
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2022

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 001-09341

iCAD, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

98 Spit Brook Road, Suite 100, Nashua, NH
(Address of principal executive offices)

02-0377419
(I.R.S. Employer
Identification No.)

03062
(Zip Code)

(603) 882-5200
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

<u>Title of each class</u>	<u>Trading symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.01 par value	ICAD	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement 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 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, an emerging growth company or a smaller reporting 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act) YES NO .

As of the close of business on November 7, 2022, there were 25,446,407 shares outstanding of the registrant’s Common Stock, \$0.01 par value.

iCAD, Inc.

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iCAD, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In thousands, except for share data)
(Unaudited)

	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 24,590	\$ 34,282
Trade accounts receivable, net of allowance for doubtful accounts of \$778 and \$268 as of September 30, 2022 and December 31, 2021, respectively	8,472	8,891
Inventory, net	5,630	4,171
Prepaid expenses and other current assets	3,787	2,962
Total current assets	42,479	50,306
Property and equipment, net of accumulated depreciation of \$7,275 and 7,106 as of September 30, 2022 and December 31, 2021, respectively	986	882
Operating lease assets	2,945	1,059
Other assets	67	899
Intangible assets, net of accumulated amortization of \$8,820 and \$8,724 as of September 30, 2022 and December 31, 2021, respectively	535	683
Goodwill	8,362	8,362
Total assets	\$ 55,374	\$ 62,191
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Accounts payable	\$ 2,423	\$ 2,779
Accrued and other expenses	5,544	5,642
Lease payable—current portion	508	889
Deferred revenue—current portion	6,126	5,652
Total current liabilities	14,601	14,962
Lease payable, net of current	2,480	266
Deferred revenue, net of current	631	441
Deferred tax	4	5
Total liabilities	17,716	15,674
Commitments and Contingencies (Note 13)		
Stockholders' equity:		
Preferred stock, \$0.01 par value: authorized 1,000,000 shares; none issued.	—	—
Common stock, \$0.01 par value: authorized 60,000,000 shares; issued 25,428,935 as of September 30, 2022 and 25,326,086 as of December 31, 2021.		
Outstanding 25,243,104 as of September 30, 2022 and 25,140,255 as of December 31, 2021.	254	253
Additional paid-in capital	302,560	300,859
Accumulated deficit	(263,741)	(253,180)
Treasury stock at cost, 185,831 shares as of both September 30, 2022 and December 31, 2021	(1,415)	(1,415)
Total stockholders' equity	37,658	46,517
Total liabilities and stockholders' equity	\$ 55,374	\$ 62,191

See accompanying notes to condensed consolidated financial statements.

iCAD, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(In thousands, except for per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue:				
Products	\$ 3,207	\$ 6,320	\$ 12,242	\$ 16,429
Service and supplies	3,149	3,041	9,212	9,401
Total revenue	<u>6,356</u>	<u>9,361</u>	<u>21,454</u>	<u>25,830</u>
Cost of revenue:				
Products	1,416	1,807	4,530	4,592
Service and supplies	494	763	1,524	2,462
Amortization and depreciation	73	79	224	237
Total cost of revenue	<u>1,983</u>	<u>2,649</u>	<u>6,278</u>	<u>7,291</u>
Gross profit	<u>4,373</u>	<u>6,712</u>	<u>15,176</u>	<u>18,539</u>
Operating expenses:				
Engineering and product development	2,137	2,285	6,780	6,745
Marketing and sales	3,473	3,886	10,473	10,739
General and administrative	2,667	2,658	8,341	7,461
Amortization and depreciation	56	64	180	178
Total operating expenses	<u>8,333</u>	<u>8,893</u>	<u>25,774</u>	<u>25,123</u>
Loss from operations	<u>(3,960)</u>	<u>(2,181)</u>	<u>(10,598)</u>	<u>(6,584)</u>
Other income/ (expense):				
Interest expense	(7)	—	(7)	(141)
Interest income	71	21	89	53
Other loss, net	(2)	(16)	(45)	(41)
Loss on extinguishment of debt	—	—	—	(386)
Other expense, net	<u>62</u>	<u>5</u>	<u>37</u>	<u>(515)</u>
Loss before provision for income taxes	<u>(3,898)</u>	<u>(2,176)</u>	<u>(10,561)</u>	<u>(7,099)</u>
Provision for tax expense	—	—	—	—
Net loss and comprehensive loss	<u>\$ (3,898)</u>	<u>\$ (2,176)</u>	<u>\$ (10,561)</u>	<u>\$ (7,099)</u>
Net loss per share:				
Basic and diluted	<u>\$ (0.15)</u>	<u>\$ (0.09)</u>	<u>\$ (0.42)</u>	<u>\$ (0.29)</u>
Weighted average number of shares used in computing loss per share:				
Basic and diluted	<u>25,204</u>	<u>25,053</u>	<u>25,183</u>	<u>24,662</u>

See accompanying notes to condensed consolidated financial statements.

iCAD, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Stockholders' Equity
(In thousands, except shares)
(Unaudited)

	For the three months ended September 30, 2022					
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Stockholders' Equity
	Number of Shares Issued	Par Value				
Balance at June 30, 2022	25,373,858	\$ 254	\$301,994	\$ (259,843)	\$(1,415)	\$ 40,990
Issuance of common stock pursuant to stock option plans	45,000	—	127	—	—	127
Issuance of common stock pursuant Employee Stock Purchase Plans	10,077	—	34	—	—	34
Stock-based compensation	—	—	405	—	—	405
Net loss	—	—	—	(3,898)	—	(3,898)
Balance at September 30, 2022	<u>25,428,935</u>	<u>\$ 254</u>	<u>\$302,560</u>	<u>\$ (263,741)</u>	<u>\$(1,415)</u>	<u>\$ 37,658</u>

	For the nine months ended September 30, 2022					
	Common Stock		Paid-in Capital	Accumulated Deficit	Treasury Stock	Stockholders' Equity
	Number of Shares Issued	Par Value				
Balance at December 31, 2021	25,326,086	\$ 253	\$300,859	\$ (253,180)	\$(1,415)	\$ 46,517
Issuance of common stock related to vesting of restricted stock	875	—	—	—	—	—
Issuance of common stock pursuant to stock option plans	73,833	1	205	—	—	206
Issuance of common stock pursuant Employee Stock Purchase Plans	28,141	—	127	—	—	127
Stock-based compensation	—	—	1,369	—	—	1,369
Net loss	—	—	—	(10,561)	—	(10,561)
Balance at September 30, 2022	<u>25,428,935</u>	<u>\$ 254</u>	<u>\$302,560</u>	<u>\$ (263,741)</u>	<u>\$(1,415)</u>	<u>\$ 37,658</u>

	For the three months ended September 30, 2021					
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Stockholders' Equity
	Number of Shares Issued	Par Value				
Balance at June 30, 2021	25,213,302	\$ 251	\$299,049	\$ (246,858)	\$(1,415)	\$ 51,027
Issuance of common stock related to vesting of restricted stock	14,665	1	(60)	—	—	(59)
Issuance of common stock, net	54,702	1	296	—	—	297
Issuance of common stock pursuant Employee Stock Purchase Plans	5,168	—	76	—	—	76
Stock-based compensation	—	—	656	—	—	656
Net loss	—	—	—	(2,176)	—	(2,176)
Balance at September 30, 2021	<u>25,287,837</u>	<u>\$ 253</u>	<u>\$300,017</u>	<u>\$ (249,034)</u>	<u>\$(1,415)</u>	<u>\$ 49,821</u>

	For the nine months ended September 30, 2021					
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Stockholders' Equity
	Number of Shares Issued	Par Value				
Balance at December 31, 2020	23,694,406	\$ 236	\$273,639	\$ (241,935)	\$(1,415)	\$ 30,525
Issuance of common stock related to vesting of restricted stock	43,831	1	(60)	—	—	(59)
Issuance of common stock, net	1,393,738	14	23,215	—	—	23,229
Issuance of common stock pursuant to stock option plans	138,450	2	931	—	—	933
Issuance of common stock pursuant Employee Stock Purchase Plans	17,412	—	190	—	—	190
Stock-based compensation	—	—	2,102	—	—	2,102
Net loss	—	—	—	(7,099)	—	(7,099)
Balance at September 30, 2021	<u>25,287,837</u>	<u>\$ 253</u>	<u>\$300,017</u>	<u>\$ (249,034)</u>	<u>\$(1,415)</u>	<u>\$ 49,821</u>

See accompanying notes to condensed consolidated financial statements.

