

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

**FORM 10-Q**

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

For the quarterly period ended June 30, 2021

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 0-19437

**ASENSUS SURGICAL, INC.**  
(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**11-2962080**  
(I.R.S. Employer  
Identification No.)

**1 TW Alexander Drive, Suite 160, Durham, NC 27703**  
(Address of principal executive offices) (Zip Code)

**Registrant's telephone number, including area code: (919) 765-8400**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No .

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

<u>Title of each class</u>	<u>Trading symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock \$0.001 par value per share	ASXC	NYSE American

The number of shares outstanding of the registrant's common stock, as of July 30, 2021 was 234,323,983.

ASENSUS SURGICAL, INC.

TABLE OF CONTENTS FOR FORM 10-Q

PART I.	<a href="#">FINANCIAL INFORMATION</a>	<a href="#">2</a>
Item 1.	<a href="#">Financial Statements</a>	<a href="#">2</a>
	<a href="#">Condensed Consolidated Statements of Operations and Comprehensive Loss (unaudited)</a>	<a href="#">2</a>
	<a href="#">Condensed Consolidated Balance Sheets (unaudited)</a>	<a href="#">3</a>
	<a href="#">Condensed Consolidated Statements of Stockholders' Equity (unaudited)</a>	<a href="#">4</a>
	<a href="#">Condensed Consolidated Statements of Cash Flows (unaudited)</a>	<a href="#">5</a>
	<a href="#">Notes to Condensed Consolidated Financial Statements (unaudited)</a>	<a href="#">6</a>
Item 2.	<a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	<a href="#">23</a>
Item 3.	<a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	<a href="#">32</a>
Item 4.	<a href="#">Controls and Procedures</a>	<a href="#">32</a>
PART II.	<a href="#">OTHER INFORMATION</a>	<a href="#">32</a>
Item 1.	<a href="#">Legal Proceedings</a>	<a href="#">32</a>
Item 1A.	<a href="#">Risk Factors</a>	<a href="#">32</a>
Item 2.	<a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a>	<a href="#">33</a>
Item 3.	<a href="#">Defaults Upon Senior Securities</a>	<a href="#">33</a>
Item 4.	<a href="#">Mine Safety Disclosures</a>	<a href="#">33</a>
Item 5.	<a href="#">Other Information</a>	<a href="#">33</a>
Item 6.	<a href="#">Exhibits</a>	<a href="#">34</a>
	<a href="#">SIGNATURES</a>	<a href="#">35</a>

## FORWARD-LOOKING STATEMENTS

In addition to historical financial information, this report contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, that concern matters that involve risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements. These forward-looking statements are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact contained in this report, including statements regarding future events, our future financial performance, our future business strategy and the plans and objectives of management for future operations, are forward-looking statements. We have attempted to identify forward-looking statements by terminology including “anticipates,” “believes,” “can,” “continue,” “could,” “estimates,” “expects,” “intends,” “in the event that,” “may,” “plans,” “potential,” “predicts,” “should” or “will” or the negative of these terms or other comparable terminology. Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements, including the impact of the coronavirus (COVID-19) pandemic on our operating results. Readers are urged to carefully review and consider the various disclosures made by us, which attempt to advise interested parties of the risks, uncertainties, and other factors that affect our business, operating results, financial condition and stock price, including without limitation the disclosures made under the captions “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Financial Statements,” “Notes to Condensed Consolidated Financial Statements” and “Risk Factors” in this report, as well as the disclosures made in the Asensus Surgical, Inc. Annual Report on Form 10-K for the year ended December 31, 2020 (the “Fiscal 2020 Form 10-K”), and other filings we make with the SEC. Furthermore, such forward-looking statements speak only as of the date of this report. We expressly disclaim any intent or obligation to update any forward-looking statements after the date hereof to conform such statements to actual results or to changes in our opinions or expectations except as required by applicable law. To the extent that our business is negatively impacted due to a variety of factors, including the impact of COVID-19 on our operating results, we may implement longer-term cost reduction efforts in order to mitigate such impact. References in this report to “we,” “our,” “us,” or the “Company” refer to Asensus Surgical, Inc., including its subsidiaries Asensus Surgical US, Inc., SafeStitch LLC, Asensus International, Inc., Asensus Surgical Italia S.r.l., Asensus Surgical Europe S.à.r.l., Asensus Surgical Taiwan Ltd., Asensus Surgical Japan K.K., Asensus Surgical Israel Ltd., Asensus Surgical Netherlands B.V., and Asensus Surgical Canada, Inc.

Any disclosure in this report regarding the receipt of CE Mark or Section 510(k) clearance for any of the Company’s products does not mean or infer any endorsement of the Company’s products by any government agency including, without limitation, the U.S. Food and Drug Administration, or FDA.

**PART 1. FINANCIAL INFORMATION**
**Item 1. Financial Statements**

**Asensus Surgical, Inc.**  
**Condensed Consolidated Statements of Operations and Comprehensive Loss**  
(in thousands except per share amounts)  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue:				
Product	\$ 696	\$ 315	\$ 2,400	\$ 557
Service	406	340	785	698
Total revenue	<u>1,102</u>	<u>655</u>	<u>3,185</u>	<u>1,255</u>
Cost of revenue:				
Product	1,478	720	3,858	1,633
Service	869	693	1,601	1,518
Total cost of revenue	<u>2,347</u>	<u>1,413</u>	<u>5,459</u>	<u>3,151</u>
Gross loss	<u>(1,245)</u>	<u>(758)</u>	<u>(2,274)</u>	<u>(1,896)</u>
Operating Expenses:				
Research and development	4,089	4,257	8,304	8,191
Sales and marketing	3,562	2,901	6,615	7,154
General and administrative	3,848	3,619	7,840	6,968
Amortization of intangible assets	2,862	2,619	5,729	5,183
Change in fair value of contingent consideration	478	212	735	1,268
Restructuring and other charges	-	-	-	858
Total Operating Expenses	<u>14,839</u>	<u>13,608</u>	<u>29,223</u>	<u>29,622</u>
Operating Loss	<u>(16,084)</u>	<u>(14,366)</u>	<u>(31,497)</u>	<u>(31,518)</u>
Other Income (Expense)				
Gain on extinguishment of debt	2,847	-	2,847	-
Change in fair value of warrant liabilities	-	(114)	(1,981)	(269)
Interest income	79	4	131	31
Interest expense	(5)	-	(12)	-
Other expense, net	(7)	(55)	(36)	(70)
Total Other Income (Expense), net	<u>2,914</u>	<u>(165)</u>	<u>949</u>	<u>(308)</u>
Loss before income taxes	<u>(13,170)</u>	<u>(14,531)</u>	<u>(30,548)</u>	<u>(31,826)</u>
Income tax (expense) benefit	<u>(2)</u>	<u>691</u>	<u>36</u>	<u>1,388</u>
Net loss	<u>(13,172)</u>	<u>(13,840)</u>	<u>(30,512)</u>	<u>(30,438)</u>
Deemed dividend related to beneficial conversion feature of preferred stock	-	-	-	(412)
Deemed dividend related to conversion of preferred stock into common stock	-	(299)	-	(299)
Net loss attributable to common stockholders	<u>(13,172)</u>	<u>(14,139)</u>	<u>(30,512)</u>	<u>(31,149)</u>
Comprehensive loss:				
Net loss	<u>(13,172)</u>	<u>(13,840)</u>	<u>(30,512)</u>	<u>(30,438)</u>
Foreign currency translation gain (loss)	472	962	(1,466)	90
Comprehensive loss	<u>\$ (12,700)</u>	<u>\$ (12,878)</u>	<u>\$ (31,978)</u>	<u>\$ (30,348)</u>
Net loss per common share attributable to common stockholders - basic and diluted	<u>\$ (0.06)</u>	<u>\$ (0.27)</u>	<u>\$ (0.14)</u>	<u>\$ (0.77)</u>
Weighted average number of shares used in computing net loss per common share - basic and diluted	<u>233,250</u>	<u>52,351</u>	<u>219,199</u>	<u>40,628</u>

*See accompanying notes to unaudited condensed consolidated financial statements.*

**Asensus Surgical, Inc.**  
**Condensed Consolidated Balance Sheets**  
**(in thousands, except share amounts)**  
**(Unaudited)**

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 157,078	\$ 16,363
Accounts receivable, net	960	1,115
Inventories	12,523	10,034
Other current assets	3,446	6,501
<b>Total Current Assets</b>	<u>174,007</u>	<u>34,013</u>
Restricted cash	1,045	1,166
Inventories, net of current portion	6,590	8,813
Property and equipment, net	9,876	10,342
Intellectual property, net	15,943	22,267
Net deferred tax assets	288	307
Operating lease right-of-use assets, net	4,099	1,164
Other long term assets	156	186
<b>Total Assets</b>	<u>\$ 212,004</u>	<u>\$ 78,258</u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 2,653	\$ 1,965
Accrued expenses	4,007	5,615
Operating lease liabilities - current portion	861	686
Deferred revenue	786	789
Notes payable - current portion, net of debt discount	-	1,228
<b>Total Current Liabilities</b>	<u>8,307</u>	<u>10,283</u>
<b>Long Term Liabilities:</b>		
Contingent consideration	4,671	3,936
Noncurrent operating lease liabilities	3,465	628
Notes payable, less current portion	-	1,587
Warrant liabilities	-	255
<b>Total Liabilities</b>	<u>16,443</u>	<u>16,689</u>
<b>Commitments and Contingencies (Note 10)</b>		
<b>Stockholders' Equity:</b>		
Common stock \$0.001 par value, 750,000,000 shares authorized at June 30, 2021 and December 31, 2020; 234,231,132 and 116,231,072 shares issued and outstanding at June 30, 2021 and December 31, 2020, respectively	234	116
Preferred stock, \$0.01 par value, 25,000,000 shares authorized, no shares issued and outstanding at June 30, 2021 and December 31, 2020	-	-
Additional paid-in capital	947,249	781,397
Accumulated deficit	(753,424)	(722,912)
Accumulated other comprehensive income	1,502	2,968
<b>Total Stockholders' Equity</b>	<u>195,561</u>	<u>61,569</u>
<b>Total Liabilities and Stockholders' Equity</b>	<u>\$ 212,004</u>	<u>\$ 78,258</u>

*See accompanying notes to unaudited condensed consolidated financial statements.*

**Asensus Surgical, Inc.**  
**Condensed Consolidated Statements of Changes in Stockholders' Equity**  
(in thousands)  
(Unaudited)

	<u>Common Stock</u>		<u>Preferred Stock</u>		<u>Treasury Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>				
<b>Balance, December 31, 2020</b>	<b>116,231</b>	<b>\$ 116</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 781,397</b>	<b>\$ (722,912)</b>	<b>\$ 2,968</b>	<b>\$ 61,569</b>
Stock-based compensation	-	-	-	-	-	-	1,786	-	-	1,786
Issuance of common stock, net of issuance costs	70,666	71	-	-	-	-	129,251	-	-	129,322
Exercise of stock options and warrants	45,114	45	-	-	-	-	32,687	-	-	32,732
Award of restricted stock units	706	1	-	-	-	-	-	-	-	1
Return of common stock to pay withholding taxes on restricted stock	-	-	-	-	67	-	(214)	-	-	(214)
Cancellation of treasury stock	-	-	-	-	(67)	-	-	-	-	-
Other comprehensive loss	-	-	-	-	-	-	-	-	(1,938)	(1,938)
Net loss	-	-	-	-	-	-	-	(17,340)	-	(17,340)
<b>Balance, March 31, 2021</b>	<b>232,717</b>	<b>233</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ 944,907</b>	<b>(740,252)</b>	<b>1,030</b>	<b>\$ 205,918</b>
Stock-based compensation	-	-	-	-	-	-	1,842	-	-	1,842
Issuance of common stock, net of issuance costs	332	-	-	-	-	-	992	-	-	992
Exercise of stock options and warrants	508	-	-	-	-	-	337	-	-	337
Award of restricted stock units	674	1	-	-	-	-	-	-	-	1
Return of common stock to pay withholding taxes on restricted stock	-	-	-	-	246	-	(829)	-	-	(829)
Cancellation of treasury stock	-	-	-	-	(246)	-	-	-	-	-
Other comprehensive loss	-	-	-	-	-	-	-	-	472	472
Net loss	-	-	-	-	-	-	-	(13,172)	-	(13,172)
<b>Balance, June 30, 2021</b>	<b>234,231</b>	<b>\$ 234</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 947,249</b>	<b>(753,424)</b>	<b>\$ 1,502</b>	<b>\$ 195,561</b>
<b>Balance, December 31, 2019</b>	<b>20,691</b>	<b>\$ 21</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>\$ 720,484</b>	<b>\$ (663,600)</b>	<b>\$ (1,370)</b>	<b>\$ 55,535</b>
Stock-based compensation	-	-	-	-	-	-	1,923	-	-	1,923
Issuance of common stock, preferred stock and warrants under 2020 financing, net of issuance costs	14,122	14	7,937	79	-	-	13,432	-	-	13,525
Issuance of common stock, net of issuance costs	7,030	7	-	-	-	-	11,205	-	-	11,212
Conversion of preferred stock to common stock	3,053	3	(3,053)	(30)	-	-	27	-	-	-
Exchange of shares for Series B Warrants	2,041	2	-	-	-	-	2,468	-	-	2,470
Award of restricted stock units	141	-	-	-	-	-	-	-	-	-
Return of common stock to pay withholding taxes on restricted stock	-	-	-	-	28	-	(33)	-	-	(33)
Cancellation of treasury stock	-	-	-	-	(28)	-	-	-	-	-
Other comprehensive loss	-	-	-	-	-	-	-	-	(872)	(872)
Net loss	-	-	-	-	-	-	-	(16,598)	-	(16,598)
<b>Balance, March 31, 2020</b>	<b>47,078</b>	<b>47</b>	<b>4,884</b>	<b>49</b>	<b>-</b>	<b>-</b>	<b>749,506</b>	<b>(680,198)</b>	<b>(2,242)</b>	<b>\$ 67,162</b>
Stock-based compensation	-	-	-	-	-	-	1,933	-	-	1,933
Exercise of warrants	4,913	5	-	-	-	-	3,335	-	-	3,340
Conversion of preferred stock to common stock	4,884	5	(4,884)	(49)	-	-	44	-	-	-
Award of restricted stock units	28	-	-	-	-	-	-	-	-	-
Other comprehensive loss	-	-	-	-	-	-	-	-	962	962
Net loss	-	-	-	-	-	-	-	(13,840)	-	(13,840)
<b>Balance, June 30, 2020</b>	<b>56,903</b>	<b>\$ 57</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 754,818</b>	<b>(694,038)</b>	<b>(1,280)</b>	<b>\$ 59,557</b>



