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: June 30, 2026

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: **001-37799**

Tactile Systems Technology, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**3701 Wayzata Blvd, Suite 300** **Minneapolis, Minnesota 55416**	**41-1801204**
(State or other jurisdiction of incorporation or organization)	(Address and zip code of principal executive offices)	(I.R.S. Employer Identification No.)

(612) 355-5100
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock, Par Value $0.001 Per Share	TCMD	The Nasdaq Stock 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, 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.

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 ☑

22,652,286 shares of common stock, par value $0.001 per share, were outstanding as of August 6, 2026.

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Forward-Looking Information

All statements, other than statements of historical facts, contained in this Quarterly Report on Form 10-Q, including statements regarding our business, operations and financial performance and condition, as well as our plans, objectives and expectations for our business, operations and financial performance and condition, are forward-looking statements. In some cases, you can identify forward-looking statements by the following words: “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “ongoing,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will,” “would,” or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our results, levels of activity, performance or achievements to be materially different from the information expressed or implied by the forward-looking statements in this Quarterly Report on Form 10-Q. These risks, uncertainties and other factors include, but are not limited to:

- our ability to obtain reimbursement from third-party payers for our products;
- adverse economic conditions, including inflation, rising interest rates or recession;
- the adequacy of our liquidity to pursue our business objectives;
- price increases for supplies and components;
- wage and component price inflation;
- loss of a key supplier or other supply chain disruptions;
- entry of new competitors and/or competitive products;
- compliance with and changes in federal, state and local government laws and regulations;
- technological obsolescence of, or quality issues with, our products;
- our ability to expand our business through strategic acquisitions;
- our ability to integrate acquisitions and related businesses;
- the effects of current and future U.S. and foreign trade policy and tariff actions; and
- the inability to carry out research, development and commercialization plans.

You should read the matters described in “Risk Factors” and the other cautionary statements made in our Annual Report on Form 10-K for the year ended December 31, 2025, and in subsequent Quarterly Reports on Form 10-Q. We cannot assure you that the forward-looking statements in this report will prove to be accurate and therefore you are encouraged not to place undue reliance on forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. You are urged to carefully review and consider the various disclosures made by us in this report and in other filings with the Securities and Exchange Commission (the “SEC”) that advise of the risks and factors that may affect our business. Other than as required by law, we undertake no obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments that we may make.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

Tactile Systems Technology, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

(In thousands, except share and per share data)	June 30, 2026	December 31, 2025
Assets		
Current assets		
Cash	$ 69,853	$ 83,446
Accounts receivable, net	43,140	43,876
Net investment in leases	14,927	15,754
Inventories	16,845	14,025
Income taxes receivable	912	—
Prepaid expenses and other current assets	11,925	8,066
Total current assets	157,602	165,167
Non-current assets		
Property and equipment, net	5,849	5,117
Right of use operating lease assets	12,553	13,798
Intangible assets, net	44,747	39,167
Goodwill	39,554	31,063
Deferred income taxes	8,703	9,783
Other non-current assets	10,660	9,847
Total non-current assets	122,066	108,775
Total assets	$ 279,668	$ 273,942
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 7,923	$ 4,968
Accrued payroll and related taxes	15,615	19,378
Accrued expenses	8,423	8,531
Income taxes payable	—	1,428
Operating lease liabilities	3,095	3,195
Other current liabilities	3,197	3,457
Total current liabilities	38,253	40,957
Non-current liabilities		
Accrued warranty reserve, non-current	1,079	1,045
Income taxes payable, non-current	370	275
Operating lease liabilities, non-current	11,267	12,763
Other non-current liabilities	4,863	—
Total non-current liabilities	17,579	14,083
Total liabilities	55,832	55,040
Commitments and Contingencies (see Note 9)		
Stockholders' equity:		
Preferred stock, $0.001 par value, 50,000,000 shares authorized; none issued and outstanding as of June 30, 2026 and December 31, 2025	—	—
Common stock, $0.001 par value, 300,000,000 shares authorized; 22,701,241 shares issued and outstanding as of June 30, 2026; 22,438,926 shares issued and outstanding as of December 31, 2025	23	22
Additional paid-in capital	162,851	163,940
Retained earnings	60,962	54,940
Total stockholders' equity	223,836	218,902
Total liabilities and stockholders' equity	$ 279,668	$ 273,942

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

Tactile Systems Technology, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

(In thousands, except share and per share data)	Three Months Ended June 30, 2026	Three Months Ended June 30, 2025	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Revenue				
Sales revenue	$ 76,489	$ 70,531	$ 143,455	$ 123,000
Rental revenue	9,209	8,374	17,510	17,173
Total revenue	85,698	78,905	160,965	140,173
Cost of revenue				
Cost of sales revenue	17,628	17,483	32,887	31,374
Cost of rental revenue	2,721	2,629	5,115	4,660
Total cost of revenue	20,349	20,112	38,002	36,034
Gross profit				
Gross profit - sales revenue	58,861	53,048	110,568	91,626
Gross profit - rental revenue	6,488	5,745	12,395	12,513
Gross profit	65,349	58,793	122,963	104,139
Operating expenses				
Sales and marketing	32,012	30,039	64,744	57,555
Research and development	2,501	2,018	5,277	3,759
Reimbursement, general and administrative	23,360	22,034	46,404	42,032
Intangible asset amortization and earn-out	650	619	1,246	1,252
Total operating expenses	58,523	54,710	117,671	104,598
Income (loss) from operations	6,826	4,083	5,292	(459)
Interest income	561	850	1,227	1,745
Interest expense	(19)	(410)	(47)	(834)
Other income	—	1	—	1
Income before income taxes	7,368	4,524	6,472	453
Income tax (benefit) expense	(417)	1,307	450	210
Net income	$ 7,785	$ 3,217	$ 6,022	$ 243
Net income per common share				
Basic	$ 0.34	$ 0.14	$ 0.27	$ 0.01
Diluted	$ 0.34	$ 0.14	$ 0.26	$ 0.01
Weighted-average common shares used to compute net income per common share				
Basic	22,676,673	23,092,469	22,620,546	23,399,848
Diluted	23,058,902	23,237,671	23,135,040	23,679,220

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

Tactile Systems Technology, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)

(In thousands, except share data)	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Retained Earnings	Total
Balances, March 31, 2026	22,710,160	$ 22	$ 164,667	$ 53,177	$ 217,866
Stock-based compensation	—	—	2,260	—	2,260
Exercise of common stock options and vesting of performance and restricted stock units	146,587	1	176	—	177
Share repurchases	(208,900)	—	(5,284)	—	(5,284)
Common shares issued for employee stock purchase plan	53,394	—	1,032	—	1,032
Net income for the period	—	—	—	7,785	7,785
Balances, June 30, 2026	22,701,241	$ 23	$ 162,851	$ 60,962	$ 223,836
Balances, December 31, 2025	22,438,926	$ 22	$ 163,940	$ 54,940	$ 218,902
Stock-based compensation	—	—	4,040	—	4,040
Exercise of common stock options and vesting of performance and restricted stock units	458,071	1	196	—	197
Share repurchases	(249,150)	—	(6,357)	—	(6,357)
Common shares issued for employee stock purchase plan	53,394	—	1,032	—	1,032
Net income for the period	—	—	—	6,022	6,022
Balances, June 30, 2026	22,701,241	$ 23	$ 162,851	$ 60,962	$ 223,836
Balances, March 31, 2025	23,584,471	$ 24	$ 172,727	$ 32,880	$ 205,631
Stock-based compensation	—	—	1,939	—	1,939
Exercise of common stock options and vesting of performance and restricted stock units	112,411	—	—	—	—
Share repurchases	(1,507,496)	(2)	(16,702)	—	(16,704)
Common shares issued for employee stock purchase plan	102,759	—	843	—	843
Net income for the period	—	—	—	3,217	3,217
Balances, June 30, 2025	22,292,145	$ 22	$ 158,807	$ 36,097	$ 194,926
Balances, December 31, 2024	23,883,475	$ 24	$ 180,719	$ 35,854	$ 216,597
Stock-based compensation	—	—	4,005	—	4,005
Exercise of common stock options and vesting of performance and restricted stock units	449,010	—	10	—	10
Share repurchases	(2,143,099)	(2)	(26,770)	—	(26,772)
Common shares issued for employee stock purchase plan	102,759	—	843	—	843
Net income for the period	—	—	—	243	243
Balances, June 30, 2025	22,292,145	$ 22	$ 158,807	$ 36,097	$ 194,926

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

Tactile Systems Technology, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(In thousands)	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Cash flows from operating activities		
Net income	$ 6,022	$ 243
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,450	3,385
Deferred income taxes	42	(22)
Stock-based compensation expense	4,040	4,005
Loss on disposal of property and equipment and intangibles	73	68
Changes in assets and liabilities, net of acquisition:		
Accounts receivable, net	755	11,851
Net investment in leases	827	83
Inventories	(2,820)	1,555
Income taxes payable	(2,245)	(611)
Prepaid expenses and other assets	(5,174)	(4,735)
Right of use operating lease assets	(351)	(289)
Accounts payable	2,886	2,319
Accrued payroll and related taxes	(3,763)	(5,245)
Accrued expenses and other liabilities	(827)	2,567
Net cash provided by operating activities	2,915	15,174
Cash flows from investing activities		
Payments related to acquisition, net of cash acquired	(6,226)	—
Purchases of property and equipment	(2,102)	(748)
Intangible assets expenditures	(52)	(56)
Payment for exclusive distribution agreement	(3,000)	—
Net cash used in investing activities	(11,380)	(804)
Cash flows from financing activities		
Payments on note payable	—	(1,500)
Proceeds from exercise of common stock options	197	10
Proceeds from the issuance of common stock from the employee stock purchase plan	1,032	843
Payments for repurchases of common stock	(6,357)	(26,562)
Net cash used in financing activities	(5,128)	(27,209)
Net decrease in cash	(13,593)	(12,839)
Cash – beginning of period	83,446	94,367
Cash – end of period	$ 69,853	$ 81,528
Supplemental cash flow disclosure		
Cash paid for interest	$ 34	$ 828
Cash paid for taxes	$ 2,645	$ 892
Accrued excise tax on stock repurchases	$ —	$ 210
Capital expenditures incurred but not yet paid	$ 147	$ 58

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

Tactile Systems Technology, Inc.
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

Note 1. Nature of Business and Operations

Tactile Systems Technology, Inc. ("we," "us," "our," and the "Company") manufactures and distributes medical devices for the treatment of patients with underserved chronic diseases in the home. Our lymphedema product portfolio includes the Flexitouch® Plus, Entre™ Plus, and Nimbl compression device systems, which help manage the symptoms of lymphedema, a chronic and progressive medical condition. We market these products through a direct sales force that engages healthcare providers involved in the diagnosis and treatment of lymphedema, including vascular specialists, vein and wound care clinicians, oncology providers, and certified lymphedema therapists throughout the United States. Our lymphedema products are prescribed for home use and are sold or rented to patients through commercial and government channels, including the Department of Veterans Affairs.

