



Nanox Announces Second Quarter of 2024 Financial Results and Provides Business Update

August 20, 2024

Accelerated the deployment of Nanox ARC in the US market,

Submitted a new 510k application to the FDA to expand Nanox.ARC indications to include general use, including chest

Nanox.AI Receives FDA 510K Clearance for HealthCCSng V 2.0, upgraded version of its AI Cardiac Solution

Management to host conference call and webcast Tuesday, August 20, 2024 at 8:30 AM ET

PETAH TIKVA, Israel, Aug. 20, 2024 (GLOBE NEWSWIRE) -- NANO-X IMAGING LTD (NASDAQ: NNOX) ("**Nanox**" or the "**Company**"), an innovative medical imaging technology company, today announced results for the second quarter ended June 30, 2024 and provided a business update.

Recent Highlights:

- Generated \$2.7 million in revenue in the second quarter of 2024, compared to \$2.6 million in the second quarter of 2023.
- Submitted a new 510k submission to the FDA to expand the intended use cases for the Nanox.ARC for general use, including chest.
- Advanced the US deployment program for the Nanox.ARC technology, with systems installed in seven states, and a robust sales pipeline.
- Installed initial Nanox.ARC systems as part of three chain medical imaging service providers in the US.
- Announces the development of system to be called Nanox.ARC X, that will be introduced in our next investor relations' event
- Nanox.AI Receives FDA 510K Clearance for HealthCCSng V2.0, upgraded version of the cardiac solution, introduces additional 'zero calcium' categorization of coronary calcium (CAC) and generates an exact calcium score with corresponding CAC detection category output.
- Nanox.AI Cardiac Solution, HealthCCSng, was highlighted in multiple scientific presentations at the 2024 SSCCT annual meeting.

"The second quarter of 2024 was one of commercial advances as the Nanox team pursues its vision of making medical imaging more accessible worldwide," said Erez Meltzer, Nanox Chief Executive Officer and Acting Chairman. "Our vision is to extend Nanox technology within and beyond hospitals, targeting underserved segments like urgent care and orthopedic clinics. We deliver a seamless scan-to-diagnosis solution, leveraging AI for smarter, more efficient healthcare, with a focus on aligning innovation with clinical needs to enhance patient outcomes globally. Nanox is dedicated to accelerating the execution of our commercial infrastructure and future strategic collaborations in the U.S. Our mission is to provide healthcare practices with a transformative imaging advantage with the Nanox.ARC – an accessible, cost-effective solution that not only provides advanced diagnostic imaging capabilities but also elevates overall patient care".

Financial results for three months ended June 30, 2024

For the three months ended June 30, 2024 (the "reported period"), the Company reported a net loss of \$13.6 million, compared to a net loss of \$17.4 million for the three months ended June 30, 2023 (which is referred as the "comparable period"), representing a decrease of \$3.8 million. The decrease was largely due to a decrease of \$2.1 million in the research and development expenses and a decrease of \$1.7 million in the general and administrative expenses and increase of \$0.5 million in the Company's financial income which was mitigated by an increase of \$1.2 in the Company's gross loss.

The Company reported revenue of \$2.7 million in the reported period, compared to \$2.6 million in the comparable period. During the reported period, the Company generated revenue through teleradiology services, the sales of its Imaging devices and services and the sale of its AI solutions.

The Company's gross loss during the reported period totaled \$2.9 million (gross loss margin of 106%) on a GAAP basis, as compared to \$1.7 million (gross loss margin of (66%)) in the comparable period. Non-GAAP gross loss for the reported period was \$0.2 million (gross loss margin of approximately 9%), as compared to Non-GAAP gross profit of \$0.9 million (gross profit margin of approximately 34%) in the comparable period.

The Company's revenue from teleradiology services for the reported and comparable periods was \$2.5 million. The Company's GAAP gross profit from teleradiology services for the reported and comparable periods was \$0.4 million (gross profit margin of approximately 15%). A non-GAAP gross profit of the Company's teleradiology services for the reported and comparable periods was \$0.9 million (gross profit margin of approximately 37%).

During the reported period the Company generated revenue through the sales and deployment of its imaging systems which amounted to \$68 thousand for the reported period, with a gross loss of \$1.3 million on a GAAP and non-GAAP basis. The revenue stems from the sale and deployment of our 2D systems in Africa and our Nanox.ARC systems in the U.S.

