

Transcript of  
Tivic Health  
Third Quarter 2023 Earnings Release Call  
November 14, 2023

**Participants**

Jennifer Ernst - Chief Executive Officer & Co-Founder, Tivic Health  
Kim Bambach - Interim Chief Financial Officer, Tivic Health

**Analysts**

**Presentation**

**Operator**

Welcome to the Tivic Health Systems Third Quarter 2023 Shareholder Update Conference Call. All participants will be in a listen-only mode. Please note that the conference is being recorded.

Statements made during this call contain forward-looking statements about Tivic's business. You should not place undue reliance on forward-looking statements as these statements are based upon management's current expectations, forecasts and assumptions and are subject to significant risks and uncertainties. These statements may be identified by words such as may, will, should, could, expect, intend, plan, anticipate, believe, estimate, predict, potential, forecast, continue or the negative of these terms or any other words or terms of similar meaning.

Risks and uncertainties that could cause Tivic's actual results to differ materially from those set forth in any forward-looking statement include, but are not limited to, the matters listed under the Risk Factors in the company's annual report on Form 10-K for the year ended December 31, 2022, filed with the Securities and Exchange Commission on March 31, 2023, at the company's subsequent filings with the SEC. Statements and information, including forward-looking statements speak only to the date that they are provided, unless an earlier date is indicated. And Tivic does not undertake any obligation to publicly update any statements or information, including forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Now let me hand the call over to Jennifer Ernst, Tivic Health's Chief Executive Officer.

**Jennifer Ernst - Chief Executive Officer & Co-Founder, Tivic Health**

Hello, everyone, and thank you for joining us today. I'm Jennifer Ernst, CEO of Tivic. I'm joined today by our Interim CFO, Kimberly Bambach. And as usual, before she goes over the details of the financial performance, I'd like to start with a few comments on the quarter and a few highlights, as we continue fighting to build a stronger Tivic.

Over the past three quarters, we've had a number of initiatives that are starting to pay off. As a reminder, earlier this year, we increased our pricing in response to durable increases in the underlying components of our product. We also tightened our marketing spend while retooling

the marketing for a new price point, and again, opening up new healthcare-centric channels. To cut to the chase, these moves resulted in a 71% increase in gross profit versus the same period last year despite a decrease in revenue. So net we made more dollars on fewer sales. This is what I had hoped for as we worked through these programs, and we can now start turning the marketing engine back up to increase volume.

You may also recall that we had to make some difficult staffing decisions in Q2, requiring us to curtail some programs and maybe placing some potential opportunities into a holding pattern. But nonetheless, through that, we have maintained a focus on the critical business areas. So overall, these changes, combined with improved gross profit, resulted in a 30% decrease in operating expenses.

We successfully closed new financing under our Shelf registration statement with net proceeds to the company of approximately \$4.8 million. And lastly, it's no secret, like many of the other companies in our space, we have faced compliance issues with our NASDAQ listing beginning in early 2023. This created enormous pressure on the share price, necessitated a reverse split that was effective in August. So I'd like to say we greatly, greatly appreciate our investors' patience through this process.

And most importantly, I'm relieved to say that as of September 20, 2023, 10 days before the end of the quarter, we received confirmation from NASDAQ that we had regained compliance that our shares would continue trading on NASDAQ. We closed the quarter in full compliance with \$5.2 million in cash and a significantly stronger balance sheet. Now we are positioned to fully focus on our business.

Now before I hand it over to Kim, I want to share just a couple other highlights from this quarter. On the commercial front, one of our focuses this year has been strengthening our connection points with healthcare providers. So that means increasing HCPs knowledge of ClearUP, supporting them with information for their patients, and reaching more of the channels that serve the healthcare market. So to that end, we partnered with InStep Health, a marketing platform that reaches patients and medical professionals in their offices, in the pharmacy and digitally.

So this is a program I'm particularly excited about to see the results of. We started what I consider a pilot program addressing 2,500 healthcare professionals, providing both physician and patient education. So I'd like you to think about visiting your doctors' offices. You see posters, brochures, your doctor and the people in the office who are fully briefed on ClearUP and able to answer your questions. The first elements of this program are rolling out this week, and the program will run for four months into flu, cold and allergy season.

Depending on the results of the pilot, we may consider scaling this program further within InStep Health Network, which includes over 250,000 HCPs and pharmacies. We've expanded our relationship with Cardinal Health earlier this year and are also participating now in the new AmerisourceBergen program. This quarter, AmerisourceBergen signed up with us to carry ClearUP as part of their initiatives with independent pharmacies, think the front of the house of the pharmacy. So just recently, in the last week or so, our product went live on

AmerisourceBergen's site. And we are expecting those connections to start to bear fruit realistically in 2024.

So this work with healthcare channels is additive to growing our direct-to-consumer sales. Taken together, these activities between InStep, AmerisourceBergen, Cardinal Health and our B2B portal, which we also announced earlier this year, are all meant to open doors to reach a highly influential set of healthcare professionals and their patient and consumer base.

