
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: September 30, 2024

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
(State or other jurisdiction of
incorporation or organization)

**3701 Wayzata Blvd, Suite 300
Minneapolis, Minnesota 55416**

41-1801204
(I.R.S. Employer
Identification No.)

(Address and zip code of principal executive
offices)

(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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>
Smaller reporting company	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>		

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

23,997,089 shares of common stock, par value \$0.001 per share, were outstanding as of October 31, 2024.

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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;
- the impact of inflation, rising interest rates or recession;
- the adequacy of our liquidity to pursue our business objectives;
- adverse economic conditions or intense competition;
- price increases for supplies and components;
- wage and component price inflation;
- loss of a key supplier;
- entry of new competitors and products;
- compliance with and changes in federal, state and local government regulation;
- loss or retirement of key executives, including transition matters related to our recent Chief Executive Officer change;
- technological obsolescence of our products;
- technical problems with our research and 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, 2023, 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)	September 30, 2024	December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	\$ 82,146	\$ 61,033
Accounts receivable	39,970	43,173
Net investment in leases	13,953	14,195
Inventories	21,176	22,527
Prepaid expenses and other current assets	5,127	4,366
Total current assets	162,372	145,294
Non-current assets		
Property and equipment, net	5,878	6,195
Right of use operating lease assets	17,553	19,128
Intangible assets, net	43,708	46,724
Goodwill	31,063	31,063
Accounts receivable, non-current	3,628	10,936
Deferred income taxes	19,719	19,378
Other non-current assets	3,803	2,720
Total non-current assets	125,352	136,144
Total assets	\$ 287,724	\$ 281,438
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 7,290	\$ 6,659
Note payable	2,956	2,956
Accrued payroll and related taxes	13,086	16,789
Accrued expenses	7,088	5,904
Income taxes payable	611	1,467
Operating lease liabilities	2,883	2,807
Other current liabilities	3,240	4,475
Total current liabilities	37,154	41,057
Non-current liabilities		
Note payable, non-current	23,959	26,176
Accrued warranty reserve, non-current	1,448	1,681
Income taxes payable, non-current	495	446
Operating lease liabilities, non-current	16,767	18,436
Total non-current liabilities	42,669	46,739
Total liabilities	79,823	87,796
Stockholders' equity:		
Preferred stock, \$0.001 par value, 50,000,000 shares authorized; none issued and outstanding as of September 30, 2024 and December 31, 2023	—	—
Common stock, \$0.001 par value, 300,000,000 shares authorized; 23,997,089 shares issued and outstanding as of September 30, 2024; 23,600,584 shares issued and outstanding as of December 31, 2023	24	24
Additional paid-in capital	181,739	174,724
Retained earnings	26,138	18,894
Total stockholders' equity	207,901	193,642
Total liabilities and stockholders' equity	\$ 287,724	\$ 281,438

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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue				
Sales revenue	\$ 63,168	\$ 58,866	\$ 180,742	\$ 171,459
Rental revenue	9,925	10,720	26,657	25,312
Total revenue	73,093	69,586	207,399	196,771
Cost of revenue				
Cost of sales revenue	15,603	17,016	46,810	48,523
Cost of rental revenue	2,703	3,211	8,270	9,122
Total cost of revenue	18,306	20,227	55,080	57,645
Gross profit				
Gross profit - sales revenue	47,565	41,850	133,932	122,936
Gross profit - rental revenue	7,222	7,509	18,387	16,190
Gross profit	54,787	49,359	152,319	139,126
Operating expenses				
Sales and marketing	26,838	26,030	82,803	80,538
Research and development	2,417	1,964	6,794	6,030
Reimbursement, general and administrative	18,118	16,449	51,158	46,874
Intangible asset amortization and earn-out	633	(3,073)	1,898	(557)
Total operating expenses	48,006	41,370	142,653	132,885
Income from operations				
Income from operations	6,781	7,989	9,666	6,241
Other income (expense)	452	(404)	832	(2,235)
Income before income taxes				
Income before income taxes	7,233	7,585	10,498	4,006
Income tax expense (benefit)	2,078	(14,714)	3,254	(16,307)
Net income				
Net income	\$ 5,155	\$ 22,299	\$ 7,244	\$ 20,313
Net income per common share				
Basic	\$ 0.21	\$ 0.95	\$ 0.30	\$ 0.89
Diluted	\$ 0.21	\$ 0.94	\$ 0.30	\$ 0.88
Weighted-average common shares used to compute net income per common share				
Basic	23,985,364	23,483,269	23,842,049	22,714,574
Diluted	24,254,176	23,848,729	24,070,084	22,987,667