On September 8, 2021, we acquired the assets of the AffloVest airway clearance business ("AffloVest Acquisition"). AffloVest is a portable, wearable vest that treats patients with chronic respiratory conditions. We sell this device through home medical equipment and durable medical equipment ("DME") providers throughout the United States.

On February 17, 2026, we acquired all outstanding equity interests of LymphaTech, Inc. ("LymphaTech"). LymphaTech is a medical technology company pioneering a digital, three-dimensional (the "3D") full body measurement and monitoring platform designed specifically for lymphedema.

On April 24, 2026, we entered into a 3-year exclusive distribution agreement with ElastiMed, Inc. to bring MyoSleeve™, a discreet, wearable non-pneumatic compression device for the lower leg, to Department of Veterans Affairs ("VA") and Department of Defense ("DoD") patients across the United States. Under the agreement, we received exclusive rights to distribute MyoSleeve through the VA and DoD channels and limited non-exclusive distribution rights in the broader U.S. commercial market, subject to certain contractual conditions. In exchange for these rights, we made a $3.0 million upfront payment in the second quarter of 2026, which was recorded as an intangible asset and will be amortized on a straight-line basis beginning on the date the product is commercially available for sale, which is expected to be in the second half of 2026.

We were originally incorporated in Minnesota under the name Tactile Systems Technology, Inc. on January 30, 1995. During 2006, we established a merger corporation and subsequently, on July 21, 2006, merged with and into this merger corporation, resulting in our reincorporation as a Delaware corporation. The resulting corporation assumed the name Tactile Systems Technology, Inc. In September 2013, we began doing business as "Tactile Medical".

On August 2, 2016, we closed the initial public offering of our common stock, which resulted in the sale of 4,120,000 shares of our common stock at a public offering price of $10.00 per share. We received net proceeds from the initial public offering of approximately $35.4 million, after deducting underwriting discounts and approximately $2.9 million of transaction expenses.

On February 27, 2023, we closed on a public offering of 2,875,000 shares of our common stock at a public offering price of $13.00 per share. We received net proceeds from this offering of $34.6 million after deducting underwriting discounts, commissions, and offering expenses.

Our business is affected by seasonality. In the first quarter of each year, when most patients have started a new insurance year and have not yet met their annual out-of-pocket payment obligations, we experience substantially reduced demand for our products. We typically experience higher revenue in the third and fourth quarters of the year when patients have met their annual insurance deductibles, thereby reducing their out-of-pocket costs for our products, and because patients desire to exhaust their flexible spending accounts at year end. This seasonality applies only to purchases and rentals of our products by patients covered by commercial insurance and is not relevant to Medicare, Medicaid or the Veterans Administration, as those payers either do not have plans that have declining deductibles over the course of the plan year and/or do not have plans that include patient deductibles for purchases or rentals of our products.

Note 2. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial reporting and pursuant to the rules and regulations of the SEC. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (including those which are normal and recurring) considered necessary for a fair presentation of the interim financial information have been included.

The results for the six months ended June 30, 2026, are not necessarily indicative of results to be expected for the year ending December 31, 2026, or for any other interim period or for any future year. The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2025.

Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts of Tactile Systems Technology, Inc. and its wholly owned subsidiaries, Swelling Solutions, Inc. and LymphaTech, Inc. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and to disclose contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 3. Summary of Significant Accounting Policies

Significant Accounting Policies

There were no material changes in our significant accounting policies during the six months ended June 30, 2026. See Note 3 – "Summary of Significant Accounting Policies" to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2025, for information regarding our significant accounting policies.

Business Segments

The Company operates as one operating segment. The Company's Chief Operating Decision Maker ("CODM") is its Chief Executive Officer, who reviews financial information presented on a consolidated basis. The CODM uses consolidated net income (loss) as the measure of segment profit or loss. Significant segment expenses are those expenses reported in the Consolidated Statement of Operations. The CODM assesses performance for the segment, allocates resources and monitors budget versus actual results using consolidated revenue and net income (loss) which is reflected in the Consolidated Statement of Operations.

Accounting Pronouncements Not Yet Adopted

In September 2025, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2025-06, "Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software" which modernizes the accounting for internal-use software costs to better align with the way that software is currently developed. The update removes all references to the project stages of software development and establishes two criteria that must be met to begin capitalizing software costs. This update is effective for interim and annual periods beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the effect that this standard will have on its consolidated financial statements and related disclosures.

In November 2024, the FASB issued ASU No. 2024-03, “Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses” which requires entities to disclose additional information about specific expense categories in the notes to financial statements on an annual and interim basis. The guidance is effective for annual periods beginning after December 15, 2026, and interim periods beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the effect that this standard will have on its consolidated financial statements and related disclosures.

Note 4. Inventories

Inventories consisted of the following:

(In thousands)	At June 30, 2026	At December 31, 2025
Finished goods	$ 5,678	$ 5,280
Component parts and work-in-process	11,167	8,745
Total inventories	$ 16,845	$ 14,025

Note 5. Goodwill and Intangible Assets

Goodwill

In the third quarter of fiscal 2021, we completed the AffloVest Acquisition. The purchase price of the AffloVest product line exceeded the net acquisition-date estimated fair value amounts of the identifiable assets acquired and the liabilities assumed by $31.1 million, which was assigned to goodwill. In the first quarter of fiscal 2026, we completed the acquisition of LymphaTech. The purchase price of LymphaTech exceeded the net acquisition-date estimated fair value amounts of the identifiable assets acquired and the liabilities assumed by $8.5 million, which was assigned to goodwill.

The changes in the carrying amount of goodwill were as follows:

(In thousands)	
Goodwill at December 31, 2025	$ 31,063
Addition for acquisition	8,491
Goodwill at June 30, 2026	$ 39,554

Intangible Assets

Our patents and other intangible assets are summarized as follows:

(In thousands)	Weighted-Average Amortization Period	At June 30, 2026 Gross Carrying Amount	Accumulated Amortization	Net Amount
Definite-lived intangible assets:				
Patents	11 years	$ 1,133	$ 359	$ 774
Tradenames	10 years	370	14	356
Customer relationships	8 years	31,540	11,513	20,027
Developed technology	7 years	16,703	5,818	10,885
Other	3 years	3,000	—	3,000
Subtotal		52,746	17,704	35,042
Unamortized intangible assets:				
Tradenames		9,500	—	9,500
Patents pending		205	—	205
Total intangible assets		$ 62,451	$ 17,704	$ 44,747

(In thousands)	Weighted-Average Amortization Period	At December 31, 2025 Gross Carrying Amount	Accumulated Amortization	Net Amount
Definite-lived intangible assets:				
Patents	11 years	$ 1,083	$ 318	$ 765
Customer relationships	9 years	31,000	10,280	20,720
Developed technology	7 years	13,000	5,095	7,905
Subtotal		45,083	15,693	29,390
Unamortized intangible assets:				
Tradenames		9,500	—	9,500
Patents pending		277	—	277
Total intangible assets		$ 54,860	$ 15,693	$ 39,167

Amortization expense was $1.1 million and $0.9 million for the three months ended June 30, 2026 and 2025, respectively, and $2.0 million and $1.9 million for the six months ended June 30, 2026 and 2025, respectively, of which $0.5 million and $0.3 million for the three months ended June 30, 2026 and 2025, respectively, and $0.8 million and $0.6 million for the six months ended June 30, 2026 and 2025, respectively, was recorded in cost of sales revenue. Future amortization expenses are expected as follows:

(In thousands)	
2026 (July 1 - December 31)	$ 2,518
2027	5,405
2028	5,404
2029	4,536
2030	4,100
Thereafter	13,079
Total	$ 35,042

In the third quarter of 2025, we performed our annual goodwill impairment test utilizing both the qualitative and quantitative approach described in FASB ASU No. 2021-03, "Intangibles—Goodwill and Other (Topic 350) – Accounting Alternative for Evaluating Triggering Events." Based on the testing using the qualitative approach, it was determined that it was not more likely than not that the fair value of the reporting unit was less than the carrying value. As a result, it was not deemed necessary to proceed to the quantitative test and no impairment was recognized.

Note 6. Accrued Expenses

Accrued expenses consisted of the following:

(In thousands)	At June 30, 2026		At December 31, 2025	
Legal and consulting		2,266		1,285
Sales and use tax	$	1,527	$	1,837
Travel		1,282		1,424
In-transit inventory		1,106		1,931
Warranty		1,104		1,285
Clinical studies		38		64
Other		1,100		705
Total	$	8,423	$	8,531

Note 7. Warranty Reserves

The activity in the warranty reserve during and as of the end of the reporting periods presented was as follows:

	Three Months Ended June 30,				Six Months Ended June 30,			
(In thousands)	2026		2025		2026		2025	
Beginning balance	$	2,253	$	2,774	$	2,330	$	2,993
Warranty provision		494		441		1,005		921
Processed warranty claims		(564)		(579)		(1,152)		(1,278)
Ending balance	$	2,183	$	2,636	$	2,183	$	2,636
Accrued warranty reserve, current	$	1,104	$	1,395	$	1,104	$	1,395
Accrued warranty reserve, non-current		1,079		1,241		1,079		1,241
Total accrued warranty reserve	$	2,183	$	2,636	$	2,183	$	2,636

Note 8. Credit Agreement

On July 31, 2025, we entered into an Amended and Restated Credit Agreement with the lenders from time to time party thereto, and Wells Fargo Bank, National Association, as administrative agent (the “2025 Credit Agreement”), which amended and restated the credit agreement that we had in place prior to that time (the “Prior Credit Agreement”). The 2025 Credit Agreement provides for a $40.0 million revolving credit facility with a scheduled maturity date of July 31, 2028.

