

March 9, 2022

Sofwave Medical LTD

The medical aesthetic device company reports financial results for the full year 2021 with accelerated growth in revenues and gross margin

Revenue increased in 2021 to \$21.8M vs. \$4.3M in 2020

2021 second-half revenue increased to \$11.7M vs. \$3.5M in the second half of 2020

Record Q4 2021 revenues of \$8.9M

Revenue from pulses for the full year 2021 increased to \$2.6M

Mr. Lou Scafuri, Sofwave's CEO: "We are proud to report a sharp revenue growth to \$21.8 million in 2021, with a record Q4 2021 revenue of \$8.9 million. We continued our accelerated growth plans in the North American market during the year. In addition, we opened important additional markets in Asia and Europe, which already contributed millions to our top line. Today, we are also reporting another important key performance indicator of \$2.6 million in pulse sales, a testimony for the continued increase in the SUPERB device utilization by the physicians and strong patient demand for the treatments we offer. In the third quarter, we faced inventory shortages due to global supply chain challenges. However, we were able to address these challenges, increase our inventory levels, and we are prepared for accelerated growth in 2022."

Dr. Shimon Eckhouse, co-founder and Chairman of the board: "2021 was a year of continued growth and investments in our sales and marketing infrastructure, alongside a significant increase in our revenues. Sofwave operates in a fast-growing market with high patient demand for non-invasive treatments for skin tightening and brings innovative and disruptive technology to this space. In November 2021, we also announced that we received another major FDA approval for additional indications for lifting the eyebrow, sub-mental (beneath the chin), and facial neck areas. In August of 2021, we announced that we received approval from the Korean Ministry of Foods and Drugs safety to market our device in a market considered one of the fastest-growing markets in our industry. These approvals create major opportunities for growth over the next years. We also continue to develop new technologies and new indications to address the globally growing demand for aesthetic treatments."

Sofwave, the aesthetic device company, made its initial public offering on the Tel-Aviv Stock Exchange in May 2021. It reports financial results for the full year 2021 with accelerated growth in revenues and gross margin.

As mentioned in the Company's IPO prospectus from May 2021, the Company continues to estimate, based on information currently available, that it will achieve the revenue target of \$90 million in 2023.

The full Year 2021 Highlights

2021 revenues reached \$21.8 million, an increase of 408% compared to 2020. This increase was primarily attributed to the continued marketing and sales investments in the Company's primary markets and increased demand for the Company's solutions. In North America, revenues reached \$13.5 million, compared to \$3.4 million in 2020. Pacific revenues grew to \$5.8 million in Asia in 2021, compared to only \$0.5 million in 2020. In Europe and the Middle East, revenues reached \$2.6 million in 2021, compared to \$0.5 million in 2020.

2021 gross profits increased to \$16.2 million, compared to \$2.6 million in 2020. 2021 gross margin reached 74.3% vs. 61.2% in 2020.

2021 operating loss was \$8.9 million, compared to \$6.6 million in 2020. Operating loss excluding stock-based compensation was \$3.8 million in 2021, compared to \$4.6 million in 2020. 2021 operating loss is mainly attributed to the increased investments in sales and marketing, research and development, and additional employees to support the Company's accelerated growth. 2021 net loss was \$6.8 million, compared to \$11.7M in 2020. Net loss excluding stock-based compensation was \$1.8 million in 2021, compared to \$9.8 in 2020. 2020 net loss included finance expenses related to the Company's warrants before the IPO. 2021 net loss included finance income related to foreign exchange rates.

Second half 2021 Highlights

The second half of 2021 reached \$11.7 million, an increase of 244% compared to the second half of 2020. This increase demonstrates the continued accelerated penetration in the Company's main markets. In addition, while the third quarter of 2021 was negatively affected by inventory shortage due to the global supply chain challenges, the fourth quarter of 2021 revenues increased to a record of \$8.9 million, an increase of 250% compared to the fourth quarter of 2020.

Gross profit in the second half of 2021 was \$8.8 million, compared to \$2.2 million in 2020. The gross margin improved to 74.8% in the second half of 2021 vs. 64.4% in 2020.

Operating profit in the second half of 2021 was \$6.5 million, compared to \$3.7 million in 2020. Operating loss excluding stock-based compensation was \$4.6 million in the second half of 2021, compared to \$2.0 million in 2020. The change is attributed to the increased investments in sales and marketing, research and development, and additional employees to support the Company's accelerated growth, offset by the strong improvement in revenues and gross profit.

Net loss in the second half of 2021 was \$4.5 million, compared to \$4.1 million in the second half of 2020. Net loss excluding stock-based compensation was \$2.6 million in the second half of 2021, compared to \$2.3 in 2020.

As of December 31, 2021, the Company had \$46.2 million in cash and cash equivalent. In May 2021, the Company completed an initial public offering for net proceeds of \$46.7 million.

Recent developments

In November 2021, the Company announced that the U.S. Food and Drug Administration (FDA) approved clearance of additional indications for lifting the eyebrow and lifting lax submental tissue (beneath the chin) and neck tissue, which can also affect the appearance of lax tissue in the submental neck regions, for subjects aged 22 or older. The new indications are in addition to the Company's already approved indications for a non-invasive dermatological aesthetic treatment to improve facial lines and wrinkles.

