]	Compensation Actually Paid to Domenic Serafino (Former CEO)[2]	Summary Compensation Table Total for Rajiv De Silva (Current CEO)	Compensation Actually Paid to Rajiv De Silva (Current CEO)	Average Summary Compensation Table Total for Non-CEO NEOs[3]	Average Compensation Actually Paid to Non-CEO NEOs	Value of Initial Fixed $100 Investment Based on Total Stockholder Return[4]	Net Income (Loss) *Dollars in thousands*
2023	—	—	$842,625	$491,718	$592,336	$511,688	$4.50	(37,050)
2022	$765,187	$513,274	$898,655	$710,885	$586,398	$384,940	$18.50	(43,584)
2021	$1,154,408	$1,124,042	—	—	$677,315	$658,663	$98.27	(22,141)

(1) For details regarding Mr. Serafino's total compensation during 2022 and 2021, please refer to the *Summary Compensation Table* section and related disclosure contained in the Company's definitive proxy statement filed with the SEC on April 10, 2023.

(2) For details regarding Mr. Serafino's total compensation during 2022 and 2021, please refer to the *Pay Versus Performance* section and related disclosure contained in the Company's definitive proxy statement filed with the SEC on April 10, 2023.

(3) The fiscal year 2021 figure is an average of the summary compensation table totals for Domenic Della Penna, Executive Vice President & Chief Financial Officer and Soeren Maor Sinay, former Chief Operations Officer of the Company; the fiscal year 2022 figure is an average of the summary compensation table totals for Domenic Della Penna, Executive Vice President & Chief Financial Officer and Ross Portaro, Executive Vice President & General Manager, Global Sales & Marketing; the fiscal year 2023 figure is an average of the summary compensation table totals for Dr. Hemanth Varghese, President and Chief Operating Officer and Ross Portaro, Executive Vice President & General Manager, Global Sales & Marketing .

(4) Our cumulative total stockholder return is based on a fixed investment of one hundred dollars in our common stock measured from the market close on December 31, 2020 (the last trading day of 2020) through and including the end of the fiscal year for each year reported in the table, and reinvestment of all dividends during such period.

To calculate CAP to our former and current Chief Executive Officer and the average CAP to the other NEOs, the following amounts were deducted from and added to total compensation, as depicted in the Summary Compensation Table:

		Deductions	*Additions*	
Year	*Summary Compensation Total ($)*	*Amounts Reported in the Summary Compensation Table for Stock Awards and Stock Options Awards ($)*	*Fair Value of Stock Awards as Determined in Accordance with the SEC's CAP Methodology ($)*	*Compensation Actually Paid ($)*
Rajiv De Silva				
2023	842,625	—	-350,907[1]	491,718
2022	898,655	684,090	496,320[2]	710,885
2021	—	—	—	—
Domenic Serafino				
2023	—	—	—	—
2022	765,187	160,815	-91,098[3]	513,274
2021	1,154,408	206,560	176,194[3]	1,124,042
Average for Other NEOs				
2023	592,336	8,691	-71,957[4]	511,688
2022	586,398	117,974	-83,484[5]	384,940
2021	677,315	154,920	136,268[6]	658,663

(1) Mr. De Silva's 2023 add back adjustment is the sum of (i) the fair value of all unvested and outstanding awards granted in 2023 as of December 31, 2023 ($0), (ii) the change in fair value of all unvested and outstanding options issued prior to 2023 with the change measured from December 31, 2022 to December 31, 2023 (-$278,784), (iii) the fair value of awards granted and vested in 2023 ($0), and (iv) the change in fair value of awards vested in 2023 but issued in a prior year with the change measured from December 31, 2022 to the vesting date (-$72,123).

(2) Mr. De Silva's 2022 add back adjustment is the sum of (i) the fair value of all unvested and outstanding awards granted in 2022 as of December 31, 2022 ($496,320), (ii) the change in fair value of all unvested and outstanding options issued prior to 2022 with the change measured from December 31, 2021 to December 31, 2022 ($0), (iii) the fair value of awards granted and vested in 2022 ($0), and (iv) the change in fair value of awards vested in 2022 but issued in a prior year with the change measured from December 31, 2021 to the vesting date ($0).

(3) For details regarding Mr. Serafino's CAP calculations for 2022 and 2021, please refer to the *Pay Versus Performance* section and related disclosure contained in the Company's definitive proxy statement filed with the SEC on April 10, 2023.

(4) The add back adjustment for the 2023 Other NEOs (Mr. Varghese and Mr. Portaro) is the sum of (i) the average fair value of all unvested and outstanding awards granted in 2023 to the 2023 Other NEOs as of December 31, 2023 ($3,067), (ii) the average change in fair value of all unvested and outstanding options issued to the 2023 Other NEOs prior to 2023 with the change measured from December 31, 2022 to December 31, 2023 (-$60,683), (iii) the average fair value of awards granted to the 2023 Other NEOs and vested in 2023 ($1,016), and (iv) the average change in fair value of awards vested in 2023 but issued in a prior year to the 2023 Other NEOs with the change measured from December 31, 2022 to the vesting date (-$15,357).

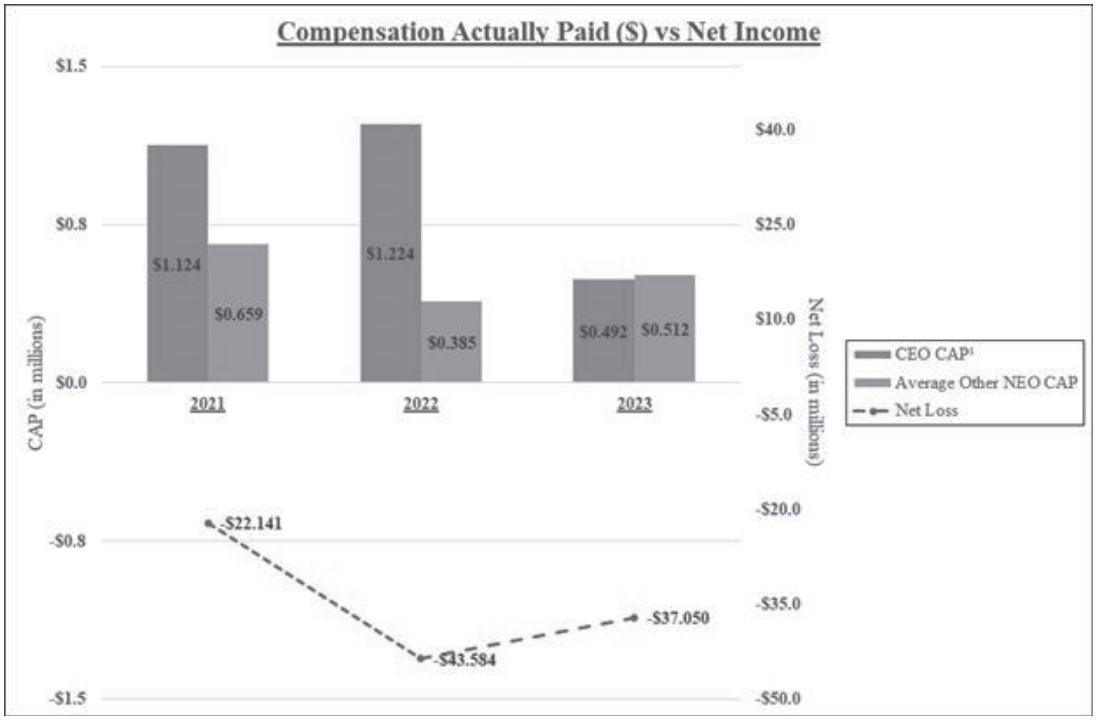
(5) The add back adjustment for the 2022 Other NEOs (Mr. Della Penna and Mr. Portaro) is the sum of (i) the average fair value of all unvested and outstanding awards granted in 2022 to the 2022 Other NEOs as of December 31, 2022 ($47,776), (ii) the average change in fair value of all unvested and outstanding options issued to the 2022 Other NEOs prior to 2022 with the change measured from December 31, 2021 to December 31, 2022 (-$100,108), (iii) the average fair value of awards granted to the 2022 Other NEOs and vested in 2022 ($3,349), and (iv) the average change in fair value of awards vested in 2022 but issued in a prior year to the 2022 Other NEOs with the change measured from December 31, 2021 to the vesting date (-$34,501).