In connection with the entry into the 2025 Credit Agreement, on July 31, 2025, we paid off the full amount outstanding under the term loan that was outstanding under the Prior Credit Agreement, which was $24.4 million (inclusive of principal and interest), using cash on hand. The term loan had been reflected on our condensed consolidated financial statements as a note payable. The 2025 Credit Agreement removed the provisions from the Prior Credit Agreement related to a committed term loan, such that the only term loan related provisions in the 2025 Credit Agreement relate to our ability to request uncommitted incremental term loan facilities and/or an increase in the amount of the revolving loans available under the 2025 Credit Agreement in an amount not to exceed $25.0 million in the aggregate, subject to the satisfaction of certain conditions.

Amounts drawn under the revolving credit facility bear interest, at our option, at a rate equal to (a) the highest of (i) the prime rate, (ii) the federal funds rate plus 0.50% and (iii) Adjusted Term SOFR (defined as term Secured Overnight Financing Rate) for a one-month tenor plus 1% (the “Base Rate”) plus an applicable margin or (b) Adjusted Term SOFR for an interest period of one, three or six months, at our option, plus the applicable margin. The applicable margin is 0.75% to 1.75% on loans bearing interest at the Base Rate and 1.75% to 2.75% on loans bearing interest at Adjusted Term SOFR, in each case depending on our consolidated total leverage ratio.

The 2025 Credit Agreement provides for a commitment fee at a rate per annum ranging from 0.125% to 0.250% for the unused portion of the revolving credit facility, depending on our consolidated total leverage ratio.

The 2025 Credit Agreement includes financial covenants consisting of a maximum consolidated total leverage ratio covenant and a minimum fixed charge coverage ratio covenant. In addition, the 2025 Credit Agreement includes customary negative covenants, including a restricted payment covenant that permits the Company to repurchase shares of its common stock and make certain other payments, as long as the Company is not in default under the 2025 Credit Agreement, has a consolidated total leverage ratio of no greater than 1.75 to 1.00, and has liquidity of not less than $30.0 million, in each case both before and after giving effect to such stock repurchases or the making of such payments. As of June 30, 2026, we were in compliance with all covenants under the 2025 Credit Agreement.

Our obligations under the 2025 Credit Agreement are secured by a security interest in substantially all of our and our subsidiary's assets and are also guaranteed by our subsidiary.

As of June 30, 2026, we had no outstanding borrowings under the 2025 Credit Agreement.

Note 9. Commitments and Contingencies

Lease Obligations

We lease property and equipment under operating leases, typically with terms greater than 12 months, and determine if an arrangement contains a lease at inception. In general, an arrangement contains a lease if there is an identified asset and we have the right to direct the use of and obtain substantially all of the economic benefit from the use of the identified asset. We record an operating lease liability at the present value of lease payments over the lease term on the commencement date. The related right of use ("ROU") operating lease asset reflects rental escalation clauses, as well as renewal options and/or termination options. The exercise of lease renewal and/or termination options are at our discretion and are included in the determination of the lease term and lease payment obligations when it is deemed reasonably certain that the option will be exercised. When available, we use the rate implicit in the lease to discount lease payments to present value; however, certain leases do not provide a readily determinable implicit rate. Therefore, we must estimate our incremental borrowing rate to discount the lease payments based on information available at lease commencement.

We classify our leases as buildings, vehicles or computer and office equipment and do not separate lease and non-lease components of contracts for any of the aforementioned classifications. In accordance with applicable guidance, we do not record leases with terms that are less than one year on the Condensed Consolidated Balance Sheets.

None of our lease agreements contain material restrictive covenants or residual value guarantees.

Buildings

We lease certain office and warehouse space at various locations in the United States where we provide services. These leases are typically greater than one year with fixed, escalating rents over the noncancelable terms and, therefore, ROU operating lease assets and operating lease liabilities are recorded on the Condensed Consolidated Balance Sheets, with rent expense recognized on a straight-line basis over the term of the lease. The remaining lease terms vary from approximately one to five years as of June 30, 2026.

We entered into a lease ("initial lease") in October 2018, for approximately 80,000 square feet of office space for our new corporate headquarters in Minneapolis, Minnesota. In December 2018, we amended the initial lease to add approximately 29,000 square feet of additional office space, which is accounted for as a separate lease ("second lease") in accordance with ASU No. 2016-02, "Leases" (Topic 842) ("ASC 842"). In December 2019, we further amended the lease which extended the expiration date of the initial lease, extended the expiration date of and added approximately 4,000 square feet to the second lease, as well as added approximately 37,000 square feet of additional office space, accounted for as a separate lease ("third lease") in accordance with ASC 842. The portion of the space covered under the initial lease was placed in service in September 2019. The portion of the space covered under the second lease commenced in September 2020. Finally, the portion of the space covered under the third lease commenced in September 2021. The three portions were recognized as an operating lease and included in the ROU operating lease assets and operating lease liabilities on the Condensed Consolidated Balance Sheets.

Computer and Office Equipment

We also have operating lease agreements for certain computer and office equipment. The remaining lease terms as of June 30, 2026, ranged from less than one year to approximately two years with fixed monthly payments that are included in the ROU operating lease assets and operating lease liabilities. The leases provide an option to purchase the related equipment at fair market value at the end of the lease. The leases will automatically renew as a month-to-month rental at the end of the lease if the equipment is not purchased or returned.

Lease Position, Undiscounted Cash Flow and Supplemental Information

The table below presents information related to our ROU operating lease assets and operating lease liabilities that we have recorded:

(In thousands)	At June 30, 2026	At December 31, 2025
Right of use operating lease assets	$ 12,553	$ 13,798
Operating lease liabilities:		
Current	$ 3,095	$ 3,195
Non-current	11,267	12,763
Total	$ 14,362	$ 15,958
Operating leases:		
Weighted average remaining lease term	4.5 years	4.9 years
Weighted average discount rate	4.3%	4.3%

	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Supplemental cash flow information for our operating leases:		
Cash paid for operating lease liabilities	$ 1,892	$ 1,851

The table below reconciles the undiscounted cash flows for the periods presented to the operating lease liabilities recorded on the Condensed Consolidated Balance Sheet for the periods presented:

(In thousands)		
2026 (July 1 - December 31)	$	1,895
2027		3,311
2028		3,275
2029		3,310
2030		3,340
Thereafter		351
Total minimum lease payments		15,482
Less: Amount of lease payments representing interest		(1,120)
Present value of future minimum lease payments		14,362
Less: Current obligations under operating lease liabilities		(3,095)
Non-current obligations under operating lease liabilities	$	11,267

Operating lease costs were $0.9 million for each of the three months ended June 30, 2026 and 2025. Operating lease costs were $1.8 million for each of the six months ended June 30, 2026 and 2025.

Major Vendors

We had purchases from one vendor that accounted for 10% and 12% of our total purchases for the three months ended June 30, 2026 and 2025, respectively. We had purchases from one vendor that accounted for 11% and 12% of our total purchases for the six months ended June 30, 2026 and 2025, respectively.

Purchase Commitments

We issued purchase orders prior to June 30, 2026, totaling $39.4 million for goods that we expect to receive within the next year.

Retirement Plan

We maintain a 401(k) retirement plan for our employees in which eligible employees can contribute a percentage of their pre-tax compensation. We recorded an expense related to our discretionary contributions to the 401(k) plan of $0.8 million and $0.7 million for the three months ended June 30, 2026 and 2025, respectively, and $1.6 and $1.4 million for the six months ended June 30, 2026 and 2025, respectively.

Legal Proceedings

From time to time, we are subject to various claims and legal proceedings arising in the ordinary course of business. Regardless of outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

On October 25, 2024, the United States District Court, District of Massachusetts (Boston) unsealed two qui tam complaints against us, and we were served with these complaints on January 14, 2025, and January 21, 2025. The first complaint is captioned United States ex. rel. Benjaman Scarborough vs. Tactile Systems Technology, Inc., Case No. 1:21-cv-10813-IT, and was filed under seal on May 17, 2021, on behalf of the United States by a former employee (the "Scarborough Complaint"). The Scarborough Complaint alleges that we submitted false claims and made false statements in connection with the Medicare programs, in violation of the Federal False Claims Act. The second complaint is captioned United States ex. rel. Jackie Gorham, an individual, and Dustin Gast, an individual, vs. Tactile Systems Technology, Inc. Case No. 1:21-cv-11809-IT, and was filed under seal on September 1, 2021, on behalf of the United States by two former employees (the "Gorham Complaint"). The Gorham Complaint alleges that we submitted false claims and made false statements in connection with the Medicare, Medicare Advantage plans, Medicaid and other government payers, in violation of the Federal False Claims Act and submitted false claims resulting from kickbacks in violation of the Federal False Claims Act and the Federal Anti-Kickback Statute. Both complaints seek damages, statutory penalties, attorneys' fees, and costs. On February 24, 2025, the parties (the relators under both complaints and the Company) filed a joint motion requesting that both matters (hereinafter the "Actions") be stayed until November 25, 2025, to provide time for the government to review and assess sample claims for the purpose of assessing the allegations. On February 25, 2025, the court granted the motion and issued orders that stayed the Actions until November 25, 2025. By joint motions of the parties granted by the court, the stay was extended until March 25, 2026, and subsequently until June 23, 2026.

On April 14, 2026, the affected parties (government, relators, and the Company) reached an agreement in principle to settle the Actions for an aggregate payment by the Company of approximately $0.6 million, plus relators' attorneys' fees and costs. In connection with the agreement in principle, the Company recorded an accrual of approximately $1.0 million, inclusive of the proposed settlement amount and estimated relators' attorneys' fees and related costs, which is reflected in accrued expenses on the Condensed Consolidated Balance Sheet as of June 30, 2026. On July 14, 2026, the parties (government, relators, and the Company) executed the final settlement agreement resolving the Actions for an aggregate payment by the Company of approximately $0.6 million, plus relators' attorneys' fees and costs in an amount to be determined.

Note 10. Stockholders' Equity

Share Repurchase Program

On October 16, 2025, our Board of Directors authorized a new program to repurchase up to $25.0 million of our common stock, following the prior repurchase authorization that had been fully utilized. Under the new program, purchases may be made from time to time in the open market, in privately negotiated purchases, or both. The timing and number of shares to be purchased will be based on the price of the Company's common stock, general business and market conditions and other investment considerations and factors. This share repurchase program expires on November 3, 2027. The program does not obligate the Company to repurchase any specific number of shares and may be suspended or discontinued at any time without prior notice.