The Company's revenue from its AI solutions for the reported period was \$113 thousand with a gross loss of \$2.0 million on a GAAP basis, as compared to revenue of \$53 thousand with a gross loss of \$2.1 million in the comparable period. Non-GAAP gross profit of the Company's AI solutions for the reported period was \$57 thousand, as compared to a loss of 42 thousand in the comparable period.

Research and development expenses, net for the reported period were \$4.8 million, as compared to \$6.9 million in the comparable period, reflecting a decrease of \$2.1 million. The decrease was mainly due to decrease of \$1.2 million in salaries and wages and a decrease of \$0.2 million in share-based compensation and \$0.7 million in the expenses related to our research and development activities.

Sales and marketing expenses for the reported and the comparable periods were \$0.8 million.

General and administrative expenses for the reported period were \$5.9 million, as compared to \$7.6 million in the comparable period. The decrease of \$1.7 million was mainly due to a decrease in our legal expenses in the amount of \$1.6 million, largely as result of the finalization of the SEC investigation and the settlement of the class action and a decrease in the cost of the directors' and officers' liability insurance premium in the amount of \$0.4 million.

Non-GAAP net loss attributable to ordinary shares for the reported period was \$8.4 million, as compared to \$9.9 million in the comparable period. The decrease of \$1.5 million was mainly due to a decrease in non-GAAP operating expenses of \$2.2 million and an increase of \$0.5 million in our non-GAAP interest income which was offset by decrease of \$1.1 million in our non-GAAP gross profit.

Non-GAAP gross loss for the reported period was \$0.2 million, as compared to a Non-GAAP gross profit of \$0.9 million in the comparable period. Non-GAAP research and development expenses, net for the reported period, were \$4.1 million, as compared to \$6.0 million in the comparable period. Non-GAAP sales and marketing expenses for the reported period were \$0.5 million, as compared to \$0.6 million in the comparable period. Non-GAAP general and administrative expenses for the reported period were \$4.3 million as compared to \$4.7 million in the comparable period.

The difference between the GAAP and non-GAAP financial measures above is mainly attributable to amortization of intangible assets, share-based compensation, change in contingent earnout liability, expenses related to an offering and legal fee in connection with the class-action litigation and the SEC investigation. A reconciliation between GAAP and non-GAAP financial measures for the three and six months periods ended June 30, 2024, and 2023 is provided in the financial results that are part of this press release.

Liquidity and Capital Resources

As of June 30, 2024, the Company had total cash, cash equivalents, restricted deposits and marketable securities of \$64.2 million, compared to \$82.8 million as of December 31, 2023. The decrease of \$18.6 million during the reported period was primarily due to negative cash flow from operations of \$17.9 million.

Other Assets

As of June 30, 2024 the Company had property and equipment of \$44.4 million, compared to \$42.3 million as of December 31, 2023.

As of June 30, 2024, the Company had intangible assets of \$75.3 million as compared to \$80.6 million as of December 31, 2023. The decrease was attributable to the periodic amortization of intangible assets in the amount of \$5.3 million.

Shareholders' Equity

As of June 30, 2024 the Company had approximately 58.5 million shares outstanding. As of December 31, 2023, the Company had approximately 57.8 million shares outstanding.

Conference Call and Webcast Details

Tuesday, August 20, 2024 @ 8:30am ET

Individuals interested in listening to the conference call may do so by joining the live webcast on the Investors section of the Nanox website under Events and Presentations. Alternatively, individuals can register online to receive a dial-in number and personalized PIN to participate in the call. An archived webcast of the event will be available for replay following the event.

About Nanox:

Nanox (NASDAQ: NNOX) is focused on applying its proprietary medical imaging technology and solutions to make diagnostic medicine more accessible and affordable across the globe. Nanox's vision is to increase access, reduce costs and enhance the efficiency of routine medical imaging technology and processes, in order to improve early detection and treatment, which Nanox believes is key to helping people achieve better health outcomes, and, ultimately, to save lives. The Nanox ecosystem includes Nanox.ARC— a multi-source Digital Tomosynthesis system that is cost-effective and user-friendly; an AI-based suite of algorithms that augment the readings of routine CT imaging to highlight early signs often related to chronic disease (Nanox.AI); a cloud-based infrastructure (Nanox.CLOUD); and a proprietary decentralized marketplace, through Nanox's subsidiary, USARAD Holdings Inc., that provides remote access to radiology and cardiology experts; and a comprehensive teleradiology services platform (Nanox.MARKETPLACE). Together, Nanox's products and services create a worldwide, innovative, and comprehensive solution that connects medical imaging solutions, from scan to diagnosis. For more information, please visit www.nanox.vision.