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		Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Total
	Shares	Par Value			
Balances, June 30, 2024	23,966,748	\$ 24	\$ 179,669	\$ 20,983	\$ 200,676
Stock-based compensation	—	—	2,070	—	2,070
Exercise of common stock options and vesting of performance and restricted stock units	30,341	—	—	—	—
Net income for the period	—	—	—	5,155	5,155
Balances, September 30, 2024	<u>23,997,089</u>	<u>\$ 24</u>	<u>\$ 181,739</u>	<u>\$ 26,138</u>	<u>\$ 207,901</u>
Balances, December 31, 2023	23,600,584	\$ 24	\$ 174,724	\$ 18,894	\$ 193,642
Stock-based compensation	—	—	5,969	—	5,969
Exercise of common stock options and vesting of performance and restricted stock units	288,598	—	2	—	2
Common shares issued for employee stock purchase plan	107,907	—	1,044	—	1,044
Net income for the period	—	—	—	7,244	7,244
Balances, September 30, 2024	<u>23,997,089</u>	<u>\$ 24</u>	<u>\$ 181,739</u>	<u>\$ 26,138</u>	<u>\$ 207,901</u>
Balances, June 30, 2023	23,458,302	\$ 23	\$ 170,347	\$ (11,607)	\$ 158,763
Stock-based compensation	—	—	1,766	—	1,766
Exercise of common stock options and vesting of performance and restricted stock units	39,255	—	2	—	2
Net income for the period	—	—	—	22,299	22,299
Balances, September 30, 2023	<u>23,497,557</u>	<u>\$ 23</u>	<u>\$ 172,115</u>	<u>\$ 10,692</u>	<u>\$ 182,830</u>
Balances, December 31, 2022	20,252,677	\$ 20	\$ 131,001	\$ (9,621)	\$ 121,400
Stock-based compensation	—	—	5,597	—	5,597
Exercise of common stock options and vesting of performance and restricted stock units	249,064	—	13	—	13
Sale of common stock from follow-on public offering, net of offering expenses	2,875,000	3	34,622	—	34,625
Common shares issued for employee stock purchase plan	120,816	—	882	—	882
Net income for the period	—	—	—	20,313	20,313
Balances, September 30, 2023	<u>23,497,557</u>	<u>\$ 23</u>	<u>\$ 172,115</u>	<u>\$ 10,692</u>	<u>\$ 182,830</u>

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)	Nine Months Ended September 30,	
	2024	2023
Cash flows from operating activities		
Net income	\$ 7,244	\$ 20,313
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,079	4,916
Deferred income taxes	(341)	(20,717)
Stock-based compensation expense	5,969	5,597
Loss on disposal of property and equipment and intangibles	308	3
Change in fair value of earn-out liability	—	(2,475)
Changes in assets and liabilities, net of acquisition:		
Accounts receivable	3,203	10,947
Net investment in leases	242	2,527
Inventories	1,351	(374)
Income taxes	(807)	(99)
Prepaid expenses and other assets	(1,844)	(369)
Right of use operating lease assets	(18)	292
Accounts receivable, non-current	7,308	8,425
Accounts payable	582	(3,622)
Accrued payroll and related taxes	(3,703)	(2,316)
Accrued expenses and other liabilities	(251)	(5,545)
Net cash provided by operating activities	<u>24,322</u>	<u>17,503</u>
Cash flows from investing activities		
Purchases of property and equipment	(1,932)	(1,424)
Proceeds from sale of property and equipment	12	—
Intangible assets expenditures	(85)	(117)
Net cash used in investing activities	<u>(2,005)</u>	<u>(1,541)</u>
Cash flows from financing activities		
Proceeds from issuance of note payable	—	8,250
Payments on earn-out	—	(5,000)
Payments on note payable	(2,250)	(2,250)
Payments on revolving line of credit	—	(8,250)
Payments of deferred debt issuance costs	—	(125)
Proceeds from exercise of common stock options	2	13
Proceeds from the issuance of common stock from the employee stock purchase plan	1,044	882
Proceeds from issuance of common stock at market	—	34,625
Net cash (used in) provided by financing activities	<u>(1,204)</u>	<u>28,145</u>
Net increase in cash and cash equivalents	<u>21,113</u>	<u>44,107</u>
Cash and cash equivalents – beginning of period	61,033	21,929
Cash and cash equivalents – end of period	<u>\$ 82,146</u>	<u>\$ 66,036</u>
Supplemental cash flow disclosure		
Cash paid for interest	\$ 1,612	\$ 2,810
Cash paid for taxes	\$ 4,428	\$ 3,006
Capital expenditures incurred but not yet paid	\$ 49	\$ 40