iCAD, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	For the Nine Months ended September 30,	
	2022	2021
Cash flow from operating activities:		
Net loss	\$ (10,561)	\$ (7,099)
Adjustments to reconcile net loss to net cash used for operating activities:		
Amortization	158	176
Depreciation	246	242
Non-cash lease expense	549	581
Bad debt provision	510	(25)
Stock-based compensation	1,369	2,102
Amortization of debt discount and debt costs	—	17
Loss on extinguishment of debt	—	386
Changes in operating assets and liabilities:		
Accounts receivable	(91)	(1,827)
Inventory	(1,459)	(146)
Prepaid and other assets	7	493
Accounts payable	(351)	(217)
Accrued and other expenses	(98)	(2,095)
Lease liabilities	(602)	(514)
Deferred revenue	663	65
Total adjustments	<u>901</u>	<u>(762)</u>
Net cash used for operating activities	<u>(9,660)</u>	<u>(7,861)</u>
Cash flow from investing activities:		
Additions to patents, technology and other	(10)	(24)
Additions to property and equipment	(355)	(426)
Net cash used for investing activities	<u>(365)</u>	<u>(450)</u>
Cash flow from financing activities:		
Proceeds from option exercises pursuant to stock option plans	206	933
Proceeds from issuance of common stock pursuant to Employee Stock Purchase Plans	127	190
Proceeds from issuance of common stock, net	—	23,229
Issuance of stock upon conversion of debentures	—	(7,363)
Taxes paid related to restricted stock program	—	(59)
Net cash provided by financing activities	<u>333</u>	<u>16,930</u>
(Decrease) increase in cash and cash equivalents	(9,692)	8,619
Cash and cash equivalents, beginning of period	<u>34,282</u>	<u>27,186</u>
Cash and cash equivalents, end of period	<u>\$ 24,590</u>	<u>\$ 35,805</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 7</u>	<u>\$ 92</u>
Amendment to right-of-use assets obtained in exchange for operating lease liabilities	<u>\$ 2,434</u>	<u>\$ —</u>

See accompanying notes to condensed consolidated financial statements.

iCAD, INC. AND SUBSIDIARIES

(In thousands, except for share and per share data or as noted)

Notes to Condensed Consolidated Financial Statements:

Note 1 – Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated financial statements of iCAD, Inc. and its subsidiaries (together “iCAD” or the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”), which requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the reporting period and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. It is reasonably possible that changes may occur in the near term that would affect management’s estimates with respect to assets and liabilities. In the opinion of the Company’s management, these unaudited interim condensed consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the financial position of the Company at September 30, 2022, the results of operations of the Company for the three and nine months ended September 30, 2022 and 2021, cash flows of the Company for the nine months ended September 30, 2022 and 2021, and stockholders’ equity for the Company for the three and nine months ended September 30, 2022 and 2021.

Although the Company believes that the disclosures made in these interim financial statements are adequate to make the information presented not misleading, certain information normally included in the footnotes prepared in accordance with US GAAP has been omitted as permitted by the rules and regulations of the Securities and Exchange Commission (the “SEC”). The accompanying interim financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2021, filed with the SEC on March 29, 2022. The results for the three and nine months ended September 30, 2022, are not necessarily indicative of the results that may be expected for fiscal year ending December 31, 2022, or any interim or any future period.

Principles of Consolidation and Business Segments

The condensed consolidated financial statements include the accounts of iCAD, Inc. and its wholly owned subsidiaries: Xoft, Inc., Xoft Solutions, LLC, iCAD France, LLC and iCAD Italy, LLC. All material inter-company transactions and balances have been eliminated in consolidation.

The Company reports the results of two segments: Cancer Detection (“Detection”) and Cancer Therapy (“Therapy”). The Detection segment consists of advanced image analysis and workflow products for the detection of cancer. The Therapy segment consists of radiation therapy (“Xoft”, “Axxent”) products for the treatment of certain cancers.

Risk and Uncertainty

On March 12, 2020, the World Health Organization declared COVID-19 to be a pandemic. In an effort to contain and mitigate the spread of COVID-19, the United States and most countries of the world imposed some level of unprecedented restrictions such as travel bans and business closures which caused substantial reductions in economic activity. As a provider of devices and services to the health care industry, the Company believes its operations have been materially affected in all periods presented. While the worst of the disruptions appear to have subsided as of September 30, 2022, the Company continues to be impacted by slowness in the overall economic recovery. The Company’s expected results for the year ended December 31, 2022, including any interim or future periods, could reflect a continuing negative impact from the COVID-19 pandemic for similar or additional reasons.

In late February 2022, Russian military forces launched significant military action against Ukraine. Sustained conflict and disruption in the region has continued through September 30, 2022 and beyond. Economic, civil, military and political uncertainty may arise or increase in regions where the Company operates or derives revenue. Further, countries from which the Company derives revenue may experience military action and/or civil and political unrest; may be subject to government export controls, economic sanctions, embargoes, or trade restrictions; and experience currency, inflation, and interest rate uncertainties. While the impact to the Company has been limited to date, it is not possible to predict the potential outcome should the conflict expand and/or additional sanctions be imposed. For the fiscal year ended 2021, approximately 8.6% of the Company’s total revenue and approximately 39.0% of the Company’s export revenue was derived from customers located in Europe.

Recently Adopted Accounting Pronouncements

On January 1, 2022, the Company adopted ASU No. 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)—Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity (“ASU 2020-06”). The impact of adopting ASU 2020-06 had no impact on the Company’s consolidated financial statements.

Recently Issued Accounting Standards

In June 2016, the Financial Accounting Standards Board (the “FASB”) issued ASU 2016-13, “Financial Instruments—Credit Losses (Topic 326)” (“ASU 2016-13”), which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss model which requires the use of forward-looking information to calculate credit loss estimates. These changes will result in earlier recognition of credit losses. In November 2019, the FASB elected to defer the adoption date of ASU 2016-13 for public business entities that meet the definition of a smaller reporting company to fiscal years beginning after December 15, 2022. Early adoption of the guidance in ASU 2016-13 is permitted. The Company continues to assess the impact that adoption of this standard will have on its consolidated financial statements.

Note 2 – Fair Value Measurements

The Company follows the provisions of FASB ASC Topic 820, “Fair Value Measurement and Disclosures” (“ASC 820”), which defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The Company applies the fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, which are the following:

- 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 for similar assets or liabilities; 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

The assigned level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Money market funds included in cash and cash equivalents in the accompanying consolidated balance sheet are considered a Level 1 measurement as they are valued at quoted market prices in active markets.

The following table sets forth the Company’s assets which are measured at fair value on a recurring basis by level within the fair value hierarchy:

Fair Value Measurements as of September 30, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Money market accounts	\$17,998	\$ —	\$ —	\$17,998
Total Assets	<u>\$17,998</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$17,998</u>

Fair Value Measurements as of December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Money market accounts	\$30,573	\$ —	\$ —	\$30,573
Total Assets	<u>\$30,573</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$30,573</u>

There were no Level 2 or 3 instruments measured at fair value as of September 30, 2022 or December 31, 2021.

Note 3 - Revenue

Revenue Recognition

Revenue is recognized when a customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration which the Company expects to be entitled to receive in exchange for these goods or services and excludes any sales incentives or taxes collected from customers which are subsequently remitted to government authorities.

Disaggregation of Revenue

The following tables presents the Company's revenues disaggregated by major good or service line, timing of revenue recognition, and sales channel, reconciled to its reportable segments.

	Three months ended September 30, 2022		
	Reportable Segments		Total
	Detection	Therapy	
Major Goods/Service Lines			
Products	\$ 2,535	\$ 671	\$ 3,206
Service contracts	1,823	400	2,223
Supply and source usage agreements	—	453	453
Disposable applicators	—	377	377
Other	—	97	97
	<u>\$ 4,358</u>	<u>\$ 1,998</u>	<u>\$ 6,356</u>
Timing of Revenue Recognition			
Goods transferred at a point in time	\$ 2,510	\$ 1,119	\$ 3,629
Services transferred over time	1,848	879	2,727
	<u>\$ 4,358</u>	<u>\$ 1,998</u>	<u>\$ 6,356</u>
Sales Channels			
Direct sales force	\$ 2,947	\$ 788	\$ 3,735
OEM partners	1,411	—	1,411
Channel partners	—	1,210	1,210
	<u>\$ 4,358</u>	<u>\$ 1,998</u>	<u>\$ 6,356</u>
	Nine months ended September 30, 2022		
	Reportable Segments		Total
	Detection	Therapy	
Major Goods/Service Lines			
Products	\$ 9,866	\$ 2,376	\$ 12,242
Service contracts	5,301	1,155	6,456
Supply and source usage agreements	—	1,224	1,224
Disposable applicators	—	1,256	1,256
Other	—	276	276
	<u>\$ 15,167</u>	<u>\$ 6,287</u>	<u>\$ 21,454</u>
Timing of Revenue Recognition			
Goods transferred at a point in time	\$ 9,844	\$ 3,955	\$ 13,799
Services transferred over time	5,323	2,332	7,655
	<u>\$ 15,167</u>	<u>\$ 6,287</u>	<u>\$ 21,454</u>
Sales Channels			
Direct sales force	\$ 9,347	\$ 2,508	\$ 11,855
OEM partners	5,820	—	5,820
Channel partners	—	3,779	3,779
	<u>\$ 15,167</u>	<u>\$ 6,287</u>	<u>\$ 21,454</u>