In August 2021, the Company announced it had received approval from the Korean Ministry of Foods and Drug Safety (MFDS) to market its technology for reducing the appearance of fine lines and wrinkles while also revitalizing the skin. Recent industry estimates suggest that the Korean medical aesthetics market was valued at over \$1.6 billion in 2019 and is anticipated to grow at a compound annual growth rate (CAGR) of 13.3% from 2020 to 2027.

About Sofwave

Sofwave, established in 2015 in the Alon Medtech Ventures incubator, is engaged in medical aesthetics based on parallel ultrasound radiation technology. The Company's technology is approved by the FDA and C.E. and other regulatory authorities in key countries worldwide. In addition, the technology has been clinically proven in multiple clinical trials led by leading physicians in aesthetic technology and is in intensive daily use. The device developed by the Company allows targeted treatment through non-invasive action, firms patients' skin, and reduces wrinkles. The Company is currently operating in the U.S. and Israel and, in 2021, listed its shares in the TASE. The Company's CEO is Mr. Louis Scafuri, and the Chairman of the Company is its co-founder, Dr. Shimon Eckhouse.

Contacts

Amir Eisenberg +972-52-8260285; Yossi Fink +972-52-4888857; Dan Lazar +972-52-2372292;
Keren Michlin +972-52-8272735; Office: +972-3-7538828

This document summarizes the main points of the Company's reporting to make the relevant information summary accessible, as approved by the Company. This document does not constitute a substitute for reviewing the full report, as officially published by the Company on

the TASE website and/or on the Securities Authority website and/or on the Company's website, and includes additional information, including legal disclosures. Accordingly, this document should not be construed as a recommendation and/or advice for purchasing securities and/or making any investments or transactions in securities.

SOFWAVE MEDICAL LTD.
CONDENSED CONSOLIDATED BALANCE SHEET

| | As of December 31, | |
|--|---------------------------|--------------|
| | 2021 | 2020 |
| | USD in thousands | |
| <u>Assets</u> | | |
| Current Assets | | |
| Cash and cash equivalents | 46,209 | 2,644 |
| Trade receivables | 6,319 | 1,468 |
| Other receivables | 2,579 | 282 |
| Inventory | 2,018 | 117 |
| Total current assets | 57,125 | 4,511 |
| Total non-current assets | 3,644 | 309 |
| <u>Total assets</u> | 60,769 | 4,820 |
| | | |
| <u>Liabilities and Shareholders' equity</u> | | |
| Current liabilities | | |
| Related parties | 83 | 79 |
| Trade account payables | 5,959 | 1,039 |
| Lease liability | 607 | 42 |
| Royalties to Israeli Innovation Authority | 1,176 | 399 |
| Other payables and accrued expenses | 4,070 | 644 |
| Total current liabilities | 11,895 | 2,203 |
| Total non-current liabilities | 2,172 | 1,084 |
| Total shareholders' equity | 46,702 | 1,533 |
| <u>Total liabilities and shareholders' equity</u> | 60,769 | 4,820 |

SOFWAVE MEDICAL LTD.
CONDENSED CONSOLIDATED STATEMENT OF INCOME

| | For the year | |
|--|-------------------|------------------|
| | 2021 | 2020 |
| | USD in thousands | |
| Revenues | 21,839 | 4,291 |
| Cost of goods | 5,603 | 1,665 |
| Gross profit | <u>16,236</u> | <u>2,626</u> |
| Research and development expenses | 8,236 | 4,588 |
| Sales and marketing expenses | 10,194 | 3,065 |
| General and administrative expenses | 6,808 | 1,524 |
| Other income | (135) | - |
| Operating loss | <u>8,867</u> | <u>6,551</u> |
| Financial income | (2,287) | (14) |
| Financial expenses | 567 | 5,150 |
| Financial expenses, net | <u>(1,720)</u> | <u>5,136</u> |
| Loss before tax | 7,147 | 11,687 |
| Tax income | (321) | - |
| Loss for the year | <u>6,826</u> | <u>11,687</u> |
| Total comprehensive loss | <u>6,826</u> | <u>11,687</u> |
| Loss per Ordinary share 0.001 par value | <u>0.29</u> | <u>2.82</u> |
| Weighted average number of shares used in calculating the loss per ordinary shares | <u>23,499,643</u> | <u>4,312,080</u> |

SOFWAVE MEDICAL LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | For the year | |
|--|------------------|----------------|
| | 2021 | 2020 |
| | USD in thousands | |
| <u>Cash flows - operating activities</u> | | |
| Loss for the year | (6,826) | (11,687) |
| Adjustments to reconcile the loss to operating cash flow | 4,729 | 6,884 |
| Total cash used in operating activity | (2,097) | (4,803) |
| <u>Cash flow - Investing activity</u> | | |
| Long term deposit | (161) | - |
| Purchase of fixed assets | (821) | (263) |
| Total Cash used in investing activity | (982) | (263) |
| <u>Cash flow - Financing activity</u> | | |
| Proceeds from issuance of shares, net of expenses | 46,925 | - |
| Proceeds from options exercise | 35 | - |
| Payments of lease liability | (213) | (32) |
| Royalty payment to Israeli Innovation Authority | (103) | (38) |
| Proceeds from exercise of warrants | - | 2,064 |
| Total cash from financing activity | 46,644 | 1,994 |
| Increase (Decrease) in cash balance | 43,565 | (3,072) |
| Cash balance, beginning of year | 2,644 | 5,716 |
| Cash balance, end of year | 46,209 | 2,644 |