
**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 **September 30, 2020**

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: **001-37854**

Ekso Bionics Holdings, Inc.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

99-0367049
(I.R.S. Employer
Identification No.)

1414 Harbour Way South, Suite 1201
Richmond, CA
(Address of principal executive offices)

94804
(Zip Code)

(510) 984-1761
(Registrant's telephone number, including area code)

(Former name, former address, and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act: Title of each class Trading Name of each exchange on which registered:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value per share	EKSO	Nasdaq Capital Market

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.

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Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of registrant's common stock outstanding as of October 26, 2020 was 8,316,308.

Ekso Bionics Holdings, Inc.
Quarterly Report on Form 10-Q

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

Ekso Bionics Holdings, Inc.
Condensed Consolidated Balance Sheets
(In thousands, except par value)

	September 30, 2020	December 31, 2019
	(unaudited)	(Note 2)
Assets		
Current assets:		
Cash	\$ 14,549	\$ 10,872
Accounts receivable, net of allowances of \$20 and \$121, respectively	4,450	5,208
Inventories, net	2,180	2,489
Prepaid expenses and other current assets	370	238
Total current assets	21,549	18,807
Property and equipment, net	1,033	1,657
Right-of-use assets	786	1,084
Goodwill	—	189
Other assets	118	178
Total assets	\$ 23,486	\$ 21,915
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,813	\$ 1,903
Accrued liabilities	1,566	1,683
Deferred revenues, current	1,448	1,492
Notes payable, net, current	—	2,333
Lease liabilities, current	406	421
Total current liabilities	5,233	7,832
Deferred revenues	1,810	1,789
Notes payable, net	3,079	407
Lease liabilities	373	711
Warrant liabilities	4,560	4,307
Other non-current liabilities	30	72
Total liabilities	15,085	15,118
Commitments and contingencies (Note 16)		
Stockholders' equity:		
Convertible preferred stock, \$0.001 par value; 10,000 shares authorized; none issued and outstanding at September 30, 2020 and December 31, 2019	—	—
Common stock, \$0.001 par value; 141,429 shares authorized; 8,316 and 5,795 shares issued and outstanding at September 30, 2020 and December 31, 2019, respectively	8	6
Additional paid-in capital	203,905	190,019
Accumulated other comprehensive (loss) income	(385)	50
Accumulated deficit	(195,127)	(183,278)
Total stockholders' equity	8,401	6,797
Total liabilities and stockholders' equity	\$ 23,486	\$ 21,915

The accompanying notes are an integral part of these condensed consolidated financial statements

Ekso Bionics Holdings, Inc.
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue	\$ 2,897	\$ 3,319	\$ 6,628	\$ 10,197
Cost of revenue	1,084	1,569	2,919	5,288
Gross profit	1,813	1,750	3,709	4,909
Operating expenses:				
Sales and marketing	1,740	2,818	5,972	8,666
Research and development	599	1,149	1,762	4,032
General and administrative	1,706	1,573	5,836	6,011
Impairment of goodwill	189	—	189	—
Restructuring	—	—	244	—
Total operating expenses	4,234	5,540	14,003	18,709
Loss from operations	(2,421)	(3,790)	(10,294)	(13,800)
Other income (expense), net:				
Interest expense	(23)	(88)	(113)	(316)
Gain (loss) on revaluation of warrant liabilities	4,476	4,430	(1,579)	6,045
Loss on modification of warrant	—	—	—	(257)
Warrant issuance expense	—	—	(329)	(706)
Other income (expense), net	420	(346)	466	(377)
Total other income (expense), net	4,873	3,996	(1,555)	4,389
Net income (loss)	\$ 2,452	\$ 206	\$ (11,849)	\$ (9,411)
Other comprehensive (loss) income	(415)	324	(435)	366
Comprehensive income (loss)	\$ 2,037	\$ 530	\$ (12,284)	\$ (9,045)
Basic net income (loss) per share applicable to common shareholders	\$ 0.30	\$ 0.04	\$ (1.75)	\$ (2.01)
Diluted net (loss) income per share applicable to common shareholders	\$ (0.01)	\$ 0.04	\$ (1.78)	\$ (2.01)
Weighted average number of shares outstanding, basic	8,236	4,996	6,772	4,684
Weighted average number of shares outstanding, diluted	8,379	4,997	6,829	4,684

The accompanying notes are an integral part of these condensed consolidated financial statements

Ekso Bionics Holdings, Inc.
Consolidated Statements of Stockholders' Equity (Deficit)
Equity
(In thousands)
(Unaudited)

	Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' (Deficit) Equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2019	—	\$ —	5,795	\$ 6	\$ 190,019	\$ 50	\$ (183,278)	\$ 6,797
Net loss	—	—	—	—	—	—	(2,534)	(2,534)
Issuance of common stock under:								
Matching contribution to 401(k) plan	—	—	26	—	155	—	—	155
In lieu of cash compensation	—	—	9	—	50	—	—	50
Shares issued as a result of rounding due to reverse-stock split	—	—	13	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	587	—	—	587
Foreign currency translation adjustments	—	—	—	—	—	173	—	173
Balance at March 31, 2020	—	—	5,843	6	190,811	223	(185,812)	5,228
Net loss	—	—	—	—	—	—	(11,767)	(11,767)
Issuance of common stock under:								
Equity financing, net	—	—	1,748	2	7,080	—	—	7,082
Exercise of warrants	—	—	223	—	1,436	—	—	1,436
Issuance of warrants	—	—	—	—	(2,322)	—	—	(2,322)
Stock-based compensation expense	—	—	—	—	508	—	—	508
Foreign currency translation adjustments	—	—	—	—	—	(193)	—	(193)
Balance at June 30, 2020	—	—	7,814	8	197,513	30	(197,579)	(28)
Net income	—	—	—	—	—	—	2,452	2,452
Issuance of common stock under:								
Equity incentive plan	—	—	2	—	—	—	—	—
Exercise of warrants	—	—	500	—	5,875	—	—	5,875
Stock-based compensation expense	—	—	—	—	517	—	—	517
Foreign currency translation adjustments	—	—	—	—	—	(415)	—	(415)
Balance at September 30, 2020	—	\$ —	8,316	\$ 8	\$ 203,905	\$ (385)	\$ (195,127)	\$ 8,401

	Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2018	—	\$ —	4,198	\$ 4	\$ 173,962	\$ (92)	\$ (171,146)	\$ 2,728
Net loss	—	—	—	—	—	—	(6,551)	(6,551)
Issuance of common stock under:								
Equity financing, net	—	—	291	—	7,305	—	—	7,305
Equipois sales earn-out	—	—	1	—	22	—	—	22
Equity incentive plan	—	—	3	—	55	—	—	55
Matching contribution to 401(k) plan	—	—	9	—	191	—	—	191
Stock-based compensation expense	—	—	—	—	636	—	—	636
Foreign currency translation adjustments	—	—	—	—	—	148	—	148
Balance at March 31, 2019	—	—	4,502	4	182,171	56	(177,697)	4,534
Net loss	—	—	—	—	—	—	(3,066)	(3,066)
Issuance of common stock under:								
Equity financing, net	—	—	444	—	2,393	—	—	2,393
Equipois sales earn-out	—	—	9	—	173	—	—	173
Equity incentive plan	—	—	37	—	919	—	—	919
Stock-based compensation expense	—	—	—	—	557	—	—	557
Foreign currency translation adjustments	—	—	—	—	—	(106)	—	(106)
Balance at June 30, 2019	—	—	4,992	4	186,213	(50)	(180,763)	5,404
Net income	—	—	—	—	—	—	206	206
Issuance of common stock under:								
Equity incentive plan	—	—	4	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	487	—	—	487
Foreign currency translation adjustments	—	—	—	—	—	324	—	324
Balance at September 30, 2019	—	\$ —	4,996	\$ 4	\$ 186,700	\$ 274	\$ (180,557)	\$ 6,421

The accompanying notes are an integral part of these condensed consolidated financial statements

Ekso Bionics Holdings, Inc.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2020	2019
Operating activities:		
Net loss	\$ (11,849)	\$ (9,411)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	465	519
Provision for excess and obsolete inventories	101	29
Changes in allowance for doubtful accounts	43	63
Loss of impairment of goodwill	189	—
Loss (gain) on revaluation of warrant liabilities	1,579	(6,045)
Finance cost attributable to issuance of warrants	329	706
Stock-based compensation expense	1,612	1,680
Amortization of debt discount, change in contingent liability and accretion of final payment fee	27	56
Gain on modification of operating lease liabilities	(38)	—
Loss on investment of unconsolidated affiliate	66	—
Common stock contribution to 401(k) plan	155	113
Loss on modification of warrants	—	257
Unrealized (gain) loss on foreign currency transactions	(424)	384
Changes in operating assets and liabilities:		
Accounts receivable	715	(1,608)
Inventories	368	195
Prepaid expenses, operating lease right-of-use assets, and other assets current and noncurrent	169	95
Accounts payable	(90)	(1,772)
Accrued and lease liabilities	(409)	(185)
Deferred revenues	(23)	647
Net cash used in operating activities	<u>(7,015)</u>	<u>(14,277)</u>
Investing activities:		
Acquisition of property and equipment	—	(60)
Net cash used in investing activities	<u>—</u>	<u>(60)</u>
Financing activities:		
Proceeds from issuance of common stock and warrants, net	7,082	16,325
Principal payments on note payable	(1,278)	(1,783)
Payment of remaining balance of long-term debt	(1,512)	—
Proceeds from issuance of long-term debt, net	3,078	—
Proceeds from exercise of warrants, net	3,334	—
Proceeds from exercise of stock options	—	228
Net cash provided by financing activities	<u>10,704</u>	<u>14,770</u>
Effect of exchange rate changes on cash	(12)	(30)
Net increase in cash	3,677	403
Cash at beginning of period	10,872	7,655
Cash at end of period	<u>\$ 14,549</u>	<u>\$ 8,058</u>

Supplemental disclosure of cash flow activities

Cash paid for interest	\$	86	\$	255
Cash paid for income taxes		6		8

Supplemental disclosure of non-cash activities

Initial recognition of operating lease right-of-use assets	\$	—	\$	1,454
Initial recognition of operating lease liabilities		—		1,498
Transfer of inventory to property and equipment		(160)		(195)
Share issuance for common stock contribution to 401(k) plan		155		191
Share issuance in lieu of cash compensation		50		919
Equipois sales earn-out		—		22

The accompanying notes are an integral part of these condensed consolidated financial statements

Ekso Bionics Holdings, Inc.
Notes to Condensed Consolidated Financial Statements
(\$ and share amounts in thousands, except per share amounts)
(Unaudited)

1. Organization

Description of Business

The “Company”, “we”, “its” and “our” refers to Ekso Bionics Holdings, Inc. and its wholly-owned subsidiaries. The Company designs, develops, sells, and rents exoskeleton technology to augment human strength, endurance and mobility. The Company’s exoskeleton technology serves multiple markets and can be used both by able-bodied users as well as by persons with physical disabilities. The Company has sold and rented devices that (i) enable individuals with neurological conditions affecting gait (stroke and spinal cord injury) to rehabilitate and to walk again, (ii) assist individuals with a broad range of upper extremity impairments, and (iii) allow industrial workers to perform difficult repetitive work for extended periods. Founded in 2005, the Company is headquartered in the San Francisco Bay area and listed on the Nasdaq Capital Market under the symbol “EKSO”.

All common stock share and per share amounts have been adjusted to reflect the one-for-fifteen reverse stock split effected on March 24, 2020. See Note 13 *Capitalization and Equity Structure – Reverse Stock Split*.

Liquidity and Going Concern

As of September 30, 2020, the Company had an accumulated deficit of \$195,127. Largely as a result of significant research and development activities related to the development of the Company’s advanced technology and commercialization of such technology into its medical device business, the Company has incurred significant operating losses and negative cash flows from operations since inception. In the nine months ended September 30, 2020, the Company used \$7,015 of cash in its operations and had cash on hand of \$14,549 as of September 30, 2020.

In 2020, management has taken several actions to alleviate the substantial doubt about the Company’s ability to continue as a going concern that existed as of the date of issuance of the December 31, 2019 consolidated financial statements, including, but not limited to, the following:

- streamlined the Company's operations and reduced its workforce by approximately 35% to lower operating expenses and reduce cash burn;
- conducted a registered direct offering for net proceeds of \$7,082;
- paid off the entire amount of \$1,512 of the Company's indebtedness to Western Alliance Bank with proceeds from a new loan of \$2,000 from Pacific Western Bank. The terms of the new loan agreement include monthly interest-only payments over the next three years.
- invested in the development and reliability of its products;
- restructured the Company's commercial organization and strategy which is showing continued adoption; and
- received clearance from the U.S. Food and Drug Administration ("FDA") for Acquired Brain Injury ("ABI") to market the Company's product to a larger patient population increasing the value proposition to its customers.

The Company also received proceeds of \$3,334 from warrant exercises in the nine months ended September 30, 2020.