On the innovation front, we've had to be selective with our investments in future product areas, but I am excited about those we are making. In Q3, we began enrolling the first patients in our study at The Feinstein Institute for Medical Research. This program is testing a new approach to more precisely control and target vagus nerve activity. The vagus nerve itself is one of the most significant neural structures in the body. As of this date, the team has enrolled and completed approximately half of the patients in the study.

We are seeing quite encouraging results from the first data readouts, and I am looking forward to being able to share more about those results in the coming quarters. As a reminder, we also have a study that is ongoing for treatment of pain associated with sinus and plastic facial surgeries. And this quarter, I'm also pleased to note that we continue to expand our IP portfolio, receiving our very first international patent allowance. So when we look at the total of the year, overall and this quarter, the company completed a strategic reset, one that involved reductions in operating overhead and internal reorganization and the honing of our focus to critical strategic business and innovation areas.

As these continuous improvements pay off, we are building a stronger base for the company to grow from moving forward. And with that, let me hand it over to Kim to go over the financial results of the quarter ended September 30, 2023.

**Kim Bambach - Interim Chief Financial Officer, Tivic Health**

Thanks, Jennifer, and good afternoon, everyone. I am pleased to report the financial results for the quarter ending September 30, 2023.

We posted third quarter revenue of \$282,000, a decrease of \$195,000 or 41% compared to the same quarter last year, primarily due to price point increase in the second quarter. This resulted in a 58% decrease in unit sales, offset by a 54% increase in the per unit average sales price. For the three months ended September 30, 2023, the cost of sales decreased by \$240,000 or 58% compared to the same period in 2022, primarily driven by the decrease in sales volume.

Variable cost was \$73.57 per unit for the three months ended September 30, 2023, compared to \$95.04 per unit for the same period in 2022. The decrease in variable cost was primarily driven by lower manufacturing and fulfillment costs. Fixed costs were \$33.05 per unit for the three months ended September 30, 2023, compared to \$10.48 per unit for the same period in 2022. The increase in the fixed cost was primarily due to the lower sales volume to absorb the fixed costs.

Gross profit for the third quarter was \$108,000, an increase of \$45,000 or 71% compared to \$63,000 in the same period 2022. The increase was due to price increases, optimization of the

supply chain and product design as well as sales volume over which fixed and semi-fixed costs were allocated. Total operating expenses were \$1.8 million for the third quarter 2023 compared to \$2.65 million in the same period 2022. The decrease of \$779,000 or 30.5% is attributed to lower consulting and professional fee expenses as well as other reduced general administrative expenses.

As a result, our second quarter net loss was \$1.8 million compared to \$2.6 million in the same quarter last year. From July 11, 2023 to August 9, 2023, we sold an aggregate of 1.169 million shares of common stock to certain investors at prices ranging from \$4 to \$5.50 per share in a series of registered public offerings, resulting in aggregate gross proceeds to the company of approximately \$5.2 million. Aggregate net proceeds to the company after expenses was approximately \$4.8 million. As a result, our cash balance at the end of the quarter was \$5.2 million, and we continue to maintain a no-debt balance sheet.

On August 23, we implemented a 1-for-100 reverse stock split, and on September 15, 2023, we received confirmation from NASDAQ on our regaining compliance with the minimum bid price requirement.

I will now hand the call back to Jennifer for any remarks.

**Jennifer Ernst - Chief Executive Officer & Co-Founder, Tivic Health**

Okay. Thank you. Kim. So to recap, Q2 was a reset. Q3 is the start of a recovery. We've realigned the team, we've revamped the cost structure of the business, we've reduced overhead expenses. We've undertaken a more focused marketing strategy and we've continued to see improvements in our gross margin. We've taken the first steps in opening new healthcare-focused channels. And between those commercial efforts for ClearUP and our research programs, we are increasing engagement with the healthcare community generally around the use of bioelectronic medicine, in the management of inflammation and inflammatory conditions.

Our research pipeline now has begun moving forward at a bit brisker pace. We did experience delays in clinical enrollment in '22 and '23, but we now have a brisker pace of enrollment and a continued focus on new product outcomes and breakthrough opportunities. We are continuing to evaluate M&A opportunities but have expanded the lens a bit, thinking both about the diversification of the portfolio and in terms of strengthening the execution capabilities of the organization.

Measures we took in the first three quarters involved tough decisions, some that had fairly painful short-term consequences, but we believe that they are important. They were important choices to make in setting the company on track to a stronger Tivic going forward. And I hope that our investors are seeing the start of that payback.

And with that, I thank you for taking the time with us today. We appreciate your patience throughout this year, and I look forward to speaking with you again about Q4 in the New Year.

**Operator**

Thank you, everyone. This concludes today's event. You may disconnect at this time, and have a wonderful day. Thank you for your participation.