	Three months ended September 30, 2021		
	Reportable Segments		
	Detection	Therapy	Total
Major Goods/Service Lines			
Products	\$ 4,454	\$ 2,358	\$ 6,812
Service contracts	1,554	398	1,952
Supply and source usage agreements	—	562	562
Other	—	35	35
	<u>\$ 6,008</u>	<u>\$ 3,353</u>	<u>\$ 9,361</u>
Timing of Revenue Recognition			
Goods transferred at a point in time	\$ 4,454	\$ 2,393	\$ 6,847
Services transferred over time	1,554	960	2,514
	<u>\$ 6,008</u>	<u>\$ 3,353</u>	<u>\$ 9,361</u>
Sales Channels			
Direct sales force	\$ 3,629	\$ 1,403	\$ 5,032
OEM partners	2,379	—	2,379
Channel partners	—	1,950	1,950
	<u>\$ 6,008</u>	<u>\$ 3,353</u>	<u>\$ 9,361</u>

	Nine months ended September 30, 2021		
	Reportable Segments		
	Detection	Therapy	Total
Major Goods/Service Lines			
Products	\$ 11,778	\$ 6,580	\$ 18,358
Service contracts	4,737	1,109	5,846
Supply and source usage agreements	—	1,572	1,572
Other	—	54	54
	<u>\$ 16,515</u>	<u>\$ 9,315</u>	<u>\$ 25,830</u>
Timing of Revenue Recognition			
Goods transferred at a point in time	\$ 11,778	\$ 6,633	\$ 18,411
Services transferred over time	4,737	2,682	7,419
	<u>\$ 16,515</u>	<u>\$ 9,315</u>	<u>\$ 25,830</u>
Sales Channels			
Direct sales force	\$ 10,691	\$ 3,632	\$ 14,323
OEM partners	5,824	—	5,824
Channel partners	—	5,683	5,683
	<u>\$ 16,515</u>	<u>\$ 9,315</u>	<u>\$ 25,830</u>

Products. Product revenue consists of sales of cancer detection systems and perpetual licenses and cancer therapy systems and cancer therapy applicators. The Company transfers control and recognizes a sale when the product is shipped from the manufacturing or warehousing facility to the customer.

Service. The Company sells service contracts in which the Company provides professional services including product installations, maintenance, training and service repairs, and in certain cases leases equipment to hospitals, imaging centers, radiological practices and radiation oncologists and treatment centers. The service contracts range from 12 months to 48 months. The Company typically receives payment at the inception of the contract and recognizes revenue on a straight-line basis over the term of the agreement.

Sources and Source Usage Agreements. Revenue from sources is recognized upon transfer of control to the customer. Revenue from source usage agreements is recognized on a straight-line basis over the term of the source agreement.

Disposable applicators. Revenue for the sale of disposable applicators is recognized upon the transfer of control to the customer.

Other. Other revenue consists primarily of miscellaneous products and services. The Company transfers control and recognizes a sale when the installation services are performed or when the Company ships the product from the Company's manufacturing or warehouse facility to the customer.

Contract Balances

Contract liabilities are a component of deferred revenue, current contract assets are a component of prepaid and other assets and non-current contract assets are a component of other assets. The following table provides information about receivables, current and non-current contract assets, and contract liabilities from contracts with customers.

Contract balances

	Balance at September 30, 2022	Balance at December 31, 2021
Receivables, which are included in 'Trade accounts receivable'	\$ 8,472	\$ 8,891
Current contract assets, which are included in "Prepaid and other assets"	\$ 1,584	\$ 1,895
Non-current contract assets, which are included in "other assets"	\$ —	\$ 844
Contract liabilities, which are included in "Deferred revenue"	\$ 6,757	\$ 6,093

Timing of revenue recognition may differ from timing of invoicing of customers. The Company records a receivable when revenue is recognized prior to receipt of cash payment and the Company has the unconditional right to such consideration, or unearned revenue when cash payments are received or due in advance of performance. For multi-year agreements, the Company generally invoices customers annually at the beginning of each annual service period.

The Company records net contract assets or contract liabilities on a contract-by-contract basis. The Company records a contract asset for unbilled revenue when the Company's performance is in excess of amounts billed or billable. The Company classifies the net contract asset as either a current or non-current based on the expected timing of the Company's right to bill under the terms of the contract. The current contract asset balance primarily relates to the net unbilled revenue balances with two significant customers, which the Company expects to be able to bill for within one year. The non-current contract asset balance consists of net unbilled revenue balances with one customer which the Company expects to be able to bill for in more than one year.

Changes in deferred revenue from contracts with customers were as follows:

	Nine Months Ended September 30, 2022
Balance at beginning of period	\$ 6,093
Deferral of revenue	9,195
Recognition of deferred revenue	(8,531)
Balance at end of period	<u>\$ 6,757</u>

The Company expects to recognize estimated revenues related to performance obligation that are unsatisfied (or partially satisfied) in the amounts of approximately \$2.3 million in 2022, \$4.2 million in 2023, \$0.2 million in 2024 and \$0.1 million in 2025.

Note 4 – Net Loss per Common Share

The Company's basic net loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding for the period.

A summary of the Company's calculation of net loss per share is as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Net loss	\$ (3,898)	\$ (2,176)	\$ (10,561)	\$ (7,099)
Shares used in the calculation of basic and diluted net loss per share	25,204	25,053	25,183	24,662
Net loss per share - basic and diluted	<u>\$ (0.15)</u>	<u>\$ (0.09)</u>	<u>\$ (0.42)</u>	<u>\$ (0.29)</u>

The shares of the Company's common stock issuable upon the exercise of stock options and vesting of restricted stock that were excluded from the calculation of diluted net loss per share because their effect would have been antidilutive are as follows:

	September 30,	
	2022	2021
Stock options	2,624,154	2,509,511
Restricted stock	—	1,750
Total	<u>2,624,154</u>	<u>2,511,261</u>

Note 5 – Inventories

The Company values its inventory at the lower of cost or net realizable value. Cost includes materials, labor, and manufacturing overhead and is determined using the first-in, first-out (FIFO) method. On a quarterly basis, management reviews inventory quantities on hand and analyzes the provision for excess and obsolete inventory based primarily on product expiration dating and estimated sales forecast, which is based on sales history and anticipated future demand. Inventory consisted of the following and includes an inventory reserve of \$0.3 million at September 30, 2022 and \$0.2 million at December 31, 2021.

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Raw materials	\$ 2,665	\$ 2,962
Work in process	121	173
Finished Goods	3,113	1,279
Inventory Gross	5,899	4,414
Inventory Reserve	(269)	(243)
Inventory Net	<u>\$ 5,630</u>	<u>\$ 4,171</u>

Note 6 – Goodwill

The Company tests goodwill for impairment on an annual basis and between annual tests if events and circumstances indicate it is more likely than not that the fair value of the reporting unit is less than its carrying value. Factors the Company considers important, which could trigger an impairment of such asset, include the following:

- significant underperformance relative to historical or projected future operating results;
- significant changes in the manner or use of the assets or the strategy for the Company's overall business;
- significant negative industry or economic trends;
- significant decline in the Company's stock price for a sustained period; and
- a decline in the Company's market capitalization below net book value.

The Company considered indicators of impairment, and there were no triggering events identified, no indication of impairment of the Company's goodwill and no impairment charges recorded during the three and nine months ended September 30, 2022 and 2021.

Note 7 – Long-lived Assets

The Company assesses long-lived assets for impairment if events and circumstances indicate it is more likely than not that the fair value of the asset group is less than its carrying value.

There is no set interval or frequency for recoverability evaluation. Rather, the determination of when, if at all, an asset (or asset group) is evaluated for recoverability is based on "events and circumstances." The following factors are examples of events or changes in circumstances that indicate the carrying amount of an asset (or asset group) may not be recoverable and thus is to be evaluated for recoverability.

- A significant decrease in the market price of a long-lived asset (or asset group);
- A significant adverse change in the extent or manner in which a long-lived asset (or asset group) is being used or in its physical condition;
- A significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset (or asset group), including an adverse action or assessment by a regulator;
- An accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset (or asset group); and
- A current operating period, or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset (or asset group).