As described in *Note 11, Notes payable, net*, borrowings under the Company’s new secured term loan agreement with Pacific Western Bank have a liquidity covenant requiring minimum cash on hand equivalent to the current outstanding principal balance. As of September 30, 2020, \$2,000 of cash must remain as restricted. After considering cash restrictions, effective unrestricted cash as of September 30, 2020 is estimated to be \$12,549. With this unrestricted cash balance and the impact of management's actions described above, the Company believes that it currently has sufficient cash to fund its operations beyond the look forward period of one year from the issuance of these condensed consolidated financial statements.

The Company’s actual capital requirements may vary significantly and will depend on many factors. The Company plans to continue its investments in its (i) sales initiatives to accelerate adoption of the Ekso robotic exoskeleton in the rehabilitation market, (ii) research, development and commercialization activities with respect to exoskeletons for rehabilitation, and (iii) development and commercialization of able-bodied exoskeletons for industrial use. Consequently, the Company may require significant additional financing in the future, which the Company intends to raise through corporate collaborations, public or private equity offerings, debt financings, or warrant solicitations. Sales of additional equity securities by the Company could

Ekso Bionics Holdings, Inc.
Notes to Condensed Consolidated Financial Statements
(\$ and share amounts in thousands, except per share amounts)
(Unaudited)

result in the dilution of the interests of existing stockholders. There can be no assurance that financing will be available when required in sufficient amounts, on acceptable terms or at all. In the event that the necessary additional financing is not obtained, the Company may be required to further reduce its discretionary overhead costs substantially, including research and development, general and administrative, and sales and marketing expenses or otherwise curtail operations.

2. Basis of Presentation and Summary of Significant Accounting Policies and Estimates

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”) have been condensed or omitted pursuant to such rules and regulations. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2019, which was filed with the SEC on February 27, 2020.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements have been prepared on a consistent basis with the audited consolidated financial statements for the fiscal year ended December 31, 2019, which included an explanatory paragraph expressing substantial doubt about the Company’s ability to continue as a going concern in the report of the Company’s independent registered public accounting firm, and include all adjustments, consisting of only normal recurring adjustments, necessary to fairly state the information set forth herein.

Certain reclassifications have been made to the amounts in prior periods to conform to the current period’s presentation.

The results of operations for the three and nine months ended September 30, 2020 are not necessarily indicative of the results to be expected for the entire fiscal year or any future periods.

Use of Estimates

The preparation of the consolidated 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 disclosure of contingent assets and liabilities at the date of the balance sheet, and the reported amounts of revenues and expenses during the reporting period. For the Company, these estimates include, but are not limited to, revenue recognition, deferred revenue and the deferral of the associated costs, the valuation of warrants and employee stock options, future warranty costs, accounting for leases, useful lives assigned to long-lived assets, valuation of inventory, realizability of deferred tax assets, and contingencies. The estimates are based upon various factors including current and historical trends, as well as other pertinent industry and regulatory authority information, including the potential future effects of COVID-19. Actual results could differ from those estimates. Management regularly evaluates this information to determine if it is necessary to update the basis for its estimates and to adjust for known changes.

Foreign Currency

The assets and liabilities of foreign subsidiaries and equity investments, where the local currency is the functional currency, are translated from their respective functional currencies into U.S. dollars at the rates in effect at the balance sheet date, and revenue and expense amounts are translated at average rates during the period, with resulting foreign currency translation adjustments recorded in accumulated other comprehensive income as a component of stockholders’ (deficit) equity. Gains and losses from the re-measurement of balances denominated in currencies other than the entities’ functional currencies, are recorded in other expense, net in the accompanying condensed consolidated statements of operations and comprehensive loss.

Inventory

Inventories are recorded at the lower of cost or net realizable value. Cost is computed using the standard cost method, which approximates actual cost on a first-in, first-out basis. Materials from vendors are received and recorded as raw material. Once the raw materials are incorporated in the fabrication of the product, the related value of the component is recorded as work in

Ekso Bionics Holdings, Inc.
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(\$ and share amounts in thousands, except per share amounts)
(Unaudited)

progress ("WIP"). Direct and indirect labor and applicable overhead costs are also allocated and recorded to WIP inventory. Finished goods are comprised of completed products that are ready for customer shipment. The Company periodically evaluates the carrying value of inventory on hand for potential excess amounts over sales and forecasted demand. Excess and obsolete inventories identified, if any, are recorded as an inventory impairment charge within the condensed consolidated statements of operations and comprehensive loss. The Company's estimate of write-downs for excess and obsolete inventory is based on a detailed analysis which includes on-hand inventory and purchase commitments in excess of forecasted demand. Subsequent disposals of inventories are recorded as a reduction of an inventory reserve.

Impairment of Goodwill

Impairment of goodwill is calculated using the simplified method, whereby the Company compares the fair value of each reporting unit to its carrying value. If the fair value of a reporting unit exceeds the carrying value of its net assets, goodwill is not considered impaired. If the carrying value of net assets exceeds the fair value of the reporting unit, then goodwill is considered impaired and an impairment charge equal to that difference is recorded.

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU"), No. 2016-02, *Leases (Topic 842)*, to enhance the transparency and comparability of financial reporting related to leasing arrangements. The Company adopted the standard effective January 1, 2019.

At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease based on the unique facts and circumstances present. Operating lease liabilities and their corresponding right-of-use assets are recorded based on the present value of lease payments over the expected lease term. The interest rate implicit in lease contracts is typically not readily determinable. As such, the Company utilizes its incremental borrowing rate, which is the rate incurred to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. Certain adjustments to the right-of-use asset may be required for items, such as initial direct costs paid or incentives received.

Lease expense is recognized over the expected lease term on a straight-line basis. Operating leases are recognized on the balance sheet as right-of-use assets, lease liabilities current and lease liabilities non-current. As a result, the Company no longer recognizes deferred rent on the balance sheet.

Leases with an initial term of 12 months or less are not recorded on the balance sheet. The Company recognizes the lease expense for such leases on a straight-line basis over the lease term.

Revenue Recognition

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. The Company enters into contracts that can include various combinations of products and services, which when capable of being distinct, are accounted for as separate performance obligations.

The Company's medical device segment (EksoHealth) revenue is primarily generated through the sale and rental of the EksoNR and EksoGT, associated software (SmartAssist and VariableAssist), the sale and rental of the EksoUE, the sale of accessories, and the sale of support and maintenance contracts (Ekso Care). Revenue from medical device product sales is recognized at the point in time when control of the product transfers to the customer. Transfer of control generally occurs upon shipment from the Company's facility for sales of the EksoNR or EksoGT, software and accessories. Ekso Care support and maintenance contracts extend coverage beyond the Company's standard warranty agreements. The separately priced Ekso Care contracts range from 12 to 48 months. The Company receives payment at the inception of the contract and recognizes revenue over the term of the agreement. Revenue from medical device rentals is recognized over the rental term, typically over 12 months.

The Company's industrial device segment (EksoWorks) revenue is generated through the sale and rental of the upper body exoskeleton (EksoVest) and the support arm (EksoZeroG). Revenue from industrial device sales is recognized at the point in

Ekso Bionics Holdings, Inc.
Notes to Condensed Consolidated Financial Statements
(\$ and share amounts in thousands, except per share amounts)
(Unaudited)

time when control of the product transfers to the customer. Transfer of control generally occurs upon shipment from the Company's facility. Revenue from industrial device rentals is recognized over the rental term, typically over 12 months.

Refer to Note 8, *Revenue Recognition* for further information, including revenue disaggregated by source.

Government Grants

The Company accounts for nonreciprocal government grants by applying the contributions received guidance in ASC Topic 958-605 by analogy. To determine if a grant is non-reciprocal or reciprocal and whether the application of ASC 606 is required, the Company considers whether the transfer of resources is one in which commensurate value is exchanged. If commensurate value is not exchanged for the goods or services provided, the Company assesses whether the grant is conditional or unconditional. Grants that contain both a barrier and right to return are considered conditional and revenue is deferred until such conditions are satisfied. In January 2019, the Company received a government grant from the Singapore Economic Development Board ("SEDB") in the amount of approximately \$1,500. The receipt of the funds is conditional upon certain operational milestones that must be met and maintained through December 31, 2021. Therefore, the Company has not recognized revenue related to the government grant from the SEBD nor received cash from the SEBD during the nine months ended September 30, 2020 and prior periods. The Company does not expect to recognize revenue until December 31, 2021.

Going Concern

The Company assesses its ability to continue as a going concern at every interim and annual period in accordance with ASC 205-40. The accompanying condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern.

Concentration of Credit Risk and Other Risks and Uncertainties

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and accounts receivable. The Company maintains its cash accounts in excess of federally insured limits. However, the Company believes it is not exposed to significant credit risk due to the financial position of the depository institutions in which these deposits are held. The Company extends credit to customers, most of which are hospitals or other large nationally recognizable institutions, in the normal course of business. Concentrations of credit risk with respect to accounts receivable exist to the full extent of amounts presented in the condensed consolidated financial statements. The Company does not require collateral from its customers to secure accounts receivable.

Accounts receivable are derived from the sale of products shipped to and services performed for customers. Invoices are aged based on contractual terms with the customer. The Company reviews accounts receivable for collectability and records an allowance for credit losses, as needed. The Company has not experienced any material losses related to accounts receivable as of September 30, 2020 and December 31, 2019.

Many of the sales contracts with customers outside of the U.S. are settled in a foreign currency. The Company does not enter into any foreign currency hedging agreements and is susceptible to gains and losses from foreign currency fluctuations. To date, the Company has not experienced significant gains or losses upon settling foreign currency denominated accounts receivable.

At September 30, 2020, the Company had two customers with an accounts receivable balance totaling 10% or more of the Company's total accounts receivable (0% and 15%), as compared with one customer at December 31, 2019 (1%).

During the three months ended September 30, 2020, the Company had one customer with sales of 10% or more of the Company's total revenue (3%), as compared with one customer in the three months ended September 30, 2019 (12%).

During the nine months ended September 30, 2020, the Company had no customers with sales of 10% or more of the Company's total revenue, as compared with one customer in the nine months ended September 30, 2019 (19%).

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Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* and subsequent amendments to the initial guidance under ASU 2018-19, ASU 2019-04, ASU 2019-05 and ASU 2019-10, which amends the current approach to estimate credit losses on certain financial assets, including trade and other receivables. Generally, this amendment requires entities to establish a valuation allowance for the expected lifetime losses of these certain financial assets. Upon the initial recognition of such assets, which will be based on, among other things, historical information, current conditions, and reasonable supportable forecasts. Subsequent changes in the valuation allowance are recorded in current earnings and reversal of previous losses are permitted. Currently, U.S. GAAP requires entities to write down credit losses only when losses are probable and loss reversals are not permitted. The update will be effective for the Company in the first quarter of 2023. Early adoption is permitted. The Company is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements and related disclosures.

In August 2020, the FASB issued ASU No. 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, which simplifies the accounting for convertible instruments. ASU 2020-06 eliminates certain models that require separate accounting for embedded conversion features, in certain cases. Additionally, among other changes, the guidance eliminates certain of the conditions for equity classification for contracts in an entity's own equity. The guidance also requires entities to use the if-converted method for all convertible instruments in the diluted earnings per share calculation and include the effect of share settlement for instruments that may be settled in cash or shares, except for certain liability-classified share-based payment awards. This guidance is effective for the Company beginning in the first quarter of 2022 and must be applied using either a modified or full retrospective approach. Early adoption is permitted, but no earlier than annual periods beginning after December 15, 2020. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements.

Accounting Pronouncements Adopted in 2020

In January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment*, which eliminates the computation of the implied fair value of goodwill to measure a goodwill impairment charge. Instead, entities will record a goodwill impairment charge based on the excess of a reporting unit's carrying amount over its fair value. The guidance is effective for interim and annual reporting periods beginning after December 15, 2019, with early adoption permitted. The Company adopted the new guidance as of January 1, 2020, which reduced the complexity surrounding the evaluation of goodwill for impairment. The adoption of this guidance did not have a material impact on the Company's condensed consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The standard modifies the disclosure requirements on fair value measurements in Topic 820 by removing the requirement to disclose the reasons for transfers between Level 1 and Level 2 of the fair value hierarchy and the policy for timing of such transfers. The standard expands the disclosure requirements for Level 3 fair value measurement, primarily focused on changes in unrealized gains and losses included in other comprehensive income. The amendments in this update became effective for the Company in the first quarter of 2020. The Company adopted ASU 2018-03 as of January 1, 2020. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements and related disclosures.

3. Restructuring

In May of 2020, the Company streamlined its operations and reduced its workforce by approximately 35% to lower operating expenses and reduce cash burn. The restructuring plan was completed by the end of the second quarter of 2020.

The Company recorded restructuring expense of \$244 for the nine months ended September 30, 2020 comprised of employee severance payments. As of September 30, 2020, there was no accrued restructuring cost remaining on the Company's condensed consolidated balance sheets.