**Asensus Surgical, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
(in thousands)  
(Unaudited)

	<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>Operating Activities:</b>		
Net loss	\$ (30,512)	\$ (30,438)
Adjustments to reconcile net loss to net cash and cash equivalents used in operating activities:		
Depreciation	1,585	1,162
Amortization of intangible assets	5,729	5,183
Stock-based compensation	3,628	3,856
Gain on extinguishment of debt	(2,847)	-
Deferred tax benefit	(36)	(1,388)
Write down of inventory	288	-
Change in fair value of warrant liabilities	1,981	269
Change in fair value of contingent consideration	735	1,268
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	127	(350)
Inventories	(1,687)	(2,332)
Operating lease right-of-use assets	(2,970)	546
Other current and long term assets	3,177	281
Accounts payable	679	(1,221)
Accrued expenses	(1,428)	(1,451)
Deferred revenue	14	22
Operating lease liabilities	3,052	(608)
Other long term liabilities	-	65
Net cash and cash equivalents used in operating activities	(18,485)	(25,136)
<b>Investing Activities:</b>		
Purchase of property and equipment	(700)	(3)
Net cash and cash equivalents used in investing activities	(700)	(3)
<b>Financing Activities:</b>		
Proceeds from issuance of common stock, preferred stock and warrants under 2020 financing, net of issuance costs	-	13,525
Proceeds from issuance of common stock, net of issuance costs	130,314	11,212
Proceeds from notes payable, net of issuance costs	-	2,815
Taxes paid related to net share settlement of vesting of restricted stock units	(1,041)	(33)
Payment of contingent consideration	-	(74)
Proceeds from exercise of stock options and warrants	30,835	3,340
Net cash and cash equivalents provided by financing activities	160,108	30,785
Effect of exchange rate changes on cash and cash equivalents	(329)	17
Net increase in cash, cash equivalents and restricted cash	140,594	5,663
Cash, cash equivalents and restricted cash, beginning of period	17,529	10,567
Cash, cash equivalents and restricted cash, end of period	<u>\$ 158,123</u>	<u>\$ 16,230</u>
<b>Supplemental Schedule of Non-cash Investing and Financing Activities:</b>		
Transfer of inventories to property and equipment	\$ 1,243	\$ 3,403
Acquisition of property and equipment in accounts payable	\$ 67	\$ -
Reclass of warrant liability to common stock and additional paid-in-capital	\$ 2,236	\$ -
Lease liabilities arising from obtaining right-of-use assets	\$ 3,461	\$ -
Exchange of common stock for Series B Warrants	\$ -	\$ 2,470
Transfer of in-process research and development to intellectual property	\$ -	\$ 2,425
Conversion of preferred stock to common stock	\$ -	\$ 79

*See accompanying notes to unaudited condensed consolidated financial statements.*



**Asensus Surgical, Inc.**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

## **1. Organization and Capitalization**

Asensus Surgical, Inc. (formerly known as TransEnterix, Inc.) (the "Company") is a medical device company that is digitizing the interface between the surgeon and the patient to pioneer a new era of Performance-Guided Surgery™ by unlocking clinical intelligence for surgeons to enable consistently superior outcomes and a new standard of surgery. The Company is focused on the market development for and commercialization of the Senhance® Surgical System, which digitizes laparoscopic minimally invasive surgery, or MIS. The Senhance System is the first and only digital, multi-port laparoscopic platform designed to maintain laparoscopic MIS standards while providing digital benefits such as haptic feedback, robotic precision, comfortable ergonomics, advanced instrumentation including 3 mm microlaparoscopic instruments, eye-sensing camera control and fully-reusable standard instruments to help maintain per-procedure costs similar to traditional laparoscopy.

The Senhance System is available for sale in Europe, the United States, Japan, Taiwan, Russia and select other countries.

- The Senhance System has a CE Mark in Europe for adult and pediatric laparoscopic abdominal and pelvic surgery, as well as limited thoracic surgeries excluding cardiac and vascular surgery.
- In the United States, the Company has received 510(k) clearance from the FDA for use of the Senhance System in general laparoscopic surgical procedures and laparoscopic gynecologic surgery in a total of 31 indicated procedures, including benign and oncologic procedures, laparoscopic inguinal, hiatal and paraesophageal hernia, sleeve gastrectomy and laparoscopic cholecystectomy (gallbladder removal) surgery.
- In Japan, the Company has received regulatory approval and reimbursement for 98 laparoscopic procedures.
- The Senhance System has received its registration certificate by the Russian medical device regulatory agency, Roszdravnadzor, allowing for its sale and utilization throughout the Russian Federation.

In 2020, the Company obtained regulatory clearance for the Senhance ultrasonic system in Taiwan and Japan. On February 12, 2020, the Company expanded its claims in the EU for the Senhance System to include pediatric patients, allowing accessibility to more surgeons and patients, as well as expanding its potential market to include pediatric hospitals in Europe. The Company anticipates the robotic precision provided by the Senhance System, coupled with the already available 3 mm diameter instruments, will prove to be an effective tool in surgery with smaller patients. On March 13, 2020 the Company announced that it received FDA clearance for the Intelligent Surgical Unit™ (ISU™) for use with the Senhance System. The Company believes it is the first such FDA submission seeking clearance for machine vision technology in abdominal robotic surgery. On September 23, 2020, the Company announced the first surgical procedures successfully completed using the ISU.

On January 19, 2021, the Company announced that it received CE Mark for the ISU. Finally, on July 28, 2021, the Company announced that it received FDA clearance for 5 mm diameter articulating instruments, offering better access to difficult-to-reach areas of the anatomy by providing two additional degrees of freedom. These instruments have previously received CE Mark for use in the EU.

On October 31, 2018, the Company acquired the assets, intellectual property and highly experienced multidisciplinary personnel of MST Medical Surgical Technologies, Inc., or MST, an Israeli-based medical technology company. Through this acquisition the Company acquired MST's AutoLap™ assets and technology, one of the only image-guided robotic scope positioning systems with FDA clearance and CE Mark. The Company believes MST's image analytics technology will accelerate and drive meaningful Senhance System developments and allow the Company to expand the Senhance System to add augmented, intelligent vision capability. The Company sold the AutoLap assets in October 2019, while retaining the core technology.

### **At-the-Market Offering**

On May 19, 2021, the Company entered into a Controlled Equity Offering<sup>SM</sup> Sales Agreement (the “Agreement”) with Cantor Fitzgerald & Co. (“Cantor”), Robert W. Baird & Co. Incorporated (“Baird”) and Oppenheimer & Co. Inc. (“Oppenheimer”). Each of Cantor, Baird and Oppenheimer are individually an “Agent” and collectively are the “Agents” under the Agreement. Also on May 19, 2021, the Company filed a prospectus supplement relating to an at-the-market offering (the “2021 ATM Offering”) by the Company of up to an aggregate of \$100,000,000 of shares of the Company’s common stock, par value \$0.001 per share (the “Common Stock”), which shares of Common Stock are registered under the Registration Statement on Form S-3 ASR (File No. 333-256284) and automatically effective on May 19, 2021.

## **2. Summary of Significant Accounting Policies**

### **Basis of Presentation**

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) and include the accounts of the Company and its direct and indirect wholly owned subsidiaries. The Company has prepared the accompanying unaudited interim condensed consolidated financial statements in accordance with the instructions to Form 10-Q and the standards of accounting measurement set forth in the Interim Reporting Topic of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). Consequently, the Company has not necessarily included in this Form 10-Q all information and footnotes required for audited financial statements. In the opinion of the Company’s management, the accompanying unaudited condensed consolidated financial statements in this Form 10-Q contain all adjustments, consisting only of normal recurring adjustments, except as otherwise indicated, necessary for a fair statement of its financial position, results of operations, and cash flows of the Company for all periods presented. The results reported in these condensed consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for any subsequent period or for the entire year. These unaudited condensed consolidated financial statements and notes thereto should be read in conjunction with the Company’s audited financial statements and the notes thereto included in the Fiscal 2020 Form 10-K. Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with generally accepted accounting principles in the U.S. (“U.S. GAAP”) have been condensed or omitted in the accompanying interim condensed consolidated financial statements. The year-end condensed consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by U.S. GAAP.

### **Liquidity**

The Company had an accumulated deficit of \$753.4 million and working capital of \$165.7 million as of June 30, 2021. The Company has not established sufficient sales revenues to cover its operating costs and believes it may require additional capital in the future to proceed with its operating plan.

The Company believes the COVID-19 pandemic will continue to negatively impact its operations and ability to implement its market development efforts, which will have a negative effect on its financial condition.

In the first quarter of 2021, the Company raised additional capital through equity offerings, including raising net proceeds of \$73.4 million in a January 2021 public offering, \$28.6 million in a January 2021 registered direct offering, and \$27.3 million in an at-the-market offering launched in 2020 (the “2020 ATM Offering”). Also, outstanding Series B, C and D warrants were exercised in the six months ended June 30, 2021 for aggregate proceeds to the Company of \$30.6 million.

In the second quarter of 2021, the Company launched the 2021 ATM Offering and raised proceeds, net of legal costs and commissions, of \$1.0 million under this offering in the three months ended June 30, 2021.

As of June 30, 2021, the Company had cash and cash equivalents, excluding restricted cash, of approximately \$157.1 million.

While the Company believes that its existing cash and cash equivalents as of June 30, 2021 will be sufficient to sustain operations for at least the next 12 months from the issuance of these financial statements, the Company believes it may need to obtain additional financing in the future to proceed with its business plan. Management’s plan to obtain additional resources for the Company may include additional sales of equity under the 2021 ATM Offering or otherwise, traditional financing, such as loans, entry into a strategic collaboration, entry into an out-licensing arrangement or provision of additional distribution rights in some or all of our markets. However, management cannot provide any assurance that the Company will be successful in accomplishing any or all of its plans.

### **Risk and Uncertainties**

The Company is subject to risks similar to other similarly sized companies in the medical device industry. These risks include, without limitation: potential negative impacts on the Company's operations caused by the COVID-19 pandemic; the historical lack of profitability; the Company's ability to raise additional capital; the success of its market development efforts, the liquidity and capital resources of its partners; its ability to successfully develop, clinically test and commercialize its products; the timing and outcome of the regulatory review process for its products; changes in the health care and regulatory environments of the United States, the United Kingdom, the European Union, Japan, Taiwan and other countries in which the Company operates or intends to operate; its ability to attract and retain key management, marketing and scientific personnel; its ability to successfully prepare, file, prosecute, maintain, defend and enforce patent claims and other intellectual property rights; its ability to successfully transition from a research and development company to a marketing, sales and distribution concern; competition in the market for robotic surgical devices; and its ability to identify and pursue development of additional products.

### **Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include impairment considerations for long-term intangible assets, fair value estimates related to contingent consideration, warrant liabilities, stock compensation expense, revenue recognition, accounts receivable reserves, excess and obsolete inventory reserves, inventory classification between current and non-current, measurement of lease liabilities and corresponding ROU assets, and deferred tax asset valuation allowances.

The COVID-19 pandemic has caused significant social and economic restrictions that have been imposed in the United States and abroad, which has resulted in significant volatility in the global economy and led to reduced economic activity. In the preparation of these financial statements and related disclosures, the Company has assessed the impact that COVID-19 has had on its estimates, assumptions, forecasts, and accounting policies. The Company continues to monitor closely the COVID-19 pandemic impact on its estimates, assumptions and forecasts used in the preparation of its financial statements. As the COVID-19 situation is unprecedented and ever evolving, future events and effects related to COVID-19 cannot be determined with precision, and actual results could significantly differ from estimates or forecasts.

### **Principles of Consolidation and Foreign Currency Considerations**

The accompanying Condensed Consolidated Financial Statements include the accounts of the Company and its direct and indirect wholly owned subsidiaries, Asensus Surgical US, Inc., SafeStitch LLC, Asensus International, Inc., Asensus Surgical Italia S.r.l., Asensus Surgical Europe S.à.r.l., Asensus Surgical Taiwan Ltd., Asensus Surgical Japan K.K., Asensus Surgical Israel Ltd., Asensus Surgical Netherlands B.V., and Asensus Surgical Canada, Inc. All inter-company accounts and transactions have been eliminated in consolidation.

The functional currency of the Company's operational foreign subsidiaries is predominantly the Euro. The assets and liabilities of the Company's foreign subsidiaries are translated into U.S. dollars at exchange rates in effect at the balance sheet date. Income and expense items are translated at the average exchange rates prevailing during the period. The cumulative translation effect for a subsidiary using a functional currency other than the U.S. dollar is included in accumulated other comprehensive income or loss as a separate component of stockholders' equity.

The Company's intercompany accounts are denominated in the functional currency of the foreign subsidiary. Gains and losses resulting from the remeasurement of intercompany receivables that the Company considers to be of a long-term investment nature are recorded as a cumulative translation adjustment in accumulated other comprehensive income or loss as a separate component of stockholders' equity, while gains and losses resulting from the remeasurement of intercompany receivables from a foreign subsidiary for which the Company anticipates settlement in the foreseeable future are recorded in the condensed consolidated statements of operations and comprehensive loss. The net gains and losses included in net loss in the condensed consolidated statements of operations and comprehensive loss for the three and six months ended June 30, 2021 and 2020 were not significant.