Forward-Looking Statements:

This press release may contain forward-looking statements that are subject to risks and uncertainties. All statements that are not historical facts contained in this press release are forward-looking statements. Such statements include, but are not limited to, those relating to the initiation, timing, progress and results of the Company's research and development, manufacturing, and commercialization activities with respect to its X-ray source technology and the Nanox.ARC, the ability to realize the expected benefits of its recent acquisitions and the projected business prospects of the Company and the acquired companies. In some cases, you can identify forward-looking statements by terminology such as "can," "might," "believe," "may," "estimate," "continue," "anticipate," "intend," "should," "plan," "could," "expect," "predict," "potential," or the negative of these terms or other similar expressions. Forward-looking statements are based on information the Company has when those statements are made or management's good faith belief as of that time with respect to future events and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Factors that could cause actual results to differ materially from those currently anticipated include: risks related to (i) Nanox's ability to continue to develop of the Nanox imaging system; (ii) Nanox's ability to successfully demonstrate the feasibility of its technology for commercial applications; (iii) Nanox's expectations regarding the necessity of, timing of

filing for, and receipt and maintenance of, regulatory clearances or approvals regarding its technology, the Nanox.ARC and Nanox.CLOUD from regulatory agencies worldwide and its ongoing compliance with applicable quality standards and regulatory requirements; (iv) Nanox's ability to realize the anticipated benefits of acquisitions, which may be affected by, among other things, competition, brand recognition, the ability of the acquired companies to grow and manage growth profitably and retain their key employees; (v) Nanox's ability to enter into and maintain commercially reasonable arrangements with third-party manufacturers and suppliers to manufacture the Nanox.ARC; (vi) the market acceptance of the Nanox imaging system and the proposed pay-per-scan business model; (vii) Nanox's expectations regarding collaborations with third-parties and their potential benefits; and (viii) Nanox's ability to conduct business globally; (ix) changes in global, political, economic, business, competitive, market and regulatory forces, including the continuation and escalation of the military conflicts in Israel and current war between Israel and Hamas; (x) the costs incurred with respect to and the outcome of litigation Nanox is currently subject to and any similar or other claims and potential litigation it may be subject to in the future; and (xi) risks related to business interruptions resulting from the COVID-19 pandemic or similar public health crises, among other things.

For a discussion of other risks and uncertainties, and other important factors, any of which could cause Nanox's actual results to differ from those contained in the Forward-Looking Statements, see the section titled "Risk Factors" in Nanox's Annual Report on Form 20-F for the year ended December 31, 2023, and subsequent filings with the U.S. Securities and Exchange Commission. The reader should not place undue reliance on any forward-looking statements included in this press release.

Except as required by law, Nanox undertakes no obligation to update publicly any forward-looking statements after the date of this press release to conform these statements to actual results or to changes in the Company's expectations.

Non-GAAP Financial Measures

This press release includes information about certain financial measures that are not prepared in accordance with generally accepted accounting principles in the United States ("GAAP"), including non-GAAP net loss attributable to ordinary shares, non-GAAP cost of revenue, non-GAAP gross profit, non-GAAP gross profit margin, non-GAAP research and development expenses, non-GAAP sales and marketing expenses, non-GAAP general and administrative expenses and non-GAAP basic and diluted loss per share. These non-GAAP measures are not based on any standardized methodology prescribed by GAAP and are not necessarily comparable to similar measures presented by other companies. These non-GAAP measures are adjusted for (as applicable) amortization of intangible assets, share-based compensation expenses, change in contingent earnout liability and legal fees in connection with class-action litigation and the SEC investigation. The Company's management and board of directors utilize these non-GAAP financial measures to evaluate the Company's performance. The Company provides these non-GAAP measures of the Company's performance to investors because management believes that these non-GAAP financial measures, when viewed with the Company's results under GAAP and the accompanying reconciliations, are useful in identifying underlying trends in ongoing operations. However, these non-GAAP measures are not measures of financial performance under GAAP and, accordingly, should not be considered as alternatives to GAAP measures as indicators of operating performance. Further, these non-GAAP measures should not be considered measures of the Company's liquidity. A reconciliation of certain GAAP to non-GAAP financial measures has been provided in the tables included in this press release.