(6) The add back adjustment for 2021 Other NEOs (Mr. Della Penna and Mr. Sinay) is the sum of (i) the average fair value of all unvested and outstanding awards granted in 2021 to the 2021 Other NEOs as of December 31, 2021 ($89,749), (ii) the average change in fair value of all unvested and outstanding options issued to the 2021 Other NEOs prior to 2021 with the change measured from December 31, 2020 to December 31, 2021 (-$880), (iii) the average fair value of awards granted to the 2021 Other NEOs and vested in 2021 ($32,089), and (iv) the average change in fair value of awards vested in 2021 but issued in a prior year to the 2021 Other NEOs with the change measured from December 31, 2020 to the vesting date ($15,310).

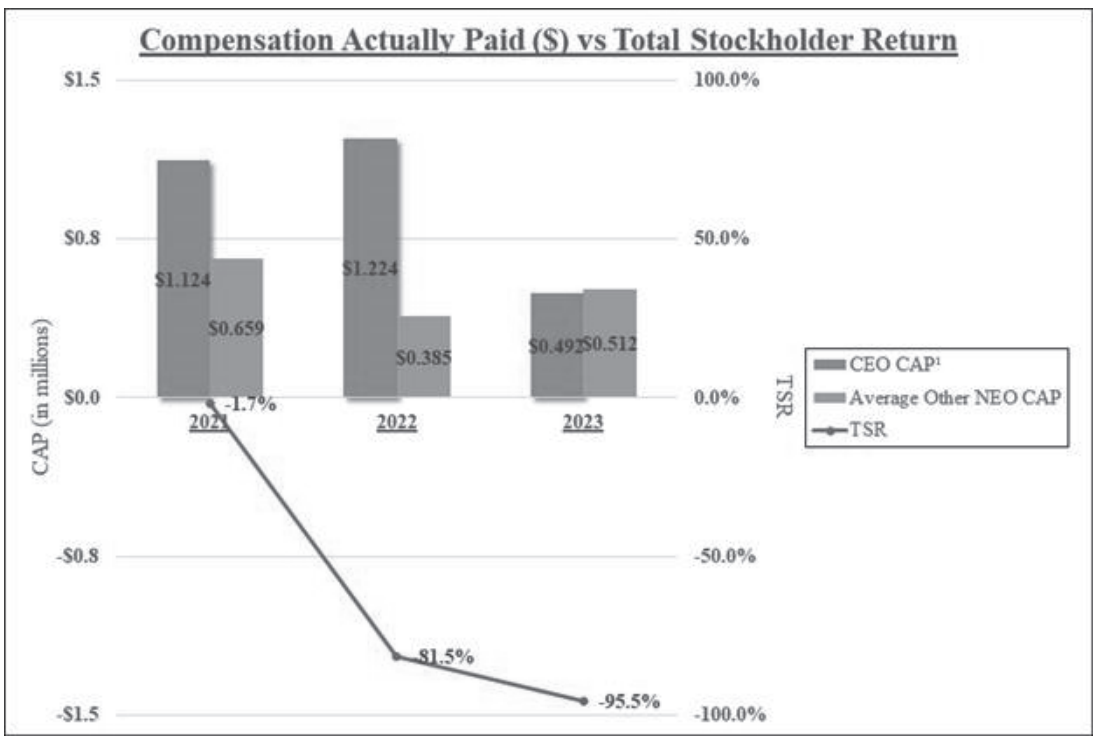
The fair value of stock awards includes the value of RSU awards. The measurement date fair value of the RSUs was determined based on the market price of the Company's common stock on the measurement date. The fair value of options granted is calculated in accordance with ASC Topic 718, utilizing the Black-Scholes model for the applicable measurement dates.

Compensation Actually Paid versus Company Performance

The graphs below depict the relationship between our net income (loss) and cumulative total stockholder return, in each case, as presented in the pay versus performance table above and the aggregate CAP to our current and former CEO and, on average, to our other NEOs, for each of the three most recent fiscal years.



(1) Fiscal year 2022 represents an aggregate of CAP to Mr. Serafino and Mr. De Silva, inclusive of certain separation payments made to Mr. Serafino and certain inducements provided to Mr. De Silva as an incentive to accept employment with the Company.



(1) Fiscal year 2022 represents an aggregate of CAP to Mr. Serafino and Mr. De Silva, inclusive of certain separation payments made to Mr. Serafino and certain inducements provided to Mr. De Silva as an incentive to accept employment with the Company.

Beginning in fiscal year 2021, we have experienced a notable decline in the price of our stock as traded publicly on the Nasdaq Capital Markets Exchange. While the Company did meet a number of significant commercial milestones during the last three fiscal years and successfully navigated through the COVID-19 pandemic, related global economic conditions, and persisting adverse financing and interest rate environment while executing on its transformative restructuring plan, the Company's overall performance and financial condition fell short of expectations. While the aggregate CAP to our former and current CEO in 2022 represents a slight overall year over year increase in CAP to the CEO position, the aggregate CAP includes certain consideration paid to Mr. Serafino in connection with his separation from the Company, and certain inducements provided to Mr. De Silva as incentive to accepting employment with the Company. Excluding the impact of these payments, the year-over-year decrease in aggregate CAP to the CEO position correlates to trends in the Company's financial performance as measured by our cumulative TSR. Viewed individually, the CAP of Mr. Serafino and Mr. De Silva for fiscal year 2022 were each less than their respective Summary Compensation Table totals in fiscal year 2022.

As described elsewhere in this Annual Report, the Company was able to achieve numerous milestones while executing on its restructuring plan, which resulted in operational efficiencies, including a significant decrease in operating expense, and a fifteen percent (15%) increase in net income year over year. Despite the achievement of these and other key metrics, the price of our stock continued to decline over the course of fiscal year 2023. The year over year decrease in CEO CAP from fiscal year 2022 to 2023 corresponds to the trends in the Company's financial performance as measured by our cumulative TSR, as Mr. De Silva's CAP for fiscal year 2023 is approximately forty two percent (42%) less than his Summary Compensation Table total for fiscal year 2023.

While the aggregate CAP to our non-CEO NEOs in fiscal year 2023 represents an overall year over year increase, the average Summary Compensation Tables totals paid to non-CEO NEOs remain relatively flat year-over-year and CAP to non-CEO NEOs correlates to trends in net income. When considering aggregate CAP to non-CEO NEOs in fiscal year 2023 in relation to the Company's financial performance as measured by cumulative TSR, the main driver of divergence in trends is the substantial decrease in stock and/or options awards year-over-year (average $117,974 in fiscal year 2022; average $8,691 in fiscal year 2023), which limited deductions for the year. Further, TSR decline was substantially less from fiscal year 2022 to fiscal year 2023. Assuming stock and/or options awards had been granted in amounts similar to those awarded in fiscal 2022 (that is, an average of $8,691 rather than $117,974), CAP to our non-CEO NEOs in fiscal year 2023 would be relatively flat year-over-year and more correlated to the trends in the Company's financial performance as measured by our cumulative TSR.

Equity Compensation Plan Information

The following table provides certain information as of December 31, 2023, with respect to all of our equity compensation plans in effect on that date.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the Column (a)) (c)
Equity Compensation Plans Approved by Stockholders[1][2][3]	557,587	$19.87	71,412[4]
Equity Compensation Plans Not Approved by Stockholders	424,247[5]	$19.82	28,168
Total	981,834	$19.85	99,580

(1) Consists of the 2019 Plan, the ESPP, the 2015 Plan and the 2005 Plan, as amended.

(2) The 2019 Plan contains an "evergreen" provision, pursuant to which the number of shares of common stock reserved for issuance pursuant to awards under such plan shall be increased on the first day of each year from 2020 and ending in 2029 equal to the lesser of (A) four percent (4%) of the shares of stock outstanding on the last day of the immediately preceding fiscal year and (B) such smaller number of shares of stock as determined by our Board.