### **Cash and Cash Equivalents and Restricted Cash**

The Company considers all highly liquid investments with original maturities of 90 days or less at the time of purchase to be cash equivalents.

Restricted cash as of June 30, 2021 and December 31, 2020 includes \$1.0 million and \$1.2 million, respectively, in cash accounts held as collateral primarily under the terms of an office operating lease, credit cards, and automobile leases.

**Concentrations and Credit Risk**

The Company's principal financial instruments subject to potential concentration of credit risk are cash and cash equivalents, including amounts held in money market accounts. The Company places cash deposits with a federally insured financial institution. The Company maintains its cash at banks and financial institutions it considers to be of high credit quality; however, the Company's domestic cash deposits may at times exceed the Federal Deposit Insurance Corporation's insured limit. Balances in excess of federally insured limitations may not be insured. The Company has not experienced losses on these accounts, and management believes that the Company is not exposed to significant risks on such accounts.

The Company's accounts receivable are derived from sales and leases to customers located throughout the world. The Company evaluates its customers' financial condition and, generally, requires no collateral from its customers. The Company provided reserves for potential credit losses and recorded no bad debt charges during the three and six months ended June 30, 2021 and 2020. The Company had four customers who constituted 59% of the Company's net accounts receivable as of June 30, 2021. The Company had seven customers who constituted 68% of the Company's net accounts receivable at December 31, 2020. The Company had five customers who accounted for 39% of revenue in the three months ended June 30, 2021 and seven customers who accounted for 60% of revenue in the three months ended June 30, 2020. The Company had four customers who accounted for 54% of revenue in the six months ended June 30, 2021 and nine customers who accounted for 65% of revenue in the six months ended June 30, 2020.

**Accounts Receivable**

Accounts receivable are recorded at net realizable value, which includes an allowance for estimated uncollectible accounts. The allowance for uncollectible accounts was determined on a customer specific basis based on deemed collectability. The allowance for doubtful accounts was \$1.7 million and \$1.8 million as of June 30, 2021 and December 31, 2020, respectively.

**Inventories**

Inventories are stated at the lower of cost (determined on a first-in, first-out basis) or net realizable value. Inventory costs include direct materials, direct labor, and normal manufacturing overhead. The Company records reserves, when necessary, to reduce the carrying value of inventory to its net realizable value. Management considers forecast demand in relation to the inventory on hand, competitiveness of product offerings, market conditions and product life cycles when determining excess and obsolescence and net realizable value adjustments. At the point of loss recognition, a new, lower-cost basis for that inventory is established, and any subsequent improvements in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

Any inventory on hand at the measurement date in excess of the Company's current requirements based on anticipated levels of sales is classified as long-term on the Company's condensed consolidated balance sheets. The Company's classification of long-term inventory requires it to estimate the portion of on hand inventory that can be realized over the upcoming twelve months.

**Intellectual Property**

Intellectual property consists of purchased patent rights and developed technology acquired as part of previous business acquisitions. Amortization of the patent rights is recorded using the straight-line method over the estimated useful life of the patents of 10 years. Amortization of the developed technology is recorded using the straight-line method over the estimated useful life of 5 to 7 years.

The Company periodically evaluates intellectual property for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. To determine the recoverability, the Company evaluates the probability that future estimated undiscounted net cash flows will be less than the carrying amount of the assets. If such estimated cash flows are less than the carrying amount of the assets, then such assets are written down to their fair value. No impairment of intellectual property was identified during the three and six months ended June 30, 2021 and 2020.

**Property and Equipment**

Property and equipment consists primarily of operating lease Senhance System assets, machinery, manufacturing equipment, demonstration equipment, computer equipment, furniture, and leasehold improvements, which are recorded at cost less accumulated depreciation. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Operating lease assets – Senhance System leasing (in years)	5
Machinery, manufacturing and demonstration equipment (in years)	3-5
Computer equipment (in years)	3
Furniture (in years)	5
Leasehold improvements	Lesser of lease term or 3 to 10 years

Upon retirement or sale, the cost of assets disposed of and the related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is credited or charged to operations. Repairs and maintenance costs are expensed as incurred.

The Company reviews its property and equipment assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. To determine the recoverability, the Company evaluates the probability that future estimated undiscounted net cash flows will be less than the carrying amount of the assets. If such estimated cash flows are less than the carrying amount of the assets, then such assets are written down to their fair value. The Company did not identify any impairment during the three and six months ended June 30, 2021 and 2020.

#### **Notes Payable – Payroll Protection Program**

The Company's policy is to account for forgivable loans received through the U.S. Small Business Administration (the "SBA") under the CARES Act Payroll Protection Program ("PPP"), as debt in accordance with ASC 470, Debt, and other related accounting pronouncements. The forgiveness of debt, in whole or part, is recognized once the debt is extinguished, which occurs when the Company is legally released from the liability by the SBA. Any portion of debt forgiven, adjusted for accrued interest forgiven and unamortized debt issuance costs, is recorded as a gain on extinguishment of debt, and presented in the condensed consolidated statements of operations and comprehensive loss. On June 10, 2021, the Company received notification from the SBA that the principal amount of its PPP loan of \$2.8 million and related interest had been forgiven.

#### **Contingent Consideration**

Contingent consideration is recorded as a liability and is the estimate of the fair value of potential milestone payments related to business acquisitions. Contingent consideration is measured at fair value using a discounted cash flow model utilizing significant unobservable inputs including the probability of achieving each of the potential milestones, future Euro-to-USD exchange rates, and an estimated discount rate associated with the risks of the expected cash flows attributable to the various milestones. Significant increases or decreases in any of the probabilities of success or changes in expected achievement of any of these milestones would result in a significantly higher or lower fair value of these milestones, respectively, and commensurate changes to the associated liability. The contingent consideration is revalued at each reporting period and changes in fair value are recognized in the condensed consolidated statements of operations and comprehensive loss.

On September 21, 2015, the Company completed the strategic acquisition, through its wholly owned subsidiary TransEnterix International, from Sofar, of all of the assets, employees and contracts related to the advanced robotic system for minimally invasive laparoscopic surgery now known as the Senhance System. Under the terms of the Purchase Agreement, as amended in 2016, as of June 30, 2021 the Company has accrued \$4.7 million of estimated fair value of remaining contingent consideration which shall be payable upon achievement of trailing revenues from sales or services contracts of the Senhance System of at least €25.0 million over a calendar quarter.

#### **Warrant Liabilities**

The Company's Series B Warrants (see Note 8) were measured at fair value using a simulation model which took into account, as of the valuation date, factors including the current exercise price, the expected life of the warrant, the current price of the underlying stock, its expected volatility, holding cost and the risk-free interest rate for the term of the warrant (see Note 3). The warrant liability was revalued at each reporting period and changes in fair value were recognized in the condensed consolidated statements of operations and comprehensive loss. The selection of the appropriate valuation model and the inputs and assumptions that are required to determine the valuation requires significant judgment and requires management to make estimates and assumptions that affect the reported amount of the related liability and reported amounts of the change in fair value. Actual results could differ from those estimates, and changes in these estimates are recorded when known. All remaining outstanding Series B Warrants were exercised in the first quarter 2021.

#### **Revenue Recognition**

The Company's revenue consists of product revenue resulting from the sale and lease of Systems, System components, instruments and accessories, and service revenue. The Company accounts for a contract with a customer when there is a legally enforceable contract between the Company and the customer, the rights of the parties are identified, the contract has commercial substance, and collectability of the contract consideration is probable. The Company's revenues are measured based on consideration specified in the contract with each customer, net of any sales incentives and taxes collected from customers that are remitted to government authorities. The Company's System sale arrangements generally include a five-year service period; the first year of service is generally free and included in the System sale arrangement and the remaining four years are generally included at a stated service price.

The Company's System sale arrangements generally contain multiple products and services. For these consolidated sale arrangements, the Company accounts for individual products and services as separate performance obligations if they are distinct, which is if a product or service is separately identifiable from other items in the consolidated package, and if a customer can benefit from it on its own or with other resources that are readily available to the customer. The Company's System sale arrangements may include a combination of the following performance obligations: system(s), system components, instruments, accessories, and system services.

For arrangements that contain multiple performance obligations, revenue is allocated to each performance obligation based on its relative estimated standalone selling price. When available, standalone selling prices are based on observable prices at which the Company separately sells the products or services; however due to limited sales to date, standalone selling prices generally are not directly observable. The Company estimates the standalone selling price using the market assessment approach considering market conditions and entity-specific factors including, but not limited to, features and functionality of the products and services, geographies, type of customer, and market conditions. The Company regularly reviews estimated standalone selling prices and updates these estimates if necessary.

The Company recognizes revenues as the performance obligations are satisfied by transferring control of the product or service to a customer. The Company generally recognizes revenue for the performance obligations as follows:

- System sales. For Systems and System components sold directly to end customers (including those arising from System purchases under lease rights to purchase), revenue is recognized when the Company transfers control to the customer, which is generally at the point when acceptance occurs that indicates customer acknowledgment of delivery or installation, depending on the terms of the arrangement. For Systems sold through distributors, for which distributors are responsible for installation, revenue is recognized generally at the time of shipment. The Company's System arrangements generally do not provide a right of return. The Systems are generally covered by a one-year warranty. Warranty costs were not material for the periods presented.
- Instruments and accessories. Revenue from sales of instruments and accessories is recognized when control is transferred to the customers, which generally occurs at the time of shipment, but also occurs at the time of delivery depending on the customer arrangement.
- Service. Service revenue is recognized ratably over the term of the service period as the customers benefit from the service throughout the service period. Revenue related to services performed on a time-and-materials basis is recognized when performed.

The following table presents revenue disaggregated by type and geography:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>(in thousands)</b>		<b>(in thousands)</b>	
<b>U.S.</b>				
Systems	\$ 91	\$ 45	\$ 184	\$ 75
Instruments and accessories	79	7	141	67
Services	104	103	202	171
Total U.S. revenue	274	155	527	313
<b>Outside of U.S. ("OUS")</b>				
Systems	258	117	1,430	127
Instruments and accessories	268	146	645	288
Services	302	237	583	527
Total OUS revenue	828	500	2,658	942
<b>Total</b>				
Systems	349	162	1,614	202
Instruments and accessories	347	153	786	355
Services	406	340	785	698
Total revenue	\$ 1,102	\$ 655	\$ 3,185	\$ 1,255

The Company recognizes sales by geographic area based on the country in which the customer is based. Operating lease revenue from Senhance System Leasing is included as Systems in the above table and was approximately \$0.3 million and \$0.1 million in the three months ended June 30, 2021 and 2020, respectively, and \$0.7 million and \$0.2 million in the six months ended June 30, 2021 and 2020, respectively.

Transaction price allocated to remaining performance obligations relates to amounts allocated to products and services for which the revenue has not yet been recognized. A significant portion of this amount relates to service obligations performed under the Company's system sales contracts that will be invoiced and recognized as revenue in future periods. Transaction price allocated to remaining performance obligations was approximately \$3.2 million and \$3.1 million as of June 30, 2021 and December 31, 2020, respectively.

The Company invoices its customers based on the billing schedules in its sales arrangements. Contract assets for the periods presented primarily represent the difference between the revenue that was recognized based on the relative selling price of the related performance obligations and the contractual billing terms in the arrangements. Contract assets are included in accounts receivable and totaled \$0.1 million and \$0.1 million as of June 30, 2021 and December 31, 2020, respectively. Deferred revenue for the periods presented was primarily related to service obligations, for which the service fees are billed up-front, generally annually. The associated deferred revenue is generally recognized ratably over the service period. The Company did not have any significant impairment losses on its contract assets for the periods presented. Revenue recognized for the three months ended June 30, 2021 and 2020 that was included in the deferred revenue balance at the beginning of each reporting period was \$0.2 million and \$0.4 million, respectively. Revenue recognized for the six months ended June 30, 2021 and 2020 that was included in the deferred revenue balance at the beginning of each reporting period was \$0.4 million and \$0.6 million, respectively. The aggregate amount of transaction price allocated to performance obligations that remain unsatisfied as of June 30, 2021 was \$3.2 million, which is expected to be recognized as revenue over one to three years.

In connection with assets recognized from the costs to obtain a contract with a customer, the Company determined that the sales incentive programs for its sales team do not meet the requirements to be capitalized as the Company does not expect to generate future economic benefits from the related revenue from the initial sales transaction and such costs are expensed as incurred.

#### **Senhance System Leasing**

The Company enters into lease arrangements with certain qualified customers. Revenue related to arrangements including lease elements are allocated to lease and non-lease elements based on their relative standalone selling prices. Lease elements generally include a Senhance System, while non-lease elements generally include instruments, accessories, and services. For some lease arrangements, the customers are provided with the right to purchase the leased System at some point during and/or at the end of the lease term. In some arrangements lease payments are based on the usage of the System.

In determining whether a transaction should be classified as a sales-type, operating, or direct financing lease, the Company considers the following terms at lease commencement: (1) whether title of the Senhance System transfers automatically or for a nominal fee by the end of the lease term, (2) whether the present value of the minimum lease payments equals or exceeds substantially all of the fair value of the leased System, (3) whether the lease term is for the major part of the remaining economic life of the leased System, (4) whether the lease grants the lessee an option to purchase the leased System that the lessee is reasonably certain to exercise, and (5) whether the underlying System is of such a specialized nature that it is expected to have no alternative use to the Company at the end of the lease term. All such arrangements through June 30, 2021 are classified as operating leases.