The Company determined there were no such triggering events in the period ended September 30, 2022.

Note 8 – Lease Commitments

Per ASC 842, the Company determines if an arrangement contains a lease at inception. A lease is an operating or financing contract, or part of a contract, that conveys the right to control the use of an identified tangible asset for a period of time in exchange for consideration.

At lease inception, the Company recognizes a lease liability equal to the present value of the remaining lease payments, and a right of use asset equal to the lease liability, subject to certain adjustments, such as for lease incentives. In determining the present value of the lease payments, the Company uses its incremental borrowing rate, determined by estimating the Company's applicable, fully collateralized borrowing rate, with adjustment as appropriate for lease term. The lease term at the lease commencement date is determined based on the non-cancellable period for which the Company has the right to use the underlying asset, together with any periods covered by an extension option if the Company is reasonably certain to exercise that option.

Assumptions made by the Company at the commencement date of each lease are re-evaluated upon occurrence of certain events, including a lease modification. A lease modification results in a separate contract when the modification grants the lessee an additional right of use not included in the original lease and when lease payments increase commensurate with the standalone price for the additional right of use. When a lease modification results in a separate contract, it is accounted for in the same manner as a new lease.

In May 2022, the Company entered into an agreement to amend its Irvine operating lease (the "Irvine Amendment"). The Irvine Amendment extended the lease term of the premises by 5 years, or until March 2028. Fixed monthly rent for the space will be incurred at a rate of \$2.10 per square foot per year beginning in April 2023, subject to annual increases of \$.06 per square foot in 2025 and 2026 as well as annual increases of \$0.07 per square foot in 2027 and 2028.

The Irvine Amendment includes a five-year option to extend the term. Upon the execution of the Irvine Amendment, which was deemed to be a lease modification, the Company re-evaluated the assumptions made at the original lease commencement date. The Company determined the Irvine Amendment consists of one separate contract under ASC 842, which is related to the modification of term for the original lease. The Company recorded an additional right-of-use asset and lease liability upon lease commencement of the expanded duration of the lease. The Irvine Amendment, resulted an increase of the right-of-use asset lease asset and lease liability of \$2.4 million as of June 30, 2022.

Right-of-use assets and obligations for leases with an initial term of 12 months or less are considered short term and are a) not recognized in the consolidated balance sheet and b) recognized as an expense on a straight-line basis over the lease term. The Company does not sublease any of its leased assets to third parties and the Company's lease agreements do not contain any residual value guarantees or restrictive covenants. The Company has lessor agreements that contain lease and non-lease components, but the Company is accounting for the complete agreement under ASC 606 after determining that the non-lease component is the predominant component of these agreements.

ASC 842 includes a number of reassessment and remeasurement requirements for lessees based on certain triggering events or conditions. There were no impairment indicators identified during the three and nine months ended September 30, 2022 that would require impairment testing of the Company's right-of-use assets.

Certain of the Company's leases include variable lease costs to reimburse the lessor for real estate tax and insurance expenses, and certain non-lease components that transfer a distinct service to the Company, such as common area maintenance services. The Company has elected to separate the accounting for lease components and non-lease components for real estate and equipment leases.

Components of Leases:

The Company has leases for office space and office equipment. The leases expire at various dates through 2028.

Lease Cost	Classification	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022
Operating lease cost - Right of Use Asset	Operating expenses	\$ 214	\$ 644

Other information related to leases was as follows:

	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022
Cash paid from operating cash flows for operating leases	\$ 233	\$ 698
		As of September 30, 2022
Weighted-average remaining lease term of operating leases (years)		3.9
Weighted-average discount rate for operating leases		6.3%

Maturity of the Company's lease liabilities as of September 30, 2022 was as follows:

2022	\$ 233
2023	611
2024	642
2025	644
2026	664
2027	685
2028	173
Total lease payments	3,652
Less: imputed interest	(664)
Total lease liabilities	2,988
Less: current portion of lease liabilities	(508)
Long-term lease liabilities	<u>\$2,480</u>

Note 9 – Notes Payable

(a) Loan and Security Agreement – Western Alliance Bank

On March 30, 2020, the Company entered into a Loan and Security Agreement (the "Loan Agreement") with Western Alliance Bank (the "Bank") that provided an initial term loan ("Term Loan") facility of \$7.0 million and a \$5.0 million revolving line of credit. Obligations to the Bank under the Loan Agreement were secured by a first priority security interest in the Company's assets, except for certain permitted liens that have priority to the Bank's security interest by operation of law.

On April 27, 2021, the Company repaid its obligations in the aggregate amount of \$7,354,283 and terminated the Loan Agreement with the Bank, and the Company's collateral securing the facility was released. The Company accounted for this repayment and retirement as an extinguishment of the Loan Agreement. The Company recorded a loss on extinguishment of approximately \$386,000 at that time related to the repayment and retirement of the Loan Agreement. The loss on extinguishment was composed of approximately \$140,000 for a prepayment fee, \$122,000 for the unaccrued final payment, \$65,000 termination and other fees, and \$58,000 for the unamortized discount and other closing costs from origination of the loan.

The following amounts are included in interest expense related to the Loan Agreement in the Company's consolidated statement of operations for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cash interest expense	\$ —	\$ —	\$ —	\$ 141
Total interest expense	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 141</u>

Note 10 – Stockholders Equity

(a) Financing Activity

On March 2, 2021, the Company entered into an underwriting agreement with Guggenheim Securities, LLC, as representative of the several underwriters thereto, in connection with an underwritten public offering of 1,393,738 shares of the Company's common stock at an offering price of \$18.00 per share. The Offering closed on March 5, 2021 for gross proceeds of approximately \$25.1 million and net proceeds of approximately \$23.2 million to the Company.

(b) Stock-Based Compensation

The Company granted options to purchase 0 and 760,000 shares of the Company's stock during the three and nine months ended September 30, 2022, respectively. The full amount of options were granted in the first nine months of 2022.

The Company's stock-based compensation expense, including options and restricted stock by category is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cost of revenue	\$ 1	\$ 3	\$ 2	\$ 20
Engineering and product development	37	73	182	281
Marketing and sales	133	149	441	629
General and administrative	234	431	744	1,172
	<u>\$ 405</u>	<u>\$ 656</u>	<u>\$ 1,369</u>	<u>\$ 2,102</u>

As of September 30, 2022, there was approximately \$2.3 million of total unrecognized compensation cost related to unvested options and restricted stock. That cost is expected to be recognized over a weighted average period of 1.97 years.

Options granted under the Company's stock incentive plans were valued utilizing the Black-Scholes model using the following assumptions and had the following fair values:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Average risk-free interest rate	n/a*	0.41%	1.90%	0.28%
Expected dividend yield	None	None	None	None
Expected life	n/a*	3.5 years	3.5 years	3.5 years
Expected volatility	n/a*	65.6%-67.4%	66.3% to 70.5%	65.6% to 67.4%
Weighted average exercise price	n/a*	\$15.04	\$5.22	\$16.61
Weighted average fair value	n/a*	\$6.18	\$2.46	\$7.34

* The Company granted no options during the three months ended September 30, 2022.

The Company's 2022 and 2021 average expected volatility and average expected life is based on the average of the Company's historical information. The risk-free rate is based on the rate of U.S. Treasury zero-coupon issues with a remaining term equal to the expected life of option grants. The Company has paid no dividends on its common stock in the past and does not anticipate paying any dividends in the future.

The Company did not grant any shares of restricted stock during the three-months ended September 30, 2022 or 2021. The Company granted 0 and 22,488 shares of restricted stock during the nine months ended September 30, 2022 and 2021, respectively.

The Company's restricted stock awards typically vest in either one year or three equal annual installments with the first installment vesting one year from the grant date. All of the Company's restricted stock grants in 2021 had time-based vesting requirements. The grant date fair value for restricted stock awards is based on the quoted market value of Company stock on the grant date.

A summary of stock option activity for all stock option plans for the period ended September 30, 2022 is as follows:

	Number of Options	Weighted Average Exercise Price	Intrinsic Value
Outstanding as of December 31, 2021	2,486,511	\$ 9.27	\$ 3,820
Granted	760,000	\$ 5.22	\$ 3
Exercised	(73,500)	\$ 2.45	\$85,974
Cancelled	(548,857)	\$ 11.96	\$ —
Outstanding as of September 30, 2022	<u>2,642,154</u>	\$ 9.44	\$ —
Options Exercisable as of December 31, 2021	<u>1,619,855</u>	\$ 6.47	\$ 3,730
Options Exercisable as of September 30, 2022	<u>1,835,848</u>	\$ 9.97	\$ —

The Company issued 44,700 and 73,500 shares of common stock upon the exercise of outstanding stock options in the three and nine months ended September 30, 2022, respectively. The Company received cash proceeds from stock option exercises of approximately \$102,000 and \$181,000 in the three and nine months ended September 30, 2022, respectively. The intrinsic value of restricted shares that vested in the three and nine months ended September 30, 2022 was \$0.0 million and \$0.0 million, respectively. There were no restricted shares that vested in the three and nine months ended September 30, 2022.

