



Minerva Surgical Reports Second Quarter 2022 Financial Results

August 9, 2022

SANTA CLARA, Calif., Aug. 09, 2022 (GLOBE NEWSWIRE) -- Minerva Surgical, Inc. (Nasdaq: UTRS) (Minerva Surgical or the Company), a woman's health company focused on the treatment of Abnormal Uterine Bleeding (AUB), today reported second quarter financial results for the period ended June 30, 2022.

Second Quarter and Recent Business Highlights:

- Reported revenue of \$13.0 million in the second quarter of 2022, compared with revenue of \$10.9 million in the first quarter of 2022 and \$14.1 million in the second quarter of 2021
- Symphion revenue of \$3.3 million increased 19% from the first quarter of 2022, and 20% from the second quarter of 2021
- Minerva endometrial ablation revenue of \$5.8 million was up 20% from the first quarter of 2022, and down 14% from the second quarter of 2021
- DTC (direct-to-consumer) digital marketing campaign launched in 10 markets
- Website visitors for AUBandMe.com, an educational website which was launched in the fourth quarter of 2021, were up from less than 2,000 visitors in the first quarter of 2022 to over 40,000 new visitors in the most recent quarter
- 47% of Minerva Surgical's business is now under contract, up from 37% in 2021

Second Quarter 2022 Financial Results

Revenue was \$13.0 million for the second quarter of 2022, compared to \$10.9 million in the first quarter of 2022 and \$14.1 million for the second quarter of 2021. We experienced quarterly revenue growth in all three of our product lines, Minerva ES, Genesys HTA and Symphion, compared to the first quarter of 2022, contributing to the 19% increase in revenue. The 8% decrease in revenue compared to the second quarter of 2021, was the result of a decrease in revenue for our endometrial ablation products, Minerva ES and Genesys HTA, partially offset by a 20% increase in Symphion product revenue. We believe these trends are consistent with those experienced by other participants in the markets that we serve, as endometrial ablation procedures and hospital staffing challenges continue to feel the impact from COVID-19. According to a leading healthcare data and analytics company, endometrial ablation insurance claim volumes are down 13% when comparing the first half of 2022 to 2021, while uterine tissue resection claim volumes are down 3%.

Overall gross margin was 59.0% for the second quarter of 2022, increasing significantly from the gross margin of 49.5% experienced in the first quarter of 2022. The gross margin was positively impacted as fixed overhead costs were spread over a larger base of product revenue in the second quarter of 2022. The 59.0% gross margin the second quarter of 2022 was below the gross margin of 61.9% in the same period of 2021. This reduction was a result of the product mix shift from Minerva ES and Genesys HTA to Symphion, which currently has a lower gross margin, as well as fixed overhead costs being spread over a smaller revenue base.

Operating expenses were \$12.5 million for the second quarter of 2022, compared to \$20.3 million in the same period of 2021. The decrease in operating expenses was driven by a significant reduction in the fair value of the liability associated with the final acquisition related payment due to Boston Scientific in early 2023. This potential payment is tied to revenue earned in fiscal year 2022 from the products acquired from Boston Scientific in May 2020. Additionally, we incurred significantly less legal expense and stock-based compensation charges in the second quarter of 2022 compared to the same period of 2021. These decreases were partially offset by overall increases in sales and marketing expenses due to expansion of the sales force as well as an increase in spending on physician and patient outreach, and additional general and administrative expenses associated with operating as a public company.

Net loss in the second quarter of 2022 was \$5.6 million, compared to a net loss of \$10.9 million in the first quarter of 2022 and a net loss of \$14.1 million for the same period in 2021.

Adjusted EBITDA for the second quarter of 2022 was negative \$4.5 million, compared to negative \$6.3 million in the first quarter of 2022 and negative \$3.3 million in the same period of 2021.

Financial Outlook for Fiscal Year 2022

Due to the ongoing impacts of COVID-19 on elective ablation procedures, our annual revenue guidance for 2022 is being reduced to a range of \$50 million to \$53 million. Sales revenue has been significantly impacted over the past two years, including the first two quarters of 2022, by both government and hospital restrictions on elective surgeries in select markets and staffing challenges at hospitals. Our guidance now reflects that increases and ordering patterns with our customers will be much slower to return to pre-pandemic levels. While the tissue resection markets appear to be regaining strength, the ablation markets have been slower to recover.