Revenue related to lease elements from operating lease arrangements is generally recognized on a straight-line basis over the lease term or based upon System usage and is presented as product revenue. Revenue related to lease elements from operating lease arrangements was approximately \$0.3 million and \$0.1 million for the three months ended June 30, 2021 and 2020, respectively, and \$0.7 million and \$0.2 million for the six months ended June 30, 2021 and 2020, respectively.

#### **Cost of Revenue**

Cost of revenue consists of contract manufacturing, materials, labor, and manufacturing overhead incurred internally to produce the products. Shipping and handling costs incurred by the Company are included in cost of revenue. During the three months ended June 30, 2021 and 2020, the Company recorded \$0.2 million and \$0 million, respectively, of expenses for inventory obsolescence related to certain System components. During the six months ended June 30, 2021 and 2020, the Company recorded \$0.3 million and \$0 million, respectively, of expenses for inventory obsolescence related to certain System components.

#### **Research and Development Costs**

Research and development expenses primarily consist of engineering, product development and regulatory expenses, incurred in the design, development, testing and enhancement of our products. Research and development costs are expensed as incurred.

### **Stock-Based Compensation**

The Company recognizes expenses for share-based awards exchanged for services rendered equal to the estimated fair value of these awards over the requisite service period. The Company recognizes as expense, the grant-date fair value of stock options and other stock-based compensation issued to employees and non-employee directors over the requisite service periods, which are typically the vesting periods. The Company uses the Black-Scholes-Merton model to estimate the fair value of our stock options. The volatility assumption used in the Black-Scholes-Merton model is based on the Company's historical volatility. The expected term of options granted has been determined based upon the simplified method, because the Company does not have sufficient historical information regarding its options to derive the expected term. Under this approach, the expected term is the mid-point between the weighted average of vesting period and the contractual term. The risk-free interest rate is based on U.S. Treasury rates whose term is consistent with the expected life of the stock options. The Company has not paid and does not anticipate paying cash dividends on its shares of common stock; therefore, the expected dividend yield is assumed to be zero. The Company estimates forfeitures based on its historical experience and adjust the estimated forfeiture rate based upon actual experience. For awards with performance conditions, we begin recognizing compensation expense when it becomes probable that the performance condition will be attained.

The fair value of restricted stock units is determined by the market price of the Company's common stock on the date of grant.

The Company records as expense the fair value of stock-based compensation awards, including stock options and restricted stock units. Compensation expense for stock-based compensation was approximately \$1.8 million and \$1.9 million for the three months ended June 30, 2021 and 2020, respectively, and was approximately \$3.6 million and \$3.9 million for the six months ended June 30, 2021 and 2020, respectively.

### **Income Taxes**

The Company accounts for income taxes using the asset and liability method, which requires the recognition of deferred tax assets or liabilities for the temporary differences between financial reporting and tax basis of the Company's assets and liabilities, and for tax carryforwards at enacted statutory rates in effect for the years in which the asset or liability is expected to be realized. The effect on deferred taxes of a change in tax rates is recognized in income during the period that includes the enactment date. In addition, valuation allowances are established when necessary to reduce deferred tax assets and liabilities to the amounts expected to be realized. The Company has elected to account for global intangible low-taxed income ("GILTI") as a period expense in the year the tax is incurred.

The Company recognizes the financial statement benefit of an income tax position only after determining that the relevant taxing authority would more likely than not sustain the position following audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant taxing authority. The Company recognizes interest accrued related to unrecognized tax benefits and penalties in the provision for income taxes.

Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require application of significant judgment. The Company is subject to U.S. federal and various state, local and foreign jurisdictions. Due to the Company's net operating loss carryforwards, the Company may be subject to examination by authorities for all previously filed income tax returns.

### **Comprehensive Loss**

Comprehensive loss is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources.

### **Segments**

The Company operates in one business segment—the research, development and sale of medical device robotics to improve minimally invasive surgery. The Company's chief operating decision maker (determined to be the Chief Executive Officer) does not manage any part of the Company separately, and the allocation of resources and assessment of performance are based on the Company's consolidated operating results.

Approximately 77% and 27% of the Company's total consolidated assets are located within the U.S. as of June 30, 2021 and December 31, 2020, respectively. The remaining assets are mostly located in Europe and are primarily related to the Company's facility in Italy, and include intellectual property, other current assets, property and equipment, cash, accounts receivable, other long-term assets and inventory of \$47.6 million and \$56.8 million as of June 30, 2021 and December 31, 2020, respectively. Total assets outside of the United States amounted to 23% and 73% of total consolidated assets as of June 30, 2021 and December 31, 2020, respectively. Long-lived assets in the U.S. were 21% and 11%, Italy were 37% and 48%, and Switzerland were 40% and 41%, as of June 30, 2021 and December 31, 2020, respectively. The Company recognizes sales by geographic area based on the country in which the customer is based. For the three months ended June 30, 2021 and 2020, 25% and 24%, respectively, of net revenue were generated in the United States; while 53% and 56%, respectively, were generated in Europe; and 22% and 20% were generated in Asia. For the six months ended June 30, 2021 and 2020, 17% and 25%, respectively, of net revenue were generated in the United States; while 32% and 52%, respectively, were generated in Europe; and 51% and 23% were generated in Asia.



### **Impact of Recently Issued Accounting Standards**

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes*, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in ASC 740, *Income Tax* and also clarifies and amends existing guidance to improve consistent application. The Company adopted ASU 2019-12 effective January 1, 2021; the adoption did not result in a material impact on the Company's financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which is designed to provide financial statement users with more information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. When determining such expected credit losses, the guidance requires companies to apply a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This guidance is effective on a modified retrospective basis for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The guidance is not expected to have a material impact on the Company's financial statements and related disclosures.

In August 2020, the FASB issued ASU 2020-06 *Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (subtopic 815-40)* guidance on the accounting for convertible debt instruments and contracts in an entity's own equity. The guidance simplifies the accounting for convertible instruments by reducing the various accounting models that can require the instrument to be separated into a debt component and equity component or derivative component. Additionally, the guidance eliminated certain settlement conditions previously required to be able to classify a derivative in equity. The new guidance is effective on a modified or full retrospective basis for fiscal years beginning after December 15, 2023, including interim periods with those fiscal years. The Company is currently evaluating the impact on the condensed consolidated financial statements upon adoption.

The Company has evaluated all other issued and unadopted ASUs and believes the adoption of these standards will not have a material impact on its condensed consolidated statements of operations and comprehensive loss, balance sheets, or statements of cash flows.

### **3. Fair Value**

The Company held certain assets and liabilities that are required to be measured at fair value on a recurring basis. These assets and liabilities include cash and cash equivalents, restricted cash, contingent consideration and warrant liabilities. ASC 820-10 ("Fair Value Measurement Disclosure") requires the valuation using a three-tiered approach, which requires that fair value measurements be classified and disclosed in one of three tiers. These tiers are: Level 1, defined as quoted prices in active markets for identical assets or liabilities; Level 2, defined as valuations based on observable inputs other than those included in Level 1, such as quoted prices for similar assets and liabilities in active markets, or other inputs that are observable or can be corroborated by observable input data; and Level 3, defined as valuations based on unobservable inputs reflecting the Company's own assumptions, consistent with reasonably available assumptions made by other market participants. The Company did not have any transfers of assets and liabilities between Level 1, Level 2, and Level 3 of the fair value hierarchy during the three and six months ended June 30, 2021 and 2020.

For assets and liabilities recorded at fair value, it is the Company's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy. Fair value measurements for assets and liabilities where there exists limited or no observable market data and therefore, are based primarily upon estimates, are often calculated based on the economic and competitive environment, the characteristics of the asset or liability and other factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the results of current or future values. The Company utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

As prescribed by U.S. GAAP, the Company groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. An adjustment to the pricing method used within either Level 1 or Level 2 inputs could generate a fair value measurement that effectively falls in a lower level in the hierarchy.

The determination of where an asset or liability falls in the hierarchy requires significant judgment. The Company evaluates its hierarchy disclosures and based on various factors, it is possible that an asset or liability may be classified differently from period to period. However, the Company expects changes in classifications between levels will be rare.

The carrying values of accounts receivable, other current assets, accounts payable, and certain accrued expenses as of June 30, 2021 and December 31, 2020 approximate their fair values due to the short-term nature of these items. The Company's notes payable balance also approximates fair value as of December 31, 2020, as the interest rate on the notes payable approximates the rates available to the Company as of this date.

The following are the major categories of assets and liabilities measured at fair value on a recurring basis as of June 30, 2021 and December 31, 2020, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

Description	June 30, 2021			Total
	(in thousands)			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets measured at fair value				
Cash and cash equivalents	\$ 157,078	\$ -	\$ -	\$ 157,078
Restricted cash	1,045	-	-	1,045
Total assets measured at fair value	<u>\$ 158,123</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,123</u>
Liabilities measured at fair value				
Contingent consideration	\$ -	\$ -	\$ 4,671	\$ 4,671
Total liabilities measured at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,671</u>	<u>\$ 4,671</u>

Description	December 31, 2020			Total
	(in thousands)			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets measured at fair value				
Cash and cash equivalents	\$ 16,363	\$ -	\$ -	\$ 16,363
Restricted cash	1,166	-	-	1,166
Total assets measured at fair value	<u>\$ 17,529</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,529</u>
Liabilities measured at fair value				
Contingent consideration	\$ -	\$ -	\$ 3,936	\$ 3,936
Warrant liabilities	-	-	255	255
Total liabilities measured at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,191</u>	<u>\$ 4,191</u>

The Company's financial liabilities consisted of contingent consideration payable to Sofar related to the Senhance Acquisition in September 2015. This liability is reported as Level 3 as estimated fair value of the contingent consideration related to the acquisition requires significant management judgment or estimation and is calculated using the income approach, using various revenue and cost assumptions, and applying a probability to each outcome. The increase in fair value of the contingent consideration of \$0.5 million and \$0.7 million for the three and six months ended June 30, 2021, respectively was primarily due to a lower discount rate, increased volatility, and the passage of time. The increase in fair value of the contingent consideration of \$0.2 million and \$1.3 million for the three and six months ended June 30, 2020, respectively was primarily due to the passage of time. Adjustments associated with the change in fair value of contingent consideration are included in the Company's condensed consolidated statements of operations and comprehensive loss. The Company uses a probability-weighted income approach for estimating the fair value of the contingent consideration. The significant unobservable inputs used in this approach include estimates of amounts and timing of stated milestones, volatility, and the discount rate.

On April 28, 2017, the Company sold 24.9 million units (the "Units"), each consisting of approximately 0.077 shares of the Company's Common Stock, a Series A warrant to purchase approximately 0.077 shares of Common Stock with an exercise price of \$13.00 per share (the "Series A Warrants"), and a Series B warrant to purchase approximately 0.058 shares of Common Stock with an exercise price of \$13.00 per share (the "Series B Warrants," together with the Series A Warrants, the "Warrants"), at an offering price of \$1.00 per Unit. All of the Series A Warrants were exercised prior to the expiration date of October 31, 2017. As of December 31, 2020, 567,660 Series B Warrants were outstanding with an exercise price of \$0.35 per share. All outstanding Series B Warrants were exercised in the first quarter 2021.

The final remeasurement upon exercise of the Series B warrants was on February 8, 2021 and all Series B warrants have been exercised as of June 30, 2021. The change in fair value of the Series B warrants for the six months ended June 30, 2021 and 2020 was an increase of \$2.0 million and an increase of \$0.3 million, respectively and was included in the Company's condensed consolidated statements of operations and comprehensive loss. The increase in fair value of the Series B warrants of \$2.0 million for the six months ended June 30, 2021 was primarily due to an increase in share price, a lower discount rate, increased volatility, and the passage of time. No change in fair value was recorded for the three months ended June 30, 2021. The change in fair value of the Series B warrants for the three months ended June 30, 2020 was an increase of \$0.1 million and was primarily due to a lower discount rate, decreased volatility, and the passage of time. The following table presents the inputs and valuation methodologies used for the Company's fair value of the Series B warrants:

Series B Warrants	December 31, 2020
Valuation methodology	Black-Scholes-Merton
Term (years)	1.32
Risk free rate	0.10%
Dividends	-
Volatility	150.97%
Share price	\$ 0.63

The following table presents quantitative information about the inputs and valuation methodologies used for the Company's fair value measurements for contingent consideration as of June 30, 2021 and December 31, 2020:

	Methodology	Unobservable Input	2021	2020
Contingent consideration	Probability weighted income approach	Milestone dates	2025 to 2029	2024 to 2029
		Discount rate	9.0%	9.50%
		Volatility	74.0%	71.0%

The following table summarizes the change in fair value, as determined by Level 3 inputs for the warrants and the contingent consideration for the six months ended June 30, 2021:

	Fair Value Measurement at Reporting Date (Level 3)	
	(in thousands) Common stock warrants	Contingent consideration
Balance at December 31, 2020	\$ 255	\$ 3,936
Exercise of warrants	(2,236)	-
Change in fair value	1,981	735
Balance at June 30, 2021	\$ -	\$ 4,671
Current portion	\$ -	\$ -
Long-term portion	-	4,671
Balance at June 30, 2021	\$ -	\$ 4,671

#### 4. Inventories

The components of inventories are as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
	(in thousands)	
Finished goods	\$ 13,238	\$ 10,749
Raw materials	5,875	8,098
<b>Total inventories</b>	<b>\$ 19,113</b>	<b>\$ 18,847</b>
Current portion	\$ 12,523	\$ 10,034
Long-term portion	6,590	8,813
<b>Total inventories</b>	<b>\$ 19,113</b>	<b>\$ 18,847</b>

During the three and six months ended June 30, 2021, the Company recorded a \$0.2 million and a \$0.3 million charge for inventory obsolescence related to certain system components, respectively. There were no such write-downs or charges for the three and six months ended June 30, 2020.