We made repurchases under the applicable share repurchase program in the following periods, which include the market price of the shares, commissions and excise tax:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, except share and per share data)	2026	2025	2026	2025
Number of shares repurchased	208,900	1,507,496	249,150	2,143,099
Total shares repurchased cost	$ 5,284	$ 16,704	$ 6,357	$ 26,772
Average total cost per repurchased share	$ 25.29	$ 11.08	$ 25.51	$ 12.49

As of June 30, 2026, approximately $18.7 million of authorized share repurchases were remaining under the share repurchase program. We expect that repurchases will be funded through available cash balances and ongoing business operating cash generation. Shares of common stock repurchased under the program are immediately retired. Repurchases under our share repurchase program reduce the weighted-average number of shares of common stock outstanding for basic and diluted earnings per share calculations.

Stock-Based Compensation

On May 7, 2025, our stockholders approved the Tactile Systems Technology, Inc. 2025 Equity Incentive Plan (the “2025 Plan”), which authorizes us to grant stock options, stock appreciation rights, restricted stock, stock units and other stock-based awards to employees, non-employee directors and certain consultants and advisors. The 2025 Plan provides for the issuance of up to 1,850,000 shares of our common stock, plus the number of shares subject to any award under the 2016 Equity Incentive Plan (the “2016 Plan”) that was outstanding on May 7, 2025 and that later expires, is cancelled or forfeited, is settled for cash or otherwise does not result in the issuance of all of the shares subject to such award. As of June 30, 2026, 1,449,457 shares were available for future grant pursuant to the 2025 Plan.

Following our stockholders’ approval of the 2025 Plan on May 7, 2025, no additional grants will be made under the 2016 Plan. However, outstanding awards under the 2016 Plan will continue to be governed by their respective original terms.

We recorded stock-based compensation expense of $2.3 million and $1.9 million for the three months ended June 30, 2026 and 2025, respectively, and $4.0 million for each of the six months ended June 30, 2026 and 2025. This expense was allocated as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2026	2025	2026	2025
Cost of revenue	$ 112	$ 101	$ 202	$ 200
Sales and marketing expenses	430	465	877	968
Research and development expenses	34	52	78	85
Reimbursement, general and administrative expenses	1,684	1,321	2,883	2,752
Total stock-based compensation expense	$ 2,260	$ 1,939	$ 4,040	$ 4,005

Stock Options

Stock options issued to participants other than non-employees typically vest over three or four years and typically have a contractual term of seven or ten years. No stock-based compensation expense was included in the Condensed Consolidated Statements of Operations for stock options for each of the three and six months ended June 30, 2026 and 2025. As of June 30, 2026, there was no unrecognized pre-tax stock option expense under our equity compensation plans.

Our stock option activity for the three months ended June 30, 2026, was as follows:

(In thousands except options and per share data)	Options Outstanding		Weighted-Average Exercise Price Per Share (1)	Weighted-Average Remaining Contractual Life		Aggregate Intrinsic Value (2)
Balance at December 31, 2025	225,448	$	43.87	1.8 years	$	316
Exercised	(11,884)		16.55		$	
Cancelled/Expired	(15,003)		54.95			
Balance at June 30, 2026	198,561	$	44.67	1.4 years	$	191
Options exercisable at June 30, 2026	198,561	$	44.67	1.4 years	$	191

(1) The exercise price of each option granted during the periods shown was equal to the market price of the underlying stock on the date of grant.

(2) The aggregate intrinsic value of options exercised represents the difference between the exercise price of the option and the closing stock price of our common stock on the date of exercise. The aggregate intrinsic value of options outstanding represents the difference between the exercise price of the option and the closing stock price of our common stock on the last trading day of the period.

Options exercisable of 272,690 as of June 30, 2025, had a weighted-average exercise price of $41.45 per share.

Time-Based Restricted Stock Units

We have granted time-based restricted stock units to certain participants under the 2016 Plan and the 2025 Plan that are stock-settled with common shares. Time-based restricted stock units vest over one to three years. Stock-based compensation expense included in the Condensed Consolidated Statements of Operations for time-based restricted stock units was $1.6 million and $1.4 million for the three months ended June 30, 2026 and 2025, respectively, and $2.9 million for each of the six months ended June 30, 2026 and 2025. As of June 30, 2026, there was approximately $10.4 million of total unrecognized pre-tax compensation expense related to outstanding time-based restricted stock units that is expected to be recognized over a weighted-average period of 2.0 years.

Our time-based restricted stock unit activity for the six months ended June 30, 2026, was as follows:

(In thousands except unit and per unit data)	Units Outstanding		Weighted-Average Grant Date Fair Value Per Unit		Aggregate Intrinsic Value (1)
Balance at December 31, 2025	718,621	$	13.92	$	20,840
Granted	284,660		27.50		
Vested	(350,810)		13.25		
Cancelled	(36,581)		16.37		
Balance at June 30, 2026	615,890	$	20.44	$	18,341

(1) The aggregate intrinsic value of restricted stock units outstanding was based on our closing stock price on the last trading day of the period.

Performance-Based Restricted Stock Units

We have granted performance-based restricted stock units ("PSUs") to certain participants. These PSUs have both performance-based and time-based vesting features. The PSUs granted in 2025 have three separate performance periods, and one-third of each grant will be earned if and to the extent performance goals based on revenue and adjusted EBITDA margin are achieved in 2025 (ranging from 25% to 175% of target), one-third will be earned if and to the extent performance goals based on revenue change and adjusted EBITDA change are achieved in 2026 (ranging from 25% to 175% of target), and one-third will be earned if and to the extent performance goals based on revenue change and adjusted EBITDA change are achieved in 2027 (ranging from 25% to 175% of target). The PSUs granted in 2026 have three separate performance periods, and one-third of each grant will be earned if and to the extent performance goals based on revenue and adjusted EBITDA margin are achieved in 2026 (ranging from 25% to 175% of target), one-third will be earned if and to the extent performance goals based on revenue change and adjusted EBITDA change are achieved in 2027 (ranging from 25% to 175% of target), and one-third will be earned if and to the extent performance goals based on revenue change and adjusted EBITDA change are achieved in 2028 (ranging from 25% to 175% of target). All earned and vested PSUs will be settled in shares of common stock.

Stock-based compensation expense recognized for PSUs was $0.5 million and $0.3 million for the three months ended June 30, 2026 and 2025, respectively, and $0.8 million and $0.7 million for the six months ended June 30, 2026 and 2025, respectively. As of June 30, 2026, there was approximately $3.2 million of total unrecognized pre-tax compensation expense related to outstanding PSUs that is expected to be recognized over a weighted average period of 2.3 years.

Our PSU activity for the six months ended June 30, 2026, was as follows:

(In thousands except unit and per unit data)	PSUs Outstanding	Weighted-Average Grant Date Fair Value Per Unit	Aggregate Intrinsic Value (1)
Balance at December 31, 2025	310,296	$ 14.76	$ 8,999
Granted	108,846	28.25	
Adjusted	12,705		
Vested	(95,377)	14.16	
Balance at June 30, 2026	336,470	$ 19.33	$ 10,020

(1) The aggregate intrinsic value of PSUs outstanding was based on our closing stock price on the last trading day of the period.

Employee Stock Purchase Plan

Our employee stock purchase plan ("ESPP"), which was approved by our Board of Directors on April 27, 2016, and by our stockholders on June 20, 2016, allows participating employees to purchase shares of our common stock at a discount through payroll deductions. The ESPP is available to all of our employees and employees of participating subsidiaries. Participating employees may purchase common stock, on a voluntary after-tax basis, at a price equal to 85% of the lower of the closing market price per share of our common stock on the first or last trading day of each stock purchase period. The ESPP provides for six-month purchase periods, beginning on May 16 and November 16 of each calendar year.

A total of 1,600,000 shares of common stock was initially reserved for issuance under the ESPP. This share reserve was automatically supplemented each January 1, commencing in 2017 and ending on and including January 1, 2026, by an amount equal to the least of (a) 1% of the shares of our common stock outstanding on the immediately preceding December 31, (b) 500,000 shares or (c) such lesser amount as our Board of Directors may determine. Pursuant to the automatic increase feature of the ESPP, 224,381 shares were added as available for issuance thereunder on January 1, 2026 and 240,780 shares were added as available for issuance thereunder on January 1, 2025. As of June 30, 2026, 1,691,730 shares were available for future issuance under the ESPP. We recognized stock-based compensation expense associated with the ESPP of $0.2 million for each of the three months ended June 30, 2026 and 2025, and $0.3 million and $0.4 million for the six months ended June 30, 2026 and 2025, respectively.

Note 11. Revenue

We derive our revenue from the sale and rental of our products to our customers in the United States. The following table presents our revenue, inclusive of sales and rental revenue, disaggregated by product line:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2026	2025	2026	2025
Revenue				
Lymphedema products	$ 73,630	$ 65,969	$ 135,851	$ 116,524
Airway clearance products	12,068	12,936	25,114	23,649
Total	$ 85,698	$ 78,905	$ 160,965	$ 140,173
Percentage of total revenue				
Lymphedema products	86%	84%	84%	83%
Airway clearance products	14%	16%	16%	17%
Total	100%	100%	100%	100%

Our revenue by channel, inclusive of sales and rental revenue, for the three and six months ended June 30, 2026 and 2025, are summarized in the following table:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2026	2025	2026	2025
Private insurers and other payers	$ 48,791	$ 39,041	$ 83,765	$ 67,986
Veterans Administration	7,412	7,506	13,615	14,043
Medicare	17,427	19,422	38,471	34,495
Durable medical equipment distributors	12,068	12,936	25,114	23,649
Total	$ 85,698	$ 78,905	$ 160,965	$ 140,173

Our rental revenue is derived from rent-to-purchase arrangements that typically range from three to ten months. As title transfers to the patient, with whom we have the contract, upon the termination of the lease term and because collectability is probable, under ASC 842, these are recognized as sales-type leases. Each rental agreement contains two components, the controller and related garments, both of which are interdependent and recognized as one lease component.