NANO-X IMAGING LTD. UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS (U.S. dollars in thousands except share and per share data)

	June 30, 2024	December 31, 2023
	U.S. Dollars in thousands	
Assets		
CURRENT ASSETS:		
Cash and cash equivalents	38,982	56,377
Restricted deposit	45	46
Marketable securities	24,884	26,006
Accounts receivables net of allowance for credit losses of \$55 as of June 30, 2024 and December 31, 2023, respectively.	1,508	1,484
Inventories	957	2,356
Prepaid expenses	552	1,274
Other current assets	2,698	1,092
TOTAL CURRENT ASSETS	69,626	88,635
NON-CURRENT ASSETS:		
Restricted deposit	323	327
Property and equipment, net	44,397	42,343
Operating lease right-of-use asset	4,169	4,573
Intangible assets	75,301	80,607
Other non-current assets	1,905	2,163
TOTAL NON-CURRENT ASSETS	126,095	130,013
TOTAL ASSETS	195,721	218,648

Liabilities and Shareholders' Equity

CURRENT LIABILITIES:

Current maturities of long-term loan	3,233	3,490
Accounts payable	1,570	3,303
Accrued expenses	3,638	3,920
Deferred revenue	539	543
Current maturities of operating lease liabilities	804	861
Other current liabilities	3,714	3,407
TOTAL CURRENT LIABILITIES	13,498	15,524
NON-CURRENT LIABILITIES:		
Non-current operating lease liabilities	3,681	4,045
Deferred tax liability	2,765	2,953
Other long-term liabilities	642	612
TOTAL NON-CURRENT LIABILITIES	7,088	7,610
TOTAL LIABILITIES	20,586	23,134
COMMITMENTS AND CONTINGENCIES (Note 3)		
SHAREHOLDERS' EQUITY:		
Ordinary Shares, par value NIS 0.01 per share 100,000,000 authorized at June 30, 2024 and December 31, 2023, 58,497,123 and 57,778,628 issued and outstanding at June 30, 2024 and December 31, 2023, respectively	167	165
Additional paid-in capital	521,069	515,887
Accumulated other comprehensive loss	(52)	(305)
Accumulated deficit	(346,049)	(320,233)
TOTAL SHAREHOLDERS' EQUITY	175,135	195,514
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	195,721	218,648

NANO-X IMAGING LTD.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE LOSS
(U.S. dollars in thousands except share and per share data)

	Six Months Ended June 30,		Three Months Ended June 30,	
	2024	2023	2024	2023
REVENUE	5,252	5,029	2,699	2,582
COST OF REVENUE	10,159	8,243	5,552	4,273
GROSS LOSS	(4,907)	(3,214)	(2,853)	(1,691)
OPERATING EXPENSES:				
Research and development, net	10,032	13,199	4,812	6,913
Sales and marketing	1,634	1,988	834	835
General and administrative	10,958	15,434	5,916	7,626
Change in contingent earnout liability	-	(4,523)	-	137
Other expenses, net	101	597	92	629
TOTAL OPERATING EXPENSES	22,725	26,695	11,654	16,140
OPERATING LOSS	(27,632)	(29,909)	(14,507)	(17,831)
REALIZED LOSS FROM SALE OF MARKETABLE SECURITIES	-	(178)	-	-
FINANCIAL INCOME, net	1,646	781	856	380
OPERATING LOSS BEFORE INCOME TAXES	(25,986)	(29,306)	(13,651)	(17,451)
INCOME TAX BENEFIT	170	181	76	87
NET LOSS	(25,816)	(29,125)	(13,575)	(17,364)
BASIC AND DILUTED LOSS PER SHARE	(0.45)	(0.53)	(0.23)	(0.31)

Weighted average number of basic and diluted ordinary shares outstanding (in thousands)