#### 5. Intellectual Property

The components of gross intellectual property, accumulated amortization, and net intellectual property as of June 30, 2021 and December 31, 2020 are as follows:

	<u>June 30, 2021</u>			
	(in thousands)			
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Foreign Currency Translation Impact</u>	<u>Net Carrying Amount</u>
Developed technology	\$ 68,838	\$ (55,755)	\$ 2,601	\$ 15,684
Technology and patents purchased	400	(185)	44	259
<b>Total intellectual property</b>	<b>\$ 69,238</b>	<b>\$ (55,940)</b>	<b>\$ 2,645</b>	<b>\$ 15,943</b>

  

	<u>December 31, 2020</u>			
	(in thousands)			
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Foreign Currency Translation Impact</u>	<u>Net Carrying Amount</u>
Developed technology	\$ 68,838	\$ (51,734)	\$ 4,872	\$ 21,976
Technology and patents purchased	400	(168)	59	291
<b>Total intellectual property</b>	<b>\$ 69,238</b>	<b>\$ (51,902)</b>	<b>\$ 4,931</b>	<b>\$ 22,267</b>

The weighted average remaining useful life of the developed technology and technology and patents purchased was 1.8 years and 5.8 years, respectively as of June 30, 2021.

#### 6. Income Taxes

Income taxes have been accounted for using the asset and liability method in accordance with ASC 740 "Income Taxes". The Company computes its interim provision for income taxes by applying the estimated annual effective tax rate method. The Company estimates an annual effective tax rate of (0.1)% for the year ending December 31, 2021. This rate does not include the impact of any discrete items. The Company's effective tax rate for the three months ended June 30, 2021 and 2020 was 0.0% and 4.8%, respectively. The Company's effective tax rate for the six months ended June 30, 2021 and 2020 was 0.1% and 4.4%, respectively

The Company incurred losses for the three- and six- month periods ended June 30, 2021 and is forecasting additional losses through the year, resulting in an estimated net loss for both financial statement and tax purposes for the year ending December 31, 2021. Due to the Company's history of losses, there is not sufficient evidence to record a net deferred tax asset associated with the U.S., Luxembourg, Swiss, Italian, Taiwanese, and Canadian operations. Accordingly, a full valuation allowance has been recorded related to the net deferred tax assets in those jurisdictions.

Income tax benefit on the condensed consolidated statement of operations and comprehensive loss is comprised of deferred tax benefit and current tax expense (benefit). The deferred tax benefit during the three months ended June 30, 2021 and 2020, was approximately \$0.0 million and \$0.7 million, respectively. The deferred tax benefit during the six months ended June 30, 2021 and 2020, was approximately \$0.0 million and \$1.4 million, respectively. The current tax expense (benefit) during the three months ended June 30, 2021 and 2020, was approximately \$0.0 million and \$0.01 million, respectively. The current tax expense (benefit) during the six months ended June 30, 2021 and 2020, was approximately \$(0.04) million and \$0.03 million, respectively.

At June 30, 2021, the Company had no unrecognized tax benefits that would affect the Company's effective tax rate.

The FASB Staff Q&A, Topic 740, No. 5, Accounting for Global Intangible Low-Taxed Income ("GILTI"), states that an entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or to provide for the tax expense related to GILTI in the year the tax is incurred as a period expense only. The Company has elected to account for GILTI as a period expense in the year the tax is incurred. The Company does not expect a GILTI inclusion for 2021; no GILTI tax has been recorded for the three or six months ended June 30, 2021 or 2020.

## **7. Notes Payable – Payroll Protection Program**

The CARES Act was passed in the United States and signed into law on March 7, 2020 and was amended on June 5, 2020 through the enactment of the Paycheck Protection Program Flexibility Act. On April 27, 2020, Asensus Surgical US, Inc., a wholly owned subsidiary of the Company, received funding under a promissory note dated April 18, 2020 (the "Promissory Note"), evidencing an unsecured non-recourse loan in the principal amount of \$2,815,200 under the PPP provisions of the CARES Act. The PPP is administered by the U.S. Small Business Administration (the "SBA"). The Promissory Note was made through City National Bank of Florida, a national banking association (the "Lender"). The Company accounted for the PPP loan as debt and included the principal amount within notes payable on the condensed consolidated balance sheet.

The Promissory Note has a two-year term, maturing on April 27, 2022, and bears interest at 1.00% per annum. The Promissory Note may be forgiven partially or fully if the proceeds are used for covered payroll, rent and utility costs incurred during the Covered Period and if at least 60% of the proceeds are used for covered payroll costs. All or a portion of the Promissory Note may be forgiven by the SBA upon application by the Company and documentation of expenditures in accordance with the SBA requirements. If the Promissory Note is not forgiven, payments can be deferred until 10 months after the end of the Company's covered period, which is the 24-week period beginning on the date the Company received the PPP loan proceeds from the Lenders (the "Covered Period"). The Promissory Note contains customary events of default relating to, among other things, payment defaults, and breach of representations and warranties, or other provisions of the Promissory Note. The Promissory Note was classified as long term except for the portion to be paid within twelve months of the year end, which was classified as current.

The Company submitted its application for forgiveness of the Promissory Note in full to the Lender on February 10, 2021. On June 10, 2021, the Company received notification from the SBA that the principal amount of \$2.8 million and related interest had been forgiven. Gain on extinguishment of debt of \$2.8 million was recognized for the three and six months ended June 30, 2021 on the condensed consolidated statement of operations and comprehensive loss.

## **8. Equity Offerings**

On August 12, 2019, the Company entered into a Controlled Equity Offering Sales Agreement (the "2019 Sales Agreement"), with Cantor Fitzgerald & Co., ("Cantor"), and commenced an at-the-market offering (the "2019 ATM Offering") pursuant to which the Company could sell from time to time, at its option, up to an aggregate of \$25.0 million shares of the Company's common stock, through Cantor, as sales agent. Sales of the common stock under the 2019 ATM Offering were made under the Company's previously filed and currently effective shelf registration statement on Form S-3. The aggregate compensation payable to Cantor was 3.0% of the aggregate gross proceeds from each sale of the Company's common stock. Under the 2019 ATM Offering, the Company raised gross proceeds of \$7.2 million and net proceeds of \$7.0 million during the year ended December 31, 2019, and an additional \$11.6 million of gross proceeds and \$11.2 million of net proceeds during the year ended December 31, 2020.

On October 9, 2020, the Company filed a prospectus supplement relating to an at-the-market offering with Cantor pursuant to which the Company may sell from time to time, at its option, up to an aggregate of \$40.0 million of shares of the Company's common stock, through Cantor as sales agent, pursuant to the 2019 Sales Agreement (the "2020 ATM Offering"). Sales of the common stock were made on the Company's shelf registration statement on Form S-3, which was declared effective by the SEC on February 10, 2020. The aggregate compensation payable to Cantor was 3.0% of the aggregate gross proceeds from each sale of the Company's common stock.

The following table summarizes the total sales under the 2020 ATM Offering for the six months ended June 30, 2021 (in thousands except for share and per share amounts):

	<b>For the Six Months Ended June 30, 2021</b>
Total shares of common stock sold	19,120,037
Average price per share	\$ 1.47
Gross proceeds	\$ 28,100
Commissions earned by Cantor	\$ 843
Net proceeds	<u>\$ 27,257</u>

On May 19, 2021, the Company entered into a Controlled Equity Offering Sales Agreement (the "2021 Sales Agreement") with Cantor Fitzgerald & Co. ("Cantor"), Robert W. Baird & Co. Incorporated ("Baird") and Oppenheimer & Co. Inc. ("Oppenheimer"). Each of Cantor, Baird and Oppenheimer are individually an "Agent" and collectively are the "Agents" under the Agreement. Also on May 19, 2021, the Company commenced an at-the-market offering (the "2021 ATM Offering") pursuant to which the Company could sell from time to time, at its option, up to an aggregate of \$100.0 million shares of the Company's common stock. The aggregate compensation payable to the Agents was 3.0% of the aggregate gross proceeds from each sale of the Company's common stock.

The following table summarizes the total sales under the 2021 ATM Offering for the six months ended June 30, 2021 (in thousands except for share and per share amounts):

	<b>For the Six Months Ended June 30, 2021</b>
Total shares of common stock sold	331,811
Average price per share	\$ 3.47
Gross proceeds	\$ 1,152
Commissions earned by Agents	\$ 34
Net proceeds	<u>\$ 1,118</u>

On March 10, 2020, the Company closed the March 2020 Public Offering and sold an aggregate of 14,121,766 Class A Units at a public offering price of \$0.68 per Class A Unit and 7,937,057 Class B Units at a public offering price of \$0.68 per Class B Unit. Each Class A Unit consists of one share of the Company's common stock, one warrant to purchase one share of common stock that expires on the first anniversary of the date of issuance (collectively, the "Series C Warrants"), and one warrant to purchase one share of common stock that expires on the fifth anniversary of the date of issuance (collectively, the "Series D Warrants"). Each Class B Unit consists of one share of Series A Convertible Preferred Stock, par value \$0.01 per share (the "Series A Preferred Stock"), convertible into one share of common stock, a Series C Warrant to purchase one share of common stock and a Series D Warrant to purchase one share of common stock. The Class A Units and Class B Units have no stand-alone rights and were not certificated or issued as stand-alone securities. The shares of common stock, Series A Preferred Stock, Series C Warrants and Series D Warrants are immediately separable. In addition, the underwriter for the public offering exercised an overallotment option and purchased 3,308,823 Series C Warrants and 3,308,823 Series D Warrants.

The shares of Series A Preferred Stock rank on par with the shares of the common stock, in each case, as to dividend rights and distributions of assets upon liquidation, dissolution or winding up of the Company. With certain statutory exceptions, as described in the Series A Preferred Stock Certificate of Designation, the shares of Series A Preferred Stock have no voting rights. Each share of Series A Preferred Stock was convertible at any time at the holder's option into one share of common stock, which conversion ratio was subject to adjustment for stock splits, stock dividends, distributions, subdivisions and combinations and other similar transactions as specified in the Series A Preferred Stock Certificate of Designation. The Company recorded a beneficial conversion feature of \$0.4 million as a deemed dividend included in additional paid-in capital and an immediate charge to earnings available to common stockholders for the year ended December 31, 2020. All of the shares of Series A Preferred Stock were converted to common stock by the holders by June 30, 2020. Upon conversion, the Company recorded \$0.3 million as a deemed dividend as an immediate charge to earnings available to common stockholders for the year ended December 31, 2020. In accordance with the Series A Preferred Stock Certificate of Designation, the shares of Series A Preferred Stock regained the status of authorized and unissued shares of preferred stock.

The net proceeds to the Company from the March 2020 Public Offering were approximately \$13.5 million, after deducting underwriting discounts and commissions and estimated offering expenses payable by the Company. All shares of Series A Preferred Stock were converted into 7.9 million shares of common stock prior to June 30, 2020. Approximately 4.9 million Series C Warrants were exercised during the year ended December 31, 2020, generating net proceeds of \$3.3 million. The Class A Units, the Class B Units, the Series A Preferred Stock, the Series C Warrants and the Series D Warrants (together with the shares of common stock underlying the shares of Series A Preferred Stock and such warrants) were offered under the Company's previously filed Registration Statement on Form S-3, which registration statement expired in May 2020. The Company filed a new registration statement on Form S-1 covering the exercise of the outstanding Series C Warrants and Series D Warrants, which was declared effective by the SEC on May 27, 2020.

On July 6, 2020, the Company completed an underwritten public offering of 42,857,142 shares of its common stock, including the underwriter's full exercise of an over-allotment option, at the public offering price per share of \$0.35 per share, generating net proceeds of approximately \$13.6 million. Following the offering, the exercise price of the outstanding Series B Warrants was adjusted to \$0.35 per share and the number of shares of common stock underlying such warrants increased to 567,660 shares.

On January 12, 2021, the Company sold in a registered direct offering, 25,000,000 shares of common stock at a purchase price per share of \$1.25 for aggregate gross proceeds of \$31.25 million, and net proceeds of \$28.6 million.

On January 29, 2021, the Company completed an underwritten public offering of 26,545,832 shares of its common stock, including the underwriter's full exercise of an over-allotment option on February 1, 2021, at the public offering price of \$3.00 per share, for aggregate gross proceeds of \$79.6 million and net proceeds of approximately \$73.4 million.

During the six months ended June 30, 2021, the Company issued 45,314,101 shares of common stock upon the exercise of Series B, C, and D warrants for aggregate proceeds of \$30.6 million.

## **9. Basic and Diluted Net Loss per Share**

Basic net loss per common share is computed by dividing net loss attributable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net loss per common share is computed giving effect to all potential dilutive common shares that were outstanding during the period when the effect is dilutive. Potential dilutive common shares consist of incremental shares issuable upon exercise of stock options, restricted stock units, warrants and preferred stock. For the six months ended June 30, 2020, the effects of the Series A Preferred Stock beneficial conversion charge and conversion are included in the calculation of net loss attributable to common stockholders. No adjustments have been made to the weighted average outstanding common shares figures for the six months ended June 30, 2021 or 2020 as the assumed exercise of outstanding options, warrants and restricted stock units would be anti-dilutive.

Potential common shares not included in calculating diluted net loss per share are as follows:

	June 30,	
	2021	2020
Stock options	4,279,335	4,278,967
Stock warrants	1,016,383	46,461,630
Nonvested restricted stock units	1,768,861	3,036,176
Total	<u>7,064,579</u>	<u>53,776,773</u>

## 10. Commitments and Contingencies

### *Contingent Consideration*

On September 21, 2015, the Company completed the strategic acquisition, through its wholly owned subsidiary TransEnterix International, from Sofar, of all of the assets, employees and contracts related to the advanced robotic system for minimally invasive laparoscopic surgery now known as the Senhance System. Under the terms of the Purchase Agreement, as amended in 2016, as of June 30, 2021 the Company has accrued \$4.7 million of estimated fair value of remaining contingent consideration which shall be payable upon achievement of trailing revenues from sales or services contracts of the Senhance System of at least €25.0 million over a calendar quarter.

