

## NeurAxis Reports Third Quarter 2023 Financial Results

CARMEL, Ind., Nov. 20, 2023 — NeurAxis, Inc. (NYSE American: NRXS) (“NeurAxis” or the “Company”), a medical technology company commercializing neuromodulation therapies that address chronic and debilitating conditions in children and adults, today reported financial results for the third quarter ended September 30, 2023.

### Recent Highlights:

- Announced the results of a retrospective comparative study led by the Cincinnati Children’s Hospital Medical Center that was published and featured in the September 19<sup>th</sup>, 2023 *Frontiers in Pain Research*. The publication, *Percutaneous electrical nerve field stimulation compared to standard medical therapy in adolescents with functional abdominal pain disorders*, compared and reviewed the records of 101 adolescent patients with functional abdominal pain disorders (FAPD) treated with IB-Stim™ therapy or standard-of-care medications, amitriptyline (tricyclic antidepressant) or cyproheptadine (antihistamine). The comparative analysis noted:
  - at follow-up, IB-Stim™ therapy showed improvements in abdominal pain ( $p=0.001$ ) and functional disability ( $p=0.048$ ) compared to baseline, while amitriptyline showed improvements in abdominal pain ( $p=0.034$ );
  - in a comparison of outcomes between groups, IB-Stim™ was more effective than cyproheptadine in improving abdominal pain ( $p=0.04$ ) and did not differ from amitriptyline ( $p=0.64$ ). Nausea scores did not differ between groups ( $p>0.05$ ); and
  - disability scores between groups were only more effective for amitriptyline vs. cyproheptadine ( $p=0.03$ ). Disability scores did not differ from amitriptyline compared with IB-Stim™ ( $p=0.21$ ).
- 4 new publications in the third quarter of 2023 bringing our total publications to date to 11, remaining on track with our target of 13 publications in children with FAPD by year-end, with a total of 16 publications by Q1 2024. This progress places the Company in a great position for expanded payor coverage.
- Announced the signing of an exclusive option agreement with the University of Michigan for the exclusive licensing of its innovative rectal expulsion device (RED).
- Announced \$3 million in committed financing from affiliates of Inspire Health Alliance.
- Received new policy coverage from CareFirst BCBS in the mid-Atlantic with 3.5 million members, increasing NeurAxis access to 8.25 million covered lives.

“We continue to execute on our commercialization plan, growing our body of clinical evidence to expand payor coverage and adoption. As anticipated, we are in reach of our overall target of 16 publications, which we now expect by Q1 2024, and we have been

receiving positive response from payers on a national level as we close in on all data being published,” said Brian Carrico, President and Chief Executive Officer of NeurAxis. “Our sales and marketing efforts for IB-Stim™ continue to show growth in areas where children’s hospitals have good payer coverage, despite some increased short-term challenges in areas where there is no good written policy coverage combined with some ordering patterns during the third quarter. Our focus remains on growing our body of clinical evidence and accelerating the speed of policy adoption by payers. Additionally, we were happy to announce the exclusive option agreement with the University of Michigan for RED. RED offers a significant market opportunity for us as it aligns with our focus and expertise in the field of disorders of the gut-brain interaction. We anticipate a 510(k)-clearance pathway for RED, targeting commercialization in 2024 and meaningful revenues from RED beginning in 2024. We believe great data leads to strong policy coverage, which in return translates to higher revenues. We look forward to our continuing progress to grow our business, with many upcoming catalysts for growth.”

### **Third Quarter 2023 Financial Results**

Revenue for the third quarter of 2023 was \$477.5 thousand, representing a decrease of 23% compared to \$618.8 thousand in the third quarter of 2022. The decrease was primarily due to ordering patterns of our major customers.

Gross profit for the third quarter of 2023 was \$410.2 thousand, representing a decrease of 26% compared to a gross profit of \$551.2 thousand in the third quarter of 2022. Gross margin totaled 85.9% in the third quarter of 2023, compared to 89.1% in the third quarter of 2022. The decrease in gross profit was primarily due to higher cost of goods sold while sales decreased, mainly because of a small amount of devices that were sold below the regular price.

Selling expenses for the third quarter of 2023 were \$64.2 thousand, compared to \$81.6 thousand in the third quarter of 2022. The decrease was primarily due to lower commission costs, with the commission rate being lowered at the beginning of 2023.

Third quarter research and development expenses were \$45.0 thousand, compared to \$86.2 thousand in the third quarter of 2022. The decrease was primarily due to lower costs associated with completed pipeline indications.

General and administrative expenses for the third quarter of 2023 were \$3,323.4 thousand, compared to \$1,586.5 thousand in the third quarter of 2022. The increase was driven primarily due to higher wages and professional fees in connection with our initial public offering.

Third quarter net loss was (\$4,904.4) thousand, or (\$1.35) per common share, compared to (\$2,079.7) thousand, or (\$1.14) per common share, for the same period of 2022.