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4. Goodwill

The Company previously maintained a goodwill balance as a result of a prior acquisition of intangible assets from Equipois, LLC in December 2015 consisting of mechanical balance and support arms technologies, including the rights to the ZeroG product.

As a result of declining sales and gross margin and overall uncertainty about the future of the ZeroG product line, the Company performed an impairment assessment of goodwill utilizing the simplified method, which lead to in an impairment of goodwill of \$189 reducing the goodwill balance to zero. In estimating the fair value, the Company utilized a discount cash flow model, which is dependent on a number of assumptions, most significantly forecasted revenues and operation profit margins. The following table sets forth the changes to goodwill for the nine months ended September 30, 2020:

	Goodwill
Balance at December 31, 2019	\$ 189
Loss on impairment of goodwill	(189)
Balance at September 30, 2020	<u>\$ —</u>

5. Accumulated Other Comprehensive Income (Loss)

The following table sets forth the changes to accumulated comprehensive income (loss), net of tax, by component for the nine months ended September 30, 2020:

	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2019	\$ 50
Net unrealized loss on foreign currency translation	(435)
Balance at September 30, 2020	<u>\$ (385)</u>

6. Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Three levels of inputs, of which the first two are considered observable and the last unobservable, may be used to measure fair value which are the following:

- **Level 1**—Quoted prices in active markets for identical assets or liabilities. The Company considers a market to be active when transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- **Level 2**—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- **Level 3**—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The valuation of Level 3 investments requires the use of significant management judgments or estimation.

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The Company's fair value hierarchies for its financial assets and liabilities, which require fair value measurement, are as follows:

	Total	Level 1	Level 2	Level 3
September 30, 2020				
Liabilities				
Warrant liabilities	\$ 4,560	\$ —	\$ —	\$ 4,560
December 31, 2019				
Liabilities				
Warrant liabilities	\$ 4,307	\$ —	\$ —	\$ 4,307
Contingent success fee liability	\$ 6	\$ —	\$ —	\$ 6

The following table sets forth a summary of the changes in the fair value of the Company's Level 3 financial liabilities for the nine months ended September 30, 2020, which were measured at fair value on a recurring basis:

	Warrant Liability	Contingent Success Fee Liability
Balance at December 31, 2019	\$ 4,307	\$ 6
Initial valuation of warrants in connection with June 2020 financing	2,650	—
Loss on revaluation of warrants issued in connection with the June 2020, December 2019, May 2019, and December 2015 equity financings	1,579	—
Gain on revaluation of contingent liability	—	(6)
Reclassification of warrant liability to equity upon exercise of warrants	(3,976)	—
Balance at September 30, 2020	<u>\$ 4,560</u>	<u>\$ —</u>

Refer to *Note 13. Capitalization and Equity Structure – Warrants* for additional information regarding the valuation of warrants

7. Inventories, net

Inventories consisted of the following:

	September 30, 2020	December 31, 2019
Raw materials	\$ 2,020	\$ 2,208
Work in progress	—	29
Finished goods	160	252
Inventories, net	<u>\$ 2,180</u>	<u>\$ 2,489</u>

8. Revenue Recognition

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. The Company enters into contracts that can include various combinations of products and services, which when capable of being distinct, are accounted for as separate performance obligations. Revenue recognition is evaluated based on the following five steps: (i) identification of the contract with the customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations in the contract; and (v) recognition of revenue when or as a performance obligation is satisfied.

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For multiple-element arrangements, revenue is allocated to each performance obligation based on its relative standalone selling price. Standalone selling prices are determined based on observable prices at which the Company separately sells its products or services. If a standalone selling price is not directly observable, the Company estimates the selling price based on market conditions and entity-specific factors including features and functionality of the product and/or services, the geography of the Company's customers, type of the Company's markets. Any discounts or other reductions to the transaction price are allocated proportionately to all performance obligations within the multiple-element arrangement.

Contract Balances

Timing of revenue recognition may differ from the timing of invoicing to customers and receipt of payment. For the sale of its products, the Company generally recognizes revenue at a point in time through the ship-and-bill performance obligations. For the rental of its products, the Company generally recognizes revenue over the rental term commencing upon the completion of customer training. For service agreements, the Company generally invoices customers at the beginning of the coverage period and records revenue related to the billed amounts over time, equivalent to the coverage period of the maintenance and support contract.

Deferred revenue is comprised mainly of unearned revenue related to extended support and maintenance contracts (Ekso Care) but also includes other offerings for which the Company has been paid in advance and earns revenue when the Company transfers control of the product or service.

Deferred revenue consisted of the following:

	September 30, 2020	December 31, 2019
Deferred extended maintenance and support	\$ 2,823	\$ 2,837
Deferred royalties	282	290
Deferred device and rental revenues	146	131
Customer deposits and advances	7	23
Total deferred revenues	3,258	3,281
Less current portion	(1,448)	(1,492)
Deferred revenues, non-current	\$ 1,810	\$ 1,789

Deferred revenue activity consisted of the following for the nine months ended September 30, 2020:

Beginning balance	\$	3,281
Deferral of revenue		1,256
Recognition of deferred revenue		(1,279)
Ending balance	\$	3,258

As of September 30, 2020, the Company's deferred revenue was \$3,258. Excluding customer deposits, the Company expects to recognize approximately \$507 of the deferred revenue during the remainder of 2020, \$1,244 in 2021, and \$1,507 thereafter.

In addition to deferred revenue, the Company has non-cancellable backlog of \$504 related to its contracts for rental units with its customers. These rental contracts are classified as operating leases, typically with 12-month lease terms, and rental income is recognized on a straight-line basis over the lease term.

As of September 30, 2020, and December 31, 2019, accounts receivable, net of allowance for doubtful accounts, were \$4,450 and \$5,208, respectively, and are included in current assets on the Company's condensed consolidated balance sheets.

The allowance for doubtful accounts reflects the Company's best estimate of probable losses inherent in the accounts receivable balance. The Company determines the allowance based on known troubled accounts, historical experience, and other currently available evidence. Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 90 days.

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Disaggregation of revenue

The following table disaggregates the Company’s revenue by major source for the three months ended September 30, 2020:

	EksoHealth	EksoWorks	Total
Device sales	\$ 2,018	\$ 127	\$ 2,145
Service and support	455	—	455
Rentals	178	7	185
Parts and other	32	24	56
Collaborative arrangements	56	—	56
	<u>\$ 2,739</u>	<u>\$ 158</u>	<u>\$ 2,897</u>

The following table disaggregates the Company’s revenue by major source for the nine months ended September 30, 2020:

	EksoHealth	EksoWorks	Total
Device sales	\$ 3,706	\$ 543	\$ 4,249
Service and support	1,170	—	1,170
Rentals	656	10	666
Parts and other	255	60	315
Collaborative arrangements	228	—	228
	<u>\$ 6,015</u>	<u>\$ 613</u>	<u>\$ 6,628</u>

The following table disaggregates the Company’s revenue by major source for the three months ended September 30, 2019:

	EksoHealth	EksoWorks	Total
Device sales	\$ 2,449	\$ 289	\$ 2,738
Service and support	67	—	67
Rentals	208	—	208
Parts and other	257	31	288
Collaborative arrangements	18	—	18
	<u>\$ 2,999</u>	<u>\$ 320</u>	<u>\$ 3,319</u>

The following table disaggregates the Company’s revenue by major source for the nine months ended September 30, 2019:

	EksoHealth	EksoWorks	Total
Device sales	\$ 6,688	\$ 1,365	\$ 8,053
Service and support	911	—	911
Rentals	739	—	739
Parts and other	297	171	468
Collaborative arrangements	26	—	26
	<u>\$ 8,661</u>	<u>\$ 1,536</u>	<u>\$ 10,197</u>

9. Investment in Unconsolidated Affiliate

In May 2020, the Company, Zhejiang Youchuang Venture Capital Investment Co., Ltd and another partner (collectively, the “JV Partners”) received notice from the Committee on Foreign Investment in the United States (“CFIUS”) in connection with

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its review of the Company's and the JV Partners' investment in Exoskeleton Intelligent Robotics Co. Limited (the "China JV"). The notice stated that CFIUS's prior national security concerns regarding the China JV could not be mitigated. In connection with such determination, on July 13, 2020, the Company and the JV Partners entered into a National Security Agreement ("NSA"), which, among other things, requires the termination of the agreements underlying the China JV and prohibits the Company from providing technology or services to the China JV. On August 12, 2020, the Company and the JV Partners agreed to terminate the agreements underlying the China JV.

In accordance with the above, during the nine months ended September 30, 2020, the Company recorded a \$6 loss on investment in unconsolidated affiliate in the condensed consolidated statements of operations and comprehensive loss related to the write-off of previously recorded direct costs related to establishing the China JV.

10. Accrued Liabilities

Accrued liabilities consisted of the following:

	September 30, 2020	December 31, 2019
Salaries, benefits and related expenses	\$ 1,162	\$ 1,098
Device warranty	206	285
Other	198	300
Total	<u>\$ 1,566</u>	<u>\$ 1,683</u>

The current portion of the warranty liability is classified as a component of accrued liabilities, while the long-term portion of the warranty liability is classified as a component of other non-current liabilities in the condensed consolidated balance sheets. A reconciliation of the changes in the device warranty liability is as follows:

	Three months ended	Nine months ended
	September 30, 2020	
Balance at beginning of period	\$ 229	\$ 350
Additions for estimated future expense	83	156
Incurred costs	(76)	(270)
Balance at end of period	<u>\$ 236</u>	<u>\$ 236</u>
Balance as of September 30, 2020		
Current portion	\$ 206	
Long-term portion	30	
Total	<u>\$ 236</u>	

11. Notes Payable, net

PWB Term Loan

In December 2016, the Company entered into a loan agreement with Western Alliance Bank ("WAB loan") and received a loan in the principal amount of \$7,000 that bears interest on the outstanding daily balance at a floating per annum rate equal to the 30-day U.S. LIBOR plus 5.41%. The Company was required to pay accrued interest on the current loan on the first day of each month through and including January 1, 2018. Commencing on February 1, 2018, the Company was required to make equal monthly payments of principal, together with accrued and unpaid interest maturing in January 2021. On April 29, 2020 the Company entered into a second amendment to the December 2016 loan agreement to defer principal payments for three months beginning in May 2020 and be re-amortized when principal payments resume on August 1, 2020. During the three-month deferral period the Company was required to make interest only payments.

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The final payment fee, debt issuance costs, and the initial fair value of the success fee combined with the stated interest resulted in an effective interest rate for the WAB loan of 7.55% for the three months ended September 30, 2020 and 8.49% for the nine months ended September 30, 2020. The final payment fee, initial fair value of the success fee and debt issuance costs were accreted/amortized to interest expense using the effective interest method over the life of the loan.

In August 2020, the Company entered into a new loan agreement (the "PWB Loan Agreement") with a different lender, Pacific Western Bank, and received a loan in the principal amount of \$2,000 (the "PWB Term Loan") that bears interest on the outstanding daily balance at a rate equal to the greater of: (a) 0.50% above the variable rate of interest announced by the lender as its "prime rate" then in effect; or (b) 4.50%. The PWB Loan Agreement created a first priority security interest with respect to substantially all assets of the Company, including proceeds of intellectual property, but expressly excluding intellectual property itself.

The proceeds of the PWB Term Loan were used to pay off the entire amount of the Company's indebtedness to Western Alliance Bank which amounted to \$1,512. Pursuant to the PWB Loan Agreement, the remainder of the PWB Term Loan proceeds may be used for general corporate purposes which totaled \$480.

The Company is required to pay accrued interest on the current loan on the 13th day of each month through and including August 13, 2023. The principal balance of the PWB Term Loan matures on August 13, 2023, at which time all unpaid principal and accrued and unpaid interest shall be due and payable in full. The interest rate of the PWB Term Loan is subject to increase in the event of late payments and after occurrence of and during the continuation of an event of default. Upon maturity, all unpaid principal and accrued and unpaid interest shall be due and payable in full. The Company may elect to prepay the PWB Term Loan at any time, in whole or in part, without penalty or premium.

The PWB Loan Agreement contains a liquidity covenant, which requires that the Company maintain unrestricted cash and cash equivalents in accounts of the lender or subject to control agreements in favor of the lender in an amount equal to at least the outstanding balance of the PWB Term Loan, which was \$2,000 as of September 30, 2020. On September 30, 2020, with cash on hand of \$14,549, the Company was compliant with this liquidity covenant.

The debt issuance costs and debt discounts combined with the stated interest resulted in an effective interest rate of 4.620% for the three months and nine months ended September 30, 2020. The debt issuance costs will be amortized to interest expense using the effective interest method over the life of the loan.

