



Spectral AI Announces 2024 First Quarter Financial Results

Q1 Overview

- Research & Development Revenue of \$6.3 Million
- Improved Capital Structure Reflected in Cash of \$10.2 Million
- DeepView AI®-Burn Devices Deployed in UK; Expect Commercial Revenue in 2H 2024
- Additional Regulatory Submissions in US and UK for DeepView™ System Expected in 2024 and 2025

DALLAS, TX – May 7, 2024 - Spectral AI, Inc. (Nasdaq: MDAI) (“Spectral AI” or the “Company”), an artificial intelligence (AI) company focused on medical diagnostics for faster and more accurate treatment decisions in wound care, today announced financial results for the first quarter ended March 31, 2024 (“Q1 2024”) and provided an update on its ongoing business activities.

“During the first quarter we continued to execute against our strategic priorities resulting in significant accomplishments across the enterprise,” said Peter M. Carlson, CEO of Spectral AI. “We made important strides towards generating our first commercial product revenue later this year with the deployment of our DeepView™ System for burn in the U.K. These initial installments enhance patient care and promote clinician familiarity with the device, while also providing real-world data. In the U.S., we advanced clinical studies designed to further demonstrate the efficacy of our DeepView™ System in providing a “Day One” healing assessment of burn wounds and diabetic foot ulcers (DFU). Additionally, we strengthened our management team and fortified the Company’s financial position to support our growth initiatives.”

Mr. Carlson concluded, “We remain driven by our steadfast belief that our proprietary, AI-Driven, DeepView™ System can help change the standard of care in wound assessment by providing predictive clinical insights that result in more effective and more efficient care across the healthcare ecosystem. We are on track to file additional US and UK regulatory submissions in 2024 and 2025 for the approval of our DeepView™ System, and expect to expand our commercial revenue platforms over the next two years.”

SELECT BUSINESS HIGHLIGHTS

Product Deployment in Support of UKCA Authorization

- Received UKCA Authorization to commence sales of our DeepView AI®– Burn in the UK in February 2024. In connection with this authorization, we have deployed devices at multiple facilities in the UK for evaluation. Additional deployments are planned through the summer.

Clinical Trials

- Enrolling patients in our DeepView AI®–Burn pivotal study at multiple burn centers and emergency departments across the US. The study is expected to enroll 240 patients, including both adult and pediatric subjects. This is expected to be our final clinical trial before seeking FDA approval in 2025.
- Completed enrollment in our DFU training study in the US with expected completion of our DFU validation study in 2H 2024.
- Completed a 76-patient enrollment for DFU for a clinical study titled, “Wound Assessment Using Spectral Imaging” that took place at The Royal College of Surgeons (RCSI) in Ireland’s Skin Wounds and Trauma (SWaT) Research Centre.

Corporate

- Welcomed Jeremiah Sparks as Chief Commercialization Officer. Mr. Sparks, an executive at AVITA Medical prior to joining Spectral AI, brings more than 20 years of medical device marketing and business strategy, including experience in launching new products both nationally and globally.
- Appointed Erich Spangenberg as Chief Executive Officer of the Company’s newly-formed health care IP-focused subsidiary, Spectral IP, and announced plans to explore the potential spin-off of this new subsidiary as an avenue to deliver additional value to Spectral AI shareholders. The Company also received a \$1.0 million investment from an affiliate of Mr. Spangenberg to fund acquisition opportunities.

Q1 2024 FINANCIAL RESULTS OVERVIEW

All comparisons are to the first quarter ended March 31, 2023 (“Q1 2023”) unless otherwise stated.

Research & Development Revenue¹

Research & Development Revenue for Q1 2024 rose 24.6% to \$6.3 million from \$5.1 million, reflecting an increased level of activity under the Company’s contracts with BARDA.

Gross Margin

Gross margin for Q1 2024 improved to 46.6% from 42.9%, due to a higher reimbursement rate under the BARDA PBS Contract as compared to the rate associated with the BARDA Burn II contract.