(3) The ESPP contains an "evergreen" provision, pursuant to which the number of shares of common stock reserved for issuance under such plan shall be increased on the first day of each year beginning in 2018 and ending in 2027 equal to the lesser of (A) one percent (1%) of the shares of stock outstanding on the last day of the immediately preceding fiscal year and (B) such smaller number of shares of stock as determined by our Board.

(4) All of which, subject to limitations for incentive stock options, may be granted as options, stock appreciation rights, restricted stock awards, RSU awards, performance stock awards, performance unit awards, other stock or cash-based awards or dividend equivalent awards.

(5) Relates to the 2010 Plan, which was assumed by the Company at the time of the Merger. The 2010 Plan provides for the participation of persons employed by Venus Concept Ltd. or its affiliates, including directors or officers, and any consultant, adviser, service provider, controlling stockholder of Venus Concept Ltd. or its affiliates or a non-employee. The 2010 Plan allows for options to be granted, including Section 102 Options under the Israeli Income Tax Ordinance [New Version] 1961. Also includes an aggregate of 293,335 options issued to Mr. De Silva and Mr. Hemanth Varghese as inducement grants made outside of the 2019 Plan as an incentive to accept employment with the Company

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table presents information as to the beneficial ownership of our common stock as of December 31, 2023:

- each person, or group of affiliated persons, known by us to beneficially own more than 5% of our common stock;
- each NEO;
- each of our directors; and
- all executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Unless otherwise indicated below, to our knowledge, the persons and entities named in the table have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable. Shares of our common stock (i) subject to options and/or warrants that are currently exercisable or exercisable within 60 days of December 31, 2023 or (ii) convertible from other classes of our nonvoting securities within 60 days of December 31, 2023 are deemed to be outstanding and to be beneficially owned by the person holding the options and/or warrants for the purpose of computing the percentage ownership of that person but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

The percentage of shares beneficially owned is computed on the basis of 5,529,149 shares of our common stock deemed to be outstanding as of December 31, 2023. This table is based upon information supplied by officers, directors and principal stockholders and Schedules 13D and 13G and other beneficial ownership reports, if any, filed with the SEC. Unless otherwise indicated, the address of each of the individuals and entities named below is c/o Venus Concept Inc., 235 Yorkland Blvd., Suite 900, Toronto, Ontario M2J 4Y8.

Name of Beneficial Owner	Common Stock	Securities Exercisable within 60 days	Amount and Nature of Beneficial Ownership	Percent of Class
5% or Greater Stockholder (other than directors and executive officers)				
EW Healthcare Partners, L.P. and related investment entities[1]	3,505,086	—	3,505,086	44.12%
Madryn Asset Management and related investment entities[2]	1,105,829	—	1,105,829	16.95%
Saudi Economic and Development Securities Company and related investment entities[3]	672,279	—	672,279	11.62%
HealthQuest Partners II, L.P. and related investment entities[4]	786,363	—	786,363	13.41%
Masters Capital Management, LLC and related investment entities[5]	1,000,038	—	1,000,038	16.14%
Masters Special Situations, LLC and related investment entities[6]	539,957	—	539,957	9.37%
Named Executive Officers, Executive Officers and Directors:				
Rajiv De Silva[7]	138,335	13,751	152,086	2.72%
Domenic Della Penna[8]	45,880	1,042	46,922	*
Ross Portaro[9]	26,272	1,530	27,802	*
Hemanth Varghese[10]	35,001	4,584	39,585	*
Anna Georgiadis[11]	17,862	522	18,384	*
Michael Mandarello[12]	13,945	710	14,655	*
William McGrail[13]	5,879	473	6,352	*
Scott Barry[1][14]	3,505,086	—	3,505,086	44.12%
Garheng Kong[4]	786,363	—	786,363	13.41%

Name of Beneficial Owner	Common Stock	Securities Exercisable within 60 days	Amount and Nature of Beneficial Ownership	Percent of Class
Louise Lacchin[15]	6,492	—	6,492	*
Fritz LaPorte[16]	7,485	105	7,590	*
Tony Natale[17]	51,070	105	51,175	*
Keith Sullivan[18]	12,775	—	12,775	*
Stanley Tyler Hollmig[19]	20,064	70	20,134	*
Directors and officers as a group (14 Individuals)	4,672,509	22,892	4,695,401	55.31%

* Less than 1.0%.

(1) Represents (i) 1,047,065 shares of common stock and 1,835,065 preferred shares (convertible to 2,009,599 shares of common stock) held by EW Healthcare Partners, L.P., or EWHP, (ii) 42,126 shares of common stock and 73,830 preferred shares (convertible to 80,854 shares of common stock) held by EW Healthcare Partners-A, L.P., or EWHP-A, and (iii) 5,530 stock options held by EWHP that were fully vested as of December 31, 2024, each of which have the sole voting and investment power with respect to their respective shares of common stock. The shares of common stock shown to be beneficially owned excludes (a) 2,991,464 EW shares of common stock issuable upon conversion of preferred stock held by EWHP, and (b) 120,352 shares of common stock issuable upon conversion of preferred stock held by EWHP-A, as such conversions cannot occur within 60 days after December 31, 2023 due to limitations on convertibility imposed by the rules and regulations of the Nasdaq Capital Market. Essex Fund IX GP, the general partner of EWHP and EWHP-A, may also be deemed to have sole voting and investment power with respect to such shares of common stock. Essex Fund IX GP disclaims beneficial ownership of such shares of common stock except to the extent of its pecuniary interest therein. Essex IX General Partner, the General Partner of Essex Fund IX GP, may also be deemed to have sole voting and investment power with respect to such shares of common stock. Essex IX General Partner disclaims beneficial ownership of such shares of common stock except to the extent of its pecuniary interest therein. Martin P. Sutter, Scott Barry, Ronald W. Eastman, an individual, Petri Vainio and Steve Wiggins are each a manager and collectively the managers of Essex IX General Partner. Each of the managers may be deemed to exercise shared voting and investment power with respect to such shares. Each manager disclaims beneficial ownership of such shares of common stock except to the extent of his pecuniary interest therein. Scott Barry is a member of the Company's Board. Also reflects 307,539 shares of common stock issuable upon the exercise of warrants held by EWHP, and 12,373 shares issuable upon the exercise of warrants held by EWHP-A. As of December 31, 2023, nil stock options will vest within 60 days of December 31, 2023. The principal address of EWHP, EWHP-A, Essex IX FUND GP, Essex IX General Partner and each of the Managers is 21 Waterway Avenue, Suite 225, The Woodlands, Texas 77380.

(2) Represents (i) 41,455 shares of common stock held by Madryn Health Partners, LP, referred to herein as "MHP" (ii) 4,438 shares of common stock issuable upon the exercise of warrants held by MHP, (iii) 363,258 shares of common stock issuable upon the exercise of Series X preferred stock by MHP, (iv) 70,586 shares of common stock held by Madryn Health Partners (Cayman Master), LP, referred to herein as ''MHP-C,'' (v) 7,558 shares of common stock issuable upon the exercise of warrants held by MHP-C, and (vi) 618,534 shares of common stock issuable upon the exercise of Series X preferred stock by MHP-C, The shares of common stock shown to be beneficially owned excludes (a) 585,252 shares of common stock issuable upon conversion of Series X preferred stock held by MHP, (b) 363,826 shares of common stock issuable upon conversion of convertible notes held by MHP, (c) 996,516 shares of common stock issuable upon conversion of Series X preferred stock held by MHP-C, and (d) 619,488 shares of common stock issuable upon conversion of convertible notes held by MHP-C, as such conversions cannot occur within 60 days after December 31, 2023 due to limitations on convertibility imposed by the rules and regulations of the Nasdaq Capital Market. Each of MHP and MHP-C have sole voting and investment power with respect to such respective shares of common stock. Madryn Health Advisors, LP, referred to herein as "MHA" the general partner of MHP and MHP-C, may also be deemed to have sole voting and investment power with respect to such shares of common stock. Madryn Asset Management, L.P., referred to herein as "MAM", the investment advisor of MHP and MHP-C, may also be deemed to have sole voting and investment power with respect to such shares of common stock. The principal address of MHP, MHP-C, MHA, MAM and each of the above-referenced individuals is c/o Madryn Asset Management, L.P., 330 Madison Avenue – Floor 33, New York, NY 10017.