The revenue and associated cost of revenue of sales-type leases are recognized on the lease commencement date and a net investment in leases is recorded on the Condensed Consolidated Balance Sheets. We bill the patients' insurance payers monthly over the duration of the rental term. We record the net investment in leases and recognize revenue upon commencement of the lease in the amount of the expected consideration to be received through the monthly payments. Similar to our sales revenue, the transaction price is impacted by multiple factors, including the terms and conditions contracted by third-party payers. As the rental contract resides with the patients, we have elected the portfolio approach, at the payer level, to determine the expected consideration, which considers the impact of early terminations. While the contract is with the patient, in certain circumstances, the third-party payer elects an initial rental period with an option to extend. We assess the likelihood of extending the lease at the onset of the lease to determine if the option is reasonably certain to be exercised. As the lease is short-term in nature, we anticipate collection of substantially all of the net investment within the first year of the lease agreement. Completion of these payments represents the fair market value of the equipment, and as such, interest income is not applicable.

Rental revenue for each of the three and six months ended June 30, 2026 and 2025, was primarily from private insurers and Medicare. Sales-type lease revenue and the associated cost of revenue for the three and six months ended June 30, 2026 and 2025, was:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2026	2025	2026	2025
Sales-type lease revenue	$ 9,209	$ 8,374	$ 17,510	$ 17,173
Cost of sales-type lease revenue	2,721	2,629	5,115	4,660
Gross profit	$ 6,488	$ 5,745	$ 12,395	$ 12,513

Note 12. Income Taxes

We record our interim provision for income taxes by applying our estimated annual effective tax rate to our year-to-date pre-tax income and adjusting for discrete tax items recorded in the period. Deferred income taxes result from temporary differences between the reporting of amounts for financial statement purposes and income tax purposes. These differences relate primarily to different methods used for income tax reporting purposes, including for depreciation and amortization, warranty and vacation accruals, and deductions related to allowances for doubtful accounts receivable and inventory reserves. Our provision for income taxes included current federal and state income tax expense, as well as deferred federal and state income tax expense.

The effective tax rate for the three months ended June 30, 2026 was a benefit of 5.7%, compared to an expense of 28.9% for the three months ended June 30, 2025. The primary driver of the change in the Company's effective tax rate was attributable to the relative impact of stock-based compensation discrete tax items. We recorded an income tax benefit of $0.4 million and an income tax expense of $1.3 million for the three months ended June 30, 2026 and 2025, respectively.

The effective tax rate for the six months ended June 30, 2026 was an expense of 7.0%, compared to an expense of 46.4% for the six months ended June 30, 2025. The primary driver of the change in the Company's effective tax rate was attributable to the relative impact of stock-based compensation discrete tax items. We recorded an income tax expense of $0.5 million and an income tax expense of $0.2 million for the six months ended June 30, 2026 and 2025, respectively.

We recognize the financial statement benefit of a tax position only after determining that the relevant tax authority is more-likely-than-not to sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the condensed consolidated financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority.

The Company currently is not under income tax examination in any jurisdictions.

Note 13. Net Income Per Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, except share and per share data)	2026	2025	2026	2025
Net income	$ 7,785	$ 3,217	$ 6,022	$ 243
Weighted-average shares outstanding	22,676,673	23,092,469	22,620,546	23,399,848
Weighted-average shares used to compute diluted net income per share	23,058,902	23,237,671	23,135,040	23,679,220
Net income per share - Basic	$ 0.34	$ 0.14	$ 0.27	$ 0.01
Net income per share - Diluted	$ 0.34	$ 0.14	$ 0.26	$ 0.01

The following common stock equivalents were excluded from the computation of diluted net income per share for the periods presented because including them would have been anti-dilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Restricted stock units	206,886	616,951	—	810,270
Common stock options	204,999	245,817	178,149	278,078
Performance stock units	89,763	143,695	—	248,399
Employee stock purchase plan	47,494	—	—	—
Total	549,142	1,006,463	178,149	1,336,747

Note 14. Fair Value Measurements

We determine the fair value of our assets and liabilities based on the exchange price that would be received for an asset or paid to transfer a liability (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 maximize the use of observable inputs and minimize the use of unobservable inputs. We use a fair value hierarchy with three levels of inputs, of which the first two are considered observable and the last unobservable, to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1). The next highest priority is based on quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in non-active markets or other observable inputs (Level 2). The lowest priority is given to unobservable inputs (Level 3).

The carrying amounts of financial instruments such as accounts receivable, other current assets, accounts payable, accrued expenses and other current liabilities approximate their related fair values due to the short-term maturities of these items. Non-financial assets, such as equipment and leasehold improvements, and intangible assets are subject to non-recurring fair value measurements if they are deemed impaired.

The following table provides information regarding the fair value measurement of our contingent consideration liability as of June 30, 2026, according to the three-level fair value hierarchy:

	At June 30, 2026			
(In thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Recurring Fair Value Measurements:				
Contingent Consideration	$ —	—	$ 4,863	$ 4,863
Total	$ —	$ —	$ 4,863	$ 4,863

See Note 15 – “Business Combination” for additional information regarding this contingent consideration liability.

Note 15. Business Combination

On February 17, 2026, we acquired all outstanding equity interests of LymphaTech pursuant to the Stock Purchase Agreement, dated as of February 17, 2026. LymphaTech is a medical technology company pioneering a digital, three-dimensional (the “3D”) full body measurement and monitoring platform designed specifically for lymphedema. We acquired LymphaTech to further expand our position as a leader in treating lymphedema by extending our solutions across the care continuum, including earlier identification, assessment, and long-term monitoring.

The total purchase consideration for LymphaTech payable at closing, on a cash-free, debt-free basis, was approximately $7.2 million. Each holder of issued and outstanding shares of LymphaTech capital stock received their pro rata portion (based on their relative ownership percentage) of the consideration paid at closing, less $0.2 million, which was utilized to pay the sellers’ transaction expenses. The other component of purchase consideration is contingent consideration based on the achievement of non-financial milestones after closing, which contingent consideration had an estimated fair value of approximately $4.9 million as of the acquisition date.

The acquisition date fair value of contingent consideration was measured using the income approach, specifically the probability weighted expected return method for the milestone payments. We will remeasure the fair value of the contingent liability on a quarterly basis. Estimates and assumptions used in the valuation include the probability of achieving these non-financial milestones, the expected timing of achieving these milestones, and a discount rate. These unobservable inputs represent a Level 3 measurement because they are supported by little or no market activity and reflect our own assumptions in measuring fair value. Any changes in the fair value subsequent to the acquisition date will be recognized in our consolidated statements of operations. There was no change in fair value for contingent consideration as of June 30, 2026.

The acquisition of LymphaTech was funded by cash on hand. We recognized transaction costs of $0.8 million in the six months ended June 30, 2026. These costs are reported in Reimbursement, general and administrative expenses in our Condensed Consolidated Statements of Operations. Transaction costs include, but are not limited to, investment banker, advisory, legal, and other professional fees.

The following table reflects the allocation of the purchase consideration between the amount paid at closing and the contingent consideration:

(In thousands)	Purchase Consideration	
Cash consideration payments to LymphaTech stockholders	$	7,230
Estimated fair value of contingent consideration		4,863
Total purchase consideration	$	12,093

Fair Value of Assets Acquired and Liabilities Assumed

The acquisition of LymphaTech has been accounted for using the acquisition method of accounting in accordance with ASC 805, Business Combinations, with the Company treated as the accounting acquirer, which requires, among other things, that the assets acquired and liabilities assumed be recognized at their fair value on the acquisition date. Acquisition accounting is dependent upon certain valuations and other studies that have yet to commence or progress to a stage where there is sufficient information for a definitive measurement. The process for estimating the fair values of identifiable intangible assets and certain tangible assets and assumed liabilities requires the use of judgment in determining the appropriate assumptions and estimates.

The purchase price allocation for the LymphaTech acquisition is considered final as of June 30, 2026. The table below presents the estimated fair values of assets acquired and liabilities assumed on the acquisition date based on valuations and management estimates. Fair value estimates are based on a complex series of judgments about future events and uncertainties and rely heavily on estimates and assumptions. The judgments used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact our results of operations.

(In thousands)		Estimated Fair Value
Assets		
Current assets		
Cash and cash equivalents	$	1,004
Accounts receivable, net		19
Total current assets		1,023
Non-current assets		
Intangible assets		4,110
Goodwill(1)		8,491
Total non-current assets		12,601
Total assets acquired	$	13,624
Liabilities and stockholders' equity		
Current liabilities		
Accrued expenses and other current liabilities	$	180
Unearned revenue		313
Total current liabilities		493
Non-current liabilities		
Deferred income taxes		1,038
Total long term liabilities		1,038
Total liabilities assumed	$	1,531
Net assets acquired	$	12,093

(1) Of the $8.5 million of goodwill from the acquisition, none is expected to be tax deductible. Goodwill is comprised of expected synergies for the combined operations and the assembled workforce acquired in the acquisition.

Identifiable Intangible Assets

The identifiable intangible assets acquired consist of a developed technology asset, customer relationship assets and a tradename asset. The estimated fair value of the developed technology asset was prepared using the relief from royalty method which calculates the value of the developed technology based on royalties that would be paid if licensed by a third party. The estimated fair value of customer relationship assets was prepared using the multi-period excess earnings method which calculates the present value of the incremental after-tax cash flows attributable solely to each customer relationship. The estimated fair value of the tradename asset was prepared using the relief from royalty method which calculates the value of the tradename based on royalties that would be paid if licensed by a third party. The estimated useful lives are based on forecasted periods of benefit for each intangible asset. Estimated useful lives and estimated preliminary fair values are presented in the table below.

(In thousands)		Estimated Fair Value(1)	Estimated Useful Life
Developed technology	$	3,200	10 years
Customer relationships		540	5 years
Tradename		370	10 years
Estimated fair value of intangible assets acquired	$	4,110	

(1) The preliminary acquisition accounting, including the valuation of identifiable intangible assets, is subject to change during the measurement period.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and the accompanying notes thereto included elsewhere in this report.