## **Forward-Looking Statements**

Certain statements in this press release are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements are based on management's current assumptions and expectations of future events and trends, which affect or may affect the Company's business, strategy, operations or financial performance, and actual results and other events may differ materially from those expressed or implied in such statements due to numerous risks and uncertainties. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. There are a number of important factors that could cause actual results, developments, business decisions or other events to differ materially from those contemplated by the forward-looking statements in this press release. These factors include, among other things, the conditions in the U.S. and global economy, the trading price and volatility of the Company's stock, public health issues or other events, the Company's compliance with applicable laws, the results of the Company's clinical trials and perceptions thereof, as well as factors described in the Risk Factors section of NeurAxis's public filings with the Securities and Exchange Commission (SEC). Because forward-looking statements are inherently subject to risks and uncertainties, you should not rely on these forward-looking statements as predictions of future events. These forward-looking statements speak only as of the date of this press release and, except to the extent required by applicable law, the Company undertakes no obligation to update or revise these statements, whether as a result of any new information, future events, and developments or otherwise.

## **About NeurAxis, Inc.**

NeurAxis, Inc., is a medical technology company focused on neuromodulation therapies to address chronic and debilitating conditions in children and adults. NeurAxis is dedicated to advancing science and leveraging evidence-based medicine to drive adoption of its IB-Stim™ therapy, which is its proprietary Percutaneous Electrical Nerve Field Stimulation (PENFS) technology, by the medical, scientific, and patient communities. IB-Stim™ is FDA-cleared for functional abdominal pain associated with irritable bowel syndrome (IBS) in adolescents 11-18 years old. Additional clinical trials of PENFS in multiple pediatric and adult conditions with large unmet healthcare needs are underway. For more information, please visit <http://neuraxis.com>.

## **Contacts:**

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## **Investor Relations**

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**NeurAxis, Inc.**  
**Condensed Statements of Operations**  
**(unaudited)**

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
<b>Net Sales</b>	\$ 477,460	\$ 618,805	\$ 1,928,590	\$ 2,071,653
Cost of Goods Sold	67,287	67,638	231,000	221,846
<b>Gross Profit</b>	<b>410,173</b>	551,167	<b>1,697,590</b>	1,849,807
Selling Expenses	64,210	81,589	250,933	344,892
Research and Development	44,950	86,175	171,536	144,239
General and Administrative	3,323,352	1,586,527	6,316,411	3,746,688
	<b>(3,022,33</b>		<b>(5,041,29</b>	
<b>Operating Loss</b>	<b>9 )</b>	(1,203,124 )	<b>0 )</b>	(2,386,012 )
Other Income (Expense):				
Financing charges	-	(601,128 )	(2,772 )	(1,473,892 )
Interest expense	(102,628 )	(100,741 )	(453,869 )	(161,291 )
Interest income	2,103	-	2,103	-
Change in fair value of warrant liability	592,853	(90,628 )	791,610	(660,189 )
Change in fair value of derivative liability	6,394	(68,032 )	198,551	(68,032 )
Amortization of debt discount and issuance cost	(1,331,030 )	(16,029 )	(4,881,622 )	(28,973 )
	<b>(1,058,06</b>		<b>71,436</b>	
Extinguishment of debt liabilities	2 )	-	-	-
Other income	9,931	-	11,483	11,956
Other expense	(1,578 )	-	(9,008 )	-
	<b>(1,882,01</b>		<b>(4,272,08</b>	
Total other income (expense), net	7 )	(876,558 )	8 )	(2,380,421 )
	<b>(4,904,35</b>		<b>(9,313,37</b>	
<b>Net Loss</b>	\$ 6 )	\$ (2,079,682 )	\$ 8 )	\$ (4,766,433 )
<b>Per-share Data</b>				
Basic and diluted loss per share	\$ (1.35 )	\$ (1.14 )	\$ (3.65 )	\$ (2.70 )
<b>Weighted Average Shares Outstanding</b>				
Basic and diluted	3,625,519	1,988,758	2,552,007	1,976,380