Employee Stock Purchase Plan

In December 2019, the Company's Board of Directors adopted, and the stockholders approved the 2019 Employee Stock Purchase Plan ("ESPP"), effective January 1, 2020. The ESPP provides for the issuance of up to 950,000 shares of common stock, subject to adjustment in the event of a stock split, stock dividend or other change in the Company's capitalization. The ESPP may be terminated or amended by the Board of Directors at any time. Certain amendments to the ESPP require stockholder approval.

Substantially all of the Company's employees whose customary employment is for more than 20 hours a week are eligible to participate in the ESPP. Any employee who owns 5% or more of the voting power or value of the Company's shares of common stock is not eligible to purchase shares under the ESPP.

Any eligible employee can enroll in the Plan as of the beginning of a respective quarterly accumulation period. Employees who participate in the ESPP may purchase shares by authorizing payroll deductions of up to 15% of their base compensation during an accumulation period. Unless the participating employee withdraws from participation, accumulated payroll deductions are used to purchase shares of common stock on the last business day of the accumulation period (the "Purchase Date") at a price equal to 85% of the lower of the fair market value on (i) the Purchase Date or (ii) the first day of such accumulation period. Under applicable tax rules, no employee may purchase more than \$25,000 worth of common stock, valued at the start of the purchase period, under the ESPP in any calendar year.

The Company issued 9,224 and 27,288 shares under the ESPP in the three and nine months ended September 30, 2022 respectively. The Company recorded approximately \$11,000 and \$30,000 of stock-based compensation expense pursuant to ESPP for the three and nine months ended September 30, 2022, respectively. The next accumulation period under the ESPP commenced on July 1, 2022 and ended on September 30, 2022, and the related shares purchased by the participants were issued in October 2022. As of September 30, 2022, the Company recorded a liability of approximately \$32,000 related to employee withholdings in connection with the ESPP accumulation period ended September 30, 2022, which was included as a component of accrued expenses and other current liabilities. In October 2022, the Company suspended the ESPP such that the accumulation period from October 1, 2022 through December 31, 2022 and beyond will not occur.

Note 11 – Income Taxes

The Company had no material unrecognized tax benefits and a deferred tax liability of approximately \$5,800 related to tax amortizable goodwill at September 30, 2022. No other adjustments were required under ASC 740, "Income Taxes." The Company does not expect that its unrecognized tax benefits will materially increase within the next 12 months. The Company did not recognize any interest or penalties related to uncertain tax positions at September 30, 2022.

The Company files United States federal income tax returns and income tax returns in various states and local jurisdictions. The Company's three preceding tax years remain subject to examination by federal and state tax authorities. In addition, because the Company has net operating loss carry-forwards, the Internal Revenue Service and state jurisdictions are permitted to audit earlier years and propose adjustments up to the amount of net operating loss generated in those years. The Company is not currently under examination by any federal or state jurisdiction for any tax years.

Note 12 – Segment Reporting

Operating segments are the components of the Company’s business for which separate financial information is available that is evaluated regularly by the chief operating decision maker (“CODM”) in deciding how to allocate resources and in assessing performance. The Company’s CODM is the chief executive officer. The Company’s operating segments are generally organized by the type of product or service offered and by geography. Each reportable segment generates revenue from the sale of medical equipment and related services and/or sale of supplies. The Company has determined there are two segments: Detection and Therapy.

The Detection segment consists of the Company’s advanced image analysis and workflow products, and the Therapy segment consists of the Company’s radiation therapy products, and related services. The primary factors used by the Company’s CODM to allocate resources are based on revenues, gross profit, operating income or loss, and earnings or loss before interest, taxes, depreciation, amortization, and other specific and non-recurring items of each segment. Included in segment operating income are stock compensation, amortization of technology and depreciation expense. There are no intersegment revenues.

The Company does not track its assets by operating segment and the CODM does not use asset information by segment to allocate resources or make operating decisions. Segment revenues, gross profit, segment operating income or loss, and a reconciliation of segment operating income or loss to GAAP loss before income tax is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Segment revenues:				
Detection	\$ 4,359	\$ 6,008	\$ 15,168	\$16,515
Therapy	1,997	3,353	6,286	9,315
Total revenue	\$ 6,356	\$ 9,361	\$ 21,454	\$25,830
Segment gross profit:				
Detection	\$ 3,703	\$ 5,058	\$ 12,918	\$13,788
Therapy	670	1,654	2,258	4,751
Segment gross profit	\$ 4,373	\$ 6,712	\$ 15,176	\$18,539
Segment operating income (loss):				
Detection	\$ (330)	\$ 671	\$ 758	\$ 1,664
Therapy	(948)	(173)	(2,954)	(735)
Segment operating income (loss):	\$ (1,278)	\$ 498	\$ (2,196)	\$ 929
General, administrative, depreciation and amortization expense	\$(2,682)	\$(2,679)	\$(8,402)	\$(7,513)
Interest expense	(7)	—	(7)	(141)
Interest income	71	21	89	53
Other expense	(2)	(16)	(45)	(41)
Loss on extinguishment of debt	—	—	—	(386)
Loss before income tax	<u>\$(3,898)</u>	<u>\$(2,176)</u>	<u>\$(10,561)</u>	<u>\$(7,099)</u>

Note 13 – Commitments and Contingencies

Other Commitments

The Company is obligated to pay approximately \$3.8 million for firm purchase obligations to suppliers for future product and service deliverables and \$0.2 million for minimum royalty obligations.

Litigation

The Company may be a party to various legal proceedings and claims arising out of the ordinary course of its business. Although the final results of all such matters and claims cannot be predicted with certainty, the Company currently believes that there are no current proceedings or claims pending against it the ultimate resolution of which would have a material adverse effect on its financial condition or results of operations. However, should the Company fail to prevail in any legal matter or should several legal matters be resolved against the Company in the same reporting period, such matters could have a material adverse effect on the Company’s operating results and cash flows for that particular period. In all cases, at each reporting period, the Company evaluates whether or not a potential loss amount or a potential range of loss is probable and reasonably estimable under ASC 450, “Contingencies.” Legal costs are expensed as incurred.

Note 14 – Subsequent Events

In November 2022, the Company eliminated a number of positions, resulting in a charge of approximately \$0.1 million, comprised of severance and related costs. The Company expects the entire amount to be paid in cash before December 31, 2022. The Company has evaluated all other events and transactions subsequent to the balance sheet date to the date of the filing and is not aware of any additional events or transactions that occurred subsequent to the balance sheet date that would require recognition or disclosure in the consolidated financial statements.

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

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and the accompanying notes included in Part I, Item 1 of this Form 10-Q, as well as our Annual Report on Form 10-K for the year ended December 31, 2021. Some of the information contained in this discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. As a result of many factors, including those factors set forth in the section titled “Risk Factors,” our actual results could differ materially from those discussed in or implied by these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section titled “Risk Factors.” Please also refer to the section titled “Special Note Regarding Forward Looking Statements.”

Special Note Regarding Forward Looking Statements

Certain information included in this Item 2 and elsewhere in this Form 10-Q that are not historical facts contain statements that may be deemed “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements involve or may involve a number of known and unknown risks, uncertainties and other factors that could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievement expressed or implied by such forward looking statements. These risks and uncertainties include, but are not limited to the following: the continuing impact of the COVID-19 pandemic, the continuing impact of military and political conflict in Eastern Europe, the ability to achieve business and strategic objectives, the risks of uncertainty of patent protection, the impact of supply and manufacturing constraints or difficulties, uncertainty of future sales levels, protection of patents and other proprietary rights, the impact of supply and manufacturing constraints or difficulties, product market acceptance, possible technological obsolescence of products, increased competition, litigation and/or government regulation, changes in Medicare reimbursement policies, risks relating to potential future debt obligations, competitive factors, the effects of a decline in the economy or markets served by the Company, and other risks detailed in this report and in the Company’s other filings with the United States Securities and Exchange Commission (the “SEC”). The words “believe”, “plan”, “intend”, “expect”, “estimate”, “anticipate”, “likely”, “seek”, “should”, “would”, “could” and similar expressions identify forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date the statement was made. Except as required by law, we undertake no obligation to update any such forward-looking statements to reflect events or circumstances after the date of such statements.

Unless the context otherwise requires, the terms “iCAD”, the “Company”, “we”, “our”, “registrant”, and “us” mean iCAD, Inc. and its consolidated subsidiaries.