(3) Represents (i) 124,445 shares of common stock and warrants that may be exercised for 62,223 shares of common stock held by SC Venus Opportunities Limited, (ii) 124,445 shares of common stock and warrants that may be exercised for 62,223 shares of common stock held by SC Venus US Limited, (iii) 61,498 shares of common stock and warrants that may be exercised for 50,778 shares of common stock held by SEDCO Capital Cayman Limited, and (iv) 106,667 shares of common stock and warrants that may be exercised for 80,000 shares of common stock held by SEDCO Capital Global Funds-SC Private Equity Global Fund IV. Saudi Economic and Development Securities Company is the investment manager of SC Venus US Limited, SC Venus Opportunities Limited and SEDCO Capital Global Funds-SC Private Equity Global Fund IV and may be deemed to beneficially own securities held by SC Venus US Limited or SC Venus Opportunities Limited or SEDCO Capital Global Funds-SC Private Equity Global Fund IV. Saudi Economic and Development Securities Company is the parent of SEDCO Capital Cayman Limited and may be deemed to beneficially own securities held by SEDCO Capital Cayman Limited. The principal address of SEDCO Capital Cayman Limited is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal address of SC Venus US Limited and SC Venus Opportunities Limited is PO Box 709, Willow House, Cricket Square, Grand Cayman E9 KY1-1107. The principal address of SEDCO Capital Global Funds – SC Private Equity Global Fund IV is 5 Rue Jean Monnet, Luxembourg N4 L-2180.

(4) Represents 453,043 shares of common stock and 335,000 preferred shares (convertible to 223,345 shares of common stock) held by HealthQuest Partners II, L.P. HealthQuest Venture Management II, L.L.C., or HealthQuest Management, is the general partner of HealthQuest Partners II, L.P., or HealthQuest. HealthQuest Management may be deemed to have voting and dispositive power over the shares held by HealthQuest. Garheng Kong is a member of the Company's Board. Dr. Kong is the managing member of HealthQuest Management and as such, may be deemed to exercise shared voting and investment power with respect to such shares. Dr. Kong is also the Managing Partner and controlling member of HealthQuest Capital Management Company, LLC, the general partner of HealthQuest Capital Management, L.P., or HQCM, and may be deemed to have sole voting and dispositive power with respect to the options held of record by HQCM. Dr. Kong disclaims beneficial ownership of such shares of common stock except to the extent of his pecuniary interest therein. Also includes 44,445 shares of common stock issuable upon the exercise of warrants which were exercisable beginning on May 7, 2020. Also includes 60,000 shares issuable upon exercise of warrants which were exercisable beginning September 16, 2020. As of December 31, 2023, 5,530 stock options were fully vested and nil stock options will vest within 60 days of December 31, 2023. The address for HealthQuest is 1301 Shoreway Road, Suite 350, Belmont California 94002.

(5) Represents (i) 172,314 shares of common stock and 496,000 preferred shares (convertible to 330,684 shares of common stock) held by Marlin Fund, Limited Partnership ("Marlin Fund"), (ii) 128,254 shares of common stock and 394,000 preferred shares (convertible to 262,680 shares of common stock) held by Marlin Fund II, Limited Partnership ("Marlin II"), (iii) 11,467 shares of common stock and 36,000 preferred shares (convertible to 24,002 shares of common stock) held by Marlin Fund III, Limited Partnership ("Marlin III"), (iv) 19,814 shares of common stock and 74,000 preferred shares (convertible to 49,336 shares of common stock) held by Marlin Master Fund Offshore II, LP ("Marlin Offshore"), and (v) 1,487 shares of common stock held by Sciens Group Alternative Strategies PCC Limited – Blue Omega Cell ("Sciens Group"). Michael W. Masters, Managing Member of Masters Capital Management, LLC, the General Partner of Marlin Fund, Marlin II, Marlin III, Marlin Offshore and trading adviser to Sciens Group may be deemed to share voting, investment and dispositive power with respect to these securities. The managing member disclaims beneficial ownership of such shares of common stock except to the extent of his pecuniary interest therein. The principal address Marlin Fund, Marlin II, Marlin III, Marlin Offshore and Sciens Group is 3060 Peachtree Road, NW, Ste 1425, Atlanta, GA, 30305.

(6) Represents 306,612 shares of common stock and 350,000 preferred shares (convertible to 233,345 shares of common stock) held by MSS VC SPV LP ("MSS VC"). Michael W. Masters, Managing Member of Masters Special Situations, LLC, the General Partner of MSS VC, may be deemed to share voting, investment and dispositive power with respect to these securities. The managing member disclaims beneficial ownership of such shares of common stock except to the extent of his pecuniary interest therein. The principal address of MSS VC is 3060 Peachtree Road, NW, Ste 1425, Atlanta, GA, 30305.

(7) Represents 83,334 shares of common stock and 55,001 stock options which were fully vested and 13,751 stock options which will vest within 60 days of December 31, 2023.

(8) Represents 10,093 shares, and 34,898 stock options which were fully vested and 1,042 stock options which will vest within 60 days of December 31, 2023. It also includes 889 shares of common stock issuable upon the exercise of warrants which were exercisable beginning May 7, 2020.
(9) Represents 8,932 shares, and 17,340 stock options which were fully vested and 1,530 stock options which will vest within 60 days of December 31, 2023.
(10) Represents 16,667 shares of common stock and 18,334 stock options which were fully vested and 4,584 stock options which will vest within 60 days of December 31, 2023.
(11) Represent 1,712 shares of common stock, 16,150 stock options that were fully vested and 522 stock options that will vest within 60 days of December 31, 2023.
(12) Represent 1,491 shares of common stock, 12,454 stock options that were fully vested and 710 stock options that will vest within 60 days of December 31, 2023.
(13) Represent 519 shares of common stock, 5,360 stock options that were fully vested and 473 stock options that will vest within 60 days of December 31, 2023.
(14) As of December 31, 2023, 5,530 stock options were fully vested and nil stock options will vest within 60 days of December 31, 2023. Also includes 49,912 shares of common stock issuable upon the exercise of warrants which were exercisable beginning on May 7, 2020, and 270,000 shares issuable upon the exercise of warrants which were exercisable beginning September 16, 2020.
(15) As of December 31, 2023, 6,492 stock options were fully vested and nil additional stock options will vest within 60 days of December 31, 2023.
(16) As of December 31, 2023, 7,485 stock options were fully vested and 105 additional stock options will vest within 60 days of December 31, 2023.
(17) Represents 42,768 shares and 6,524 stock options which were fully vested as of December 31, 2023. 105 additional stock options will vest within 60 days of December 31, 2023. Also includes 1,778 shares of common stock issuable upon the exercise of warrants which were exercisable beginning on May 7, 2020. The shares held directly by Aperture Venture Partners II, L.P., or II, Aperture Venture Partners II-A, L.P., or II-A, Aperture Venture Partners II-B, L.P., or II-B and Aperture Venture Partners III, L.P., or Aperture III Fund, are indirectly held by their general partners, Aperture Ventures II Management, LLC, or Aperture Management I, and Aperture Ventures III Management, LLC, or Aperture Management III, and, collectively with Aperture Management II, the Aperture Management and each individual managing directors of Aperture Management, the Managers. The Managers of Aperture Management are Anthony Natale, Eric H. Sillman, Paul E. Tierney, Jr. and Thomas P. Cooper. Each Manager disclaims beneficial ownership of such shares of common stock except to the extent of his pecuniary interest therein. Dr. Natale is a member of the Company's Board and a Manager of Aperture Management. Aperture Management and each of the Managers share voting and dispositive power over the ordinary shares directly held by II, II-A, II-B and Aperture III Fund. Each Manager disclaims beneficial ownership of such shares of common stock except to the extent of his pecuniary interest therein. The address for Aperture Venture Partners II, II-A, II-B, Aperture III Fund, the Aperture Management, and each of the Manager is 645 Madison Ave., 20th Floor, NY, NY 10022.
(18) Represents 8,277 shares and 4,498 stock options which were fully vested and nil additional stock options which will vest within 60 days of December 31, 2023.
(19) Represents 19,334 shares and 730 stock options which were fully vested and 70 additional stock options which will vest within 60 days of December 31, 2023.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Described below are all transactions occurring since January 1, 2022 to which the Company was a party and in which (i) the amounts involved, exceeded or will exceed $120,000, and (ii) a director, executive officer, holder of more than 5% of our outstanding common stock, or any member of such person's immediate family had or will have a direct or indirect material interest, other than equity and other compensation, termination, change in control and other arrangements, which are described in Part III, Item 11 *"Executive Compensation"* and *"Executive Compensation - Director Compensation"* and the amounts for executive officers of the Company whose compensation was approved by the Company's Board or the compensation committee of the Board. We believe the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described below were comparable to terms available or the amounts that would be paid or received, as applicable, in arm's-length transactions with unrelated third parties.