The following table presents scheduled principal payments of the Company's note payable as of September 30, 2020:

Period	Amount
2020 - 2022	\$ —
2023	2,000
Total principal payments	2,000
Less debt discounts and issuance costs	7
Note payable, net	<u>\$ 1,993</u>

Paycheck Protection Program Loan

On April 20, 2020, the Company received an unsecured loan in the principal amount of \$1,086 under the Paycheck Protection Program (the "PPP") administered by the U.S. Small Business Administration, or the SBA, pursuant to the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), or the PPP loan. The terms of the PPP Loan were subsequently revised in accordance with the provisions of the Paycheck Protection Flexibility Act of 2020, or the PPP Flexibility Act, which was enacted on June 5, 2020. The PPP loan provides for an interest rate of 1.00% per year, and matures two years after the date of initial disbursement, with initial principal and interest payments coming due late in fiscal 2021. The PPP loan may be used for payroll costs, costs related to certain group health care benefits and insurance premiums, rent payments, utility payments, mortgage interest payments and interest payments on any other debt obligation that were incurred before February 15, 2020. Under the terms of the CARES Act and the PPP Flexibility Act, the Company may apply for and be granted forgiveness for all or a portion of loan granted under the PPP loan, with such forgiveness to be determined, subject to limitations (including where

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employees of the Company have been terminated and not re-hired by a certain date), based on the use of the loan proceeds for payment of payroll costs and any payments of mortgage interest, rent, and utilities. The terms of any forgiveness may also be subject to further requirements in regulations and guidelines adopted by the SBA. While the Company currently believes that the majority of the use of the PPP loan proceeds will meet the conditions for forgiveness under the PPP, no assurance is provided that the Company will obtain partial forgiveness of the loan.

The follow table presents the scheduled principal payments of the Company's PPP loan note payable as of September 30, 2020, shown if the loan is not forgiven:

Period	Amount
Remainder - 2020	\$ —
2021	—
2022	530
2023	556
Total principal payments	\$ 1,086
Current portion	\$ —
Long-term portion	1,086
Note payable, net	\$ 1,086

12. Lease Obligations

The Company's five-year operating lease agreement for its headquarters and manufacturing facility in Richmond, California, or the Richmond Lease, expires in May 2022, with no further options to extend or terminate. The lease includes non-lease components (i.e. common area maintenance costs) that are paid separately from rent based on actual costs incurred. In June 2020, the Company entered into an amendment to the Richmond Lease to make a one-time payment of \$300 to cover its remaining lease obligations for the remainder of 2020, resulting in a \$48 abatement and a lease payment deferral of \$79 to be paid in equal monthly installments in 2021.

The Company's five-year operating lease agreement for its European operations office in Hamburg, Germany expires in July 2022. It has an option to extend for another five-year term.

The Company's future lease payments as of September 30, 2020 are as follows, which are presented as lease liabilities, current and lease liabilities on the Company's condensed consolidated balance sheets:

Period	Operating Leases
Remainder of 2020	\$ 26
2021	593
2022	235
Total lease payments	854
Less: imputed interest	(75)
Present value of lease liabilities	\$ 779
Lease liabilities, current	\$ 406
Lease liabilities, noncurrent	373
Total lease liabilities	\$ 779
Weighted-average remaining lease term (in years)	1.69
Weighted-average discount rate	10.5 %

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Lease expense under the Company's operating leases was \$132 and \$134 for the three months ended September 30, 2020 and 2019, respectively, and \$405 and \$404 for the nine months ended September 30, 2020 and 2019, respectively.

Practical Expedients

Leases with an initial term of 12 months or less are not recorded on the balance sheet. The Company recognizes the lease expense for such leases on a straight-line basis over the lease term.

As part of the transition to ASC 842, the Company elected to use the modified retrospective transition method with the new standard being applied as of the January 1, 2019 adoption date. Additionally, the Company has elected, as of the adoption date, not to reassess whether expired or existing contracts contain leases under the new definition of a lease; the lease classification for expired or existing leases; or whether previously capitalized initial direct costs would qualify for capitalization under ASC 842.

13. Capitalization and Equity Structure

Reverse Stock Split

After the close of the stock market on March 24, 2020, the Company effected a 1-for-15 reverse split of its common stock. As a result, all common stock share amounts included in this filing have been retroactively reduced by a factor of fifteen, rounded up to the nearest whole share, and all common stock per share amounts have been increased by a factor of fifteen, with the exception of the Company's common stock par value and the Company's authorized shares. Amounts affected include common stock outstanding, restricted stock units, common stock underlying stock options and warrants.

Summary

The Company's authorized capital stock at September 30, 2020 consisted of 141,429 shares of common stock and 10,000 shares of preferred stock. As of September 30, 2020, there were 8,316 shares of common stock issued and outstanding and no shares of preferred stock issued and outstanding.

Common Stock

June 2020 Common Stock and Warrants to Purchase Common Stock Offering

In June 2020, the Company entered into a securities purchase agreement, or the June 2020 Purchase Agreement, with certain purchasers. Pursuant to the June 2020 Purchase Agreement, the Company agreed to sell in a registered direct offering, or the June 2020 Offering, an aggregate of 1,748 shares of its common stock. Pursuant to such agreement, the Company also agreed to sell, in a concurrent private placement offering, warrants to purchase 874 shares of its common stock, or the June 2020 Investor Warrants. The gross proceeds of the June 2020 Offering and the concurrent private placement offering were \$7,890, the June 2020 Gross Proceeds. Each June 2020 Investor Warrant has an exercise price of \$5.18 per share, subject to adjustment in certain circumstances, and is exercisable immediately and will expire five and one-half years from issuance, or on December 10, 2025.

As compensation for services provided by the placement agent for the June 2020 Offering, or the Placement Agent, the Company paid a cash fee equal to 7.0% of the June 2020 Gross Proceeds (\$552) and a management fee equal to 1.0% of the June 2020 Gross Proceeds (\$79), and issued, in a concurrent private placement offering, warrants to purchase shares of the Company's common stock, or the June 2020 Placement Agent Warrants, in an amount equal to up to 7.0% of the aggregate number of shares of common stock sold in the June 2020 Offering, or 122 shares in the aggregate, in substantially the same form as the June 2020 Investor Warrants, except that the June 2020 Placement Agent Warrants will expire five years from the effective date of the June 2020 Offering, or on June 7, 2025, and have an exercise price per share equal to \$.64. In connection with the June 2020 Offering, the Company also incurred \$98 in other expenses of the Placement Agent paid for or reimbursed by the Company.

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Of the \$7,890 in proceeds, \$2,650 was allocated to the June 2020 Investor Warrants and June 2020 Placement Agent Warrants, or, collectively, the June 2020 Warrants, based on the fair value method, with the remaining proceeds of \$5,240 allocated to the common stock shares sold in the June 2020 Offering. In connection with the June 2020 Offering and concurrent private placement offerings, the Company incurred approximately \$1,117 in direct financing costs, including a fair value of \$309 of June 2020 Placement Agent Warrants. Financing costs of \$808, excluding the fair value of the June 2020 Placement Agents Warrants, were allocated on the fair value basis between the common stock shares sold in the June 2020 Offering and the June 2020 Warrants, as follows: \$329 was allocated to the June 2020 Warrants and expensed immediately in other income (expense), net in the accompanying condensed consolidated statements of operations and comprehensive income (loss) and \$479 was allocated to the common stock shares sold in the June 2020 Offering and recorded as a reduction to additional paid in capital. The direct financing cost of \$309 associated with the June 2020 Placement Agent warrants was also allocated to the common stock shares sold in the June 2020 Offering and recorded as a reduction to additional paid in capital.

At-the-Market Offering

Subsequent to quarter-end, in October 2020, the Company entered into an At-The-Market Offering Agreement (the "ATM Agreement") with H.C. Wainwright & Co., LLC (the "Agent"), under which the Company may issue and sell shares of its common stock, from time to time, to or through the Agent. Offers and sales of shares of common stock by the Company through the Agent may be made by any method deemed to be an "at the market offering" as defined under SEC Rule 415 or in privately negotiated transactions, subject to certain conditions. Such shares may be offered pursuant to the registration statement on Form S-3 (File No. 333-239203) (the "Registration Statement"), which was declared effective by the SEC on June 26, 2020, and a related prospectus supplement filed with the SEC on October 9, 2020 (the "ATM Prospectus"). Pursuant to the Registration Statement and the ATM Prospectus, shares having an aggregate offering price of up to \$ 7,500 may be offered and sold, subject to certain SEC rules limiting the amount of shares of the Company's common stock that may be sold by the Company under the Registration Statement. Under the ATM Agreement, shares of the Company's common stock may not be sold for a price lower than \$6.75 per share.

In August 2018, the Company entered into a Controlled Equity OfferingSM Sales Agreement with Cantor Fitzgerald & Co. (the "Cantor Agreement"). Prior to entering into the ATM Agreement, the Company terminated the Cantor Agreement in September 2020.

The Company did not sell any shares of common stock under the Cantor Agreement during nine months ended September 30, 2020, nor did the Company sell shares of common stock under the ATM Agreement during the fourth quarter through October 26, 2020.

Warrants

Warrant shares outstanding as of December 31, 2019 and September 30, 2020 were as follows:

Source	Exercise Price	Term (Years)	December 31, 2019	Issued	Exercised	Expired	September 30, 2020
June 2020 Investor Warrants	\$ 5.18	5.5	—	874	(477)	—	397
June 2020 Placement Agent Warrants	\$ 5.64	5	—	122	—	—	122
December 2019 Warrants	\$ 8.10	5	556	—	—	—	556
December 2019 Placement Agent Warrants	\$ 8.44	5	52	—	—	—	52
May 2019 Warrants	\$ 3.52	5	444	—	(246)	—	198
2017 Information Agent Warrants	\$ 22.50	3	13	—	—	(13)	—
2015 Warrants	\$ 41.25	5	107	—	—	—	107
Pre-2014 warrants	\$ 144.90	9-10	6	—	—	(6)	—
			1,178	996	(723)	(19)	1,432

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June 2020 Investor Warrants

In June 2020, the Company issued the June 2020 Investor Warrants, exercisable for up to 874 shares of the Company's common stock at an exercise price of \$5.18 per share. The June 2020 Warrants were issued as exercisable immediately, and will expire five and one-half years from the date of issuance, or on December 10, 2025.

In addition, the June 2020 Investor Warrants contain a cashless exercise provision, whereby, if, at the time a holder exercises its June 2020 Investor Warrants, a registration statement registering the issuance or the resale of the shares of common stock underlying the June 2020 Investor Warrants under the Securities Act is not then effective or available for the issuance of such shares, then in lieu of making the cash payment otherwise contemplated to be made to the Company upon such exercise in payment of the aggregate exercise price, the holder may elect to instead receive, upon such exercise (either in whole or in part), the net number of shares of the Company's common stock determined according to a formula set forth in the June 2020 Investor Warrant. The June 2020 Investor Warrants will be automatically exercised on a cashless basis on their expiration date.

The June 2020 Investor Warrants could also require payment of liquidated damages by the Company in the form of cash payments in the event of a failure by the Company to timely deliver shares of common stock upon exercise of such warrants.

The June 2020 Investor Warrants also contain a put option, under which, if the Company enters into a Fundamental Transaction, as defined in the June 2020 Investor Warrants, as defined in the June 2020 Investor Warrants, the holders of the June 2020 Investor Warrants will be entitled to receive upon exercise of the June 2020 Investor Warrants the kind and amount of securities, cash or other property that the holders would have received had they exercised the June 2020 Investor Warrants immediately prior to such fundamental transaction. Alternatively, the Company or any successor entity will, at the option of a holder of a June 2020 Investor Warrant, exercisable concurrently with or at any time within 30 days after the consummation of such Fundamental Transaction, purchase such holder's June 2020 Investor Warrant by paying to such holder an amount of cash equal to the Black-Scholes value of the remaining unexercised portion of such holder's June 2020 Investor Warrant. Because of this put-option provision, the June 2020 Investor Warrants are classified as a liability and are marked to market at each reporting date.

The warrant liability related to the June 2020 Investor Warrants is measured at fair value at each reporting date using certain estimated inputs, which are classified within Level 3 of the fair value hierarchy. The following assumptions were used in the Black-Scholes Model to measure the fair value of the June 2020 Investor Warrants:

	September 30, 2020	June 10, 2020
Current share price	\$ 4.75	\$ 3.81
Conversion price	\$ 5.18	\$ 5.18
Risk-free interest rate	0.26 %	0.39 %
Expected term (years)	5.19	5.5
Volatility of stock	104.12 %	96.4 %

June 2020 Placement Agent Warrants

In June 2020, the Company issued the June 2020 Placement Agent Warrants, exercisable for up to 122 shares of the Company's common stock, to the placement agent for such offering. The June 2020 Placement Agent Warrants have substantially the same form as the June 2020 Investor Warrants, including the put option described above, except that they have an exercise price per share equal to \$5.64, subject to adjustment in certain circumstances, and will expire on June 7, 2025.

Because of the put-option provision in the June 2020 Placement Agent Warrants, these warrants are classified as a liability and are marked to market at each reporting date.