Overview

We are a medical technology company that develops and commercializes medical devices in the United States. Our mission is to help people suffering from chronic diseases live better and care for themselves at home. We focus our efforts on advancing the standard of care in treating underserved chronic diseases in the home to improve patient outcomes and quality of life and help control rising healthcare expenditures. Our areas of therapeutic focus are (1) vascular disease, with a goal of advancing the standard of care in treating lymphedema and chronic venous insufficiency, (2) oncology, where lymphedema is a common consequence among cancer survivors and (3) providing airway clearance therapy for those suffering from chronic respiratory conditions. We possess a unique, scalable platform to deliver at-home healthcare solutions throughout the United States. This evolving home care delivery model is recognized by policymakers and insurance payers as a key for controlling rising healthcare costs. Our solutions deliver cost-effective, clinically proven, long-term treatment for people with these chronic diseases. We generally employ a direct-to-patient and -provider model within our lymphedema portfolio, through which we obtain patient referrals from clinicians, manage insurance claims on behalf of our patients and their clinicians, deliver our solutions directly to patients and train them on the proper use of our solutions. This model allows us to engage directly with patients and clinicians, which are both critical audiences to which we can provide clinical evidence and education. For our respiratory therapy product, we have a durable medical equipment (“DME”) distribution model, through which we sell the AffloVest product to accredited DME providers, whose representatives gather and submit documentation for payer reimbursement, train patients on use of the device, and provide ongoing patient support.

Our current lymphedema products are the Flexitouch Plus, Entre Plus and Nimbl pneumatic compression pump systems and our airway clearance product is a High-Frequency Chest Wall Oscillation (“HFCWO”) device called AffloVest. The Flexitouch system product line is considered an advanced pneumatic compression device. The first generation Flexitouch system received 510(k) clearance from the U.S. Food and Drug Administration (the “FDA”) in July 2002, introducing a medical device technology to address the many limitations of self-administered home-based manual lymphatic drainage therapy. A second generation Flexitouch system received 510(k) clearance from the FDA in October 2006. In September 2016, we received 510(k) clearance from the FDA for the Flexitouch system in treating lymphedema of the head and neck. A third generation, Flexitouch Plus, received 510(k) clearance from the FDA in June 2017. In December 2020, we received 510(k) clearance from the FDA for two new indications for our Flexitouch Plus system: phlebolymphedema and lipedema. The Entre system product line and Nimbl product line are considered basic, or simple, pneumatic compression devices. These systems are sold or rented to patients who need a simple pump or who do not yet qualify for insurance reimbursement for an advanced compression device e.g., a Flexitouch Plus system. We introduced the Entre system in the United States in February 2013, this device was manufactured by Thermotek, Inc. and received FDA clearance in 2010. In 2015, we received FDA clearance for our own first generation Entre system and the second generation, Entre Plus, was released in March 2023. Nimbl, our next-generation pneumatic compression platform, received 510(k) clearance in June 2024 and was commercially launched for upper extremity lymphedema in October 2024 and was commercially launched for lower extremity lymphedema in February 2025. Nimbl has replaced most orders for our Entre system and we expect will continue to do so. Sales and rentals of our lymphedema products represented 84% and 83% of our revenue in the six months ended June 30, 2026 and 2025, respectively.

On April 24, 2026, we entered into a 3-year exclusive distribution agreement with ElastiMed, Inc. to bring MyoSleeve, a discreet, wearable non-pneumatic compression device for the lower leg, to Department of Veterans Affairs (“VA”) and Department of Defense (“DoD”) patients across the United States. Under the agreement, we received exclusive rights to distribute MyoSleeve through the VA and DoD channels and limited non-exclusive distribution rights in the broader U.S. commercial market, subject to certain contractual conditions. In exchange for these rights, we made a $3.0 million upfront payment in the second quarter of 2026, which was recorded as an intangible asset and will be amortized on a straight-line basis beginning on the date the product is commercially available for sale, which is expected to be in the second half of 2026.

On February 17, 2026, we acquired all outstanding equity interests of LymphaTech, Inc. (“LymphaTech”). LymphaTech is a medical technology company pioneering a digital, three-dimensional (the “3D”) full body measurement and monitoring platform designed specifically for lymphedema.

On September 8, 2021, we acquired the assets of the AffloVest airway clearance product line. AffloVest is a portable, wearable vest that provides airway clearance to treat patients with chronic respiratory conditions such as bronchiectasis or conditions resulting from neuromuscular disorders. In April 2026, we received FDA 510(k) clearance for our AffloVest Gen 6 and it was commercially launched in June 2026. For the six months ended June 30, 2026 and 2025, sales of AffloVest represented 16% and 17% of our revenue, respectively.

To support the growth of our business, we continue to invest in our commercial infrastructure, consisting of a lymphedema and respiratory sales force, marketing team including clinical education programs, patient education team, reimbursement capabilities and clinical expertise. We market our lymphedema products using a direct-to-patient and -clinician model. The AffloVest device is sold through respiratory durable medical equipment providers throughout the United States that service patients and bill third-party payers for the product. We employ a small group of respiratory specialists, who educate DME representatives, provide product demonstrations for targeted clinicians and support technical questions related to the AffloVest. As of June 30, 2026, we employed 169 account managers and 163 specialists for our lymphedema products and a team of 19 specialists supporting our airway clearance products. This compares to 161 account managers and 132 specialists for our lymphedema products and a team of 19 specialists supporting our airway clearance products as of June 30, 2025.

We invest in our reimbursement function to improve operational efficiencies and enhance individual payer expertise, while continuing our strategic focus of payer development. Our payer relations function focuses on payer policy development, education, contract negotiations, and data analysis. Our reimbursement operations function is responsible for verifying patient insurance benefits, individual patient case development, prior authorization submissions, case follow-up, and appeals when necessary.

We also have a clinical team, consisting of a scientific advisory board, in-house therapists and nurses, and a Chief Medical Officer, that serves as a resource to clinicians and patients and guides the development of clinical evidence in support of our products. Most clinical studies require observation and interaction with clinicians and patients to monitor results and progress.

We rely on third-party contract manufacturers for the sourcing of parts, the assembly of our controllers and the manufacturing of the garments used with our systems. We conduct final assembly of the garments used with our products, perform quality assurance and ship our products from our facility in Minnesota. We also manufacture and ship the AffloVest device from our Minnesota-based facility.

In July 2022, we launched Kylee™ a free mobile app that makes it easier for patients to manage their conditions by tracking treatments and symptoms, as well as having direct access to educational resources. Flexitouch Plus and Nimbl devices include Bluetooth technology, which is viewable using Kylee.

For the three months ended June 30, 2026, we generated revenue of $85.7 million and had net income of $7.8 million, compared to revenue of $78.9 million and net income of $3.2 million for the three months ended June 30, 2025. For the six months ended June 30, 2026, we generated revenue of $161.0 million and had net income of $6.0 million, compared to revenue of $140.2 million and net income of $0.2 million for the six months ended June 30, 2025. Our primary sources of capital since our initial public offering in 2016 have been from operating income, bank financing and our public offering in February 2023.

We operate in one segment for financial reporting purposes.

Results of Operations

Comparison of the Three and Six Months Ended June 30, 2026 and 2025

The following table presents our results of operations for the periods indicated:

(In thousands)	Three Months Ended June 30, 2026		Three Months Ended June 30, 2025		Change $	Change %
Condensed Consolidated Statement of Operations Data:		% of revenue		% of revenue		
Revenue						
Sales revenue	$ 76,489	89 %	$ 70,531	89 %	$ 5,958	8 %
Rental revenue	9,209	11 %	8,374	11 %	835	10 %
Total revenue	85,698	100 %	78,905	100 %	6,793	9 %
Cost of revenue						
Cost of sales revenue	17,628	21 %	17,483	22 %	145	1 %
Cost of rental revenue	2,721	3 %	2,629	3 %	92	3 %
Total cost of revenue	20,349	24 %	20,112	25 %	237	1 %
Gross profit						
Gross profit - sales revenue	58,861	68 %	53,048	67 %	5,813	11 %
Gross profit - rental revenue	6,488	8 %	5,745	8 %	743	13 %
Gross profit	65,349	76 %	58,793	75 %	6,556	11 %
Operating expenses						
Sales and marketing	32,012	37 %	30,039	38 %	1,973	7 %
Research and development	2,501	3 %	2,018	3 %	483	24 %
Reimbursement, general and administrative	23,360	27 %	22,034	28 %	1,326	6 %
Intangible asset amortization	650	1 %	619	1 %	31	5 %
Total operating expenses	58,523	68 %	54,710	70 %	3,813	7 %
Income from operations	6,826	8 %	4,083	5 %	2,743	67 %
Interest income	561	1 %	850	1 %	(289)	(34)%
Interest expense	(19)	— %	(410)	— %	391	(95)%
Other income	—	— %	1	— %	(1)	(100)%
Income before income taxes	7,368	9 %	4,524	6 %	2,844	63 %
Income tax (benefit) expense	(417)	— %	1,307	2 %	(1,724)	(132)%
Net income	$ 7,785	9 %	$ 3,217	4 %	$ 4,568	142 %

(In thousands)	Six Months Ended June 30, 2026			Six Months Ended June 30, 2025			Change $		Change %
Condensed Consolidated Statement of Operations Data:			% of revenue			% of revenue			
Revenue									
Sales revenue	$	143,455	89 %	$	123,000	88 %	$	20,455	17 %
Rental revenue		17,510	11 %		17,173	12 %		337	2 %
Total revenue		160,965	100 %		140,173	100 %		20,792	15 %
Cost of revenue									
Cost of sales revenue		32,887	20 %		31,374	22 %		1,513	5 %
Cost of rental revenue		5,115	4 %		4,660	3 %		455	10 %
Total cost of revenue		38,002	24 %		36,034	25 %		1,968	5 %
Gross profit									
Gross profit - sales revenue		110,568	69 %		91,626	66 %		18,942	21 %
Gross profit - rental revenue		12,395	7 %		12,513	9 %		(118)	(1)%
Gross profit		122,963	76 %		104,139	75 %		18,824	18 %
Operating expenses									
Sales and marketing		64,744	40 %		57,555	41 %		7,189	12 %
Research and development		5,277	3 %		3,759	3 %		1,518	40 %
Reimbursement, general and administrative		46,404	29 %		42,032	30 %		4,372	10 %
Intangible asset amortization		1,246	1 %		1,252	1 %		(6)	(0)%
Total operating expenses		117,671	73 %		104,598	75 %		13,073	12 %
Income (loss) from operations		5,292	3 %		(459)	— %		5,751	N.M. %
Interest income		1,227	1 %		1,745	1 %		(518)	(30)%
Interest expense		(47)	— %		(834)	(1)%		787	(94)%
Other income		—	— %		1	— %		(1)	(100)%
Income before income taxes		6,472	4 %		453	— %		6,019	N.M. %
Income tax expense		450	— %		210	— %		240	114 %
Net income	$	6,022	4 %	$	243	— %	$	5,779	N.M. %

Revenue

Revenue increased $6.8 million, or 9%, to $85.7 million in the three months ended June 30, 2026, compared to $78.9 million in the three months ended June 30, 2025. The increase in total revenue was attributable to an increase of $7.7 million, or 12%, in sales and rentals of the lymphedema product line in the three months ended June 30, 2026, compared to the three months ended June 30, 2025. The increase was partially offset by a decrease of $0.9 million, or 7%, in sales of the airway clearance product line in the three months ended June 30, 2026, compared to the three months ended June 30, 2025.