Note Purchase Agreement

On January 18, 2024, the Company, Venus USA, Venus Canada and Venus Ltd entered into a Note Purchase and Registration Rights Agreement (the "Note Purchase Agreement") with EW Healthcare Partners, L.P. ("EW") and EW Healthcare Partners-A, L.P. ("EW-A," and together with EW, the "Investors"). Pursuant to the Note Purchase Agreement, the Company issued and sold to the Investors $2,000,000 in aggregate principal amount of secured subordinated convertible notes (the "2024 Notes"). For more information regarding this transaction, please refer to Part II, Item 8, Note 18 "*Subsequent Events*" of this Annual Report. Mr. Barry, a member of the Company's Board, is affiliated with the Investors who hold more than 5% of our outstanding common stock.

Sales and Purchases of Securities

On May 15, 2023, we entered into an agreement with certain investors to issue and sell up to $9,000,000 in shares of preferred stock which are convertible into common stock on a 1:2.6667 basis (the "2023 Multi-Tranche Private Placement"), from time to time until December 31, 2025. Sales of preferred stock under this agreement occurred on: (1) May 15, 2023 when we sold 280,899 shares of preferred stock for an aggregate purchase price of $2.0 million; July 12, 2023 when we sold 500,000 shares of preferred stock for an aggregate purchase price of $2,000,000; (3) September 8, 2023 when we sold 292,398 shares of preferred stock for an aggregate purchase price of $1,000,000; and (4) October 20, 2023 when we sold 502,513 shares of preferred stock for an aggregate purchase price of $2,000,000. The officers, directors and/or holders of more than 5% of our outstanding common stock shown in the table below purchased securities in the 2023 Multi-Tranche Private Placement.

Name	Common Stock	Senior Preferred Stock	Aggregate Purchase Price
EW Healthcare Partners, L.P. and related investment entities[(1)]	—	1,575,810	$7,000,000

(1) Mr. Barry, a member of the Company's Board, is affiliated with the EW Entities.

On November 18, 2022, we issued and sold in a private placement to certain investors an aggregate of 116,668 shares of common stock and 3,185,000 shares of preferred stock were issued which are convertible into shares of common stock on a 1:0.6667 basis (the "2022 Private Placement"). The gross proceeds of the 2022 Private Placement were $6.72 million before offering expenses. The officers, directors and/or holders of more than 5% of our outstanding common stock shown in the table below purchased securities in the 2022 Private Placement.

Name	Common Stock	Voting Preferred Stock	Aggregate Purchase Price
HealthQuest Partners II, L.P.[1]	—	335,000	$670,000
EW Healthcare Partners, L.P. and related investment entities[2]	—	1,500,000	$3,000,000
Masters Capital Management, LLC and related investment entities[3]	—	1,000,000	$2,000,000
Masters Special Situations, LLC and related investment entities[4]	—	350,000	$700,000
Rajiv De Silva[5]	83,334	—	$250,000
Hemanth Varghese[6]	16,667	—	$50,000
Stanley Tyler Hollmig, M.D.[7]	16,667	—	$50,000

(1) Dr. Kong, a member of the Company's board of directors, is affiliated with HealthQuest Partners II, L.P. ("HealthQuest").
(2) Mr. Barry, a member of the Company's board of directors, is affiliated with the EW Healthcare Partners, L.P. and related investment entities ("EW Entities").
(3) Masters Capital Management, LLC and its related entities are holders of more than 5% of our outstanding common stock ("MCM Entities").
(4) Master Special Situations, LLC and its related entities are holders of more than 5% of our outstanding common stock ("MSS Entities").
(5) Mr. De Silva is the Company's Chief Executive Officer and member of the Company's board of directors.
(6) Mr. Varghese is the Company's President & Chief Innovation and Business Officer.
(7) Dr. Hollmig is a member of the Company's board of directors.

Registration Rights Agreements

On May 15, 2023, in connection with the 2023 Multi-Tranche Private Placement, the Company and EW Entities entered into a Resale Registration Rights Agreement (the "2023 Registration Rights Agreement"). The 2023 Registration Rights Agreement provides, among other things, that certain holders of the Company's capital stock have certain rights relating to the registration of shares of such capital stock.

On November 18, 2022, in connection with the 2022 Private Placement, the Company, HealthQuest, the EW Entities, MCM Entities, MSS Entities, Mr. De Silva, Mr. Varghese and Dr. Hollmig entered into an amendment and restatement to the Registration Rights Agreement, dated December 15, 2021 (the "A&R Registration Rights Agreement"). The A&R Registration Rights Agreement provides, among other things, that certain holders of the Company's capital stock have certain rights relating to the registration of shares of such capital stock.

Transactions with Our Former Chief Operating Officer

Søren Maor Sinay served as Chief Operating Officer of Venus Concept Ltd. from September 2017 to November 2019, and as Chief Operating Officer of Venus Concept Inc. from November 2019 until February 2023. Mr. Sinay and our subsidiaries have entered into the following agreements:

Distribution Agreements

On January 1, 2018, Venus Concept Ltd. entered into a distribution agreement with Technicalbiomed Co., Ltd ("TBC") pursuant to which TBC distributes our products in Thailand. Mr. Sinay is a 30% shareholder of TBC. For the years ended December 31, 2023 and 2022, TBC purchased products in the amount of $322,000 and $951,000, respectively, under this distribution agreement.

In the fourth quarter of fiscal year 2020, the Company disposed of its interest in Venus Singapore. Effective January 1, 2021, the Company entered into a distribution agreement with Aexel Biomed Pte Ltd. ("Aexel Biomed"), formerly Venus Singapore, pursuant to which Aexel Biomed distributes our products in Singapore. Mr. Sinay is a 45% shareholder of Aexel Biomed and is currently an officer of that company. For the years ended December 31, 2023 and December 31, 2022, Aexel Biomed purchased products in the amount of $122,000 and $441,000 under the distribution agreement.

Director and Executive Officer Compensation

See Part III, Item 11 *"Executive Compensation"* and *"Executive Compensation - Director Compensation"* for information regarding compensation of directors and executive officers.

Employment Agreements

We have employment agreements with our executive officers. For more information regarding these agreements, see Part III, Item 11 *"Executive Compensation - Narrative to 2023 Summary Compensation Table and Additional Narrative."*

Indemnification Agreements and Directors' and Officers' Liability Insurance

We have entered into indemnification agreements with each of our directors and executive officers. These agreements require us to, among other things, indemnify each director and executive officer to the fullest extent permitted by Delaware law, including indemnification of expenses such as attorneys' fees, judgments, penalties fines and settlement amounts incurred by the director or executive officer in any action or proceeding, including any action or proceeding by or in right of us, arising out of the person's services as a director or executive officer. We have obtained an insurance policy that insures our directors and officers against certain liabilities, including liabilities arising under applicable securities laws.

Policies and Procedures for Related Party Transactions

Our Board has adopted a written related person transaction policy setting forth the policies and procedures for the review and approval or ratification of related person transactions. This policy covers, with certain exceptions set forth in Item 404 of Regulation S-K under the Securities Act, any transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships in which we were or are to be a participant, where the amount involved exceeds $120,000 and a related person had or will have a direct or indirect material interest, including without limitation purchases of goods or services by or from the related person or entities in which the related person has a material interest, indebtedness, guarantees of indebtedness and employment by us of a related person. In reviewing and approving any such transactions, our audit committee is tasked to consider all relevant facts and circumstances, including but not limited to whether the transaction is on terms comparable to those that could be obtained in an arm's length transaction with an unrelated third party and the extent of the related person's interest in the transaction.