The warrant liability related to the June 2020 Placement Agent Warrants is measured at fair value at each reporting date using certain estimated inputs, which are classified within Level 3 of the fair value hierarchy. The following assumptions were used in the Black-Scholes Model to measure the fair value of the June 2020 Placement Agent Warrants:

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	September 30, 2020	June 10, 2020
Current share price	\$ 4.75	\$ 3.81
Conversion price	\$ 5.64	\$ 5.64
Risk-free interest rate	0.26 %	0.33 %
Expected term (years)	4.69	5
Volatility of stock	106.83 %	96.3 %

December 2019 Warrants

In December 2019, pursuant to a securities purchase agreement (the "December 2019 Offering"), the Company issued warrants (the "December 2019 Warrants") to purchase 556 shares of common stock. The December 2019 Warrants have an exercise price of \$8.10 per share and will be exercisable six months and one day from their issuance date, or from and after June 21, 2020, and will expire five years from the date they initially became exercisable, or on June 21, 2025. During the nine months ended September 30, 2020, 477 shares of the December 2019 Warrants were exercised.

The December 2019 Warrants also contain a put option, under which, if the Company enters into a Fundamental Transaction, as defined in the December 2019 Warrants, the Company or any successor entity will, at the option of a holder of a December 2019 Warrant, exercisable concurrently with or at any time within 30 days after the consummation of such Fundamental Transaction, purchase such holder's December 2019 Warrant by paying to such holder an amount of cash equal to the Black-Scholes value of the remaining unexercised portion of such holder's December 2019 Warrant within five trading days after the notice of exercise by the holder of the put option. Because of this put-option provision, the December 2019 Warrants are classified as a liability and are marked to market at each reporting date.

The warrant liability related to the December 2019 Warrants is measured at fair value at each reporting date using certain estimated inputs, which are classified within Level 3 of the fair value hierarchy. The following assumptions were used in the Black-Scholes Model to measure the fair value of the December 2019 Warrants:

	September 30, 2020	December 31, 2019
Current share price	\$ 4.75	\$ 5.86
Conversion price	\$ 8.10	\$ 8.10
Risk-free interest rate	0.26 %	1.73 %
Expected term (years)	4.72	5.5
Volatility of stock	106.84 %	95.7 %

December 2019 Placement Agent Warrants

In December 2019, in connection with the December 2019 Offering, the Company issued warrants to purchase 52 shares of the Company's common stock to the placement agent for such offering (the "December 2019 Placement Agent Warrants"). The December 2019 Placement Agent Warrants have substantially the same form as the December 2019 Warrants, except that they have an exercise price per share equal to \$8.44, subject to adjustment in certain circumstances, and will expire on December 18, 2025.

The warrant liability related to the December 2019 Placement Agent Warrants is measured at fair value at each reporting date using certain estimated inputs, which are classified within Level 3 of the fair value hierarchy. The following assumptions were used in the Black-Scholes Model to measure the fair value of the December 2019 Placement Agent Warrants:

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	September 30, 2020	December 31, 2019
Current share price	\$ 4.75	\$ 5.86
Conversion price	\$ 8.44	\$ 8.44
Risk-free interest rate	0.23 %	1.69 %
Expected term (years)	4.22	5.0
Volatility of stock	109.79 %	93.1 %

Management has assessed that the likelihood of a Change of Control (as defined in the December 2019 Placement Agent Warrants) occurring during the term of the December 2019 Placement Agent Warrants is low, and that if such an event were to occur, the difference between the cashless exercise value and the warrants fair value is nominal.

May 2019 Warrants

In May 2019, pursuant to an underwriting agreement, (the "May 2019 Offering"), the Company issued the warrants (the "May 2019 Warrants") to purchase 444 shares of common stock. The May 2019 Warrants currently have an exercise price of \$3.52 per share and will expire five years from the date of their issuance, or on May 24, 2024. The May 2019 Warrants contain a price protection feature, pursuant to which, subject to certain exceptions, if shares of common stock are sold or issued in the future, or securities convertible or exercisable for shares of the Company's common stock are sold or issued in the future, for consideration, or with an exercise price or conversion price, as applicable, per share less than the exercise price per share then in effect for the May 2019 Warrants, the exercise price of the May 2019 Warrants is reduced to the consideration paid for, or the exercise price or conversion price of, as the case may be, the securities issued in such offering. Pursuant to this provision, in connection with the June 2020 Offering, the exercise price of the May 2019 Warrants was reduced to \$3.52 per share, being the amount that is equal to the lower of (x) the consideration paid for the securities issued in the June 2020 Offering, or \$4.51 per share, (y) the lowest exercise price of the June 2020 Warrants, or \$5.18, and (z) the lowest one-day volume-weighted average price of the Company's Common Stock on the Nasdaq Capital Market as measured each day during the five trading day period starting on June 8, 2020, rounded to the nearest share, or \$3.52. During the nine months ended September 30, 2020, 246 shares of the May 2019 warrants were exercised.

In addition, if the Company effects or enters into any issuance of common stock or options or convertible securities exercisable for or convertible into common stock at a price which varies or may vary with the market price of the shares of the Company's common stock, subject to certain exceptions, a May 2019 Warrant holder may, at the time of exercise of the holder's warrant, elect to exercise the warrant at such variable price.

The May 2019 Warrants include a put option, whereby while the May 2019 Warrants are outstanding, if the Company enters into a Change of Control, as defined in the May 2019 Warrants, the Company or any successor entity will, at the option of a 2019 Warrant holder exercise within 90 days after the public disclosure of the Change of Control transaction, purchase such holder's May 2019 Warrants by paying to such holder an amount of cash equal to the Black-Scholes value of the remaining unexercised portion of such warrants on the later date of consummation of the Change of Control transaction or two trading days after the notice of such request. Because of this put option provision, the May 2019 Warrants are classified as a liability and are marked to market at each reporting date.

The warrant liability related to the May 2019 Warrants is measured at fair value at each reporting date using certain estimated inputs, which are classified within Level 3 of the fair value hierarchy. The following assumptions were used in a combination of the Black-Scholes Model and the Lattice Model to measure the fair value of the May 2019 Warrants:

	September 30, 2020	December 31, 2019
Current share price	\$ 4.75	\$ 5.86
Conversion price	\$ 3.52	\$ 5.70
Risk-free interest rate	0.2 %	1.67 %
Expected term (years)	3.6	4.4
Volatility of stock	113.3 %	93.9 %

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Management has assessed that the likelihood of a Change of Control occurring during the term of the warrants is low, and that if such an event were to occur, the difference between the cashless exercise value and the May 2019 Warrants fair value is nominal.

2017 Information Agent Warrants

In September 2017, in connection with a rights offering in August 2017, the Company issued warrants (the "2017 Information Agent Warrants") to purchase 13 shares of the Company's common stock to an information agent. The 2017 Information Agent Warrants have an exercise price of \$22.50 per share, and became exercisable immediately upon issuance and will remain exercisable until September 13, 2020. These warrants were recorded in stockholders' (deficit) equity on the Company's condensed consolidated balance sheet. These warrants expired during the three months ended September 30, 2020.

2015 Warrants

In December 2015, the Company issued warrants (the "2015 Warrants") to purchase 141 shares. The 2015 Warrants have an exercise price of \$41.25 per share, are immediately exercisable and will remain exercisable until December 23, 2020. The 2015 Warrants contain a put-option provision. Under this provision, while the 2015 Warrants are outstanding, if the Company enters into a Fundamental Transaction, as defined in the 2015 Warrants as a merger, consolidation or similar transaction, the Company or any successor entity shall, at the option of each warrant holder, exercisable at any time concurrently with or within 30 days after the consummation of the Fundamental Transaction, purchase the warrant from the holder exercising such option by paying to the holder an amount of cash equal to the Black-Scholes value of the remaining unexercised portion of such holder's warrant on the date of the consummation of the Fundamental Transaction. Because of this put-option provision, the 2015 Warrants are classified as a liability and are marked to market at each reporting date. Through December 31, 2019, 35 shares of the 2015 Warrants were exercised. During the nine months ended September 30, 2020, none of the 2015 Warrants were exercised.

On March 8, 2019, in connection with an amendment to a securities purchase agreement, which retroactively removed a provision from such securities purchase agreement that prohibited the Company from effecting or entering into an agreement to effect any issuance by the Company of its common stock at a price determined based on the trading price of the Company's common stock or otherwise at a future determined price, the Company entered into an amendment to the 2015 Warrants to reduce the exercise price of each such warrant from \$56.10 per share to \$41.25 per share, subject to further adjustments pursuant to the existing terms of such warrant. In the nine months ended September 30, 2019, the Company recorded a \$257 loss on the modification of these warrants.

The warrant liability related to the 2015 Warrants is measured at fair value at each reporting date using certain estimated inputs, which are classified within Level 3 of the fair value hierarchy. The following assumptions were used in the Black-Scholes Option Pricing Model to measure the fair value of the 2015 Warrants as of:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Current share price	\$ 4.75	\$ 5.86
Conversion price	\$ 41.25	\$ 41.25
Risk-free interest rate	0.1 %	1.59 %
Expected term (years)	0.24	0.99
Volatility of stock	110.52 %	98.46 %

Pre-2014 Merger Warrants

As a result of the May 2019 Offering, which was a firm commitment underwritten public offering, warrants to purchase 6 shares of the Company's common stock, which were converted from warrants to purchase preferred stock of Ekso Bionics, Inc. at the time of the merger, expired in accordance with their terms.

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14. Stock-based Compensation

See Note 13, *Capitalization and Equity Structure – Reverse Stock Split*.

In March 2020, the Company’s stockholders approved an amendment to the Company’s Amended and Restated 2014 Equity Incentive Plan (the “2014 Plan”), to increase the number of shares available for grant by 333 shares. As of September 30, 2020, the total shares authorized for grant under the 2014 Plan was 1,174, of which 321 were available for future grants.

Stock Options

The following table summarizes information about the Company’s stock options outstanding as of September 30, 2020, and activity during the nine months then ended:

	Stock Awards	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Balance as of December 31, 2019	494	\$ 36.64		
Options granted	90	5.65		
Options exercised	—	—		
Options forfeited	(24)	26.49		
Options cancelled	(28)	42.38		
Balance as of September 30, 2020	<u>532</u>	<u>\$ 31.57</u>	7.61	\$ —
Vested and expected to vest at September 30, 2020	<u>532</u>	<u>\$ 31.57</u>	7.61	\$ —
Exercisable as of September 30, 2020	<u>317</u>	<u>\$ 42.26</u>	6.85	\$ —

As of September 30, 2020, total unrecognized compensation cost related to unvested stock options was \$2,572. This amount is expected to be recognized as stock-based compensation expense in the Company’s condensed consolidated statements of operations and comprehensive loss over the remaining weighted average vesting period of 2.23 years.

The per-share fair value of each stock option was determined on the date of grant using the Black-Scholes Model using the following assumptions:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020 ⁽¹⁾	2019 ⁽¹⁾	2020	2019
Dividend yield	N/A	N/A	—	—
Risk-free interest rate	N/A	N/A	1.58 %	2.12 %
Expected term (in years)	N/A	N/A	5.6	6
Volatility	N/A	N/A	102 %	102 %

⁽¹⁾Black-Scholes option pricing model assumptions are not applicable for the three months ended September 30, 2020 and 2019, as there were no stock options granted during these periods.

Restricted Stock Units

Each restricted stock unit (RSU) issued to employees and members of the board of directors represents the right to receive one share of the Company’s common stock upon vesting and subsequent settlement. The fair value of RSUs is determined based on the closing price of the Company’s common stock on the date of grant.

RSU activity for the nine months ended September 30, 2020 is summarized below:

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	Number of Shares	Weighted- Average Grant Date Fair Value
Unvested as of December 31, 2019	89	\$ 10.77
Granted	135	4.45
Vested	(16)	8.06
Forfeited	(28)	11.03
Unvested at September 30, 2020	180	\$ 6.21

As of September 30, 2020, \$900 of total unrecognized compensation expense related to unvested RSUs was expected to be recognized over a weighted average period of 2.35 years.

Compensation Expense

Total stock-based compensation expense related to options and RSUs granted to employees and non-employees is included in the condensed consolidated statements of operations and comprehensive loss as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Sales and marketing	\$ 103	\$ 137	\$ 339	\$ 516
Research and development	49	57	161	175
General and administrative	365	293	1,112	989
	\$ 517	\$ 487	\$ 1,612	\$ 1,680

401(k) Plan Share Match

During the nine months ended September 30, 2020, the Company issued 26 shares of common stock to eligible employees' deferral accounts for the 401(k) Plan matching contribution representing 50% of each eligible employee's elected deferral (up to the statutory limit) for the fiscal year ended December 31, 2019. The expense related to the 2020 contribution was \$155 for the nine months ended September 30, 2020.

15. Income Taxes

There were no material changes to the unrecognized tax benefits in the nine months ended September 30, 2020, and the Company does not expect significant changes to unrecognized tax benefits through the end of the fiscal year. Because of the Company's history of tax losses, all years remain open to tax examination.

16. Commitments and Contingencies

Material Contracts

The Company enters various license, research collaboration and development agreements, which provide for payments to the Company primarily for technology transfer and license fees, and royalty payments on sales.