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 at home. We provide our Flexitouch® Plus and Entre™ Plus systems, which help control symptoms of lymphedema, a chronic progressive medical condition, through our direct sales force for use in the home following receipt of prescriptions from vascular, wound and lymphedema clinics throughout the United States.

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.

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 nine months ended September 30, 2024, are not necessarily indicative of results to be expected for the year ending December 31, 2024, 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, 2023.

Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts of Tactile Systems Technology, Inc. and its wholly owned subsidiary, Swelling Solutions, 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 nine months ended September 30, 2024. 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, 2023, for information regarding our significant accounting policies.

Accounting Pronouncement Not Yet Adopted

In November 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2023-07, “Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures” which requires entities to enhance disclosures around segment reporting. The guidance is effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the effect this standard will have on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU No. 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures” which requires entities to enhance disclosures around income taxes. The guidance is effective for annual periods beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the effect this standard will have on its consolidated financial statements and related disclosures.

Note 4. Inventories

Inventories consisted of the following:

(In thousands)	At September 30, 2024	At December 31, 2023
Finished goods	\$ 7,022	\$ 7,979
Component parts and work-in-process	14,154	14,548
Total inventories	<u>\$ 21,176</u>	<u>\$ 22,527</u>

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.

Intangible Assets

Our patents and other intangible assets are summarized as follows:

(In thousands)	Weighted-Average Amortization Period	At September 30, 2024		
		Gross Carrying Amount	Accumulated Amortization	Net Amount
Definite-lived intangible assets:				
Patents	12 years	\$ 1,148	\$ 310	\$ 838
Defensive intangible assets	1 year	1,125	1,029	96
Customer accounts	—	125	125	—
Customer relationships	10 years	31,000	7,299	23,701
Developed technology	8 years	13,000	3,618	9,382
Subtotal		46,398	12,381	34,017
Unamortized intangible assets:				
Tradenames		9,500	—	9,500
Patents pending		191	—	191
Total intangible assets		\$ 56,089	\$ 12,381	\$ 43,708

(In thousands)	Weighted-Average Amortization Period	At December 31, 2023		
		Gross Carrying Amount	Accumulated Amortization	Net Amount
Definite-lived intangible assets:				
Patents	12 years	\$ 1,018	\$ 248	\$ 770
Defensive intangible assets	1 year	1,125	920	205
Customer accounts	—	125	125	—
Customer relationships	11 years	31,000	5,511	25,489
Developed technology	9 years	13,000	2,731	10,269
Subtotal		46,268	9,535	36,733
Unamortized intangible assets:				
Tradenames		9,500	—	9,500
Patents pending		491	—	491
Total intangible assets		\$ 56,259	\$ 9,535	\$ 46,724

Amortization expense was \$0.9 million for each of the three months ended September 30, 2024 and 2023, and \$2.8 million and \$2.9 million for the nine months ended September 30, 2024 and 2023, respectively, of which \$0.3 million in each of the three months ended September 30, 2024 and 2023, and \$0.9 million in each of the nine months ended September 30, 2024 and 2023, were recorded in cost of sales revenue. Future amortization expenses are expected as follows:

(In thousands)	
2024 (October 1 - December 31)	\$ 951
2025	3,714
2026	3,650
2027	3,641
2028	3,638
Thereafter	18,423
Total	\$ 34,017

In the third quarter of 2024, 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 September 30, 2024		At December 31, 2023	
Warranty	\$	1,991	\$	2,357
Legal and consulting		921		611
In-transit inventory		1,565		401
Travel		1,000		1,038
Clinical studies		339		363
Sales and use tax		168		183
Other		1,104		951
Total	\$	<u>7,088</u>	\$	<u>5,904</u>