Results of Operations

Overview

iCAD, Inc. is a global medical technology company providing innovative cancer detection and therapy solutions. The Company reports in two segments: Detection and Therapy.

In the Detection segment, the Company’s solutions include (i) advanced image analysis and workflow solutions that enable healthcare professionals to better serve patients by identifying pathologies and pinpointing the most prevalent cancers earlier, and (ii) a solutions suite of high-performance, Artificial Intelligence and Computer-Aided Detection (CAD) systems and workflow solutions for 2D and 3D mammography, Magnetic Resonance Imaging (MRI) and Computed Tomography (CT) that focus on cancer detection, breast density assessment, and short-term cancer risk estimation.

In the Therapy segment, the Company offers the Xoft System, an isotope-free cancer treatment platform technology. The Xoft System can be used for the treatment of early-stage breast cancer, endometrial cancer, cervical cancer and nonmelanoma skin cancer and is in clinical studies for treatment of brain cancers.

The Company’s headquarters are located in Nashua, New Hampshire, with a manufacturing facility in New Hampshire, an operations, research, development, manufacturing and warehousing facility in San Jose, California, and an office in Lyon, France.

COVID-19 Impact

On March 12, 2020, the World Health Organization declared COVID-19 to be a pandemic. In an effort to contain and mitigate the spread of COVID-19, the United States and most countries of the world imposed some level of unprecedented restrictions such as travel bans and business closures which caused substantial reductions in economic activity. As a provider of devices and services to the health care industry, we believe our operations have been materially affected in all periods presented. While the worst of the disruptions seem to have subsided as of September 30, 2022, we continue dealing with the impact of slowness in the overall economic recovery. Our expected results for the year ended December 31, 2022, including any interim or future periods, could reflect a continuing negative impact from the COVID-19 pandemic for similar or additional reasons.

We believe that our current liquidity and capital resources are sufficient to sustain operations through at least the next 12 months, primarily due to cash on hand of \$24.6 million at September 30, 2022 and anticipated revenue and cash collections.

Eastern European Conflict Impact

In late February 2022, Russian military forces launched significant military action against Ukraine. Sustained conflict and disruption in the region has continued through September 30, 2022 and beyond. Economic, civil, military and political uncertainty may arise or increase in regions where the Company operates or derives revenue. Further, countries from which we derive revenue may experience military action and/or civil and political unrest; may be subject to government export controls, economic sanctions, embargoes, or trade restrictions; and experience currency, inflation, and interest rate uncertainties. While the impact to us has been limited to date, it is not possible to predict the potential outcome should the conflict expand and/or additional sanctions be imposed. For the fiscal year ended 2021, approximately 8.6% of our total revenue and approximately 39.0% of our export revenue was derived from customers located in Europe.

Critical Accounting Estimates

Our discussion and analysis of financial condition, results of operations, and cash flows are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States.

The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate these estimates, including those related to revenue recognition, allowance for doubtful accounts, inventory valuation and obsolescence, intangible assets, goodwill, income taxes, contingencies, and litigation. Additionally, we use assumptions and estimates in calculations to determine stock-based compensation, and evaluation of litigation. We base estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Due to the COVID-19 pandemic and its lingering impact, global armed conflicts and related political uncertainty, as well as dramatic inflation, there has been uncertainty and disruption in the global economy and financial markets. We are not aware of any specific event or circumstance that would require an update to its estimates or judgments or a revision of the carrying value of its assets or liabilities as of the date of issuance of this Quarterly Report on Form 10-Q. These estimates may change, as new events occur, and additional information is obtained. Actual results could differ materially from these estimates under different assumptions or conditions.

Other than as described herein, there have been no additional material changes to our critical accounting policies as discussed in our 2021 Annual Report on Form 10-K (the "2021 10-K"). For a comprehensive list of our critical accounting policies, reference should be made to the 2021 10-K.

Three and nine months ended September 30, 2022 compared to three and nine months ended September 30, 2021 (in thousands, except share data or as noted)

Revenue

Three months ended September 30, 2022 and 2021:

	Three months ended September 30			
	2022	2021	\$ Change	% Change
Detection revenue				
Product revenue	\$2,535	\$4,454	\$(1,919)	(43.1)%
Service and supplies revenue	1,823	1,554	269	17.3%
Subtotal	4,358	6,008	(1,650)	(27.5)%
Therapy revenue				
Product revenue	671	1,866	(1,195)	(64.0)%
Service and supplies revenue	1,327	1,487	(160)	(10.8)%
Subtotal	1,998	3,353	(1,355)	(40.4)%
Total revenue	<u>\$6,356</u>	<u>\$9,361</u>	<u>\$(3,005)</u>	(32.1)%

Total revenue decreased by approximately \$3.0 million or (32.1%), from \$9.4 million for the three months ended September 30, 2021 to \$6.4 million for the three months ended September 30, 2022. During the first nine months of 2022, we have seen an increased customer demand for subscription licenses, which currently remains a small portion of the Company's total license revenue. We believe this trend could accelerate, and have begun to shift to a subscription model. An increase in subscription revenue would negatively impact revenue in the short term, because revenue from subscription licenses are recognized over time, as opposed to being recognized upon delivery for perpetual licenses.

Detection product revenue decreased by approximately \$1.9 million, or (43.1%), from \$4.5 million for the three months ended September 30, 2021 to \$2.5 million for the three months ended September 30, 2022. The overall decrease is due primarily to one-time revenue items in 2021 that did not repeat in addition to the impact of our transition to a subscription model. We also believe that the COVID-19 pandemic adversely affected revenues during the three months ended September 30, 2022 and 2021.

Detection service and supplies revenue, which is primarily sold to direct customers, increased by approximately \$0.3 million, or 17.3%, from \$1.6 million for the three months ended September 30, 2021 to \$1.8 million in the three months ended September 30, 2022.

Therapy product revenue decreased by approximately \$1.2 million, or (64.0)%, from \$1.9 million for the three months ended September 30, 2021 to \$0.7 million for the three months ended September 30, 2022. Therapy product revenue is related to the sale of our Axxent systems and can vary significantly from quarter to quarter due to changes in the number of units sold and the average selling price.

Therapy service and supplies revenue decreased by approximately \$0.2 million, or (10.8)%, from \$1.5 million for the three months ended September 30, 2021 to \$1.3 million for the three months ended September 30, 2022. We believe that Therapy product revenue was adversely affected by the COVID-19 pandemic during the three months ended September 30, 2022 and 2021. We saw lower service and supplies revenues due to lower balloon sales in the three months ended September 30, 2022 as compared to the three months ended September 30, 2021. We are not able to predict how the COVID-19 pandemic will affect future Therapy service and supplies revenue.

Nine months ended September 30, 2022 and 2021:

	2022	2021	\$ Change	% Change
Detection revenue				
Product revenue	\$ 9,866	\$ 11,778	\$(1,912)	(16.2)%
Service and supplies revenue	5,301	4,737	564	11.9%
Subtotal	15,167	16,515	(1,348)	(8.2)%
Therapy revenue				
Product revenue	2,376	6,580	(4,204)	(63.9)%
Service and supplies revenue	3,911	2,735	1,176	43.0%
Subtotal	6,287	9,315	(3,028)	(32.5)%
Total revenue	\$21,454	\$25,830	\$(4,376)	(16.9)%

Total revenue decreased by approximately \$4.4 million, or (16.9%), from \$25.8 million for the nine months ended September 30, 2021 to \$21.5 million for the nine months ended September 30, 2022. The decrease is due to declines in both Detection and Therapy revenue. During the first nine months of 2022, we have seen increased customer demand for subscription licenses, which currently remains a small portion of the Company's total license revenue. We believe this trend could accelerate. An increase in subscription revenue would negatively impact revenue in the short term, because revenue from subscription licenses are recognized over time, as opposed to on delivery for perpetual licenses.

Detection product revenue decreased by approximately \$1.9 million, or (16.2%), from \$11.8 million for the nine months ended September 30, 2021 to \$9.9 million for the nine months ended September 30, 2022.

Detection service and supplies revenue, which is primarily sold to direct customers, increased by approximately \$0.6 million, or 11.9%, from \$4.7 million in the nine months ended September 30, 2021 to \$5.3 million for the nine months ended September 30, 2022.

Therapy product revenue decreased by approximately \$4.2 million, or (63.9)%, from \$6.6 million for the nine months ended September 30, 2021 to \$2.4 million for the nine months ended September 30, 2022. Therapy product revenue is related to the sale of our Axxent systems and can vary significantly from quarter to quarter due to changes in the number of units sold, and the average selling price. We also believe that Therapy product revenue was adversely affected by the COVID-19 pandemic during the nine months ended September 30, 2022 and 2021.