### *Legal Proceedings*

No liability or related charge was recorded to earnings in the Company's condensed consolidated financial statements for legal contingencies for the three or six months ended June 30, 2021 and 2020.

### *Operating Leases*

Many of the Company's leases include base rental periods coupled with options to renew or terminate the lease, generally at the Company's discretion. In evaluating the lease term, the Company considers whether renewal is reasonably certain. To the extent a significant economic incentive exists to renew the lease, the option is included within the lease term. Based on the Company's leases, renewal options generally do not provide a significant economic incentive and are therefore excluded from the lease term. The ROU asset is included in operating lease right-of-use assets, net on the condensed consolidated balance sheets. The current portion of operating lease liabilities are presented within operating lease liabilities – current portion on the condensed consolidated balance sheets and the non-current portion of operating lease liabilities are presented within noncurrent operating lease liabilities on the condensed consolidated balance sheets and represents the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate, which ranges between 6.1% and 8.5% based on the terms of the lease. The weighted average discount rate was 7.9% and 8.2% as of June 30, 2021 and December 31, 2020, respectively.

As of June 30, 2021, the right-of-use asset totaled \$4.1 million and the lease liability totaled \$4.3 million, of which \$0.9 million is classified as current and \$3.5 million is classified as non-current. Operating lease costs for the three months ended June 30, 2021 and 2020 totaled \$0.4 million and \$0.5 million and are included within operating expenses in the condensed consolidated statement of operations and comprehensive loss. Operating lease costs for the six months ended June 30, 2021 and 2020 totaled \$0.9 million and \$1.0 million and are included within operating expenses in the condensed consolidated statement of operations and comprehensive loss. The weighted average remaining lease term for operating leases as of June 30, 2021 was 8.9 years. Total cash paid for operating leases, which is included within cash flows from operating activities within the condensed consolidated statement of cash flows, was \$0.1 million and \$0.3 million during the three months ended June 30, 2021 and 2020, respectively, and was \$0.5 million and \$0.7 million during the six months ended June 30, 2021 and 2020, respectively.



The following table presents the minimum lease payments as of June 30, 2021 (in thousands):

<b>Fiscal Year</b>		
Remainder of 2021	\$	515
2022		851
2023		585
2024		484
2025		487
Thereafter		2,932
Total minimum lease payments	\$	5,854
Less: Amount of lease payments representing interest		(1,528)
Present value of future minimum lease payments	\$	<u>4,326</u>

#### ***License and Supply Agreements***

As part of the Company's acquisition of the Senhance System in 2015, the Company assumed certain license and supply agreements. Payments under these arrangements generally become due and payable only upon the achievement of certain milestones. For instances in which the achievement of these milestones is neither probable nor reasonably estimable, such contingencies are not included in the estimated amount. The Company has also placed orders with various suppliers for the purchase of certain tooling, supplies and contract engineering and research services. Each of these orders has a duration or expected completion within the next twelve months. Commitments under these agreements amount to approximately \$3.6 million in 2021, \$0.1 million in 2022, \$0.3 million in 2023, \$0.2 million in 2024, and \$0.2 million thereafter until termination in 2027.

## Item 2. Management's Discussion and Analysis of Financial Conditions and Results of Operation

*The following discussion of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and the related notes to our condensed consolidated financial statements included in this report. The following discussion contains forward-looking statements. See cautionary note regarding "Forward-Looking Statements" at the beginning of this report.*

### Overview

Asensus Surgical is a medical device company that is digitizing the interface between the surgeon and the patient to pioneer a new era of Performance-Guided Surgery by unlocking the clinical intelligence to enable consistently superior outcomes and a new standard of surgery. This builds upon the foundation of Digital Laparoscopy with the Senhance® Surgical System powered by the Intelligent Surgical Unit to increase surgeon control and reduce surgical variability. With the addition of machine vision, augmented intelligence, and deep learning capabilities throughout the surgical experience, we intend to holistically address the current clinical, cognitive and economic shortcomings that drive surgical outcomes and value-based healthcare. The Company is focused on the market development for and commercialization of the Senhance Surgical System, which digitizes laparoscopic minimally invasive surgery, or MIS. The Senhance System is the first and only digital, multi-port laparoscopic platform designed to maintain laparoscopic MIS standards while providing digital benefits such as haptic feedback, robotic precision, comfortable ergonomics, advanced instrumentation including 3 mm microlaparoscopic instruments, eye-sensing camera control and fully-reusable standard instruments to help maintain per-procedure costs similar to traditional laparoscopy.

The Senhance System is available for sale in Europe, the United States, Japan, Taiwan, Russia and select other countries.

- The Senhance System has a CE Mark in Europe for adult and pediatric laparoscopic abdominal and pelvic surgery, as well as limited thoracic surgeries excluding cardiac and vascular surgery.
- In the United States, the Company has received 510(k) clearance from the FDA for use of the Senhance System in general laparoscopic surgical procedures and laparoscopic gynecologic surgery in a total of 31 indicated procedures, including benign and oncologic procedures, laparoscopic inguinal, hiatal and paraesophageal hernia, sleeve gastrectomy and laparoscopic cholecystectomy (gallbladder removal) surgery.
- In Japan, the Company has received regulatory approval and reimbursement for 98 laparoscopic procedures.
- The Senhance System has received its registration certificate by the Russian medical device regulatory agency, Roszdravnadzor, allowing for its sale and utilization throughout the Russian Federation.

We also enter into lease arrangements with certain qualified customers. For some lease arrangements, the customers are provided with the right to purchase the leased Senhance System during or at the end of the lease term ("Lease Buyout"). In the first quarter of 2021, we completed a Lease Buyout of a Senhance System.

In February 2021, we changed our name from TransEnterix, Inc. to Asensus Surgical, Inc. as part of our strategy to utilize the Senhance System and ISU capabilities, along with our other augmented intelligence related offerings and instrumentation to unlock clinical intelligence to enable consistently superior outcomes and a new standard of surgery we are calling Performance-Guided Surgery. We believe our product offerings, and our digitization of the interface between the surgeon and the patient allows us to assist the surgeon in all aspects of laparoscopic surgery including:

- Pre-operative - in what we call "intelligent preparation," our machine learning models will take data from all of the procedures done utilizing our current Senhance System with the ISU, such as tracking surgical motion and team interaction, to create a large and constantly improving database of surgeries and their outcomes to enable surgeons to best inform their approach and surgical setup.
- Intra-operative – we believe the Senhance System provides perceptive real-time guidance for intra-operative tasks, allowing any surgeon performing a procedure with the Senhance System to perform multiple tasks and benefit from the collective knowledge and rules-based performance of thousands of other successful Senhance-based procedures. Not only will this provide the surgeon with a pathway to better outcomes, we believe it will ultimately help reduce the cognitive load of the surgeons.
- Future use post-operative – finally, by tapping into the vast amount of data captured during procedures, surgeons and operating room staff will be able to get actionable assessments of their performance giving them the information needed to improve performance over time. We intend on building a new standard of analytics to improve not only the skills of all surgeons but moving towards best-practice-sharing that bridges the global surgeon community.

In 2020, the Company obtained regulatory clearance for the Senhance ultrasonic system in Taiwan and Japan. On February 12, 2020, the Company expanded its claims in the EU for the Senhance System to include pediatric patients, allowing accessibility to more surgeons and patients, as well as expanding its potential market to include pediatric hospitals in Europe. The Company anticipates the robotic precision provided by the Senhance System, coupled with the already available 3 mm diameter instruments, will prove to be an effective tool in surgery with smaller patients. On March 13, 2020 the Company announced that it received FDA clearance for the Intelligent Surgical Unit™ (ISU™) for use with the Senhance System. The Company believes it is the first such FDA submission seeking clearance for machine vision technology in abdominal robotic surgery. On September 23, 2020, the Company announced the first surgical procedures successfully completed using the ISU.

On January 19, 2021, the Company announced that it received CE Mark for the ISU. Finally, on July 28, 2021, the Company announced that it received FDA clearance for 5 mm diameter articulating instruments, offering better access to difficult-to-reach areas of the anatomy by providing two additional degrees of freedom. These instruments have previously received CE Mark for use in the EU.

The Company believes that future outcomes of minimally invasive laparoscopic surgery will be enhanced through its combination of more advanced tools and robotic functionality, which are designed to: (i) empower surgeons with improved precision, dexterity and visualization; (ii) improve patient satisfaction and enable a desirable post-operative recovery; and (iii) provide a cost-effective robotic system, compared to existing alternatives today, for a wide range of clinical indications.

From our inception, we devoted a substantial percentage of our resources to research and development and start-up activities, consisting primarily of product design and development, clinical studies, manufacturing, recruiting qualified personnel and raising capital. We expect to continue to invest in research and development and market development as we implement our strategy.

Since inception, we have been unprofitable. As of June 30, 2021, we had an accumulated deficit of \$753.4 million.

We operate in one business segment.

## **Recent Financing Transactions**

### ***January 2021 Public Offering***

On January 29, 2021, the Company completed an underwritten public offering of 26,545,832 shares of its common stock, including the underwriter's full exercise of an over-allotment option on February 1, 2021, at the public offering price of \$3.00 per share, generating net proceeds of approximately \$73.4 million.

### ***January 2021 Registered Direct Purchase Agreement***

On January 12, 2021, the Company sold in a registered direct offering 25,000,000 shares of common stock at a purchase price per share of \$1.25 for aggregate gross proceeds of \$31.25 million, and net proceeds of \$28.6 million.

### ***At-the-Market Offering***

On May 19, 2021, the Company entered into a Controlled Equity Offering<sup>SM</sup> Sales Agreement (the "Agreement") with Cantor Fitzgerald & Co. ("Cantor"), Robert W. Baird & Co. Incorporated ("Baird") and Oppenheimer & Co. Inc. ("Oppenheimer"). Each of Cantor, Baird and Oppenheimer are individually an "Agent" and collectively are the "Agents" under the Agreement. Also on May 19, 2021, the Company filed a prospectus supplement relating to an at-the-market offering (the "2021 ATM Offering") by the Company of up to an aggregate of \$100,000,000 of shares of the Company's common stock, par value \$0.001 per share (the "Common Stock"), which shares of Common Stock are registered under the Registration Statement on Form S-3 ASR (File No. 333-256284) and automatically effective on May 19, 2021.

In June 2021, the Company launched the 2021 ATM Offering. Sales to date under the 2021 ATM Offering are as follows (in thousands except for share and per share amounts):

	<b>For the Quarter Ended June 30, 2021</b>
Total shares of common stock sold	331,811
Average price per share	\$ 3.47
Gross proceeds	\$ 1,152
Commission earned by Sales Agents	\$ 34
Net proceeds	<u>\$ 1,118</u>

### **2021 Exercise of Warrants**

During the six months ended June 30, 2021, Series B, C and D warrants have been exercised for aggregate proceeds to the Company of \$30.6 million.

## **Results of Operations**

### **Comparison of Three Months Ended June 30, 2021 and 2020**

#### **Revenue**

In the second quarter of 2021, our revenue consisted of ongoing System leasing payments, and sales of instruments and accessories and services revenue for Systems sold or placed in Europe, Asia, and the U.S. in prior periods.

Product revenue for the three months ended June 30, 2021 increased to \$0.7 million compared to \$0.3 million for the three months ended June 30, 2020. The \$0.4 million increase was primarily the result of revenues from a higher number of lease arrangements and increased instruments and accessories sales for previously installed Senhance Systems during the three months ended June 30, 2021 as compared to the three months ended June 30, 2020. We expect revenue from customer exercises of the buyout options in their leases to fluctuate period to period based on the timing of when, and if customers choose to exercise the buyout options.

Service revenue for the three months ended June 30, 2021 increased to \$0.4 million compared to \$0.3 million for the three months ended June 30, 2020. The \$0.1 million increase is primarily due to a higher number of systems with maintenance agreements in the current period.

#### **Cost of Revenue**

Cost of revenue consists of contract manufacturing, materials, labor, and manufacturing overhead incurred internally to produce the products. Shipping and handling costs incurred by the Company are included in cost of revenue. We expense all inventory obsolescence provisions as cost of revenue. The manufacturing overhead costs include the cost of quality assurance, material procurement, inventory control, facilities, equipment depreciation and operations supervision and management. We expect overhead costs as a percentage of revenues to become less significant as our production volume increases. We expect cost of revenue to increase in absolute dollars to the extent our revenues grow and as we continue to invest in our operational infrastructure to support anticipated growth.

Product cost for the three months ended June 30, 2021 increased to \$1.5 million as compared to \$0.7 million for the three months ended June 30, 2020. The \$0.8 million increase primarily relates to \$0.5 million increase in product costs driven by higher system leasing revenue, \$0.2 million increase due to a write down of inventory and \$0.1 million increase in personnel costs.

Service cost for the three months ended June 30, 2021 increased to \$0.9 million as compared to \$0.7 million for the three months ended June 30, 2020. This \$0.2 million increase primarily relates to an increase in supplies costs. Cost of revenue exceeds revenue primarily due to part replacements under maintenance plans, which are expensed when incurred, along with salaries for the field service teams.

#### **Research and Development**

Research and development, or R&D, expenses primarily consist of engineering, product development and regulatory expenses incurred in the design, development, testing and enhancement of our products and legal services associated with our efforts to obtain and maintain broad protection for the intellectual property related to our products. In future periods, we expect R&D expenses to increase moderately as we continue to invest in additional regulatory approvals as well as new products, instruments and accessories to be offered with the Senhance System. R&D expenses are expensed as incurred.

R&D expenses for the three months ended June 30, 2021 decreased 5% to \$4.1 million as compared to \$4.3 million for the three months ended June 30, 2020. The \$0.2 million decrease primarily relates to decreased consulting costs of \$0.3 million, decreased technology fees of \$0.1 million and decreased supplies costs of \$0.1 million partially offset by increased personnel-related costs of \$0.1 million, increased miscellaneous costs of \$0.1 million, and increased facilities costs of \$0.1 million.