General & Administrative Expense

General & administrative expenses in Q1 2024 were flat at \$5.1 million.

Other Income (Expense)

Other expenses for Q1 2024 included borrowing related costs of \$0.3 million and transaction costs of \$0.7 million, each related to the Company’s previously announced financing agreements (see “Financial Condition” section below).

Net Loss

Net loss for Q1 2024 was \$(3.2) million, or \$(0.19) per share, compared to a net loss of \$(3.6) million, or \$(0.27) per share.

¹Research and Development Revenue consisted primarily of funding from the Biomedical Advanced Research and Development Authority (BARDA), part of the Administration for Strategic Preparedness and Response (ASPR) within the U.S. Department of Health and Human Services.

Financial Condition

As of March 31, 2024, cash improved to \$10.2 million from \$4.8 million at December 31, 2023.

As previously announced, the Company enhanced its access to capital by completing a common stock purchase agreement (“ELOC”) with an investment bank, under which the Company sold 1,187,398 shares, netting \$2.7 million through March 31, 2024. The Company has the ability to drawdown an additional \$3.0 million under the ELOC.

Additionally, Spectral AI entered into a fixed price standby equity purchase agreement (“SEPA”) with a long-only investor that includes a \$12.5 million prepaid advance (“Advances”). As of March 31, 2024, the Company received \$4.6 million, net, from the SEPA. The Company anticipates receiving \$5.0 million shortly following the May 14, 2024 annual meeting, and the remaining \$2.5 million of Advances 60 days thereafter. Any further draws above the Advances are at the sole discretion of the Company.

2024 Guidance

The Company reiterates its revenue guidance of approximately \$28.0 million for FY 2024. Financial guidance for FY 2024 does not reflect contributions from the sale of the DeepView™ System for burn in the UK expected to begin in the second half of 2024 or any additional material financial contributions that may result from the commercialization of our DeepView™ System.

CONFERENCE CALL

The Company will host a conference call today at 5:00 pm Eastern Time to discuss these results.

Investors interested in participating in the live call can dial:

- 833-630-1956 – U.S.
- 412-317-1837 – International

A simultaneous webcast of the call may be accessed online from the Events & Presentations section of the Investor Relations page of the Company’s website at <https://investors.spectral-ai.com/news-events/events>.

About Spectral AI

Spectral AI, Inc. is a Dallas-based predictive AI company focused on medical diagnostics for faster and more accurate treatment decisions in wound care, with initial applications involving patients with burns and diabetic foot ulcers. The Company is working to revolutionize the management of wound care by “Seeing the Unknown®” with its DeepView System. DeepView is a predictive device that offers clinicians an objective and immediate assessment of a wound’s healing potential prior to treatment or other medical intervention. With algorithm-driven results and a goal of exceeding the current standard of care in the future, DeepView is expected to provide faster and more accurate treatment insight towards value care by improving patient outcomes and reducing healthcare costs. For more information about DeepView, visit www.spectral-ai.com.

Forward-Looking Statements

Certain statements made in this release are “forward looking statements” within the meaning of the “safe harbor” provisions of the United States Private Securities Litigation Reform Act of 1995, including statements regarding the Company’s strategy, plans, objectives, initiatives and financial outlook. When used in this press release, the words “estimates,” “projected,” “expects,” “anticipates,” “forecasts,” “plans,” “intends,” “believes,” “seeks,” “may,” “will,” “should,” “future,” “propose” and variations of these words or similar expressions (or the negative versions of such words or expressions) are intended to identify forward-looking statements.

These forward-looking statements are not guarantees of future performance, conditions or results, and involve a number of known and unknown risks, uncertainties, assumptions and other important factors, many of which are outside Company's control, that could cause actual results or outcomes to differ materially from those discussed in the forward-looking statements. As such, readers are cautioned not to place undue reliance on any forward-looking statements. There can be no assurance that the contemplated transactions, spin out or dividend of shares will occur, or that any transaction, spin out or dividend will be successful; in addition, the Company has not yet determined what percentage of Spectral IP it will retain following completion of the proposed activities.