Revenue increased $20.8 million, or 15%, to $161.0 million in the six months ended June 30, 2026, compared to $140.2 million in the six months ended June 30, 2025. The increase in total revenue was attributable to an increase of $19.3 million, or 17%, in sales and rentals of the lymphedema product line and an increase of $1.5 million, or 6%, in sales of the airway clearance product line in the six months ended June 30, 2026, compared to the six months ended June 30, 2025.

The increase in the lymphedema product line revenue in the three and six months ended June 30, 2026, was driven by accelerating commercial momentum from our strong partnerships, execution of our go-to-market commercial strategy and disciplined focus on sales force productivity. The decrease in the airway clearance product line revenue for the three months ended June 30, 2026 was primarily driven by inventory timing dynamics among a few large DME providers. The increase in the airway clearance product line revenue for the six months ended June 30, 2026 was primarily driven by strong partnerships and prioritized placement agreements with our top 10 respiratory DME providers.

The following tables summarize our revenue by product line for the three and six months ended June 30, 2026 and 2025, both in dollars and percentage of total revenue:

(In thousands)	Three Months Ended June 30, 2026	Three Months Ended June 30, 2025	Change $	Change %
Revenue				
Lymphedema products	$ 73,630	$ 65,969	$ 7,661	12%
Airway clearance products	12,068	12,936	(868)	(7)%
Total	$ 85,698	$ 78,905	$ 6,793	9%
Percentage of total revenue				
Lymphedema products	86%	84%		
Airway clearance products	14%	16%		
Total	100%	100%		

(In thousands)	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025	Change $	Change %
Revenue				
Lymphedema products	$ 135,851	$ 116,524	$ 19,327	17%
Airway clearance products	25,114	23,649	1,465	6%
Total	$ 160,965	$ 140,173	$ 20,792	15%
Percentage of total revenues				
Lymphedema products	84%	83%		
Airway clearance products	16%	17%		
Total	100%	100%		

Our business is affected by seasonality. In the first quarter of each year, when most patients have started a new insurance year and have not yet met their annual out-of-pocket payment obligations, we experience substantially reduced demand for our products. We typically experience higher revenue in the third and fourth quarters of the year when patients have met their annual insurance deductibles, thereby reducing their out-of-pocket costs for our products, and have an increasing desire to exhaust their flexible spending accounts at year end. This seasonality applies only to purchases and rentals of our products by patients covered by commercial insurance and is not relevant to Medicare, Medicaid or the Veterans Administration, as those payers either do not have plans that have declining deductibles over the course of the plan year and/or do not have plans that include patient deductibles for purchases or rentals of our products.

Cost of Revenue and Gross Margin

Cost of revenue increased $0.2 million, or 1%, to $20.3 million in the three months ended June 30, 2026, compared to $20.1 million in the three months ended June 30, 2025. Cost of revenue increased $2.0 million, or 5%, to $38.0 million in the six months ended June 30, 2026, compared to $36.0 million in the six months ended June 30, 2025. The increase in cost of revenue in both periods was primarily attributable to the increase in revenue.

Gross margin was 76% and 75% in the three months ended June 30, 2026 and 2025, respectively, and 76% and 75% in the six months ended June 30, 2026 and 2025, respectively.

Sales and Marketing Expenses

Sales and marketing expenses increased $2.0 million, or 7%, to $32.0 million in the three months ended June 30, 2026, compared to $30.0 million in the three months ended June 30, 2025. The increase was primarily attributable to a $2.9 million increase in personnel-related compensation expenses (including travel and entertainment expenses) and a $0.2 million increase in expenses for professional services, partially offset by a $1.4 million decrease in expenses related to meetings and seminars.

Sales and marketing expenses increased $7.2 million, or 12%, to $64.7 million in the six months ended June 30, 2026, compared to $57.6 million in the six months ended June 30, 2025. The increase was primarily attributable to a $6.8 million increase in personnel-related compensation expenses, a $0.2 million increase in expenses for demo units and a $0.1 million increase in educational grants.

Research and Development Expenses

Research and development ("R&D") expenses increased $0.5 million, or 24%, to $2.5 million in the three months ended June 30, 2026, compared to $2.0 million in the three months ended June 30, 2025. The increase was primarily attributable to a $0.2 million increase in IT-related expenses and a $0.2 million increase in personnel-related compensation expenses.

R&D expenses increased $1.5 million, or 40%, to $5.3 million in the six months ended June 30, 2026, compared to $3.8 million in the six months ended June 30, 2025. The increase was primarily attributable to a $0.8 million increase in personnel-related compensation expenses and $0.6 million increase in IT and other professional fees related expenses.

IT-related expenses reflected in both R&D expenses and Reimbursement, general and administrative expenses in both periods primarily related to the ongoing implementation of new technology across the entire order process, replacing legacy systems, which we expect to continue through the remainder of 2026.

Reimbursement, General and Administrative Expenses

Reimbursement, general and administrative expenses increased $1.3 million, or 6%, to $23.4 million in the three months ended June 30, 2026, compared to $22.0 million in the three months ended June 30, 2025. This increase was primarily attributable to a $2.2 million increase in personnel-related compensation expenses, a $0.3 million increase in IT-related expenses and a $0.2 million increase in acquisition and integration costs related to the LymphaTech acquisition, partially offset by a $1.6 million decrease in occupancy costs.

Reimbursement, general and administrative expenses increased $4.4 million, or 10%, to $46.4 million in the six months ended June 30, 2026, compared to $42.0 million in the six months ended June 30, 2025. This increase was primarily attributable to a $3.3 million increase in personnel-related compensation expenses, a $1.0 million increase in acquisition and integration costs related to the LymphaTech acquisition and a $0.7 million increase in IT-related expenses, partially offset by a $0.7 million decrease in occupancy costs, depreciation expense and professional fees.

Intangible Asset Amortization

Intangible asset amortization was $0.7 and $0.6 million for the three months ended June 30, 2026 and 2025, respectively.

Intangible asset amortization was $1.2 and $1.3 million for the six months ended June 30, 2026 and 2025, respectively.

Interest Income and Interest Expense

Interest income decreased $0.3 million, or 34%, to $0.6 million in the three months ended June 30, 2026, compared to $0.9 million in the three months ended June 30, 2025, primarily due to a lower cash balance in an Institutional Insured Liquid Deposit demand account due to funds being utilized for the LymphaTech acquisition. Interest expense decreased $0.4 million, or 95%, to $19,000 in the three months ended June 30, 2026, compared to $0.4 million in the three months ended June 30, 2025, primarily due to the repayment of debt.

Interest income decreased $0.5 million, or 30%, to $1.2 million in the six months ended June 30, 2026, compared to $1.7 million in the six months ended June 30, 2025, primarily due to a lower cash balance in an Institutional Insured Liquid Deposit demand account due to funds being utilized for the LymphaTech acquisition. Interest expense decreased $0.8 million, or 94%, to $47,000 in the six months ended June 30, 2026, compared to $0.8 million in the six months ended June 30, 2025, primarily due to the repayment of debt.

Income Taxes

We recorded an income tax benefit of $0.4 million and an income tax expense of $1.3 million for the three months ended June 30, 2026 and 2025, respectively. The primary driver of the change in our effective tax rate was attributable to the Company recording stock-based compensation discrete items when compared to the prior year period.

We recorded an income tax expense of $0.5 million and an income tax expense of $0.2 million for the six months ended June 30, 2026 and 2025, respectively. The primary driver of the change in our effective tax rate was attributable to the Company recording stock-based compensation discrete items when compared to the prior year period.

Liquidity and Capital Resources

Cash Flows

On June 30, 2026, we had cash of $69.9 million and net accounts receivable of $43.1 million. This compares to cash of $81.5 million and net accounts receivable of $33.1 million at June 30, 2025.

The following table summarizes our cash flows for the periods indicated:

(In thousands)	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Net cash provided by (used in):		
Operating activities	$ 2,915	$ 15,174
Investing activities	(11,380)	(804)
Financing activities	(5,128)	(27,209)
Net decrease in cash	$ (13,593)	$ (12,839)

Operating Activities

Net cash provided in operating activities during the six months ended June 30, 2026 was $2.9 million, resulting from non-cash net income adjustments of $7.6 million, net income of $6.0 million and a net decrease in operating assets and liabilities of $10.7 million. The positive non-cash net income adjustments consisted primarily of $4.0 million of stock-based compensation expense, $3.5 million of depreciation and amortization, and a loss on disposal of property and equipment and intangibles of $0.1 million. Cash provided relating to the change in operating assets and liabilities primarily consisted of an increase in prepaid expenses and other assets of $5.2 million, a decrease in accrued payroll and related taxes of $3.8 million, an increase in inventories of $2.8 million, a $2.2 million decrease in income taxes payable, a $0.8 million decrease in accrued expenses and other liabilities and an increase in right of use operating lease assets of $0.4 million, partially offset by a $2.9 million increase in accounts payable, a decrease of $0.8 million in net investment in leases and a decrease in net accounts receivable of $0.8 million.