Note 7. Warranty Reserves

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

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Beginning balance	\$ 3,692	\$ 3,828	\$ 4,038	\$ 4,212
Warranty provision	629	1,228	2,371	3,128
Processed warranty claims	(882)	(1,403)	(2,970)	(3,687)
Ending balance	<u>\$ 3,439</u>	<u>\$ 3,653</u>	<u>\$ 3,439</u>	<u>\$ 3,653</u>
Accrued warranty reserve, current	\$ 1,991	\$ 1,872	\$ 1,991	\$ 1,872
Accrued warranty reserve, non-current	1,448	1,781	1,448	1,781
Total accrued warranty reserve	<u>\$ 3,439</u>	<u>\$ 3,653</u>	<u>\$ 3,439</u>	<u>\$ 3,653</u>

Note 8. Credit Agreement

On April 30, 2021, we entered into an Amended and Restated Credit Agreement (the “Restated Credit Agreement”) with the lenders from time to time party thereto, and Wells Fargo Bank, National Association, as Administrative Agent. The Restated Credit Agreement amended and restated in its entirety our prior credit agreement.

On September 8, 2021, we entered into a First Amendment Agreement (the “Amendment”), which amended the Restated Credit Agreement (as amended by the Amendment, the “Credit Agreement”) with the lenders from time to time party thereto and Wells Fargo Bank, National Association, as administrative agent. The Amendment, among other things, added a \$30.0 million incremental term loan to the \$25.0 million revolving credit facility provided by the Restated Credit Agreement. The term loan is reflected on our condensed consolidated financial statements as a note payable. The Credit Agreement provides that, subject to satisfaction of certain conditions, we may increase the amount of the revolving loans available under the Credit Agreement and/or add one or more term loan facilities in an amount not to exceed \$25.0 million in the aggregate, such that the total aggregate principal amount of loans available under the Credit Agreement (including under the revolving credit facility) does not exceed \$80.0 million.

On September 8, 2021, in connection with the closing of the AffloVest Acquisition, we borrowed the \$30.0 million term loan and utilized that borrowing, together with a draw of \$25.0 million under the revolving credit facility and cash on hand, to fund the purchase price.

On February 22, 2022, we entered into a Second Amendment Agreement (the “Second Amendment”), which further amended the Credit Agreement. The Second Amendment modified the maximum leverage ratio, the minimum fixed charge coverage ratio and the minimum consolidated EBITDA covenants under the Credit Agreement, and added a minimum liquidity covenant, through the quarter ended June 30, 2023. The Second Amendment also increased the applicable margin for LIBOR rate loans under the Credit Agreement during the period commencing on the date of the Second Amendment and ending on the last day of the fiscal quarter ending June 30, 2023. Pursuant to the Second Amendment, we made a mandatory principal prepayment of the term loan of \$3.0 million on February 22, 2022.

On June 21, 2023, we entered into a Third Amendment Agreement (the “Third Amendment”) that replaced the interest rate benchmark under the Credit Agreement from LIBOR to the term Secured Overnight Financing Rate (“SOFR”). All tenors of term SOFR are subject to a credit spread adjustment of 0.10% (“Adjusted Term SOFR”).

Following the Third Amendment, the term loan and 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 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 2.25% on loans bearing interest at the Base Rate and 1.75% to 3.25% on loans bearing interest at Adjusted Term SOFR, in each case depending on our consolidated total leverage ratio; except that, pursuant to the Second Amendment and the Third Amendment, during the period commencing on February 22, 2022 and ending on the last day of the fiscal quarter ending June 30, 2023, the applicable margin for LIBOR rate loans and Adjusted Term SOFR loans, as applicable, was 3.50%.

On August 1, 2023, we entered into a Fourth Amendment Agreement (the “Fourth Amendment”), which further amended the Credit Agreement. The Fourth Amendment, among other things, decreased the commitment fees payable under the revolving credit facility under the Credit Agreement such that the undrawn portions of the revolving credit facility are subject to an unused line fee at a rate per annum from 0.125% to 0.200%, depending on our consolidated leverage ratio, and eliminated the language providing that the applicable margin for Adjusted Term SOFR loans was 3.50%, such that the interest rates are in effect as set forth in the above paragraph. The Fourth Amendment also eliminated the liquidity financial covenant and modified the remaining financial covenants to reflect the termination of the temporary covenant relief period that was in place until June 30, 2023 pursuant to the Second Amendment, such that the financial covenants now include a maximum consolidated total leverage ratio covenant, a minimum consolidated EBITDA covenant and a minimum fixed charge coverage ratio covenant. In addition, the Fourth Amendment provided for an

additional term loan in the amount of \$8.25 million, which we used for a paydown of the revolving credit facility. The Fourth Amendment also extended the maturity date of the term loans and revolving credit facility under the Credit Agreement from September 8, 2024, to August 1, 2026.