The Company has two license agreements with the Regents of the University of California to maintain exclusive rights to certain patents. Pursuant to those license agreements, the Company is required to pay 1% of net sales of products sold to entities other than the U.S. government and, in the event of a sub-license, the Company owes 21% of license fees and must pass through 1% of the sub-licensee's net sales of products sold to entities other than the U.S. government. The agreements also stipulate minimum annual royalties of \$50.

In connection with acquisition of Equipois, LLC ("Equipois"), the Company assumed the rights and obligations of Equipois under a license agreement with the developer of certain intellectual property related to mechanical balance and support arm.

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technologies, which grants the Company an exclusive license with respect to the technology and patent rights for certain fields of use. Pursuant to the terms of the license agreement, the Company pays the developer a single-digit royalty on net receipts, subject to a \$50 annual minimum royalty requirement.

The Company purchases components from a variety of suppliers and uses contract manufacturers to provide manufacturing services for its products. Purchase obligations are defined as agreements that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. The Company had purchase obligations primarily for purchases of inventory and manufacturing related service contracts totaling \$302 as of September 30, 2020, which is expected to be paid within a year. Timing of payments and actual amounts paid may be different depending on the time of receipt of goods or services or changes to agreed-upon amounts for some obligations.

Contingencies

In the normal course of business, the Company is subject to various legal matters. In the opinion of management, the resolution of such matters will not have a material adverse effect on the Company's condensed consolidated financial statements.

17. Net Income (Loss) Per Share

The following table sets forth the computation of basic and diluted net income (loss) per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Numerator:				
Net income (loss) applicable to common shareholders	\$ 2,452	\$ 206	\$ (11,849)	\$ (9,411)
Adjustment for gain on fair value of "in the money" warrants	(2,545)	—	(294)	—
Adjusted net income (loss) used for dilution calculation	<u>\$ (93)</u>	<u>\$ 206</u>	<u>\$ (12,143)</u>	<u>\$ (9,411)</u>
Denominator:				
Weighted-average number of shares outstanding	8,236	4,996	6,772	4,684
Effect of dilutive shares:				
"In the money" warrants for common stock	143	—	57	—
Equity awards	—	1	—	—
Dilutive weighted-average number of shares outstanding	<u>8,379</u>	<u>4,997</u>	<u>6,829</u>	<u>4,684</u>
Net income (loss) per share applicable to common shareholders				
Basic	\$ 0.30	\$ 0.04	\$ (1.75)	\$ (2.01)
Diluted	\$ (0.01)	\$ 0.04	\$ (1.78)	\$ (2.01)

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The following table sets forth potential shares of common stock that are not included in the calculation of diluted net loss per share because to do so would be anti-dilutive as of the end of each period presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Options to purchase common stock	532	395	532	396
Restricted stock units	180	9	180	9
Warrants for common stock	715	571	1,234	571
Total common stock equivalents	<u>1,427</u>	<u>975</u>	<u>1,946</u>	<u>976</u>

18. Segment Disclosures

The Company has two reportable segments: EksoHealth (also referred to as the medical devices segment) and EksoWorks (also referred to as the industrial devices segment). The EksoHealth segment designs, engineers, manufactures, sells, and rents exoskeletons for applications in the medical markets. The EksoWorks segment designs, engineers, manufactures, sells, and rents exoskeleton devices to allow able-bodied users to perform difficult repetitive work for extended periods. The reportable segments are each managed separately because they serve distinct markets.

The Company evaluates performance and allocates resources based on segment gross profit margin. The Company does not consider net assets as a segment measure and, accordingly, assets are not allocated.

Segment reporting information is as follows:

	EksoHealth	EksoWorks	Total
Three months ended September 30, 2020			
Revenue	\$ 2,739	\$ 158	\$ 2,897
Cost of revenue	989	95	1,084
Gross profit	<u>\$ 1,750</u>	<u>\$ 63</u>	<u>\$ 1,813</u>
Three months ended September 30, 2019			
Revenue	\$ 2,999	\$ 320	\$ 3,319
Cost of revenue	1,297	272	1,569
Gross profit	<u>\$ 1,702</u>	<u>\$ 48</u>	<u>\$ 1,750</u>
Nine Months Ended September 30, 2020			
Revenue	\$ 6,015	\$ 613	\$ 6,628
Cost of revenue	2,466	453	2,919
Gross profit	<u>\$ 3,549</u>	<u>\$ 160</u>	<u>\$ 3,709</u>
Nine Months Ended September 30, 2019			
Revenue	\$ 8,661	\$ 1,536	\$ 10,197
Cost of revenue	3,932	1,356	5,288
Gross profit	<u>\$ 4,729</u>	<u>\$ 180</u>	<u>\$ 4,909</u>

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Geographic information for revenue based on location of customers is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
United States	\$ 1,926	\$ 1,941	\$ 4,813	\$ 6,669
All Other	971	1,378	1,815	3,528
	\$ 2,897	\$ 3,319	\$ 6,628	\$ 10,197

19. Related Party Transactions

One of the Company's directors, Dr. Ted Wang, is the founder, general partner and Chief Investment Officer of Puissance Capital Management LP ("Puissance Capital"), which is an affiliate of Puissance Cross-Border Opportunities II LLC, one of the Company's largest stockholders. Prior to Dr. Wang's appointment to the Board in September 2017, the Company entered into a one-year consulting agreement with Angel Pond Capital LLC ("Angel Pond"), an entity solely owned and managed by Dr. Wang and affiliated with Puissance Capital. Angel Pond provides consulting services to the Company with respect to strategic positioning in the Asia Pacific region, including introduction to potential strategic partners and the development of strategic partnerships for the sale and manufacture of the Company's products in that market. During the nine months ended September 30, 2019, Angel Pond provided consulting services amounting to \$30, which was expensed in the condensed consolidated statement of operations and comprehensive loss.

During the nine months ended September 30, 2020, the Company sold EksoVest raw material inventory and tooling to the China JV for \$5.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our financial condition and results of operation should be read in conjunction with the condensed consolidated financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 (this "Quarterly Report") and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (the "Annual Report").

This Quarterly Report contains forward-looking statements. These forward-looking statements include statements other than statements of historical facts contained or incorporated by reference in this Quarterly Report, including statements regarding (i) the plans and objectives of management for future operations, including those relating to the design, development and commercialization of exoskeleton products for humans, (ii) a projection of income (including income/loss), earnings (including earnings/loss) per share, capital expenditures, dividends, capital structure or other financial items, (iii) our future financial performance, including any such statement contained in a discussion and analysis of financial condition by management or in the results of operations included pursuant to the rules and regulations of the Securities and Exchange Commission, (iv) our beliefs regarding the potential for commercial opportunities for exoskeleton technology in general and our exoskeleton products in particular, (v) our beliefs regarding potential clinical and other health benefits of our medical devices, and (vi) the assumptions underlying or relating to any statement described in points (i), (ii), (iii), (iv) or (v) above. The words "may," "might," "would," "should," "could," "project," "estimate," "pro-forma," "predict," "potential," "strategy," "anticipate," "attempt," "develop," "plan," "help," "believe," "continue," "intend," "expect," "future," and similar expressions (including the negative of any of the foregoing) are intended to identify forward-looking statements.

The following factors, among others, including those described in the section titled "Risk Factors" included in our Annual Report, as updated and supplemented in this Quarterly Report under the heading "Part II – Item 1A. Risk Factors," could cause our future results to differ materially from those expressed in the forward-looking information:

- our ability to obtain adequate financing to fund operations and to develop or enhance our technology;
- scope, scale and duration of the impact of outbreaks of a pandemic disease, such as COVID-19 (coronavirus);
- our ability to obtain or maintain regulatory approval to market our medical devices;
- our ability to complete clinical trials on a timely basis and that completed clinical trials will be sufficient to support commercialization of our products;
- the anticipated timing, cost and progress of the development and commercialization of new products or services, and improvements to our existing products, and related impacts on our profitability and cash position;
- our ability to effectively market and sell our products and expand our business, both in unit sales and product diversification;
- our ability to achieve broad customer adoption of our products and services;
- existing or increased competition;
- rapid changes in technological solutions available to our markets;
- volatility with our business, including long and variable sales cycles, which could have a negative impact on our results of operations for any given quarter;
- changes to our domestic or international sales and operations;
- our ability to obtain or maintain patent protection for our intellectual property;
- the scope, validity and enforceability of our and third-party intellectual property rights;
- significant government regulation of medical devices and the healthcare industry;
- our ability to receive regulatory clearance from certain government authorities, such as CFIUS (as defined below), including any conditions, limitations or restrictions placed on such approvals;
- outbreaks of a pandemic disease, such as COVID-19 (coronavirus);
- our customers' ability to get third-party reimbursement for our products and services associated with them;
- our failure to implement our business plan or strategies;
- our early termination of leases, difficulty filling vacancies or negotiating improved lease terms;
- our ability to retain or attract key employees;
- stock volatility or illiquidity;
- our ability to maintain adequate internal controls over financial reporting; and
- overall economic and market conditions.

Although we believe that the assumptions underlying the forward-looking statements and forward-looking information contained herein are reasonable, any of the assumptions could be inaccurate, and therefore, such statements and information

included in this Quarterly Report may not prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements and forward-looking information included herein, the inclusion of such statements and information should not be regarded as a representation by us or any other person that the results or conditions described in such statements and information or that our objectives and plans will be achieved. Such forward-looking statements speak only as of the date of this Quarterly Report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

Overview

We design, develop and sell exoskeleton technology to augment human strength, endurance and mobility. Our exoskeleton technology serves multiple markets and can be used both by able-bodied persons as well as by persons with physical disabilities. We have sold or rented devices that (i) enable individuals with neurological conditions affecting gait (stroke and spinal cord injury) to rehabilitate, and in some cases, to walk again, (ii) assist individuals with a broad range of upper extremity impairments, and (iii) allow industrial workers to perform difficult repetitive work for extended periods.

We believe that the commercial opportunity for exoskeleton technology adoption is accelerating as a result of recent advancements in material technologies, electronic and electrical engineering, control technologies, and sensor and software development. Taken individually, many of these advancements have become ubiquitous in peoples' everyday lives. We believe that we have learned how to integrate these existing technologies and wrap the result around a human being efficiently, elegantly and safely, supported by an industry leading intellectual property portfolio. We further believe that we can do so across a broad spectrum of applications, from persons with lower limb paralysis to able-bodied users.

EksoHealth

EksoHealth is our business unit that focuses on developing, marketing, and selling exoskeletons for medical applications. Our leading product in EksoHealth is EksoNR, which is a robotic exoskeleton used to provide physical therapy for patients with lower extremity impairment. EksoNR, which in 2019 superseded our EksoGT product in this segment, includes unique features designed specifically to assist physical therapists and other clinicians to teach patients to walk again after suffering a neurological impairment. Typical conditions that can be treated with the assistance of EksoNR include acquired brain injuries (ABI), such as stroke and traumatic brain injuries (TBI), as well as spinal cord injuries and others. The benefits of using EksoNR for rehabilitation can include earlier mobilization of patients, longer and more intense rehab sessions, and better quality of sessions compared to alternative therapies. The product is most typically used in a clinical setting, with the most common among those being inpatient rehab facilities (IRF) and stroke centers.

EksoUE is a wearable upper body exoskeleton that is also used as a tool during rehabilitation. EksoUE is designed to assist patients with a broad range of upper extremity impairments and aims to provide them with a wider active range of motion and increased endurance for rehabilitation sessions of higher intensity.

EksoWorks

EksoWorks is our business unit that focuses on developing, marketing, and selling exoskeletons and other assistive tools for industrial applications. The target users for these devices are generally able-bodied, and as such the goal of these products is to reduce fatigue for workers. The benefits of fatigue reduction can include reduced rates of injuries, higher productivity, higher worker morale, and lower turnover. Currently, we sell these products primarily directly to companies that deploy them for use in their operations.

Within EksoWorks we have two main categories of products. Our wearable exoskeleton products include EksoVest and the new EVO, both of which support the weight of a worker's arms and tools, reducing the fatigue associated with working at or above shoulder height for extended periods. These products are currently targeted at end markets in Manufacturing, Aerospace, Construction, and Food Processing.

EksoZeroG is a tool holder that can mount on aerial lift platform or scaffolding. This effectively reduces the weight of heavy tools as felt by the operator. EksoZeroG has been sold primarily through rental companies into the construction market.

In addition to our current product lineup, we believe that there is additional mid-to-long-term potential in the industrial markets, and accordingly, we will continue our development efforts to expand our EksoWorks product offerings.

Third Quarter 2020 Highlights

- Reported revenue of \$2.9 million in the third quarter of 2020
- Record quarterly gross margins of approximately 63% in the third quarter of 2020, compared to 53% in the same period of 2019
- Launched EVO™, an endurance-boosting assistive upper body exoskeleton designed for industrial use
- Received proceeds of \$3.3 million from the exercise of warrants
- Reduced use of cash for operating activities to lowest levels in Company history

In March 2020, the World Health Organization declared the COVID-19 outbreak to be a global pandemic. In response to this pandemic, public health officials and governments across the world have recommended and mandated actions to curb the spread of the virus. The COVID-19 pandemic and the related responses to the pandemic have caused a significant adverse impact on the global economy, including disruptions to supply chains, sharp increases in unemployment and overall economic uncertainty.