### **Sales and Marketing**

Sales and marketing expenses include costs for sales and marketing personnel, travel, demonstration product, market development, physician training, tradeshows, marketing clinical studies and consulting expenses. We expect sales and marketing expenses to remain lower compared to prior years as we refocus our resources and efforts on market development activities pursuant to our restructuring plan.

Sales and marketing expenses for the three months ended June 30, 2021 increased 24% to \$3.6 million compared to \$2.9 million for the three months ended June 30, 2020. The \$0.7 million increase was primarily related to increased personnel costs of \$0.3 million, increased consulting costs of \$0.2 million, increased travel costs of \$0.1 million, increased supplies costs of \$0.1 million and increased miscellaneous costs of \$0.1 million, partially offset by decreased depreciation expense of \$0.1 million

### **General and Administrative**

General and administrative expenses consist of personnel costs related to the executive, finance, legal and human resource functions, as well as professional service fees, legal fees, accounting fees, insurance costs, and general corporate expenses. We expect general and administrative costs to remain flat in future periods.

General and administrative expenses for the three months ended June 30, 2021 increased 6% to \$3.8 million compared to \$3.6 million for the three months ended June 30, 2020. The \$0.2 million increase was primarily related to increased stockholder meeting costs of \$0.2 million and increased supplies costs of \$0.1 million partially offset by a decrease of facilities costs of \$0.1 million.

### **Amortization of Intangible Assets**

Amortization of intangible assets for the three months ended June 30, 2021 increased 8% to \$2.8 million compared to \$2.6 million for the three months ended June 30, 2020. The \$0.2 million increase was primarily the result of foreign currency exchange rates.

### **Change in Fair Value of Contingent Consideration**

The change in fair value of contingent consideration in connection with the Senhance Acquisition was a \$0.5 million increase for the three months ended June 30, 2021 compared to a \$0.2 million increase for the three months ended June 30, 2020. The \$0.3 million increase was due to changes in the Company's fair value measurement of a discounted cash flow model using significant unobservable inputs including the probability of achieving the potential milestone, future Euro-to-USD exchange rates, and an estimated discount rate associated with the risks of the expected cash flows attributable to the milestone.

### **Income Tax (Expense) Benefit**

The Company recognized \$0.0 million income tax expense for the three months ended June 30, 2021, compared to \$0.7 million income tax benefit for the three months ended June 30, 2020. Income tax benefit for the three months ended June 30, 2020 consists primarily of taxes related to the amortization of purchase accounting intangibles in connection with the Italian taxing jurisdiction for Asensus Surgical Italia as a result of the acquisition of the Senhance System.

## **Comparison of Six Months Ended June 30, 2021 and 2020**

### **Revenue**

In the six months ended June 30, 2021, our revenue consisted of one Lease Buyout, ongoing System leasing payments, and sales of instruments and accessories and services revenue for Systems sold or placed in Europe, Asia, and the U.S. in prior periods.

Product revenue for the six months ended June 30, 2021 increased to \$2.4 million compared to \$0.6 million for the six months ended June 30, 2020. The \$1.8 million increase was primarily the result of a Lease Buyout and revenues from multiple lease arrangements during the six months ended June 30, 2021 as compared to only revenues from leasing arrangements as well as instrument and accessory sales for previously installed Senhance System during the six months ended June 30, 2020. We expect revenue from customer exercises of the buyout options in their leases to fluctuate period to period based on the timing of when, and if customers choose to exercise the buyout options.

Service revenue for the six months ended June 30, 2021 increased to \$0.8 million compared to \$0.7 million for the six months ended June 30, 2020. The \$0.1 million increase is primarily due to a higher number of systems with maintenance agreements in the current period.

#### **Cost of Revenue**

Cost of revenue consists of contract manufacturing, materials, labor, and manufacturing overhead incurred internally to produce the products. Shipping and handling costs incurred by the Company are included in cost of revenue. We expense all inventory obsolescence provisions as cost of revenue. The manufacturing overhead costs include the cost of quality assurance, material procurement, inventory control, facilities, equipment depreciation and operations supervision and management. We expect overhead costs as a percentage of revenues to become less significant as our production volume increases. We expect cost of revenue to increase in absolute dollars to the extent our revenues grow and as we continue to invest in our operational infrastructure to support anticipated growth.

Product cost for the six months ended June 30, 2021 increased to \$3.9 million as compared to \$1.6 million for the six months ended June 30, 2020. The increase primarily relates to a Lease Buyout and higher product costs driven by higher system leasing revenue.

Service cost for the six months ended June 30, 2021 increased to \$1.6 million as compared to \$1.5 million for the six months ended June 30, 2020. This \$0.1 million increase primarily relates to increased supplies costs. Cost of revenue exceeds revenue primarily due to part replacements under maintenance plans, which are expensed when incurred, along with salaries for the field service teams.

#### **Research and Development**

Research and development, or R&D, expenses primarily consist of engineering, product development and regulatory expenses incurred in the design, development, testing and enhancement of our products and legal services associated with our efforts to obtain and maintain broad protection for the intellectual property related to our products. In future periods, we expect R&D expenses to increase moderately as we continue to invest in additional regulatory approvals as well as new products, instruments and accessories to be offered with the Senhance System. R&D expenses are expensed as incurred.

R&D expenses for the six months ended June 30, 2021 increased 1% to \$8.3 million as compared to \$8.2 million for the six months ended June 30, 2020. The \$0.1 million increase primarily relates to increased technology fees of \$0.3 million, facilities costs of \$0.1 million, consulting costs of \$0.1 million, supplies costs of \$0.1 million, testing costs of \$0.1 million, partially offset by decreased personnel costs of \$0.6 million.

#### **Sales and Marketing**

Sales and marketing expenses include costs for sales and marketing personnel, travel, demonstration product, market development, physician training, tradeshows, marketing clinical studies and consulting expenses. We expect sales and marketing expenses to remain lower compared to prior years as we refocus our resources and efforts on market development activities pursuant to our restructuring plan.

Sales and marketing expenses for the six months ended June 30, 2021 decreased 8% to \$6.6 million compared to \$7.2 million for the six months ended June 30, 2020. The \$0.6 million decrease was primarily related to decreased personnel costs of \$0.4 million, decreased travel related costs of \$0.2 million, and decreased depreciation expense of \$0.2 million, partially offset by increased consulting costs of \$0.1 million and increased supplies costs of \$0.1 million.

#### **General and Administrative**

General and administrative expenses consist of personnel costs related to the executive, finance, legal and human resource functions, as well as professional service fees, legal fees, accounting fees, insurance costs, and general corporate expenses. We expect general and administrative costs to remain flat in future periods.

General and administrative expenses for the six months ended June 30, 2021 increased 11% to \$7.8 million compared to \$7.0 million for the six months ended June 30, 2020. The \$0.8 million increase was primarily related to increased personnel costs of \$0.7 million, stockholder meeting costs of \$0.2 million, and supplies costs of \$0.1 million, offset by decreased facilities costs of \$0.2 million.

#### **Amortization of Intangible Assets**

Amortization of intangible assets for the six months ended June 30, 2021 increased 10% to \$5.7 million compared to \$5.2 million for the six months ended June 30, 2020. The \$0.5 million increase is primarily the result of the transfer of IPR&D to definite-lived intangible assets in the first quarter of 2020 and fluctuations in foreign currency exchange rates.

### **Change in Fair Value of Contingent Consideration**

The change in fair value of contingent consideration in connection with the Senhance Acquisition was a \$0.7 million increase for the six months ended June 30, 2021 compared to a \$1.3 million increase for the six months ended June 30, 2020. The \$0.6 million decrease was due to changes in the Company's fair value measurement of a discounted cash flow model using significant unobservable inputs including the probability of achieving the potential milestone, future Euro-to-USD exchange rates, and an estimated discount rate associated with the risks of the expected cash flows attributable to the milestone.

### **Change in Fair Value of Warrant Liabilities**

The change in fair value of Series B Warrants issued in April 2017 was \$2.0 million for the six months ended June 30, 2021 compared to \$0.3 million for the six months ended June 30, 2020. The net \$1.7 million increase was the result of an increase in the stock price.

### **Income Tax (Expense) Benefit**

The Company recognized \$0.0 million income tax benefit for the six months ended June 30, 2021, compared to \$1.4 million for the six months ended June 30, 2020. Income tax benefit for the six months ended June 30, 2020 consists primarily of taxes related to the amortization of purchase accounting intangibles in connection with the Italian taxing jurisdiction for Asensus Surgical Italia as a result of the acquisition of the Senhance System.

### **Liquidity and Capital Resources**

The Company had an accumulated deficit of \$753.4 million and working capital of \$165.7 million as of June 30, 2021. The Company has not established sufficient sales revenues to cover its operating costs and believes it may require additional capital in the future to proceed with its operating plan. As of June 30, 2021, the Company had cash and cash equivalents, excluding restricted cash, of approximately \$157.1 million.

The Company believes the COVID-19 pandemic will continue to negatively impact its operations and ability to implement its market development efforts, which will have a negative effect on its financial condition.

While the Company believes that its existing cash and cash equivalents as of June 30, 2021 will be sufficient to sustain operations for at least the next 12 months from the issuance of these financial statements, the Company believes it may need to obtain additional financing in the future to proceed with its business plan. Management's plan to obtain additional resources for the Company may include additional sales of equity, traditional financing, such as loans, entry into a strategic collaboration, entry into an out-licensing arrangement or provision of additional distribution rights in some or all of our markets. However, management cannot provide any assurance that the Company will be successful in accomplishing any or all of its plans.

The Company is subject to risks similar to other similarly sized companies in the medical device industry. These risks include, without limitation: potential negative impacts on the Company's operations caused by the COVID-19 pandemic; the historical lack of profitability; the Company's ability to raise additional capital; the success of its market development efforts, the liquidity and capital resources of its partners; its ability to successfully develop, clinically test and commercialize its products; the timing and outcome of the regulatory review process for its products; changes in the health care and regulatory environments of the United States, the United Kingdom, the European Union, Japan, Taiwan and other countries in which the Company operates or intends to operate; its ability to attract and retain key management, marketing and scientific personnel; its ability to successfully prepare, file, prosecute, maintain, defend and enforce patent claims and other intellectual property rights; its ability to successfully transition from a research and development company to a marketing, sales and distribution concern; competition in the market for robotic surgical devices; and its ability to identify and pursue development of additional products.

### **Sources of Liquidity**

Our principal sources of cash to date have been proceeds from public offerings of common stock, incurrence of debt, the sale of equity securities held as investments and asset sales. We have financed our operations from these financing transactions, as discussed in detail in "Overview – Recent Financing Transactions" above.

**Consolidated Cash Flow Data**

(in millions)	Six Months Ended June 30,	
	2021	2020
Net cash (used in) provided by		
Operating activities	\$ (18.5)	\$ (25.1)
Investing activities	(0.7)	(0.0)
Financing activities	160.1	30.8
Effect of exchange rate changes on cash and cash equivalents	(0.3)	(0.0)
Net increase in cash, cash equivalents and restricted cash	<u>\$ 140.6</u>	<u>\$ 5.7</u>

**Operating Activities**

For the six months ended June 30, 2021, cash used in operating activities of \$18.5 million consisted of a net loss of \$30.5 million, offset by cash generated from working capital of \$1 million and non-cash items of \$11.1 million. The non-cash items primarily consisted of \$3.6 million of stock-based compensation expense, \$5.7 million of amortization, \$2.0 million change in fair value of warrant liabilities, \$1.6 million of depreciation, \$0.7 million change in fair value of contingent consideration, and \$0.3 million write down of inventory, offset by \$2.8 million gain on extinguishment of debt. The increase in cash from changes in working capital primarily relates to a \$3.2 million decrease in other current and long-term assets, a \$3.1 million increase in operating lease liabilities, a \$0.7 million increase in accounts payable, and a \$0.1 million decrease in accounts receivable, offset by a \$3.0 million increase in operating lease right-of-use assets, a \$1.7 million increase in inventory net of transfers to property and equipment, and a \$1.4 million decrease in accrued expenses.

**Investing Activities**

For the six months ended June 30, 2021, net cash used in investing activities was \$0.7 million. This amount consists of \$0.7 million purchases of property and equipment.

**Financing Activities**

For the six months ended June 30, 2021, net cash provided by financing activities was \$160.1 million. The net change primarily related to \$130.3 million in net proceeds from the issuance of common stock of \$73.4 million in the January 2021 public offering, \$28.6 million in the January 2021 registered direct offering, \$27.3 million in the 2020 ATM Offering, \$1.0 million in the 2021 ATM Offering, \$30.6 million aggregate proceeds from the exercise of Series B, C and D warrants, and \$0.2 million proceeds from stock option exercises, offset by \$1.0 million taxes paid related to net share settlement of vesting of restricted stock units.

**Operating Capital and Capital Expenditure Requirements**

We intend to spend substantial amounts on research and development activities, including product development, regulatory and compliance, clinical studies in support of our future product offerings, commercial activities and the enhancement and protection of our intellectual property. We obtained financing for these activities over the past six months but cannot assure you that additional financing will not be required in the future to support our operations. We intend to use financing opportunities strategically to continue to strengthen our financial position.

Cash and cash equivalents held by our foreign subsidiaries totaled \$2.9 million as of June 30, 2021, including restricted cash. We do not intend or currently foresee a need to repatriate cash and cash equivalents held by our foreign subsidiaries. If these funds are needed in the United States, we believe that the potential U.S. tax impact to repatriate these funds would be immaterial.

**Off-Balance Sheet Arrangements**

As of June 30, 2021, we did not have any material off-balance sheet arrangements.