	<u>57,953</u>	<u>55,267</u>	<u>58,005</u>	<u>55,375</u>
Comprehensive Loss:				
Net Loss	(25,816)	(29,125)	(13,575)	(17,364)
Other comprehensive loss:				
Reclassification of net losses realized in income statement	-	178	-	-
Unrealized gain from available for-sale securities	253	783	66	369
Total comprehensive loss	<u>(25,563)</u>	<u>(28,164)</u>	<u>(13,509)</u>	<u>(16,995)</u>

NANO-X IMAGING LTD.
UNAUDITED CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(U.S. dollars in thousands, except share and per share data)

	Ordinary shares		Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total
	Number of shares	Amount				
BALANCE AT JANUARY 1, 2024	57,778,628	165	515,887	(305)	(320,233)	195,514
Changes during the period:						
Issuance of ordinary shares upon exercise of options	718,495	2	1,604	-	-	1,606
Share-based compensation	-	-	3,578	-	-	3,578
Unrealized gain from marketable securities	-	-	-	253	-	253
Net loss for the period	-	-	-	-	(25,816)	(25,816)
BALANCE AT JUNE 30, 2024	<u>58,497,123</u>	<u>167</u>	<u>521,069</u>	<u>(52)</u>	<u>(346,049)</u>	<u>175,135</u>

	Ordinary shares		Additional paid-in capital	Accumulated other comprehensive deficit	Accumulated deficit	Total
	Number of shares	Amount				
BALANCE AT JANUARY 1, 2023	55,094,237	158	477,953	(1,974)	(259,457)	216,680
Changes during the period:						
Issuance of ordinary shares upon exercise of options	210,138	*	595	-	-	595
Issuance of ordinary shares under settlement agreement with former shareholders of USARAD Holding Inc.	255,392	1	1,560	-	-	1,561
Other comprehensive gain	-	-	-	961	-	961
Share-based compensation	-	-	2,863	-	-	2,863
Net loss for the period	-	-	-	-	(29,125)	(29,125)
BALANCE AT JUNE 30, 2023	<u>55,559,767</u>	<u>159</u>	<u>482,971</u>	<u>(1,013)</u>	<u>(288,582)</u>	<u>193,535</u>

* Less than \$1.

	Ordinary shares		Additional paid-in capital	Accumulated other comprehensive deficit	Accumulated deficit	Total
	Number of shares	Amount				
BALANCE AT APRIL 1, 2024	57,779,033	165	517,388	(118)	(332,474)	184,961
Changes during the period:						
Issuance of ordinary shares upon exercise of options	718,090	2	1,580	-	-	1,582

Other comprehensive gain	-	-		66	-	66
Share-based compensation	-	-	2,101	-	-	2,101
Net loss for the period	-	-		-	(13,575)	(13,575)
BALANCE AT JUNE 30, 2024	<u>58,497,123</u>	<u>167</u>	<u>521,069</u>	<u>(52)</u>	<u>(346,049)</u>	<u>175,135</u>

	Ordinary shares		Additional paid-in capital	Accumulated other comprehensive	Accumulated deficit	Total
	Number of shares	Amount		deficit		
	U.S. Dollars in thousands					
BALANCE AT APRIL 1, 2023	55,150,345	158	479,172	(1,382)	(271,218)	206,730
Changes during the period:						
Issuance of ordinary shares upon exercise of options	154,030	*	419	-	-	419
Issuance of ordinary shares under settlement agreement with former shareholders of USARAD Holding Inc.	255,392	1	1,560	-	-	1,561
Other comprehensive gain	-	-	-	369	-	369
Share-based compensation	-	-	1,820	-	-	1,820
Net loss for the period	-	-	-	-	(17,364)	(17,364)
BALANCE AT JUNE 30, 2023	55,559,767	159	482,971	(1,013)	(288,582)	193,535

* Less than \$1.