Therapy service and supplies revenue increased by approximately \$1.2 million, or 43.0%, from \$2.7 million for the nine months ended September 30, 2021 to \$3.9 million for the nine months ended September 30, 2022. We believe that Therapy service and supplies revenue was adversely affected by the COVID-19 pandemic during the nine months ended September 30, 2022 and 2021. We saw higher service and supplies revenues due to increased balloon sales in the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021. The Company is not able to predict how the COVID-19 pandemic will affect future Therapy service and supplies revenue.

Cost of products decreased by approximately \$0.1 million, or (1.3%), from \$4.6 million for the nine months ended September 30, 2021 to \$4.5 million for the nine months ended September 30, 2022. Cost of product revenue as a percentage of product revenue was approximately 28.0% for the nine months ended September 30, 2021 as compared to 37.0% for the nine months ended September 30, 2022. The product mix in the nine-month period ended September 30, 2022 compared to the same period in 2021 included more Detection products, which have a higher relative cost of sales.

Cost of service and supplies decreased by approximately \$0.9 million, or 38.1%, from \$2.5 million for the nine months ended September 30, 2021 to \$1.5 million for the nine months ended September 30, 2022. Cost of service and supplies revenue as a percentage of service and supplies revenue was approximately 32.9% for the nine months ended September 30, 2021 as compared to 16.5% for the nine months ended September 30, 2022. The cost of service and supplies as a percentage of revenue decreased primarily as a result of the mix of service and supplies sold during each period.

Amortization and depreciation, which relates primarily to acquired intangible assets and depreciation of machinery and equipment, was approximately \$0.2 million for both the nine months ended September 30, 2022 and 2021.

Operating Expenses:

Three months ended September 30, 2022 and 2021:

	Three months ended September 30,			
	2022	2021	\$ Change	% Change
Operating expenses:				
Engineering and product development	\$2,137	\$2,285	\$ (148)	(6.5)%
Marketing and sales	3,473	3,886	(413)	(10.6)%
General and administrative	2,667	2,658	9	0.3%
Amortization and depreciation	56	64	(8)	(12.5)%
Total operating expenses	<u>\$8,333</u>	<u>\$8,893</u>	<u>\$ (560)</u>	(6.3)%

Operating expenses decreased by approximately \$0.6 million, or (6.3%), from \$8.9 million in the three months ended September 30, 2021 to \$8.3 million in the three months ended September 30, 2022.

Engineering and Product Development. Engineering and product development costs decreased by approximately \$0.4 million, or (10.6%), from \$2.3 million for the three months ended September 30, 2021 to \$2.1 million for the three months ended September 30, 2022. The decrease was primarily related to the timing of new hires joining.

Marketing and Sales. Marketing and sales expenses decreased by approximately \$0.4 million, or (10.6%), from \$3.9 million in the three months ended September 30, 2021 to \$3.5 million in the three months ended September 30, 2022. The decrease was primarily related to lower headcount and commission expense during the comparable periods.

General and Administrative. General and administrative expenses were \$2.7 million during both the three months ended September 30, 2021 and September 30, 2022.

Amortization and Depreciation. Amortization and depreciation, which relates primarily to acquired intangible assets and depreciation of machinery and equipment, were flat for the three months ended September 30, 2022 and 2021.

Other Income and Expense:

Three months ended September 30, 2022 and 2021:

	Three months ended September 30			
	2022	2021	\$ Change	% Change
Interest expense	\$ (7)	\$—	\$ (7)	(100)%
Interest income	71	21	50	238.6%
Other (income) loss	(2)	(16)	14	(87.5)%
	<u>\$ 62</u>	<u>\$ 5</u>	<u>\$ 57</u>	11.4%
Tax benefit (expense)	\$—	\$—	\$ —	—%

Interest expense. Interest expense was flat when comparing the three months ended September 30, 2021 to September 30, 2022.

Interest income. Interest income increased by approximately \$50,000, or 238.6%, from \$21,000 for the three months ended September 30, 2021 to \$71,000 for the three months ended September 30, 2022. The increase results from higher interest rates in 2022 compared to 2021.

Other income (loss). Other income (loss) was a loss of \$16,000 during the three months ended September 30, 2021 compared to a loss of \$2,000 during the three months ended September 30, 2022. The change is driven lower foreign exchange losses recorded in 2022 compared to 2021.

Tax expense. Tax expense was flat at zero for the three months ending September 30, 2022 and 2021.

Operating Expenses:

Nine months ended September 30, 2022 and 2021:

	<u>2022</u>	<u>Nine months ended September 30 2021</u>	<u>\$ Change</u>	<u>% Change</u>
Operating expenses:				
Engineering and product development	\$ 6,780	\$ 6,745	\$ 35	0.5%
Marketing and sales	10,473	10,739	(266)	(2.5)%
General and administrative	8,341	7,461	880	11.8%
Amortization and depreciation	180	178	2	1.2%
Total operating expenses	<u>\$25,774</u>	<u>\$25,123</u>	<u>\$ 651</u>	2.6%

Operating expenses increased by approximately \$0.6 million, or 2.6%, from \$25.1 million in the nine months ended September 30, 2021 to \$25.8 million in the nine months ended September 30, 2022.

Engineering and Product Development. Engineering and product development costs were flat when comparing the nine months ended September 30, 2021 to the nine months ended September 30, 2022.

Marketing and Sales. Marketing and sales expenses decreased by approximately \$0.3 million, or (2.5%), from \$10.7 million in the nine months ended September 30, 2021, to \$10.5 million in the nine months ended September 30, 2022. The decrease was primarily due to lower employee-related costs during the three months ended September 30, 2022 which more than offset increases incurred during the first six months of 2022 associated with the U.S. commercial group reorganization and refocusing and increased travel costs resulting from the reduction of pandemic travel restrictions.

General and Administrative. General and administrative expenses increased by approximately \$0.9 million, or 11.8%, from \$7.5 million in the nine months ended September 30, 2021 to \$8.3 million for the nine months ended September 30, 2022. The increase is due to higher personnel costs partially offset by reduced external services as multiple functions were brought in-house, recruiting costs associated with the U.S. commercial group reorganization and refocusing, increased travel costs, and an increase of \$0.5 million to the allowance for doubtful accounts.

Amortization and Depreciation. Amortization and depreciation which relates primarily to acquired intangible assets and depreciation of machinery and equipment, was flat when comparing the nine months ended September 30, 2021 to the nine months ended September 30, 2022.

Other Income and Expense:

Nine months ended September 30, 2022 and 2021:

	<u>2022</u>	<u>Nine months ended September 30 2021</u>	<u>\$ Change</u>	<u>% Change</u>
Other Income and Expense:				
Interest expense	\$ (7)	\$ (141)	\$ 134	(94.7)%
Interest income	89	53	36	67.9%
Other income (loss)	(45)	(41)	(4)	(9.8)%
Loss on extinguishment of debt	—	(386)	386	(100)%
	<u>\$ 37</u>	<u>\$ (515)</u>	<u>\$ 552</u>	<u>(107.2)%</u>
Tax benefit (expense)	\$ —	\$ —	\$ —	%

Interest expense. Interest expense decreased \$0.1 million, or (94.7%), in the nine months ended September 30, 2021 when compared to the nine months ended September 30, 2022. The decrease is due to the timing of termination of the Loan Agreement in 2021.

Interest income. Interest income increased by approximately \$36,000, or 67.9%, when comparing the nine months ended September 30, 2021 to the nine months ended September 30, 2022. The increase results from higher interest rates in 2022 compared to 2021.

Other income (loss). Other income (loss) was a loss of \$12,000 during the nine months ended September 30, 2021 compared to a loss of \$45,000 during the nine months ended September 30, 2022. The change is driven higher foreign exchange losses recorded in 2022 compared to 2021.

Loss on extinguishment of debt: The Company recorded a loss on extinguishment of approximately \$386,000 related to the repayment and retirement of the Loan Agreement as of the nine months ended September 30, 2021. The loss on extinguishment was composed of approximately \$140,000 for a prepayment fee, \$122,000 for the unaccrued final payment, \$65,000 termination, and other fees, and \$58,000 for the unamortized and other closing costs from opening the loan

Tax expense. Tax expense was flat at zero for the nine months ending September 30, 2022 and 2021.

Liquidity and Capital Resources (in thousands, except as noted)

The Company believes that its cash and cash equivalents balance of \$24.6 million as of September 30, 2022, and projected cash balances are sufficient to sustain operations through at least the next 12 months. The Company's ability to generate cash adequate to meet its future capital requirements will depend primarily on operating cash flow. If sales or cash collections are reduced from current expectations, or if expenses and cash requirements are increased, the Company may require additional financing, although there are no guarantees that the Company will be able to obtain the financing if necessary. In addition, the resurgence of the COVID-19 pandemic could affect our liquidity. The Company will continue to closely monitor its liquidity and the capital and credit markets.