**Critical Accounting Policies and Estimates**

The discussion and analysis of our financial condition and results of operations set forth above under the headings “Results of Operations” and “Liquidity and Capital Resources” have been prepared in accordance with U.S. GAAP and should be read in conjunction with our financial statements and notes thereto appearing in this Form 10-Q and in the Fiscal 2020 Form 10-K. 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 on-going basis, we evaluate our critical accounting policies and estimates, including identifiable intangible assets, contingent consideration, warrant liabilities, stock-based compensation, inventory, revenue recognition and income taxes. We base our estimates on historical experience and on various other assumptions that are believed 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. A more detailed discussion on the application of these and other accounting policies can be found in Note 2 in the Notes to the Financial Statements in this Form 10-Q. Actual results may differ from these estimates under different assumptions and conditions.



While all accounting policies impact the financial statements, certain policies may be viewed as critical. Critical accounting policies are those that are both most important to the portrayal of financial condition and results of operations and that require management's most subjective or complex judgments and estimates.

### **Intellectual Property**

Intellectual property consists of purchased patent rights and developed technology acquired as part of a business acquisition. Developed technology includes reclassified IPR&D assets related to (i) the Senhance System acquired in 2015 and reclassified in 2017 and (ii) MST acquired in 2018 and reclassified in 2020. We amortize patent rights using the straight-line method over the estimated useful life of the patents of 10 years. Amortization of the developed technology is recorded using the straight-line method over the estimated useful life of 5 to 7 years.

We periodically evaluate intellectual property for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. To determine the recoverability, we evaluate the probability that future estimated undiscounted net cash flows will be less than the carrying amount of the assets. If such estimated cash flows are less than the carrying amount of the assets, then such assets are written down to their fair value. No impairment of intellectual property was identified during the six months ended June 30, 2021 and 2020.

### **Contingent Consideration**

Contingent cash consideration arising from business combinations is recorded as a liability and is the estimate of the fair value of potential milestone payments related to those acquisitions. Contingent consideration is measured at fair value using a discounted cash flow model using significant unobservable inputs including the probability of achieving each of the potential milestones, future Euro-to-USD exchange rates, and an estimated discount rate associated with the risks of the expected cash flows attributable to the various milestones. Significant increases or decreases in any of the probabilities of success or changes in expected achievement of any of these milestones would result in a significantly higher or lower fair value of these milestones, respectively, and commensurate changes to the associated liability. The contingent consideration is revalued at each reporting period and changes in fair value are recognized in the condensed consolidated statements of operations and comprehensive loss.

### **Inventory**

Inventory, which includes material, labor, and overhead costs, is stated at the lower of cost, determined on a first-in, first-out basis, or net realizable value. We record reserves, when necessary, to reduce the carrying value of inventory to its net realizable value. At the point of loss recognition, a new, lower-cost basis for that inventory is established, and any subsequent improvements in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

Any inventory on hand at the measurement date in excess of the Company's current requirements based on anticipated levels of sales is classified as long-term on the Company's condensed consolidated balance sheets. The Company's classification of long-term inventory requires us to estimate the portion of on hand inventory that can be realized over the upcoming twelve months.

### **Revenue Recognition**

Our revenue consists of product revenue resulting from the sale and lease of Systems, System components, instruments and accessories, and service revenue. We account for a contract with a customer when there is a legally enforceable contract between the Company and the customer, the rights of the parties are identified, the contract has commercial substance, and collectability of the contract consideration is probable. Our revenues are measured based on consideration specified in the contract with each customer, net of any sales incentives and taxes collected from customers that are remitted to government authorities. Our System sale arrangements generally include a five-year service period; the first year of service is generally free and included in the System sale arrangement and the remaining four years are generally included at a stated service price.

Our System sale arrangements generally contain multiple products and services. For these condensed consolidated sale arrangements, we account for individual products and services as separate performance obligations if they are distinct, which is if a product or service is separately identifiable from other items in the condensed consolidated package, and if a customer can benefit from it on its own or with other resources that are readily available to the customer. Our System sale arrangements may include a combination of the following performance obligations: system(s), system components, instruments, accessories, and system services.

For arrangements that contain multiple performance obligations, revenue is allocated to each performance obligation based on its relative estimated standalone selling price. When available, standalone selling prices are based on observable prices at which the Company separately sells the products or services; however, due to limited sales to date, standalone selling prices are not directly observable. We estimate the standalone selling price using the market assessment approach considering market conditions and entity-specific factors including, but not limited to, features and functionality of the products and services, geographies, type of customer, and market conditions. We regularly review estimated standalone selling prices and updates these estimates if necessary.

We recognize revenues as the performance obligations are satisfied by transferring control of the product or service to a customer. We generally recognize revenue for the performance obligations as follows:

- System sales. For Systems and System components sold directly to end customers (including those arising from Lease Buyouts), revenue is recognized when the Company transfers control to the customer, which is generally at the point when acceptance occurs that indicates customer acknowledgment of delivery or installation, depending on the terms of the arrangement. For Systems sold through distributors, for which distributors are responsible for installation, revenue is recognized generally at the time of shipment. The Company's System arrangements generally do not provide a right of return. The Systems are generally covered by a one-year warranty. Warranty costs were not material for the periods presented.
- Instruments and accessories. Revenue from sales of instruments and accessories is recognized when control is transferred to the customers, which generally occurs at the time of shipment, but also occurs at the time of delivery depending on the customer arrangement.
- Service. Service revenue is recognized ratably over the term of the service period as the customers benefit from the service throughout the service period. Revenue related to services performed on a time-and-materials basis is recognized when performed.

We invoice our customers based on the billing schedules in our sales arrangements. Contract assets for the periods presented primarily represent the difference between the revenue that was recognized based on the relative selling price of the related performance obligations and the contractual billing terms in the arrangements. Deferred revenue for the periods presented was primarily related to service obligations, for which the service fees are billed up-front, generally annually. The associated deferred revenue is generally recognized ratably over the service period.

In connection with assets recognized from the costs to obtain a contract with a customer, we have determined that sales incentive programs for our sales team do not meet the requirements to be capitalized as we do not expect to generate future economic benefits from the related revenue from the initial sales transaction.

We enter into lease arrangements with certain qualified customers. Revenue related to arrangements including lease elements are allocated to lease and non-lease elements based on their relative standalone selling prices. Lease elements generally include a System, while non-lease elements generally include instruments, accessories, and services. For some lease arrangements, the customers are provided with the right to purchase the leased System at some point during or at the end of the lease term. In some arrangements lease payments are based on the usage of the System.

In determining whether a transaction should be classified as a sales-type or operating lease, we consider the following terms at lease commencement: (1) whether title of the System transfers automatically or for a nominal fee by the end of the lease term, (2) whether the present value of the minimum lease payments equals or exceeds substantially all of the fair value of the leased System, (3) whether the lease term is for the major part of the remaining economic life of the leased System, (4) whether the lease grants the lessee an option to purchase the leased System that the lessee is reasonably certain to exercise, and (5) whether the underlying System is of such a specialized nature that it is expected to have no alternative use to the Company at the end of the lease term. As of June 30, 2021, all such arrangements have been classified as operating leases.

### **Income Taxes**

We account for income taxes using the asset and liability method, which requires the recognition of deferred tax assets or liabilities for the temporary differences between financial reporting and tax basis of our assets and liabilities, and for tax carryforwards at enacted statutory rates in effect for the years in which the asset or liability is expected to be realized. The effect on deferred taxes of a change in tax rates is recognized in income during the period that includes the enactment date. In addition, valuation allowances are established when necessary to reduce deferred tax assets and liabilities to the amounts expected to be realized.

We recognize the financial statement benefit of an income tax position only after determining that the relevant taxing authority would more-likely-than-not sustain the position following audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant taxing authority. We recognize interest accrued related to unrecognized tax benefits and penalties in the provision for income taxes.

Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require application of significant judgment. We are subject to U.S. federal and various state and local jurisdictions. Due to our net operating loss carryforwards, we may be subject to examination by authorities for all previously filed income tax returns.

### **Recent Accounting Pronouncements**

See “Note 2. Summary of Significant Accounting Policies” of the Notes to Consolidated Financial Statements in the Company’s Fiscal 2020 Form 10-K, as well as the notes to the condensed consolidated financial statements above in this Form 10-Q, for a full description of recent accounting pronouncements including the respective expected dates of adoption and effects on our Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Operations and Comprehensive Loss.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information under this item.

### **Item 4. Controls and Procedures**

#### **Disclosure Controls and Procedures**

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2021. We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow for timely decisions regarding required disclosure. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on such evaluation, our Chief Executive Officer and Executive Vice President and Chief Financial Officer concluded that, as of June 30, 2021, our disclosure controls and procedures were effective at a reasonable assurance level.

#### **Changes in Internal Controls Over Financial Reporting**

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2021, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact to our internal controls over financial reporting despite the fact that most of our employees are working remotely due to the COVID-19 pandemic. We are continually monitoring and assessing the COVID-19 situation on our internal controls to minimize the impact on their design and operating effectiveness.

## **PART II. OTHER INFORMATION**

### **Item 1 Legal Proceedings**

None.

### **Item 1A Risk Factors.**

Reference is made to the Risk Factors included in our Fiscal 2020 Form 10-K, as supplemented by the following.

**The coronavirus (COVID-19) pandemic continues to negatively impact our operations.**

We have facilities and/or customers located in the United States, Israel, Japan, and Italy and a few other locations. All of our facilities are in locations that are subject to, or have been subject to, stay-at-home or shelter-in-place orders that have been re-instated from time to time as pandemic surges occur. A variety of travel restrictions continue to cause delays in our product installation and training activities and are expected to continue. In the first quarter of 2021, elective surgeries were significantly reduced in Europe, Japan, and to some extent in different locations in the United States. These pandemic-related events have negatively impacted our implementation of new leasing arrangements, performance of surgical procedures using the Senhance System in some locations, and our product installation and training activities. In the second quarter of 2021, elective surgeries continued to be cancelled, particularly in Europe. Although we believe such disruptions may be temporary, we cannot assure you that the impact of the COVID-19 pandemic will not have a material impact on our business and financial results.

**Item 2 Unregistered Sales of Equity Securities and Use of Proceeds.**

The following table summarizes the Company's purchases of its common stock for the quarter ended June 30, 2021:

Period	Issuer Purchases of Equity Securities			Maximum Number of Shares that May Yet be Purchased Under the Plan or Programs
	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	
April 1 - 31, 2021	-	\$ -	-	-
May 1 - 31, 2021	-	-	-	-
June 1 - 30, 2021	245,850	3.37	-	-
Total	245,850	\$ 3.37	-	-

- (1) These amounts consist of 245,850 shares we acquired from employees associated with the withholding of shares to pay certain withholding taxes upon the vesting of stock-based compensation in accordance with the terms of our equity compensation plan that were previously approved by our stockholders and disclosed in our proxy statements. We purchased these shares at their fair market value, as determined by reference to the closing price of our common stock on the vesting date.

**Item 3 Defaults Upon Senior Securities.**

None.

**Item 4 Mine Safety Disclosures.**

Not applicable.

**Item 5 Other Information.**

None.

**Item 6. EXHIBITS**

<b>Exhibit No.</b>	<b>Description</b>
3.1	<a href="#">Amended and Restated Bylaws of Asensus Surgical, Inc., effective July 15, 2021 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on July 15, 2021).</a>
10.1 +	<a href="#">Asensus Surgical, Inc. Amended and Restated Incentive Compensation Plan effective as of July 22, 2021 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 23, 2021).</a>
31.1 *	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).</a>
31.2 *	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).</a>
32.1 *	<a href="#">Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2 *	<a href="#">Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS *	Inline XBRL Instance Document.
101.SCH* *	Inline XBRL Taxonomy Extension Schema Document.
101.CAL* *	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF* *	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB* *	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE *	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, formatted in Inline XBRL (included in Exhibit 101).

---

+ A management contract, compensatory plan or arrangement required to be separately identified.

\* Filed herewith.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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.

**Asensus Surgical, Inc.**

Date: August 5, 2021

\_\_\_\_\_

By: /s/ Anthony Fernando

Anthony Fernando

President and Chief Executive Officer

\_\_\_\_\_

Date: August 5, 2021

\_\_\_\_\_

By: /s/ Shameze Rampertab

Shameze Rampertab

Executive Vice President and Chief Financial Officer

\_\_\_\_\_

**SECTION 302**  
**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, Anthony Fernando, certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q of Asensus Surgical, 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 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 we 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer 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.

August 5, 2021

By: /s/ Anthony Fernando  
Anthony Fernando,  
President and Chief Executive Officer  
(Principal Executive Officer)

**SECTION 302**  
**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, Shameze Rampertab, certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q of Asensus Surgical, 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 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 we 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer 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.

August 5, 2021

By: /s/ Shameze Rampertab  
Shameze Rampertab  
Executive Vice President and Chief Financial Officer  
(Principal Financial Officer and Principal Accounting  
Officer)



**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Anthony Fernando, hereby certify pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and 18 U.S.C. Section 1350, that the Quarterly Report on Form 10-Q of Asensus Surgical, Inc. (the “Company”) for the quarterly period ended June 30, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Anthony Fernando

/s/ Anthony Fernando

\_\_\_\_\_  
Anthony Fernando, President and Chief Executive Officer (Principal Executive Officer)

August 5, 2021

The certification set forth above is being furnished as an Exhibit solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the Report or as a separate disclosure document of Asensus Surgical, Inc. or the certifying officers.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Shameze Rampertab, hereby certify pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and 18 U.S.C. Section 1350, that the Quarterly Report on Form 10-Q of Asensus Surgical, Inc. (the "Company") for the quarterly period ended June 30, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Shameze Rampertab

/s/ Shameze Rampertab

\_\_\_\_\_  
Shameze Rampertab, Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

August 5, 2021

The certification set forth above is being furnished as an Exhibit solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the Report or as a separate disclosure document of Asensus Surgical, Inc. or the certifying officers.