Investors should carefully consider the foregoing factors and the other risks and uncertainties described in the "Risk Factors" sections of the Company's filings with the SEC, including the Registration Statement and the other documents filed by the Company. These filings identify and address other important risks and uncertainties that could cause actual events and results to differ materially from those contained in the forward-looking statements.

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Spectral AI, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except share and per share data)

	March 31,	December 31,
	2024	2023
Assets		
Current assets:		
Cash	\$ 10,157	\$ 4,790
Accounts receivable, net	1,828	2,346
Inventory	228	230
Deferred offering costs	-	283
Prepaid expenses	1,581	1,452
Other current assets	1,090	801
Total current assets	14,884	9,902
Non-current assets:		
Property and equipment, net	9	12
Right-of-use assets	590	778
Total Assets	\$ 15,483	\$ 10,692
Commitments and contingencies (Note 8)		
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	\$ 3,306	\$ 2,683
Accrued expenses	3,818	4,300
Deferred revenue	2,177	2,311
Lease liabilities, short-term	660	853
Notes payable	218	436
Notes payable - at fair value	4,534	-
Notes payable - related party	1,000	-
Warrant liabilities	1,798	1,818
Total current liabilities	17,511	12,401
Total Liabilities	17,511	12,401
Stockholders' Equity (Deficit)		
Preferred stock (\$0.0001 par value); 1,000,000 shares authorized; no shares issued and outstanding as of March 31, 2024 and December 31, 2023	-	-
Common stock (\$0.0001 par value); 80,000,000 shares authorized; 17,482,333 and 16,294,935 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	2	2
Additional paid-in capital	33,953	31,065
Accumulated other comprehensive income	10	12
Accumulated deficit	(35,993)	(32,788)
Total Stockholders' Equity (Deficit)	(2,028)	(1,709)
Total Liabilities and Stockholders' Equity (Deficit)	\$ 15,483	\$ 10,692

Spectral AI, Inc.
Condensed Consolidated Statements of Operations
(in thousands, except share and per share data)

	Three Months Ended	
	March 31,	
	2024	2023
Research and development revenue	\$ 6,326	\$ 5,078
Cost of revenue	<u>(3,381)</u>	<u>(2,897)</u>
Gross profit	<u>2,945</u>	<u>2,181</u>
Operating costs and expenses:		
General and administrative	<u>5,088</u>	<u>5,079</u>
Total operating costs and expenses	<u>5,088</u>	<u>5,079</u>
Operating loss	<u>(2,143)</u>	<u>(2,898)</u>
Other income (expense):		
Net interest income	14	44
Borrowing related costs	(276)	-
Change in fair value of warrant liability	20	16
Change in fair value of notes payable	66	-
Foreign exchange transaction gain (loss), net	(16)	13
Transaction costs	(701)	(738)
Change in fair value of derivatives	(147)	-
Other expenses	-	-
Total other expense, net	<u>(1,040)</u>	<u>(665)</u>
Loss before income taxes	<u>(3,183)</u>	<u>(3,563)</u>
Income tax provision	<u>(22)</u>	<u>(46)</u>
Net loss	<u>\$ (3,205)</u>	<u>\$ (3,609)</u>
Net loss per share of common stock		
Basic and Diluted	<u>\$ (0.19)</u>	<u>\$ (0.27)</u>
Weighted-average common shares outstanding		
Basic and Diluted	<u>16,560,298</u>	<u>13,190,600</u>
Other comprehensive income:		
Foreign currency translation adjustments	<u>\$ (2)</u>	<u>\$ 1</u>
Total comprehensive loss	<u>\$ (3,207)</u>	<u>\$ (3,608)</u>