The Company had net working capital of \$27.9 million at September 30, 2022. The ratio of current assets to current liabilities at September 30, 2022 and December 31, 2021 was 2.91 and 3.36, respectively.

	For the nine months ended September 30,	
	2022	2021
Net cash used for operating activities	\$ (9,660)	\$ (7,861)
Net cash used for investing activities	(365)	(450)
Net cash provided by financing activities	333	16,930
(Decrease) increase in cash and equivalents	<u>\$ (9,692)</u>	<u>\$ 8,619</u>

Net cash used for operating activities for the nine months ended September 30, 2022 was \$9.7 million, compared to \$7.9 million for the nine months ended September 30, 2021. The increase in net cash used for operating activities for the nine months ended September 30, 2022 resulted primarily from the Company's net loss and working capital changes. The working capital changes included an increase in inventory which resulted from purchases made to de-risk supply chain elongation. We expect that net cash used for or provided by operating activities to fluctuate in future periods as a result of a number of factors, including fluctuations in our operating results, the timing of when we recognize revenue, collections of accounts receivable, inventory expansion due to supply chain risk, and the timing of other payments.

Net cash used for investing activities for the nine months ended September 30, 2022 was \$365,000, compared to \$450,000 for the nine months ended September 30, 2021. The net cash used for investing activities for the nine months ended September 30, 2022 and 2021 is primarily for purchases of property and equipment.

Net cash provided by financing activities for the nine months ended September 30, 2022 was \$333,000, compared to \$16.9 million for the nine months ended September 30, 2021. Net cash provided by financing activities for the nine months ended September 30, 2022 is due to cash proceeds from the issuance of common stock pursuant the Company's stock option and employee stock purchase plans. Net cash provided by financing activities for the nine months ended September 30, 2021 is primarily from the March 2, 2021 underwritten public offering of 1,393,738 shares of the Company's common stock at an offering price of \$18.00 per share resulting in net proceeds of approximately \$23.2 million, partially offset by \$7.4 million used upon issuance of stock upon conversion of debentures.

Recent Accounting Pronouncements

See Note 1 to the Condensed Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company believes that it is not subject to material foreign currency exchange rate fluctuations, as substantially all of its sales and expenses are denominated in the U.S. dollar. The Company does not hold derivative securities and has not entered into contracts embedded with derivative instruments, such as foreign currency and interest rate swaps, options, forwards, futures, collars or warrants, either to hedge existing risks or for speculative purposes.

Item 4. Controls and Procedures

The Company's management, with the participation of its principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, as of September 30, 2022, the principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) were effective at a reasonable level of assurance.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in 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 the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. The Company conducts periodic evaluations to enhance, where necessary, its controls and procedures.

The Company's principal executive officer and principal financial officer conducted an evaluation of the Company's internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) and have determined there are no changes in its internal controls over financial reporting during the quarter ended September 30, 2022 that have materially affected or which are reasonably likely to materially affect internal control over financial reporting.

**PART II OTHER
INFORMATION**

Item 1A. Risk Factors:

We operate in a changing environment that involves numerous known and unknown risks and uncertainties that could materially adversely affect our operations. In addition to the risk factors below, factors that have affected our Company are described in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021 as filed with the SEC on March 29, 2022 and are incorporated by reference herein.

The Company expects the novel coronavirus (COVID-19) pandemic, including the emergence of new variants, to have a significant effect on the Company's results of operations. In addition, the pandemic has resulted in significant financial market volatility, and its impact on the global economy appears to be significant. A continuation or worsening of the pandemic will have a material adverse impact on the Company's business, results of operations and financial condition and on the market price of the Company's common stock.

As a provider of devices and services to the health care industry, the Company's operations have been materially affected, and may continue to be impacted, by the COVID-19 pandemic. Beginning with the first quarter of 2020 through the third quarter of 2022, the COVID-19 pandemic has presented a number of challenges and risks for the Company's business, including, but not limited to the following: decreased product demand due to reduced numbers of in-person meetings with potential clients; potential clients' singular focus on surging COVID-19 infection rates following the emergence of the Omicron variant, causing attention to be diverted from purchasing decisions; pandemic-related public health impacts, including significant shifts in workforce availability and priorities, on customer, supplier, and iCAD's business process; supply chain interruptions; disruptions to the Company's clinical trials; challenges operating in a virtual work environment; impacts resulting from travel limitations and mobility restrictions; and other challenges presented by disruptions to the Company's normal operations in response to the pandemic, as well as uncertainties regarding the duration and severity of the pandemic on the global economy and the Company's operations, and the unpredictable and periodic emergence of new variants of the COVID-19 virus.

The COVID-19 pandemic has resulted in significant financial market volatility and uncertainty. A continuing or worsening level of market disruption and volatility observed since the start of the pandemic will have an adverse effect on the Company's ability to access capital, on its business, results of operations and financial condition, and on the market price of the Company's common stock. Although the Company does not provide guidance to investors relating to the Company's results of operations, the Company's expected results for the year ended December 31, 2022, or any interim or any future period, could reflect a continuing negative impact from the COVID-19 pandemic for similar or additional reasons.

The Company's exposure to trade accounts receivable losses may increase if its customers are adversely affected by changes in healthcare laws, coverage, and reimbursement, economic pressures or uncertainty associated with local or global economic recessions, disruption associated with the current COVID-19 pandemic, or other customer-specific factors. The Company has historically not experienced significant trade account receivable losses, but it is possible that there could be a material adverse impact from potential adjustments of the carrying amount of trade account receivables as hospitals' cash flows are impacted by their response to the COVID-19 pandemic.

Instability in geographies where the Company has operations and personnel or where the Company derives revenue could have a material adverse effect on the Company's business, customers, operations and financial results.

Economic, civil, military and political uncertainty may arise or increase in regions where the Company operates or derives revenue. Further, countries from which the Company derives revenue may experience military action and/or civil and political unrest; may be subject to government export controls, economic sanctions, embargoes, or trade restrictions; and experience currency, inflation, and interest rate uncertainties. For the fiscal year ended 2021, approximately 8.6% of the Company's

revenue was derived from customers located in Europe, and approximately 39.0% of the Company's export revenue was derived from customers located in Europe. In late February 2022, Russian military forces launched significant military action against Ukraine. Sustained conflict and disruption in the region is likely. The aggregate impact to Eastern Europe and Europe as a whole, as well as actions taken by other countries, including new and stricter sanctions by the United States, Canada, the United Kingdom, the European Union, and other countries and organizations against officials, individuals, regions, and industries in Russia, Belarus and Ukraine, and each country's potential response to such sanctions, tensions and military actions, is not knowable at this time, and could have a material adverse effect on the Company, its business and operations. Any such material adverse effect from the conflict and enhanced sanctions activity may disrupt the Company's sales to customers in the region. Prolonged unfavorable economic conditions or uncertainty may have an adverse effect on the Company's sales and profitability.

Item 6. Exhibits

Exhibit No.	Description
31.1*	<u>Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2*	<u>Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1**	<u>Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2**	<u>Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101*	The following materials formatted in XBRL (eXtensible Business Reporting Language); (i) Condensed Consolidated Balance Sheets as of September 30, 2022 and December 31, 2021, (ii) Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2022 and 2021, (iii) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2022 and 2021, (iv) Condensed Consolidated Statements of Stockholders' Equity for the three and nine months ended September 30, 2022 and 2021 and (v) Notes to Condensed Consolidated Financial Statements.
104*	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

* Filed herewith

** Furnished herewith

Signatures

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

iCAD, Inc.

(Registrant)

Date: November 11, 2022

By: /s/ Stacey Stevens
Name: Stacey Stevens
Title: Chief Executive Officer
(Principal Executive Officer)

Date: November 11, 2022

By: /s/ Stephen P. Sarno
Name: Stephen P. Sarno
Title: Interim Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Stacey Stevens, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2022 of iCAD, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 11, 2022

/s/ Stacey Stevens

Name: Stacey Stevens

Title: Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Stephen P. Sarno certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2022 of iCAD, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 11, 2022

/s/ Stephen P. Sarno

Name: Stephen P. Sarno

Title: Interim Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of iCAD, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2022 (the "Report"), I, Stacey Stevens, the Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Stacey Stevens

Name: Stacey Stevens

Title: Chief Executive Officer
(Principal Executive Officer)

Date: November 11, 2022

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of iCAD, Inc. (the “Company”) on Form 10-Q for the quarterly period ended September 30, 2022 (the “Report”), I, Charles R. Carter, the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Stephen P. Sarno

Name: Stephen P. Sarno

Title: Interim Chief Financial Officer
(Principal Financial Officer)

Date: November 11, 2022