**NeurAxis, Inc.**  
**Condensed Balance Sheet**  
**(unaudited)**

	<b>September 30, 2023 (Unaudited)</b>	<b>December 31, 2022</b>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 761,249	\$ 253,699
Accounts receivable, net	132,382	174,399
Inventories	34,530	48,133
Prepays and other current assets	38,693	726
Total current assets	966,854	476,957
Property and Equipment, at cost:	420,586	405,845
Less - accumulated depreciation	(340,260)	(317,834)
Property and equipment, net	80,326	88,011
Other Assets:		
Deferred offering costs	-	736,736
Operating lease right of use asset	78,043	101,382
Intangible assets, net	110,695	77,558
<b>Total Assets</b>	<b>\$ 1,235,918</b>	<b>\$ 1,480,644</b>
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable	\$ 566,649	\$ 1,592,116
Accrued expenses	280,063	834,062
Notes payable	194,249	202,834
Current portion of operating lease payable	45,194	33,395
Notes payable - related party	-	58,051
Notes payable - convertible notes, net of unamortized discount of \$0 and \$3,327,213 as of September 30, 2023 and December 31, 2022	-	228,342
Customer deposits	68,972	59,174
Share liabilities	934,256	-
Derivative liabilities	-	1,735,700
Warrant liabilities	168,269	2,234,384
Total current liabilities	2,257,652	6,978,058
Non-current Liabilities:		
Operating lease payable, net of current portion	39,353	76,199
Note payable, net of current portion	-	-
Total non-current liabilities	39,353	76,199
Total liabilities	2,297,005	7,054,257
Commitments and contingencies (see note 14)		
<b>Stockholders' Equity (Deficit)</b>		

Convertible Series A Preferred stock, \$0.001 par value; 1,000,000 shares authorized; 0 issued and outstanding as of September 30, 2023 and 506,637 as of December 31, 2022	-	507
Convertible Series Seed Preferred Stock, \$0.001 par value; 120,000 shares authorized; 0 issued and outstanding as of September, 2023 and 115,477 as of December 31, 2022	-	115
Common stock, \$0.001 par value; 100,000,000 shares authorized; 5,149,340 issued and outstanding as of September, 2023 and 1,963,322 as of December 31, 2022	<b>5,149</b>	1,963
Additional paid in capital	<b>42,178,570</b>	28,355,230
Accumulated deficit	<b>(43,244,806)</b>	(33,931,428)
Total stockholders' equity (deficit)	<b>(1,061,087)</b>	(5,573,613)
<b>Total Liabilities and Stockholders' Equity (Deficit)</b>	<b>\$ 1,235,918</b>	<b>\$ 1,480,644</b>

**NeurAxis, Inc.**  
**Condensed Statement of Cash Flows**  
**(unaudited)**

	<b>For the Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash Flows from Operating Activities</b>		
Net Loss	<b>\$ (9,313,378)</b>	\$ (4,766,433)
Adjustments to reconcile net loss to net cash used by operating activities:		
Amortization of debt discount and issuance cost	<b>4,881,622</b>	28,973
Depreciation and amortization	<b>30,290</b>	25,047
Provisions for losses on accounts receivable	<b>6,380</b>	42,795
Non-cash lease expense	<b>23,339</b>	19,945
Non-cash interest expense	<b>260,777</b>	-
Stock based compensation	-	27,319
Extinguishment of derivative liability	<b>(71,436)</b>	-
Issuance of common stock for non-cash consideration	<b>2,550,000</b>	-
Finance charges	<b>2,772</b>	1,473,892
Change in fair value of debt liabilities	<b>(198,551)</b>	68,032
Change in fair value of warrant liabilities	<b>(791,610)</b>	660,189
Changes in operating assets and liabilities:		
Accounts receivable	<b>35,637</b>	(247,738)
Inventory	<b>13,603</b>	(18,141)
Prepays and other current assets	<b>(37,967)</b>	(481)
Accounts payable	<b>(1,025,467)</b>	359,652

Accrued expenses	(415,181 )	256,184
Customer deposits	9,798	7,762
Operating lease liability	(25,047 )	(20,686 )
Net cash used by operating activities	(4,064,419 )	(2,083,689 )
<b>Cash Flows from Investing Activities</b>		
Additions to property and equipment	(14,741 )	(11,390 )
Additions to intangible assets	(41,000 )	-
Net cash used by investing activities	(55,741 )	(11,390 )
<b>Cash Flows from Financing Activities</b>		
Proceeds from issuance of common stock, net of issuance costs	5,464,642	-
Offering costs in advance of sale of common stock	(2,417,185 )	(87,694 )
Principal payments on notes payable	(3,487,578 )	(122,265 )
Proceeds from notes payable	159,831	122,000
Proceeds from convertible notes, net of fees	4,908,000	1,870,000
Net cash provided (used) by financing activities	4,627,710	1,782,041
<b>Net Increase (decrease) in Cash and Cash Equivalents</b>		
	507,550	(313,038 )
Cash and Cash Equivalents at Beginning of Period	253,699	320,858
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 761,249</b>	<b>\$ 7,820</b>
<b>Supplemental Disclosure of Non-cash Cash Activities</b>		
Cash paid for interest	\$ 192,015	\$ 118,391
Cash paid for income taxes	-	-
<b>Supplemental Schedule of Non-cash Investing and Financing Activities</b>		
Fair value of warrant liabilities of warrants from convertible notes	\$ 2,446,502	\$ 1,822,435
Fair value of derivative liabilities of conversion feature from convertible notes	2,375,378	1,518,092
Relative fair value of shares issued with convertible notes	-	3,365
Deferred offering costs in accounts payable	-	606,830