Item 14. Principal Accounting Fees and Services.

The following table provides information regarding the fees incurred to MNP, the Company's independent registered public accounting firm for the fiscal years ended December 31, 2023 and December 31, 2022.

	2023	2022
Audit Fees[1]	$1,080,700	$1,097,820
Tax Fees[2]	—	—
Audit-Related Fees[3]	$294,881	337,318
All Other Fees	—	—
Total Fees	**$1,375,581**	**$1,435,138**

(1) Audit fees are fees billed related to the audit of our annual consolidated financial statements included in this Annual Report.

(2) Tax fees consist of fees billed for tax compliance, tax advice and tax planning services.

(3) Audit-Related fees consist of fees billed for the review of our quarterly consolidated financial statements; comfort letters, consents and assistance with and review of documents filed with the SEC.

PART IV

Item 15. Exhibits, Consolidated Financial Statement Schedules.

(a) The following documents are filed as part of this report:

1. Consolidated Financial Statements

See Index to Consolidated Financial Statements at Item 8 herein.

2. Consolidated Financial Statement Schedules

No consolidated financial statement schedules are provided because the information called for is not required or is shown either in the consolidated financial statements or notes thereto.

3. Exhibits

See the Exhibit Index immediately preceding the signature page of this Annual Report.

Item 16. Form 10-K summary.

Not applicable.

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Form	Date	Number	Filed Herewith
2.1	Agreement and Plan or Merger and Reorganization, dated March 15, 2019, by and among Restoration Robotics, Inc., Radiant Merger Sub Ltd., and Venus Concept Ltd.	8-K	3-15-19	2.1	
2.2	Amendment No. 1, dated August 14, 2019, to the Agreement and Plan of Merger and Reorganization, dated March 15, 2019, by and among Restoration Robotics, Inc., Radiant Merger Sub Ltd., and Venus Concept Ltd.	8-K	8-20-19	2.1	
2.3	Second Amendment to the Agreement and Plan of Merger and Reorganization, dated as of October 31, 2019, by and among Restoration Robotics, Inc., Radiant Merger Sub Ltd. and Venus Concept Ltd.	8-K	10-31-19	2.1	
2.4	Master Asset Purchase Agreement between Venus Concept Ltd., the Neograft entities, Medicamat and Miriam Merkur, dated January 26, 2018.	10-K	3-30-20	2.4	
3.1	Amended and Restated Certificate of Incorporation of Restoration Robotics, Inc.	8-K	10-17-17	3.1	
3.2	Certificate of Amendment of Certificate of Incorporation of Restoration Robotics, Inc.	8-K	11-7-19	3.1	
3.3	Certificate of Designations of Nonvoting Convertible Preferred Stock of Venus Concept Inc.	8-K	10-15-21	3.1	
3.4	Second Amended and Restated Bylaws of Venus Concept Inc.	8-K	11-7-19	3.2	
3.5	Certificate of Designations of Voting Convertible Preferred Stock.	8-K	11-18-22	3.1	
3.6	Certificate of Amendment to Certificate of Designations of Nonvoting Convertible Preferred Stock.	8-K	11-18-22	3.2	

Exhibit Number	Exhibit Description	Form	Date	Number	Filed Herewith
3.7	Certificate of Amendment of Certificate of Incorporation of Venus Concept Inc. dated May 11, 2023	8-K	5-11-23	3.1	
3.8	Certificate of Elimination of Nonvoting Convertible Preferred Stock	8-K	5-15-23	3.1	
3.9	Certificate of Designations of Senior Convertible Preferred Stock	8-K	5-15-23	3.2	
3.10	Certificate of Amendment to Certificate of Designations of Senior Convertible Preferred Stock.	8-K	6-26-23	3.1	
3.11	Certificate of Designations of Series X Convertible Preferred Stock.	8-K	10-05-23	3.1	
4.1	Description of Securities Registered under Section 12 of the Exchange Act.				X
4.2	Form of Common Stock Certificate.	S-1/A	9-18-17	4.2	
4.3	Form of 2020 Warrant.	10-K	3-29-21	4.3	
4.4	Amendment to 2019 Warrant.	8-K	3-10-20	4.1	
4.5	Form of 2019 Warrant.	8-K	11-7-19	4.1	
4.6	Form of Madryn Warrant.	8-K	11-7-19	4.2	
4.7	Form of Warrant to Purchase Stock, dated November 7, 2019, by and between Venus Concept Inc. and Solar Capital Ltd.	8-K	11-7-19	4.3	
4.8	Form of Warrant to Purchase Stock, dated November 2, 2018, by and between Restoration Robotics, Inc. and Solar Capital Ltd.	10-K	3-20-19	4.10	
4.9	Form of Warrant to Purchase Stock, dated May 19, 2015, by and between Restoration Robotics, Inc. and Oxford Finance LLC.	10-K	3-30-20	4.9	
4.10	Form of Warrant to Purchase Stock, dated November 2, 2018, by and between Restoration Robotics, Inc. and Western Alliance Bank.	10-K	3-30-20	4.10	
4.11	Form of Warrant to Purchase Stock, dated November 2, 2018, by and between Restoration Robotics, Inc. and SUNS SPV LLC.	10-K	3-30-20	4.11	
4.12	Secured Subordinated Convertible Note, dated October 4, 2023, by Venus Concept Inc. in favor of Madryn Health Partners, LP	8-K	10-5-23	10.3	
4.13	Secured Subordinated Convertible Note, dated October 4, 2023, by Venus Concept Inc. in favor of and Madryn Health Partners (Cayman Master), LP	8-K	10-5-23	10.4	
4.14	Form of Secured Subordinated Convertible Note Issued by Venus Concept Inc. to EW Healthcare Partners, L.P.	8-K	1-19-24	10.2	

Exhibit Number	Exhibit Description	Form	Date	Number	Filed Herewith
4.15	Form of Secured Subordinated Convertible Note Issued by Venus Concept Inc. to EW Healthcare Partners-A L.P.	8-K	1-19-24	10.3	
4.16	Form of Investor Warrant, dated February 27, 2024	8-K	2-27-24	4.1	
4.17	Form of Placement Agent Warrant, dated February 27, 2024	8-K	2-27-24	4.2	
10.1	Registration Rights Agreement, dated November 7, 2019, by and between Venus Concept Inc. and the investors listed therein.	8-K	11-7-19	10.2	
10.2	Registration Rights Agreement, dated November 7, 2019, by and between Venus Concept Inc. and the investors listed therein.	8-K	11-7-19	10.15	
10.3	Securities Purchase Agreement, dated as of March 18, 2020, by and between Venus Concept Inc. and the investors listed therein.	10-K	3-30-20	4.12	
10.4	Registration Rights Agreement, dated as of March 18, 2020, by and between Venus Concept Inc. and the investors listed therein.	10-K	3- 30-20	4.13	
10.5	Amended and Restated Investors' Rights Agreement, dated February 7, 2013, by and among Restoration Robotics, Inc. and the investors listed therein, as amended.	S-1	9-1-17	10.10	
10.6	Registration Rights Agreement, dated as of June 16, 2020, by and between Venus Concept Inc. and Lincoln Park Capital Fund, LLC.	8-K	6-16-20	10.2	
10.7	Second Amended and Restated Loan Agreement, dated March 20, 2020, by and among Venus Concept USA Inc., Venus Concept Canada Corp., Venus Concept Inc. and City National Bank of Florida.	8-K	3- 24-20	10.1	
10.8	Second Amended and Restated Guaranty of Payment and Performance, dated as of March 20, 2020, by and between Venus Concept USA Inc., Venus Concept Canada Corp., Venus Concept Inc., and City National Bank of Florida.	8-K	3-24-20	10.2	
10.10	Security Agreement, dated as of March 20, 2020, by and between Venus Concept Inc. and City National Bank of Florida.	8-K	3-24-20	10.4	
10.11†	License Agreement, dated July 25, 2006 by and between Restoration Robotics, Inc., James A. Harris, M.D. and HSC Development LLC.	S-1/A	9-22-17	10.7	
10.12†	First Amendment to License Agreement, dated January 5, 2009, by and between Restoration Robotics, Inc., James A. Harris, M.D. and HSC Development LLC.	S-1/A	9-22-17	10.8	
10.13†	Second Amendment to License Agreement, dated February 23, 2015, by and between Restoration Robotics, Inc., James A. Harris, M.D. and HSC Development LLC.	S-1/A	9-22-17	10.9	
10.14#	Venus Concept Inc. 2019 Incentive Award Plan.	8-K	11-7-19	10.21	