NANO-X IMAGING LTD.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(U.S. dollars in thousands)

	Six Months Ended June 30,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss for the period	(25,816)	(29,125)
Adjustments required to reconcile net loss to net cash used in operating activities:		
Share-based compensation	3,578	2,863
Amortization of intangible assets	5,306	5,306
Exchange rate differentials	(295)	(78)
Change in contingent earnout liability	-	(4,523)
Depreciation	561	509
Deferred tax liability, net	(188)	(188)
Realized loss from sale of marketable securities	-	178
Amortization of premium, discount and accrued interest on marketable securities	(76)	527
Impairment of property and equipment	171	145
Changes in Operating Assets and Liabilities:		
Accounts receivable	(24)	(454)
Inventories	(316)	-
Prepaid expenses and other current assets	677	2,236
Other non-current assets	183	98
Accounts payable	(1,733)	957
Operating lease assets and liabilities	(17)	(10)
Accrued expenses and other liabilities	25	692
Deferred Revenue	(4)	4
Other long-term liabilities	30	75
Net cash used in operating activities	<u>(17,938)</u>	<u>(20,788)</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES:		
Purchase of property and equipment	(996)	(1,839)
Purchase of marketable securities	(19,794)	-

Proceeds from maturity of marketable securities	21,245	25,507
Proceeds from sale of marketable securities	-	822
Net cash provided by investing activities	455	24,490

CASH FLOWS FROM FINANCING ACTIVITIES:

Payment due to settlement of contingent earnout liabilities	-	(790)
Proceeds from issuance of ordinary shares upon exercise of options	45	595
Net cash provided by/(used in) financing activities	45	(195)
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS AND RESTRICTED CASH EQUIVALENTS	43	25
NET CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH EQUIVALENTS	(17,395)	3,532
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	56,377	38,529
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH EQUIVALENTS AT END OF THE PERIOD	38,982	42,061

SUPPLEMENTARY INFORMATION ON ACTIVITIES INVOLVING CASH FLOWS

Cash paid for interest	71	74
Cash paid for income taxes	51	7

SUPPLEMENTARY INFORMATION ON ACTIVITIES NOT INVOLVING CASH FLOWS -

Issuance of ordinary shares upon exercise of options	1,561	-
Ordinary shares issued in connection with earnout liability	-	1,561
Operating lease liabilities arising from obtaining operating right-of use assets	-	601

RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH EQUIVALENTS:

Cash and cash equivalents	38,982	41,998
Restricted cash equivalents	-	63
Total cash, cash equivalents and restricted cash equivalents	38,982	42,061

UNAUDITED RECONCILIATION OF GAAP AND NON-GAAP RESULTS (U.S. dollars in thousands (except per share data))

Use of Non-GAAP Financial Measures

The unaudited condensed consolidated financial information is prepared in conformity with GAAP. The Company uses information about certain financial measures that are not prepared in accordance with GAAP, including non-GAAP net loss attributable to ordinary shares, non-GAAP cost of revenue, non-GAAP gross profit, non-GAAP gross profit margin, non-GAAP research and development expenses non-GAAP sales and marketing expenses, non-GAAP general and administrative expenses, Non-GAAP other expenses (income) and non-GAAP basic and diluted loss per share. These non-GAAP measures are adjusted for (as applicable) amortization of intangible assets, share-based compensation expenses, change in contingent earnout liability, expenses related to an offering and legal fees in connection with the class-action litigation and the SEC investigation. The Company believes that separate analysis and exclusion of the one-off or non-cash impact of the above reconciling items (as applicable) adds clarity to the constituent parts of its performance. The Company reviews these non-GAAP financial measures together with GAAP financial measures to obtain a better understanding of its operating performance. It uses the non-GAAP financial measures for planning, forecasting, and measuring results against the forecast. The Company believes that the non-GAAP financial measures are useful supplemental information for investors and analysts to assess its operating performance. However, these non-GAAP measures are not measures of financial performance under GAAP and, accordingly, should not be considered as alternatives to GAAP measures as indicators of operating performance.

Reconciliation of GAAP net loss attributable to ordinary shares to Non-GAAP net loss attributable to ordinary shares and Non-GAAP basic and diluted loss per share (U.S. dollars in thousands)

	Six Months Ended June 30,		Three Months Ended June 30,	
	2024	2023	2024	2023
GAAP net loss attributable to ordinary shares	25,816	29,125	13,575	17,364
Non-GAAP adjustments:				
Less: Class-action litigation and SEC investigation	76	4,417	44	2,181
Less: Amortization of intangible assets	5,306	5,306	2,653	2,653
Less: Offering expenses	420	-	420	-
Less (Add): Change in the fair value of earn out liabilities' obligation	-	(4,523)	-	137