This pandemic has negatively impacted our business, including our employees, suppliers, customers and other business partners. We have seen demand for our exoskeleton products decrease in the current business environment, as many inpatient rehabilitation facilities temporarily shift priorities and delay capital expenditures. We have seen that the clinical need has not diminished as more data is coming out about the increase prevalence of strokes during this pandemic. As such, we continue to engage with our current and prospective customers through video conferencing, virtual training events and online education demos to offer our support and showcase the value of our Ekso devices. Although market uncertainties related to the pandemic make it difficult for us to project the full impact on our business and customers, we believe that we are well-positioned to serve our customers when business conditions begin to normalize.

We continue to instruct the majority of our employees to work from home, restrict non-critical business travel and have enhanced the use of personal protective equipment in our facilities.

To align our cost structure to the current business environment, we initially furloughed and subsequently laid-off a portion of our workforce in the second quarter of 2020.

Management continues to actively monitor the global situation and its effects on our financial position and operations.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of these condensed consolidated financial statements requires us to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. Our estimates form the basis for our judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimate that are reasonably likely to occur, could materially impact the condensed consolidated financial statements. We believe that our critical accounting policies reflect the more significant estimates and assumptions used in the preparation of the condensed consolidated financial statements.

Results of Operations

The following table presents our results of operations (in thousands, except percentages):

	Three months ended September 30,		Change	% Change
	2020	2019		
Revenue	\$ 2,897	\$ 3,319	\$ (422)	(13)%
Cost of revenue	1,084	1,569	(485)	(31)%
Gross profit	1,813	1,750	63	4 %
Operating expenses:				
Sales and marketing	1,740	2,818	(1,078)	(38)%
Research and development	599	1,149	(550)	(48)%
General and administrative	1,706	1,573	133	8 %
Impairment of goodwill	189	—	189	n/m ¹
Total operating expenses	4,234	5,540	(1,306)	(24)%
Loss from operations	(2,421)	(3,790)	1,369	(36)%
Other (expense) income, net:				
Interest expense	(23)	(88)	65	(74)%
Gain on warrant liabilities	4,476	4,430	46	1 %
Other income (expense), net	420	(346)	766	(221)%
Total other (expense) income, net	4,873	3,996	877	22 %
Net income	\$ 2,452	\$ 206	\$ 2,246	1,090 %

⁽¹⁾ Not meaningful

Revenue

Revenue decreased \$0.4 million, or 13%, for the three months ended September 30, 2020, compared to the same period of 2019. This decrease was comprised of a \$0.2 million decrease in EksoHealth revenue and a \$0.2 million decrease in EksoWorks revenue, primarily due to a decrease in volume of medical device sales driven by the impact of the COVID-19 pandemic, as our customers shifted their priorities to manage their business during the pandemic.

Gross Profit

Gross profit increased \$0.1 million, or 4%, for the three months ended September 30, 2020, compared to the same period of 2019, representing a gross margin of approximately 63% in the third quarter of 2020, compared to a gross margin for the same period in 2019 of 53%. The increase in gross margins was primarily due to higher average selling prices for EksoNR, an increased proportion of medical device sales in overall revenue composition, lower unit production costs, the introduction of EVO and higher service margins.

Operating Expenses

Sales and marketing expenses decreased \$1.1 million, or 38%, for the three months ended September 30, 2020, compared to the same period of 2019, primarily due to a decrease in employee compensation expenses as a result of a reduction in force in May 2020, and lower general marketing and trade show activities.

Research and development expenses decreased \$0.6 million, or 48%, for the three months ended September 30, 2020, compared to the same period of 2019, primarily due to a decrease in employee compensation expenses as a result of a reduction in force in May 2020, and a decrease in patent and licensing costs.

General and administrative expenses increased \$0.1 million, or 8%, for the three months ended September 30, 2020, compared to the same period of 2019, primarily due to higher legal expenses associated with the termination of our China joint venture.

Goodwill impairment charge of \$0.2 million was recorded in the three months ended September 30, 2020, reducing the goodwill balance to zero. No goodwill impairment charge was recorded in the same period of 2019.

The reduction in operating expenses reflects the continuation of the company-wide initiatives we implemented last year, the restructuring completed in May 2020, as well as improving overall operational efficiencies. Our focus remains on optimizing the cost structure of our organization.

Total Other (Expense) Income, Net

Interest expense decreased \$0.1 million, or 74% for the three months ended September 30, 2020, compared to the same period of 2019, primarily due to a lower principal balances of term loans.

Gain on warrant liabilities of \$4.5 million for the three months ended September 30, 2020 was associated with the revaluation of warrants issued in 2015, 2019 and 2020, compared to a \$4.4 million gain associated with the revaluation of warrants issued in 2015 and May 2019 for the three months ended September 30, 2019. The gain on the revaluation of warrant liabilities during the three months ended September 30, 2020 is primarily due to the decrease in the market price of our common stock from June 30, 2020 to September 30, 2020. The comparable quarter's gain on the revaluation of warrant liabilities was also due to the decrease in our stock price during the comparable period.

Other income (expense), net for the three months ended September 30, 2020 was \$0.4 million income, as compared to a \$0.3 million expense for the same period of 2019. The primary reason for the increase in income is due to larger unrealized gain on foreign currency revaluations of our inter-company monetary assets and liabilities.

The following table presents our results of operations (in thousands, except percentages):

	Nine months ended September 30,		Change	% Change
	2020	2019		
Revenue	\$ 6,628	\$ 10,197	\$ (3,569)	(35) %
Cost of revenue	2,919	5,288	(2,369)	(45) %
Gross profit	3,709	4,909	(1,200)	(24) %
Operating expenses:				
Sales and marketing	5,972	8,666	(2,694)	(31) %
Research and development	1,762	4,032	(2,270)	(56) %
General and administrative	5,836	6,011	(175)	(3) %
Impairment of goodwill	189	—	189	n/m ⁽¹⁾
Restructuring	244	—	244	n/m ⁽¹⁾
Total operating expenses	14,003	18,709	(4,706)	(25) %
Loss from operations	(10,294)	(13,800)	3,506	(25) %
Other (expense) income, net:				
Interest expense	(113)	(316)	203	(64) %
(Loss) gain on warrant liabilities	(1,579)	6,045	(7,624)	(126) %
Loss on modification of warrants	—	(257)	257	(100) %
Warrant issuance expense	(329)	(706)	377	(53) %
Other income (expense), net	466	(377)	843	(224) %
Total other (expense) income, net	(1,555)	4,389	(5,944)	(135) %
Net loss	\$ (11,849)	\$ (9,411)	\$ (2,438)	26 %

⁽¹⁾ Not meaningful

Revenue

Revenue decreased \$3.6 million, or 35%, for the nine months ended September 30, 2020, compared to the same period of 2019. This decrease was comprised of a \$2.7 million decrease in EksoHealth revenue and a \$0.9 million decrease in EksoWorks revenue, primarily due to a decrease in volume of medical device sales driven by the impact of the COVID-19 pandemic, as our customers shifted their priorities to prepare for and manage their business during the pandemic.

Gross Profit

Gross profit decreased \$1.2 million, or 24%, for the nine months ended September 30, 2020, compared to the same period of 2019, primarily attributed to decreased volume of device sales. Gross margin was approximately 56% for the nine months ended September 30, 2020, compared to a gross margin of 48% for the same period in 2019. Gross margins increased primarily due to higher average selling prices for EksoNR, an increased proportion of medical device sales in overall revenue composition, lower unit production costs, the introduction of EVO and higher service margins.

Operating Expenses

Sales and marketing expenses decreased \$2.7 million, or 31%, for the nine months ended September 30, 2020, compared to the same period of 2019, primarily due to a decrease in employee compensation expenses as a result of a furlough and a reduction in force in March and May 2020, respectively, lower general marketing and trade show activities, and the absence of clinical trials expense due to the completion of our main clinical trial in the first quarter of 2019.

Research and development expenses decreased \$2.3 million, or 56%, for the nine months ended September 30, 2020, compared to the same period of 2019, primarily due to a decrease in employee compensation expenses as a result of a furlough and a reduction in force in March and May 2020, respectively, and a decrease in patent and licensing costs.

General and administrative expenses decreased \$0.2 million, or 3%, for the nine months ended September 30, 2020, compared to the same period of 2019, primarily due to a decrease in employee compensation expenses from reduced headcount.

Goodwill impairment charge of \$0.2 million was recorded in the nine months ended September 30, 2020, reducing the goodwill balance to zero. No goodwill impairment charge was recorded in the same period of 2019.

Restructuring expense of \$0.2 million was recorded in the nine months ended September 30, 2020 and related to the completion of a restructuring plan in May of 2020. We streamlined our operations and reduced our workforce by approximately 35% to lower operating expenses and reduce cash burn. The restructuring expense consisted of employee severance payments.

The reduction in operating expenses reflects the continuation of the company-wide initiatives we implemented last year, the restructuring completed in May 2020, as well as improving overall operational efficiencies. Our focus remains on optimizing the cost structure of our organization.

Total Other (Expense) Income, Net

Interest expense decreased \$0.2 million, or 64% for the nine months ended September 30, 2020, compared to the same period of 2019, primarily due to a lower principal balance on our term loan.

Loss on warrant liabilities of \$1.6 million for the nine months ended September 30, 2020 was associated with the revaluation of warrants issued in 2015, 2019 and 2020, compared to a \$6.0 million gain associated with the revaluation of warrants issued in 2015 and May 2019 for the nine months ended September 30, 2019. Gains and losses on the revaluation of warrant liabilities are primarily driven by changes in the Company's stock price. Typically, an increase in the price of our common stock over the reporting period would result in a loss on warrant liabilities, while a decrease would result in a gain; however, when warrants are exercised, the corresponding warrant liability is marked-to-market immediately prior to exercise. Due to the fluctuation of our stock price and significant warrant exercises, during the nine months ended September 30, 2020, we recorded a loss on the warrants liabilities even though there was an overall decrease in our stock price from December 31, 2019 to September 30, 2020. The comparable period's gain on the revaluation of warrant liabilities was primarily due to the decrease in our stock price during the comparable period.

Loss on modification of warrants of \$0.3 million for the nine months ended September 30, 2019 was due to the reduction of the exercise price of the 2015 Warrants \$56.10 per share to \$41.25 per share, in connection with an amendment 2015 Warrant Agreement, which retroactively removed a provision from such securities purchase agreement that prohibited the Company from effecting or entering into an agreement to effect any issuance by the Company of its common stock at a price determined based on the trading price of the Company's common stock or otherwise at a future determined price. There was no comparable amount for the nine months ended September 30, 2020.

Warrant issuance expense of \$0.3 million for the nine months ended September 30, 2020 was recorded in connection with our private placement offerings of warrants to purchase common stock concurrently with a registered direct offering of our common stock in June 2020. We incurred \$1.1 million in direct financing costs, which were allocated on a relative fair value basis between the common stock and warrant issuances, of which \$0.3 million was allocated to warrants and expensed immediately. For the nine months ended September 30, 2019 we recorded \$0.7 million in warrant issuance expense in connection with our public offering of common stock and warrants to purchase common stock in May 2019.

Financial Condition, Liquidity and Capital Resources

Since our inception, we have devoted substantially all of our efforts toward the development of exoskeletons for the medical and industrial markets, toward the commercialization of medical exoskeletons for rehabilitation centers and toward raising capital. We have financed our operations primarily through the issuance and sale of equity securities for cash consideration and through bank debt.

Liquidity and Capital Resources

As of September 30, 2020, we had an accumulated deficit of \$195.1 million. Largely as a result of significant research and development activities related to the development of our advanced technology and commercialization of such technology into our medical device business, we have incurred significant operating losses and negative cash flows from operations since inception. In the nine months ended September 30, 2020, we used \$7.0 million of cash in our operations and had cash on hand of \$14.5 million as of September 30, 2020.

In 2020, management has taken several actions to alleviate the substantial doubt about our ability to continue as a going concern that existed as of the date of issuance of the December 31, 2019 consolidated financial statements, including, but not limited to, the following:

- streamlined our operations and reduced our workforce by approximately 35% to lower operating expenses and reduce cash burn;
- conducted a registered direct offering of 1,747,704 shares of our common stock for net proceeds of \$7.1 million;
- paid off the entire amount of \$1.5 million of our indebtedness to Western Alliance Bank with proceeds from a new loan of \$2.0 million from Pacific Western Bank. The terms of the new loan agreement include monthly interest-only payments over the next three years.
- invested in the development and reliability of our products;
- restructured our commercial organization and strategy which is showing continued adoption;
- received FDA clearance for ABI to market our product to a larger patient population increasing the value proposition to our customers.

We have also received proceeds of \$3.3 million from warrant exercises in the nine months ended September 30, 2020.