Exhibit Number	Exhibit Description	Form	Date	Number	Filed Herewith
10.15#	Form of Stock Option Grant Notice and Stock Option Agreement under the 2019 Incentive Award Plan.	10-K	3-30-20	10.24	
10.16#	2017 Incentive Award Plan.	S-8	10-17-17	99.7	
10.17#	Form of Stock Option Grant Notice and Stock Option Agreement under the 2017 Incentive Award Plan.	S-1/A	9-18-17	10.26	
10.18#	Form of Restricted Stock Award Grant Notice and Restricted Stock Award Agreement under the 2017 Incentive Award Plan.	S-1/A	9-18-17	10.27	
10.19#	Form of Restricted Stock Unit Award Grant Notice and Restricted Stock Unit Award Agreement under the 2017 Incentive Award Plan.	S-1/A	9-18-17	10.28	
10.20#	2017 Employee Stock Purchase Plan.	S-8	10-17-17	99.11	
10.21#	Non-Employee Director Compensation Program.	S-1/A	9-18-17	10.35	
10.22#	2015 Equity Incentive Plan.	S-8	10-17-17	99.4	
10.23#	Form of Stock Option Grant Notice and Stock Option Agreement under 2015 Equity Incentive Plan.	S-1	9-1-17	10.23	
10.24#	Form of Stock Purchase Right Grant Notice and Restricted Stock Purchase Agreement under 2015 Equity Incentive Plan.	S-1	9-1-17	10.24	
10.25#	Venus Concept Ltd. 2010 Israeli Employee Share Option Plan.	8-K	11-7-19	10.20	
10.26#	Minutes of Settlement, by and between Domenic Serafino and Venus Concept Canada Corp, dated December 30, 2022.	8-K	1-6-23	10.1	
10.27#	Employment Agreement by and between Venus Concept Ltd. and Domenic Della Penna, effective September 5, 2017.	8-K	11-7-19	10.17	
10.28#	Employment Agreement by and between Venus Concept Inc. and Ross Portaro, effective October 15, 2021.	10-K	3-28-22	10.26	
10.29#	Form of Indemnification Agreement between Venus Concept Inc. and each of its directors and executive officers.	8-K	11-7-19	10.19	
10.30	Lease between 235 Investment Limited, Venus Concept Canada Corp and Venus Concept Ltd, dated March 29, 2019.	10-K	3-30-20	10.49	
10.31	Lease between AMB Tripoint, LLC and Venus Concept Inc., dated July 29, 2021.	10-K	3-28-22	10.32	

Exhibit Number	Exhibit Description	Form	Date	Number	Filed Herewith
10.32†	Quality Agreement, dated October 11, 2011, by and between Venus Concept Ltd. and USR Electronnic Systems Ltd. (signed December 3, 2017).	10-K	3-30-20	10.54	
10.33†	Turn-Key Project Manufacturing Agreement, dated March 23, 2014, by and between Venus Concept Ltd. and USR Electronnic Systems Ltd.	10-K	3-30-20	10.55	
10.34†	Quality Agreement, dated July 13/17 2018, by and between Venus Concept Ltd. and Electronique du Mazet.	10-K	3-30-20	10.56	
10.35†	Intellectual Property Rights Assignment, dated February 15, 2018, by and between Venus Concept Ltd. and Electronique du Mazet.	10-K	3-30-20	10.57	
10.36	Consent to Transfer Confidentiality and Nonsolicitation Subcontracting Agreement, dated February 1, 2018, by and between Venus Concept Ltd. and Societe de Promotion et d'Equipement Medical Medicamat.	10-K	3-30-20	10.58	
10.37	Manufacturing Agreement for Consumables, dated October 26, 2018, by and between NPI Solutions and Restoration Robotics, Inc.	10-K	3-30-20	10.59	
10.38	SBA Payroll Protection Program Note dated April 21, 2020, by Venus Concepts Inc. and in favor of City National Bank of Florida.	8-K	4-30-20	10.2	
10.39	Purchase Agreement, dated as of June 16, 2020, by and between Venus Concept Inc. and Lincoln Park Capital Fund, LLC	8-K	6-16-20	10.1	
10.40	Third Amended and Restated Loan Agreement dated as of December 9, 2020, by and among the Company, Venus Concept USA Inc., Venus Concept Canada Corp. and City National Bank of Florida.	8-K/A	12-15-20	10.1	
10.41	Second Amended and Restated Security Agreement dated as of December 9, 2020 by and among the Company, Venus Concept USA Inc. and City National Bank.	8-K/A	12-15-20	10.2	
10.43	Third Amended and Restated Guaranty of Payment and Performance dated as of December 9, 2020 by Venus Concept Ltd. in favor of City National Bank of Florida.	8-K/A	12-15-20	10.4	
10.44	Amendment to General Security Agreement dated as of December 9, 2020 between Venus Concept Canada Corp. and City National Bank of Florida.	8-K/A	12-15-20	10.5	
10.45	Loan and Security Agreement dated as of December 8, 2020, by and between Venus Concept USA Inc. and City National Bank.	8-K/A	12-15-20	10.6	
10.46	Promissory Note dated December 8, 2020, by Venus Concept USA Inc. in favor of City National Bank.	8-K/A	12-15-20	10.7	
10.47	Guaranty of Payment and Performance Agreement dated as of December 8, 2020 by and between the Company and City National Bank.	8-K/A	12-15-20	10.8	

Exhibit Number	Exhibit Description	Form	Date	Number	Filed Herewith
10.48	Securities Exchange and Registration Rights Agreement as of December 8, 2020 by and among the Company, Venus Concept USA Inc., Venus Concept Canada Corp., Venus Concept Ltd., Madryn Health Partners, LP and the Investors.	8-K/A	12-15-20	10.9	
10.49	Secured Subordinated Convertible Note dated as of December 9, 2020 by the Company in favor of Madryn Health Partners, LP.	8-K/A	12-15-20	10.10	
10.50	Secured Subordinated Convertible Note dated as of December 9, 2020 by the Company in favor of and Madryn Health Partners (Cayman Master), LP.	8-K/A	12-15-20	10.11	
10.51	Guaranty and Security Agreement dated as of December 9, 2020 by and among the Company, Venus Concept USA, Venus Concept Canada Corp., Venus Concept Ltd. and Madryn Health Partners, LP.	8-K/A	12-15-20	10.12	
10.52	Subordination of Debt Agreement dated as of December 9, 2020 by and among Madryn Health Partners, LP, Madryn Health Partners (Cayman Master), LP, City National Bank and Venus Concept Inc.	8-K/A	12-15-20	10.13	
10.53	Subordination of Debt Agreement dated as of December 9, 2020 by and among Madryn Health Partners, LP, Madryn Health Partners (Cayman Master), LP, City National Bank and Venus Concept Canada Corp.	8-K/A	12-15-20	10.14	
10.54	Subordination of Debt Agreement dated as of December 9, 2020 by and among Madryn Health Partners, LP, Madryn Health Partners (Cayman Master), LP, City National Bank and Venus Concept USA Inc.	8-K/A	12-15-20	10.15	
10.55	Fourth Amended and Restated Loan Agreement, dated July 24, 2021, by and between Venus Concept USA Inc., Venus Concept Canada Corp., Venus Concept Inc., and City National Bank of Florida.	8-K	8-26-21	10.1	
10.56	Fourth Amended and Restated Guaranty of Payment and Performance, dated July 24th, 2021, by Venus Concept Ltd in favor of City National Bank of Florida.	8-K	8-26-21	10.2	
10.57	Third Amended and Restated Security Agreement, dated July 24, 2021, by and between Venus Concept Inc., Venus Concept USA Inc., and City National Bank of Florida.	8-K	8-26-21	10.3	
10.59	Supplement to Subordination of Debt Agreements, dated July 24, 2021, by and between Madryn Health Partners, LP, Madryn Health Partners (Cayman Master), LP, City National Bank of Florida, and Venus Concept Inc.	8-K	8-26-21	10.5	
10.60	Supplement to Subordination of Debt Agreements, dated July 24, 2021, by and between Madryn Health Partners, LP, Madryn Health Partners (Cayman Master), LP, City National Bank of Florida, and Venus Concept Inc.	8-K	10-5-21	10.1	
10.61	Stock Purchase Agreement, dated December 15, 2021, by and between Venus Concept Inc. and the investors listed therein.	8-K	12-15-21	10.1	