Webcast and Conference Call Information

Minerva Surgical will host a conference call to discuss the second quarter 2022 financial results after market close on Tuesday, August 9, 2022 at 1:30 p.m. Pacific Time / 4:30 p.m. Eastern Time. To access the live call via telephone, please register in advance using the link [here](#). Upon registering, each

participant will receive an email confirmation with dial-in numbers and a unique personal PIN that can be used to join the call. The live webinar can be accessed at <https://ir.minervasurgical.com>.

Use of Non-GAAP Financial Measures

Adjusted EBITDA and Adjusted EBITDA Margin

To provide investors with additional information regarding the Company's financial results, it has provided EBITDA and adjusted EBITDA. The Company calculates EBITDA, a non-GAAP financial measure, as net income/(loss) excluding depreciation and amortization, interest income and expense and income tax benefit. The Company calculates adjusted EBITDA, a non-GAAP financial measure by further excluding non-cash items for stock-based compensation expenses, gain on extinguishment of PPP loan, change in fair value of redeemable convertible preferred stock warrant liability, change in fair value of contingent consideration liability and change in fair value of derivative liabilities. EBITDA margin represents EBITDA as a percentage of revenue. Adjusted EBITDA margin represents Adjusted EBITDA as a percentage of revenue. EBITDA and Adjusted EBITDA should be viewed as measures of operating performance that are supplements to, and not substitutes for, operating (income) loss, net (income) loss and other U.S. GAAP measures of income and loss.

The Company has included adjusted EBITDA in this earnings release because it is a key measure used by the Company's management and board of directors to evaluate and compare the Company's financial and operational performance over multiple periods, identifying trends affecting the Company's business, formulating business plans and making strategic decisions. In particular, the exclusion of certain expenses in calculating adjusted EBITDA facilitates operating performance comparability across reporting periods by removing the effect of non-cash expenses and certain non-recurring variable charges. In addition, the Company believes that providing each of EBITDA and Adjusted EBITDA, together with a reconciliation of net loss to each such measure, helps investors make comparisons between Minerva Surgical and other companies that may have different capital structures, different tax rates, and/or different forms of employee compensation.

Each of EBITDA and Adjusted EBITDA is used by the Company's management team as an additional measure of Company performance for purposes of business decision-making, including managing expenditures, and evaluating potential acquisitions. Period-to-period comparisons of EBITDA and Adjusted EBITDA help the Company's management identify additional trends in our financial results that may not be shown solely by period-to-period comparisons of net income or income from continuing operations. Each of EBITDA and Adjusted EBITDA has inherent limitations because of the excluded items, and may not be directly comparable to similarly titled metrics used by other companies.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are based on management's current assumptions and expectations of future events and trends, which affect or may affect the Company's business, strategy, operations or financial performance, and actual results may differ materially from those expressed or implied in such statements due to numerous risks and uncertainties. Forward-looking statements may include information regarding trends and expectations for the Company's products and technology, demand for the Company's products, the Company's expected financial performance, expenses, and position in the market and outlook for fiscal year 2022, and the impact of COVID-19 and its variants on the Company's operations and those of its customers. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Factors that could cause actual results to differ materially from those contemplated in this press release can be found in the Risk Factors section of the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2022, as filed with the U.S. Securities and Exchange Commission (SEC) on August 9, 2022, and available at www.SEC.gov. Because forward-looking statements are inherently subject to risks and uncertainties, you should not rely on these forward-looking statements as predictions of future events. All statements other than statements of historical fact are forward-looking statements. Except to the extent required by law, the Company undertakes no obligation to update or review any estimate, projection, or forward-looking statement. Actual results may differ from those set forth in this press release due to the risks and uncertainties inherent in the Company's business.

About Minerva Surgical, Inc.

Minerva Surgical is a commercial-stage medical technology company focused on developing, manufacturing, and commercializing minimally invasive solutions to meet the distinct uterine healthcare needs of women. The Company has established a broad product line of commercially available, minimally invasive alternatives to hysterectomy, which are designed to address the most common causes of Abnormal Uterine Bleeding (AUB) in most uterine anatomies. The Minerva Surgical solutions can be used in a variety of medical treatment settings and aim to address the drawbacks associated with alternative treatment methods and to preserve the uterus by avoiding unnecessary hysterectomies.