As described in *Note 11. Notes Payable, net* in the notes to our condensed consolidated financial statements, borrowings under our new secured term loan agreement with Pacific Western Bank have a requirement of minimum cash on hand equivalent to the current outstanding principal balance. As of September 30, 2020, \$2.0 million of cash must remain as restricted. After considering cash restrictions, effective unrestricted cash as of September 30, 2020 is estimated to be \$12.5 million. With this unrestricted cash balance and the impact of management's actions described above, we believe that we currently have sufficient cash to fund our operations beyond the look forward period of one year from the issuance of these condensed consolidated financial statements.

Our actual capital requirements may vary significantly and will depend on many factors. We plan to continue our investments in our (i) sales initiatives to accelerate adoption of the Ekso robotic exoskeleton in the rehabilitation market, (ii) research, development and commercialization activities with respect to exoskeletons for rehabilitation, and (iii) development and commercialization of able-bodied exoskeletons for industrial use. Consequently, we may require significant additional financing in the future, which we intend to raise through corporate collaborations, public or private equity offerings, debt financings, or warrant solicitations. Sales of additional equity securities by us could result in the dilution of the interests of existing stockholders. There can be no assurance that financing will be available when required in sufficient amounts, on acceptable terms or at all. In the event that the necessary additional financing is not obtained, we may be required to further reduce our discretionary overhead costs substantially, including research and development, general and administrative, and sales and marketing expenses or otherwise curtail operations.

Cash and Cash Equivalents

The following table summarizes the sources and uses of cash (in thousands). We held no cash equivalents for any of the periods presented.

	Nine months ended September 30,	
	2020	2019
Net cash used in operating activities	\$ (7,015)	\$ (14,277)
Net cash used in investing activities	—	(60)
Net cash provided by financing activities	10,704	14,770
Effect of exchange rate changes on cash	(12)	(30)
Net increase in cash	3,677	403
Cash at the beginning of the period	10,872	7,655
Cash at the end of the period	\$ 14,549	\$ 8,058

Net Cash Used in Operating Activities

Net cash used in operations decreased \$7.3 million, or 51%, for the nine months ended September 30, 2020, compared to the same period of 2019 primarily due to the reduction in operating expenses by improving overall operational efficiencies, including but not limited to, the reduction of employee headcount. In addition, increased collection efforts resulted in higher accounts receivable collections.

Net Cash Provided by Financing Activities

Net cash provided by financing activities of \$10.7 million for the nine months ended September 30, 2020 was from the sale of our common stock for net proceeds of \$7.1 million in connection with the equity financing in June 2020, proceeds of \$1.1 million from our PPP loan, and proceeds of \$3.3 million from the exercise of June 2020 Warrants and May 2019 Warrants, partially offset by aggregate principal payments of \$1.3 million against our term loan.

Net cash provided by financing activities of \$14.8 million for the nine months ended September 30, 2019 was from the sale of common stock for net proceeds of \$9.0 million in connection with the equity financing in May 2019, net proceeds of \$2.3 million under our “at the market offering” program, net proceeds of \$5.0 million from equity investors associated with the China JV, and proceeds of \$0.2 million from the exercise of stock options, partially offset by aggregate principal payments of \$1.8 million against our term loan.

Contractual Obligations and Commitments

The following table summarizes our outstanding contractual obligations as of September 30, 2020, and the effect those obligations are expected to have on our liquidity and cash flows in future periods (in thousands):

	Payments Due By Period:				
	Total	Less than One Year	1-3 Years	3-5 Years	After 5 Years
Notes payable, principal and interest	\$ 3,378	\$ 90	\$ 3,288	\$ —	\$ —
Facility operating leases	779	406	373	—	—
Purchase obligations	302	302	—	—	—
Total	\$ 4,459	\$ 798	\$ 3,661	\$ —	\$ —

In addition to the table above, which reflects only fixed payment obligations, we have two license agreements to maintain exclusive rights to certain patents. Under these license agreements, we are required to pay 1% of net sales of products sold to entities other than the U.S. government. In the event of a sublicense, we owe 21% of license fees and must pass through 1% of the sub-licensee’s net sales of products sold to entities other than the U.S. government. The license agreements also stipulate minimum annual royalties of \$50,000 per year.

In connection with our acquisition of Equipois in December 2015, we assumed the rights and obligations of Equipois under a license agreement with the developer of certain intellectual property related to mechanical balance and support arm technologies, which grants us an exclusive license with respect to the technology and patent rights for certain fields of use. Pursuant to the terms of the license agreement, we pay the developer a single-digit royalty on net receipts, subject to a \$50,000 annual minimum royalty requirement.

We purchase components from a variety of suppliers and use contract manufacturers to provide manufacturing services for our products. Purchase obligations are defined as agreements that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. We had purchase obligations primarily for purchases of inventory and manufacturing related service contracts totaling \$0.3 million as of September 30, 2020, which is expected to be paid within a year. Timing of payments and actual amounts paid may be different depending on the time of receipt of goods or services or changes to agreed-upon amounts for some obligations.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

We are exposed to market risks in the ordinary course of our business, including inflation risks.

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

In addition, we conduct business in foreign countries and have subsidiaries based in Germany and Singapore. Accordingly, we are exposed to exchange rate risk. See Item 7A. Quantitative and Qualitative Disclosures About Market Risk in our Annual Report.

Item 4. Controls and Procedures

Disclosure Controls and Procedures.

Our management, with the participation of our principal executive officer and principal financial officer, conducted an evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (“Exchange Act”)) as of the end of the period covered by this Quarterly Report. Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of such date, our disclosure controls and procedures were effective to ensure that information required to be disclosed in reports filed by us under the Exchange Act is recorded, processed, summarized and reported within the required time periods and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

It should be noted 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 and makes assumptions about the likelihood of future events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. Management believes that the financial statements included in this Quarterly Report fairly present in all material respects our financial condition, results of operations and cash flows for the periods presented.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are not the subject of any pending legal proceedings; and to the best of our management's knowledge, no such proceeding is presently threatened, the results of which would have a material impact on the Companies properties, results of operations, or financial condition. Further, to the knowledge of management, no director or executive officer is party to any action in which any has an interest adverse to us.

Item 1A. Risk Factors

Other than as described below, we have not identified any material changes to the risk factors previously disclosed in Part I - Item 1A - "Risk Factors" in our Annual Report or in Part II - Item 1A - "Risk Factors" in our Quarterly Report on Form 10-Q filed with the SEC on April 30, 2020 ("Q1 Report") and in our Quarterly Report on Form 10-Q filed with the SEC on July 30, 2020 ("Q2 Report"). Our business, financial condition and operating results can be affected by a number of factors, whether currently known or unknown, including, but not limited to, those described below or in our Annual Report, Q1 Report or Q2 Report, any one or more of which could, directly or indirectly, cause our actual financial condition and operating results to vary materially from our past, or anticipated future, financial condition and operating results. Any of these factors, in whole or in part, could materially and adversely affect our business, financial condition, operating results and stock price. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Quarterly Report, including the section titled "Part I - Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations" and the condensed consolidated financial statements and related notes.

The recently announced Committee on Foreign Investment in the United States determination requires us to terminate our China JV, which will adversely impact our ability to expand operations globally and in particular, in China.

As previously disclosed, following U.S. government inquiries regarding the China JV, the Company and the JV Partners entered into a National Security Agreement on July 13, 2020, which, among other things, required the termination of our agreements underlying the China JV and prohibited the Company from providing technology or services to the China JV. On August 12, 2020, the Company and the JV Partners agreed to terminate the agreements underlying the China JV.

Although the termination of the China JV is not expected to have a material impact on our operations during the remainder of 2020, if we are unable to efficiently identify and partner with other global manufacturing sources and Asia-based distributors, we may not be able to reduce the cost of manufacturing our products or increase sales in Asia in a cost-effective manner, which could have a material adverse effect on our financial results in future periods.

Our secured indebtedness could have important consequences to you. For example, it could:

- limit our ability to obtain additional financing for working capital, capital expenditures, acquisitions and other general corporate requirements;
- expose us to interest rate fluctuations because the interest rate on the debt under the financing is variable;
- require us to dedicate a portion of our cash flow from operations to payments on our debt, thereby reducing the availability of our cash flow for operations and other purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- place us at a competitive disadvantage compared to competitors that may have proportionately less debt and greater financial resources.

In addition, our ability to make scheduled payments or refinance our obligations depends on our successful financial and operating performance, cash flows and capital resources, which in turn depend upon prevailing economic conditions and certain financial, business and other factors, many of which are beyond our control. These factors include, among others:

- economic and demand factors affecting our industry;
- pricing pressures;
- increased operating costs;
- competitive conditions; and
- other operating and financial difficulties, including due to the ongoing COVID-19 pandemic.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell material assets or operations, obtain additional capital or restructure our debt. In the event that we are required to dispose of material assets or operations to meet our debt service and other obligations, the value realized on such assets or operations will depend on market conditions and the availability of buyers. Accordingly, any such sale may not, among other things, be for a sufficient dollar amount. Our obligations are secured by a security interest in all of our assets,

exclusive of intellectual property. The foregoing encumbrances may limit our ability to dispose of material assets or operations. We also may not be able to restructure our indebtedness on favorable economic terms, if at all.

Our loan agreement contains various covenants limiting the discretion of our management in operating our business.

The PWB Loan Agreement contains, subject to certain carve-outs, various restrictive covenants that limit our management's discretion in operating our business. In particular, these instruments limit our ability to, among other things:

- incur additional debt;
- grant liens on assets;
- sell or acquire assets outside the ordinary course of business; and
- make certain fundamental business changes.

If we fail to comply with the restrictions in our PWB Loan Agreement, a default may allow the lender under the relevant instruments to accelerate the repayment obligation of the related debt and to exercise its remedies under these agreements, which will typically include the right to declare the principal amount of that debt, together with accrued and unpaid interest and other related amounts, immediately due and payable, to exercise any remedies the lender may have to foreclose on assets that are subject to liens securing that debt and to terminate any commitments they had made to supply further funds. The Loan Agreement also contains various covenants that may limit our ability to pay dividends.

Item 6. Exhibits

Exhibit Number	Description
10.1	Loan and Security Agreement dated as of August 17, 2020 by and among Ekso Bionics Holdings, Inc., Ekso Bionics, Inc. and Pacific Alliance Bank (incorporated by reference from Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed August 21, 2020)
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	<p>The following financial statements from the Ekso Bionics Holdings, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, formatted in Extensible Business Reporting Language (“XBRL”):</p> <ul style="list-style-type: none">• unaudited condensed consolidated balance sheets;• unaudited condensed consolidated statements of operations and comprehensive income (loss);• unaudited condensed consolidated statements of stockholders’ (deficit) equity;• unaudited condensed consolidated statement of cash flows; and• notes to unaudited condensed consolidated financial statements.
*	Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Ekso Bionics Holdings, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EKSO BIONICS HOLDINGS, INC.

Date: October 29, 2020

By: /s/ Jack Peurach
Jack Peurach
President and Chief Executive Officer

Date: October 29, 2020

By: /s/ John F. Glenn
John F. Glenn
Chief Financial Officer

(Duly Authorized Officer and Principal Financial and Accounting Officer)

CERTIFICATION

I, Jack Peurach, certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q of Ekso Bionics Holdings, 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 company as of, and for, the periods presented in this report;
- (4) The company'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 company and 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 company, 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 company'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 company's internal control over financial reporting that occurred during the company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
- (5) The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company'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 company'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 company's internal control over financial reporting.

Date: October 29, 2020

/s/ Jack Peurach

Jack Peurach

Principal Executive Officer

CERTIFICATION

I, John F. Glenn, certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q of Ekso Bionics Holdings, 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 company as of, and for, the periods presented in this report;
- (4) The company'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 company and 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 company, 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 company'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 company's internal control over financial reporting that occurred during the company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
- (5) The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company'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 company'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 company's internal control over financial reporting.

Date: October 29, 2020

/s/ John F. Glenn

John F. Glenn

Principal Financial Officer

**CERTIFICATION BY THE PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350**

In connection with the Quarterly Report on Form 10-Q of Ekso Bionics Holdings, Inc. (the "Company"), for the quarterly period ended September 30, 2020 as filed with the Securities and Exchange Commission (the "Report"), I, Jack Peurach, President and Chief Executive Officer and principal executive officer, hereby certify as of the date hereof, solely for purposes of 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Dated: October 29, 2020

/s/ Jack Peurach

Jack Peurach

Principal Executive Officer

**CERTIFICATION BY THE PRINCIPAL FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350**

In connection with the Quarterly Report on Form 10-Q of Ekso Bionics Holdings, Inc. (the "Company"), for the quarterly period ended September 30, 2020 as filed with the Securities and Exchange Commission (the "Report"), I, John F. Glenn, Chief Financial Officer and principal financial officer, hereby certify as of the date hereof, solely for purposes of 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Dated: October 29, 2020

/s/ John F. Glenn

John F. Glenn

Principal Financial Officer