Net cash provided by operating activities during the six months ended June 30, 2025 was $15.2 million, resulting from a net increase in operating assets and liabilities of $7.5 million, non-cash net income adjustments of $7.4 million, and net income of $0.2 million. Cash provided relating to the change in operating assets and liabilities primarily consisted of a decrease in net accounts receivable of $11.9 million, a $2.6 million increase in accrued expenses and other liabilities, a $2.3 million increase in accounts payable, a decrease in inventories of $1.5 million, and a decrease in net investment in leases of $0.1 million, partially offset by a decrease in accrued payroll and related taxes of $5.2 million, an increase in prepaid expenses and other assets of $4.7 million, a decrease in income taxes payable of $0.6 million and an increase in right of use operating lease assets of $0.3 million. The positive non-cash net income adjustments consisted primarily of $4.0 million of stock-based compensation expense, $3.4 million of depreciation and amortization, and $0.1 million of loss on disposals.

Investing Activities

Net cash used in investing activities during the six months ended June 30, 2026, was $11.4 million, primarily consisting of $6.2 million of net payments related to the acquisition of LymphaTech, a $3.0 million payment for the exclusive distribution agreement for MyoSleeve, $2.1 million of purchases of property and equipment and $0.1 million of patent costs.

Net cash used in investing activities during the six months ended June 30, 2025, was $0.8 million, consisting of purchases of property and equipment and patent costs.

Financing Activities

Net cash used in financing activities during the six months ended June 30, 2026, was $5.1 million, primarily consisting of payments of $6.4 million for the repurchase of our common stock, partially offset by $1.0 million in proceeds from the issuance of common stock under the ESPP and $0.2 million in proceeds from the exercise of common stock options.

Net cash used in financing activities during the six months ended June 30, 2025, was $27.2 million, primarily consisting of payments of $26.6 million for the repurchase of our common stock and a payment of $1.5 million made on our term loan, partially offset by $0.8 million in proceeds from the issuance of common stock under the ESPP.

Credit Agreement

On July 31, 2025, we entered into an Amended and Restated Credit Agreement with the lenders from time to time party thereto, and Wells Fargo Bank, National Association, as administrative agent (the “2025 Credit Agreement”), which amended and restated the credit agreement that we had in place prior to that time (the “Prior Credit Agreement”). The 2025 Credit Agreement provides for a $40.0 million revolving credit facility with a scheduled maturity date of July 31, 2028.

In connection with the entry into the 2025 Credit Agreement, on July 31, 2025, we paid off the full amount outstanding under the term loan that was outstanding under the Prior Credit Agreement, which was $24.4 million (inclusive of principal and interest), using cash on hand. The term loan had been reflected on our condensed consolidated financial statements as a note payable. The 2025 Credit Agreement removed the provisions from the Prior Credit Agreement related to a committed term loan, such that the only term loan related provisions in the 2025 Credit Agreement relate to our ability to request uncommitted incremental term loan facilities and/or an increase in the amount of the revolving loans available under the 2025 Credit Agreement in an amount not to exceed $25.0 million in the aggregate, subject to the satisfaction of certain conditions.

Amounts drawn under the revolving credit facility bear interest, at our option, at a rate equal to (a) the highest of (i) the prime rate, (ii) the federal funds rate plus 0.50% and (iii) Adjusted Term SOFR (defined as term Secured Overnight Financing Rate) for a one-month tenor plus 1% (the “Base Rate”) plus an applicable margin or (b) Adjusted Term SOFR for an interest period of one, three or six months, at our option, plus the applicable margin. The applicable margin is 0.75% to 1.75% on loans bearing interest at the Base Rate and 1.75% to 2.75% on loans bearing interest at Adjusted Term SOFR, in each case depending on our consolidated total leverage ratio.

The 2025 Credit Agreement provides for a commitment fee at a rate per annum ranging from 0.125% to 0.250% for the unused portion of the revolving credit facility, depending on our consolidated total leverage ratio.

The 2025 Credit Agreement includes financial covenants consisting of a maximum consolidated total leverage ratio covenant and a minimum fixed charge coverage ratio covenant. In addition, the 2025 Credit Agreement includes customary negative covenants, including a restricted payment covenant that permits the Company to repurchase shares of its common stock and make certain other payments, as long as the Company is not in default under the 2025 Credit Agreement, has a consolidated total leverage ratio of no greater than 1.75 to 1.00, and has liquidity of not less than $30.0 million, in each case both before and after giving effect to such stock repurchases or the making of such payments. As of June 30, 2026, we were in compliance with all covenants under the 2025 Credit Agreement.

Our obligations under the 2025 Credit Agreement are secured by a security interest in substantially all of our and our subsidiary’s assets and are also guaranteed by our subsidiary.

As of June 30, 2026, we had no outstanding borrowings under the 2025 Credit Agreement.

Share Repurchase Program

On October 16, 2025, our Board of Directors authorized a new program to repurchase up to $25.0 million of our common stock. Under the program, purchases may be made from time to time in the open market, in privately negotiated purchases, or both. The timing and number of shares to be purchased will be based on the price of the Company's common stock, general business and market conditions and other investment considerations and factors. This share repurchase program expires on November 3, 2027. The program does not obligate the Company to repurchase any specific number of shares and may be suspended or discontinued at any time without prior notice.

During the six months ended June 30, 2026, we repurchased 249,150 shares for approximately $6.4 million. We used cash on hand to fund these repurchases.

Future Cash Requirements

For a discussion of our material estimated future cash requirements under our contractual obligations and commercial commitments, in total and disaggregated into current and long-term, see “Future Cash Requirements” included in Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2025. There have been no material changes since December 31, 2025.

Adequacy of Resources

Our future cash requirements may vary significantly from those now planned and will depend on many factors, including:

- the impacts of inflation, rising interest rates or a recession on our business;
- sales and marketing resources needed to further penetrate our market;
- expansion of our operations;
- IT investments to scale our business;
- response of competitors to our solutions and applications;
- costs associated with clinical research activities;
- increases in interest rates;
- labor shortages and wage inflation;
- component price inflation;
- costs to develop and implement new products and revisions to existing products; and
- use of capital for acquisitions or licenses, if any.

Historically, we have experienced increases in our expenditures consistent with the growth in our revenue, operations and personnel, and we anticipate that our expenditures will continue to increase as we expand our business.

We believe our cash and cash flows from operations will be sufficient to meet our working capital, capital expenditure, debt repayment and related interest, and other cash requirements for at least the next twelve months.

Recent Accounting Pronouncements

Refer to Note 3 – “Summary of Significant Accounting Policies” of the condensed consolidated financial statements contained in this report for a description of recently issued accounting pronouncements that are applicable to our business.

Critical Accounting Estimates

Critical accounting estimates are those that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on our financial condition and results of operations. For additional information, please see the discussion of our most critical accounting estimates under “Critical Accounting Estimates” in Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2025.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For a discussion on our market risks, see Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” included in our Annual Report on Form 10-K for the year ended December 31, 2025. There have been no material changes since December 31, 2025.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2026. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes 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 in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2026, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, that occurred during the quarter ended June 30, 2026, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

Information pertaining to certain legal proceedings in which we are involved can be found in Note 9 – “Commitments and Contingencies” to our condensed consolidated financial statements included in Part I, Item 1 of this report and is incorporated herein by reference.

Item 1A. Risk Factors.

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2025, which could materially affect our business, financial condition or future results. There have been no material changes in our risk factors from those disclosed in that report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Issuer Purchases of Equity Securities

(In thousands, except share and per share data)	Total Number of Shares Purchased	Average Price Paid Per Share[(1)]	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs[(2)]
April 1, 2026 - April 30, 2026	158,900	$ 24.75	158,900	$ 20,000
May 1, 2026 - May 31, 2026	—	—	—	20,000
June 1, 2026 - June 30, 2026	50,000	27.02	50,000	18,651
Total	208,900		208,900	

(1) Amount includes commissions paid.
(2) On November 3, 2025, we announced that our board of directors authorized a program to repurchase shares of our common stock in an aggregate amount not to exceed $25.0 million. The share repurchase program became effective on November 3, 2025 and expires on November 3, 2027.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Trading Arrangements

During the quarter ended June 30, 2026, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act or any non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K).

Item 6. Exhibits.

The exhibits filed as part of this Quarterly Report on Form 10-Q are set forth on the Exhibit Index below.

EXHIBIT INDEX

Exhibit Number	Description of Exhibit	Incorporated by Reference			Filed Herewith
		Form	Date of Filing	Exhibit Number	
3.1	Amended and Restated Certificate of Incorporation, conformed version reflecting all amendments through May 6, 2026	8-K	05/07/2026	3.2	
3.2	Amended and Restated By-laws, effective December 19, 2022	10-K	02/21/2023	3.2	
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) / 15d-14(a) of the Securities Exchange Act of 1934, as amended				X
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) / 15d-14(a) of the Securities Exchange Act of 1934, as amended				X
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
101.1	Inline XBRL for the following financial statements from the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2026: (i) Balance Sheets, (ii) Statements of Operations, (iii) Statements of Stockholders’ Equity, (iv) Statements of Cash Flows, and (v) Notes to the Condensed Consolidated Financial Statements; and for the information set forth in Part II, Item 5.				X
104.1	Cover page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101.1)				X

SIGNATURES

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

Tactile Systems Technology, Inc.

Date: August 10, 2026

By: /s/ *Elaine M. Birkemeyer*
Elaine M. Birkemeyer
Chief Financial Officer
(Principal financial and accounting officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Sheri L. Dodd, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Tactile Systems Technology, 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 registrant as of, and for, the periods presented in this report;

4. The registrant'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 registrant 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 registrant, 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant'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 registrant's internal control over financial reporting.

/s/ Sheri L. Dodd
Sheri L. Dodd
Chief Executive Officer

Date: August 10, 2026

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Elaine M. Birkemeyer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Tactile Systems Technology, 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 registrant as of, and for, the periods presented in this report;

4. The registrant'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 registrant 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 registrant, 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant'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 registrant's internal control over financial reporting.

/s/ Elaine M. Birkemeyer
Elaine M. Birkemeyer
Chief Financial Officer

Date: August 10, 2026

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Tactile Systems Technology, Inc. (the "Company") for the period ended June 30, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Sheri L. Dodd, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to her knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) 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.

/s/ Sheri L. Dodd

Sheri L. Dodd
Chief Executive Officer

Date: August 10, 2026

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Tactile Systems Technology, Inc. (the "Company") for the period ended June 30, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Elaine M. Birkemeyer, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to her knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) 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.

/s/ Elaine M. Birkemeyer
Elaine M. Birkemeyer
Chief Financial Officer

Date: August 10, 2026