Exhibit Number	Exhibit Description	Form	Date	Number	Filed Herewith
10.62	Resale Registration Rights Agreement, dated December 15, 2021, by and between Venus Concept Inc. and the Purchasers.	8-K	12-15-21	10.2	
10.63	Investor Rights Agreement, dated December 15, 2021, by and between Venus Concept, Inc., Masters Special Situations, LLC, and the other purchasers from time to time party hereto.	8-K	12-15-21	10.3	
10.64	Purchase Agreement, dated as of July 12, 2022, by and between the Company and Lincoln Park.	8-K	7-12-22	10.1	
10.65	Registration Rights Agreement, dated as of July 12, 2022, by and between the Company and Lincoln Park.	8-K	7-12-22	10.2	
10.66#	Employment Agreement, dated October 2, 2022, by and between the Company and Rajiv De Silva.	8-K	10-3-22	10.1	
10.67#	Employment Agreement, dated October 11, 2022, by and between Venus Concept Canada Corp. and Hemanth Varghese,	8-K	10-11-22	10.1	
10.68	Stock Purchase Agreement, dated November 18, 2022, by and among Venus Concept Inc., and certain investors listed therein.	8-K	11-18-22	10.1	
10.69	Amended and Restated Registration Rights Agreement, dated November 18, 2022, by and between Venus Concept Inc. and certain investors listed therein.	8-K	11-18-22	10.2	
10.70#	Amendment to Employment Agreement, dated as of January 1, 2023, by and between Venus Concept Inc. and Ross Portaro.	10-K	3-27-23	10.67	
10.71#	Settlement Agreement, by and between Soeren Maor Sinay and Venus Concept UK Limited, dated March 1, 2023.	8-K	3-7-23	10.1	
10.72	Stock Purchase Agreement, dated May 15, 2023, by and among Venus Concept Inc., EW Healthcare Partners, L.P. and EW Healthcare Partners-A L.P.	8-K	5-15-23	10.1	
10.73	Registration Rights Agreement, dated May 15, 2023, by and among Venus Concept Inc., EW Healthcare Partners, L.P. and EW Healthcare Partners-A L.P	8-K	5-15-23	10.2	
10.74#	Addendum to Employment Agreement of Domenic Della Penna, dated May 9, 2023.	10-Q	5-15-23	10.1	
10.75#	Addendum to Employment Agreement of Ross Portaro, dated May 9, 2023.	10-Q	5-15-23	10.2	
10.76	Amendment to Stock Purchase Agreement, dated July 6, 2023, by and among the Company, EW Healthcare Partners, L.P. and EW Healthcare Partners-A.	8-K	7-12-23	10.1	
10.77	Exchange Agreement, dated October 4, 2023, by and among Venus Concept Inc., Madryn Health Partners, LP and Madryn Health Partners (Cayman Master), LP	8-K	10-5-23	10.1	

Exhibit Number	Exhibit Description	Form	Date	Number	Filed Herewith
10.78	Registration Rights Agreement, dated October 4, 2023, by and among Venus Concept Inc., Madryn Health Partners, LP and Madryn Health Partners (Cayman Master), LP	8-K	10-5-23	10.2	
10.79	Subordination of Debt Agreement, dated October 4, 2023, by and between Venus Concept Ltd., Madryn Health Partners, LP, Madryn Health Partners (Cayman Master), LP and City National Bank of Florida	8-K	10-5-23	10.5	
10.80	Loan Modification Agreement, dated October 4, 2023, by and between Venus Concept Inc. and City National Bank of Florida	8-K	10-5-23	10.6	
10.81	Note Purchase Agreement dated January 18, 2024, by and between Venus Concept Inc., Veus Concept USA, Inc., Venus Concept Canada Corp., Venus Concept Ltd., EW Healthcare Partners and EW Healthcare Partners-A, L.P.	8-K	1-19-24	10.1	
10.82	Guaranty and Security Agreement, dated January 18, 2024, by and among Venus Concept Inc., Venus Concept USA Inc., Venus Concept Canada Corp., Venus Concept Ltd. and EW Healthcare Partners, L.P., as Collateral Agent	8-K	1-19-24	10.4	
10.83	Subordination of Debt Agreement, dated January 18, 2024, by and among Venus Concept Inc., Venus Concept USA Inc., Venus Concept Canada Corp., Venus Concept Ltd., City National Bank of Florida, EW Healthcare Partners, L.P. and EW Healthcare Partners-A L.P.	8-K	1-19-24	10.5	
10.84	Loan Modification Agreement, dated January 18, 2024, by and among Venus Concept Inc., Venus Concept USA Inc., Venus Concept Canada Corp., Venus Concept Ltd. and EW Healthcare, City National Bank of Florida, Madryn Health Partners, LP and Madryn Health Partners (Cayman Master).	8-K	1-19-24	10.6	
10.85	Form of Transaction Completion Bonus Award Letter	8-K	2-24-24	10.1	
10.86	Form of Securities Purchase Agreement, dated February 22, 2024, by and between Venus Concept Inc., Armistice Capital Master Fund Ltd. and Intracostal Capital LLC.	8-K	2-27-24	10.1	
14.1	Code of Business Conduct and Ethics.	8-K	11-7-19	14.1	
21.1	List of Subsidiaries.				X
23.2	Consent of MNP LLP, independent registered public accounting firm.				X

Exhibit Number	Exhibit Description	Form	Date	Number	Filed Herewith
24.1	Power of Attorney. Reference is made to the signature page of this Annual Report on Form 10-K.				X
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.				X
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.				X
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.				X
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.				X
97	Venus Concept Inc. Incentive-Based Compensation Clawback Policy				X
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				X
101.SCH	Inline XBRL Taxonomy Extension Schema Document				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				

# Indicates management contract or compensatory plan.

† Certain confidential portions of this exhibit were omitted by means of marking such portions with asterisks because the identified confidential portions (i) are not material and (ii) would be competitively harmful if publicly disclosed.

* The certifications attached as Exhibit 32.1 and Exhibit 32.2 that accompany this Annual Report on Form 10-K are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Venus Concept Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Annual Report on Form 10-K, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

Venus Concept Inc.

April 1, 2024

By: /s/ Rajiv De Silva
Rajiv De Silva
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints each of Rajiv De Silva and Domenic Della Penna his or her true and lawful attorney-in-fact and agent, with full power of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has executed this Power of Attorney as of the date indicated opposite his or her name.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Rajiv De Silva Rajiv De Silva	Chief Executive Officer and Director *(Principal Executive Officer)*	April 1, 2024
/s/ Domenic Della Penna Domenic Della Penna	Chief Financial Officer *(Principal Financial and Accounting Officer)*	April 1, 2024
/s/ Scott Barry Scott Barry	Chairman and Director	April 1, 2024
/s/ Garheng Kong, M.D. Garheng Kong, M.D.	Director	April 1, 2024
/s/ Louise Lacchin Louise Lacchin	Director	April 1, 2024
/s/ Fritz LaPorte Fritz LaPorte	Director	April 1, 2024
/s/ Anthony Natale, M.D Anthony Natale, M.D.	Director	April 1, 2024
/s/ Keith Sullivan Keith Sullivan	Director	April 1, 2024
/s/ S. Tyler Hollmig, M.D. S. Tyler Hollmig, M.D.	Director	April 1, 2024

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