Less: accrual in connection with the estimated settlement of the SEC investigation	-	650	-	650
Less: Share-based compensation	3,578	2,863	2,101	1,820
Non-GAAP net loss attributable to ordinary shares	<u>16,436</u>	<u>20,412</u>	<u>8,357</u>	<u>9,923</u>
BASIC AND DILUTED LOSS PER SHARE	<u>0.28</u>	<u>0.37</u>	<u>0.14</u>	<u>0.18</u>
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (in thousands)	<u>57,953</u>	<u>55,267</u>	<u>58,005</u>	<u>55,375</u>

Reconciliation of GAAP cost of revenue to Non-GAAP cost of revenue (U.S. dollars in thousands)

GAAP cost of revenue	10,159	8,243	5,552	4,273
Non-GAAP adjustments:				
Amortization of intangible assets	5,112	5,112	2,556	2,556
Share-based compensation	<u>112</u>	<u>28</u>	<u>59</u>	<u>14</u>
Non-GAAP cost of revenue	<u>4,935</u>	<u>3,103</u>	<u>2,937</u>	<u>1,703</u>

Reconciliation of GAAP gross loss to Non-GAAP gross profit (U.S. dollars in thousands)

GAAP gross loss	(4,907)	(3,214)	(2,853)	(1,691)
Non-GAAP adjustments:				
Amortization of intangible assets	5,112	5,112	2,556	2,556
Share-based compensation	<u>112</u>	<u>28</u>	<u>59</u>	<u>14</u>
Non-GAAP gross profit (loss)	<u>317</u>	<u>1,926</u>	<u>(238)</u>	<u>879</u>

Reconciliation of GAAP gross loss margin to Non-GAAP gross profit margin (in percentage of revenue)

GAAP gross loss margin	(93.43)%	(63.91)%	(105.71)%	(65.49)%
Non-GAAP adjustments:				
Amortization of intangible assets	97.33%	101.65%	94.7%	98.99%
Share-based compensation	<u>2.13%</u>	<u>0.56%</u>	<u>2.19%</u>	<u>0.54%</u>
Non-GAAP gross profit (loss) margin	<u>6.03%</u>	<u>38.3%</u>	<u>(8.82)%</u>	<u>34.04%</u>

Reconciliation of GAAP research and development, expenses to Non-GAAP research and development expenses, net (U.S. dollars in thousands)

GAAP research and development expenses, net	10,032	13,199	4,812	6,913
Non-GAAP adjustments:				
Share-based compensation	<u>1,316</u>	<u>1,735</u>	<u>727</u>	<u>947</u>
Non-GAAP research and development expenses, net	<u>8,716</u>	<u>11,464</u>	<u>4,085</u>	<u>5,966</u>

Reconciliation of GAAP sales and marketing expenses to Non-GAAP sales and marketing expenses (U.S. dollars in thousands)

GAAP sales and marketing expenses	1,634	1,988	834	835
Non-GAAP adjustments:				
Amortization of intangible assets	194	194	97	97
Share-based compensation	<u>350</u>	<u>185</u>	<u>204</u>	<u>107</u>
Non-GAAP sales and marketing expenses	<u>1,090</u>	<u>1,609</u>	<u>533</u>	<u>631</u>

Reconciliation of GAAP general and administrative expenses to Non-GAAP general and administrative expenses (U.S. dollars in thousands)

GAAP general and administrative expenses	10,958	15,434	5,916	7,626
Non-GAAP adjustments:				
Class-action litigation and SEC investigation	76	4,417	44	2,181
Offering expenses	420	-	420	-
Share-based compensation	<u>1,800</u>	<u>915</u>	<u>1,111</u>	<u>752</u>
Non-GAAP general and administrative expenses	<u>8,662</u>	<u>10,102</u>	<u>4,341</u>	<u>4,693</u>

Reconciliation of GAAP other expenses to Non-GAAP other expenses (income) (U.S. dollars in thousands)

GAAP other expenses	101	597	92	629
Non-GAAP adjustments:				
Accrual in connection with the estimated settlement of the SEC investigation	<u>-</u>	<u>650</u>	<u>-</u>	<u>650</u>
Non-GAAP other expenses (income)	<u><u>101</u></u>	<u><u>(53)</u></u>	<u><u>92</u></u>	<u><u>(21)</u></u>

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