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www.AUBandMe.com

Minerva Surgical, Inc.
Condensed Statements of Operations
(in thousands, except share and per share amounts)
(unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Revenues	\$ 12,967	\$ 14,114	\$ 23,902	\$ 25,952
Cost of goods sold	5,322	5,382	10,844	10,387

Gross profit	7,645	8,732	13,058	15,565
Operating expenses				
Sales and marketing	9,691	8,497	19,164	14,964
General and administrative	1,579	10,125	6,564	14,128
Research and development	1,274	1,673	2,529	2,824
Total operating expenses	12,544	20,295	28,257	31,916
Loss from operations	(4,899)	(11,563)	(15,199)	(16,351)
Interest income	19	—	28	—
Interest expense (includes \$nil million and \$1.5 million to related parties in three months ended June 30, 2022 and 2021, respectively and \$nil million and \$2.9 million to related parties in six months ended June 30, 2022 and 2021)	(703)	(3,601)	(1,335)	(7,052)
Change in fair value of derivative liabilities	—	(2,019)	—	(8,140)
Gain on extinguishment of PPP loan	—	3,036	—	3,036
Other income (expense), net	(30)	48	(32)	(540)
Net loss before income taxes	(5,613)	(14,099)	(16,538)	(29,047)
Income tax benefit (expense)	—	—	—	—
Net loss	<u>\$ (5,613)</u>	<u>\$ (14,099)</u>	<u>\$ (16,538)</u>	<u>\$ (29,047)</u>
Net loss per share attributable to common stockholders, basic and diluted	<u>\$ (0.20)</u>	<u>\$ (5.48)</u>	<u>\$ (0.58)</u>	<u>\$ (15.49)</u>
Weighted-average common shares used in computing net loss per share, basic and diluted	<u>28,550,489</u>	<u>2,573,705</u>	<u>28,515,808</u>	<u>1,875,691</u>

Minerva Surgical, Inc.
Condensed Balance Sheets
(in thousands, except share and per share amounts)
(Unaudited)

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 22,386	\$ 40,608
Restricted cash, current	7,807	7,283
Accounts receivable, net	7,017	7,292
Inventory	16,928	15,682
Prepaid expenses and other current assets	3,139	4,139
Total current assets	<u>57,277</u>	<u>75,004</u>
Restricted cash, net of current portion	—	524
Intangible assets, net	30,916	34,970
Property and equipment, net	5,179	4,594
Operating lease right-of-use asset	586	—
Total assets	<u>\$ 93,958</u>	<u>\$ 115,092</u>
Liabilities and stockholders' equity		
Current Liabilities:		
Accounts payable	\$ 3,273	\$ 3,629
Accrued compensation	3,467	3,518
Accrued liabilities	11,386	10,662
Contingent consideration liability, current	5,000	5,000
Operating lease liability	774	—
Total current liabilities	<u>23,900</u>	<u>22,809</u>
Long-term debt	39,208	39,085
Contingent consideration liability, net of current portion	—	9,094
Total liabilities	<u>63,108</u>	<u>70,988</u>
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Preferred stock, \$0.001 par value, 5,000,000 shares authorized as of June 30, 2022 and December 31, 2021; no shares issued and outstanding as of June 30, 2022 and December 31, 2021	—	—
Common stock, \$0.001 par value, 100,000,000 shares authorized as of June 30, 2022 and December 31, 2021; 28,856,324 shares and 28,822,283 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	28	28

Additional paid-in capital	296,905	293,621
Accumulated other comprehensive income	11	11
Accumulated deficit	(266,094)	(249,556)
Total stockholders' equity	30,850	44,104
Total liabilities and stockholders' equity	<u>\$ 93,958</u>	<u>\$ 115,092</u>

Non-GAAP Financial Measures

Adjusted EBITDA and Adjusted EBITDA Margin: The following table presents reconciliation of net loss to adjusted EBITDA for each of the periods indicated.

(in thousands, except percentage figures)	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Net Loss	\$ (5,613)	\$ (14,099)	\$ (16,538)	\$ (29,047)
Depreciation and amortization	2,693	2,691	5,361	5,334
Interest (income) expense, net	684	3,601	1,307	7,052
EBITDA	(2,236)	(7,807)	(9,870)	(16,661)
EBITDA margin	(17.2 %)	(55.3 %)	(41.3 %)	(64.2 %)
Adjustments:				
Gain on extinguishment of PPP loan	—	(3,036)	—	(3,036)
Stock-based compensation expense	1,676	4,478	3,199	4,609
Change in fair value of redeemable convertible preferred stock warrant liability	—	(50)	—	532
Change in fair value of contingent consideration liability	(3,943)	1,121	(4,094)	917
Change in fair value of derivative liabilities	—	2,019	—	8,140
Adjusted EBITDA	<u>\$ (4,503)</u>	<u>\$ (3,275)</u>	<u>\$ (10,765)</u>	<u>\$ (5,499)</u>
Adjusted EBITDA margin	(34.7 %)	(23.2 %)	(45.0 %)	(21.2 %)