On November 1, 2024, we entered into a Fifth Amendment Agreement (the "Fifth Amendment"), which further amended the Credit Agreement. The Fifth Amendment permits the Company to make payments to repurchase shares of its common stock, as long as the Company is not in default before and after giving effect to such repurchases, and as long as such repurchases do not exceed \$30.0 million.

On December 21, 2023, we made a payment of \$16.8 million to repay in full the outstanding balance on the revolving credit facility.

As of September 30, 2024, we had outstanding borrowings of \$27.0 million under the Credit Agreement, comprised entirely of the term loan. At September 30, 2024, all outstanding borrowings were subject to interest at a rate calculated at Adjusted Term SOFR plus an applicable margin, for an interest rate of 7.10%. The principal of the term loan is required to be repaid in quarterly installments of \$750,000. Maturities of the term loan for the next three years as of September 30, 2024, were as follows:

(In thousands)	Amount
2024 (October 1 - December 31)	\$ 750
2025	3,000
2026	23,250
Total	27,000
Less: Deferred financing fees	(85)
Net Note Payable	26,915
Less: Current portion of note payable	(2,956)
Non-current portion of note payable	\$ 23,959

Our obligations under the 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 September 30, 2024, the Credit Agreement contained a number of restrictions and covenants, including that we maintain compliance with a maximum consolidated total leverage ratio, a minimum fixed charge coverage ratio and a minimum consolidated EBITDA covenant. As of September 30, 2024, we were in compliance with all covenants under the 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 seven years as of September 30, 2024.

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 September 30, 2024, ranged from less than one year to approximately four 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 September 30, 2024	At December 31, 2023
Right of use operating lease assets	\$ 17,553	\$ 19,128
Operating lease liabilities:		
Current	\$ 2,883	\$ 2,807
Non-current	16,767	18,436
Total	\$ 19,650	\$ 21,243
Operating leases:		
Weighted average remaining lease term	6.0 years	6.7 years
Weighted average discount rate	4.4%	4.3%
Nine Months Ended September 30,		
	2024	2023
Supplemental cash flow information for our operating leases:		
Cash paid for operating lease liabilities	\$ 2,642	\$ 2,579
Non-cash right of use assets obtained in exchange for new operating lease obligations	\$ 386	\$ 132

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)		
2024 (October 1 - December 31)	\$	924
2025		3,734
2026		3,807
2027		3,309
2028		3,275
Thereafter		7,008
Total minimum lease payments		22,057
Less: Amount of lease payments representing interest		(2,407)
Present value of future minimum lease payments		19,650
Less: Current obligations under operating lease liabilities		(2,883)
Non-current obligations under operating lease liabilities	\$	16,767

Operating lease costs were \$0.9 million for each of the three months ended September 30, 2024 and 2023. Operating lease costs were \$2.6 million and \$2.7 million for the nine months ended September 30, 2024 and 2023, respectively.

Major Vendors

We had purchases from one vendor that accounted for 22% of our total purchases for the three months ended September 30, 2024, and purchases from one vendor that accounted for 20% of our total purchases for the nine months ended September 30, 2024. We had purchases from one vendor that accounted for 29% of our total purchases for the three months ended September 30, 2023, and purchases from one vendor that accounted for 26% of our total purchases for the nine months ended September 30, 2023.

Purchase Commitments

We issued purchase orders prior to September 30, 2024, totaling \$24.8 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 \$0.6 million and \$0.4 million for the three months ended September 30, 2024 and 2023, respectively, and \$1.7 million and \$1.1 million for the nine months ended September 30, 2024 and 2023, 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 May 24, 2022, a stockholder derivative lawsuit was filed in the United States District Court for the District of Minnesota, purportedly on behalf of the Company against certain of our present and former officers and directors and the Company (as a nominal defendant), captioned Jack Weaver v. Moen, et al., File No. 0:22-cv-01403-NEB-BRT (the "Weaver Lawsuit"). The Weaver Lawsuit generally arises out of the same subject matter as a previously settled securities class action captioned Brian Mart v. Tactile Sys. Tech., Inc., et al., File No. 0:20-cv-02074-NEB-BRT (D. Minn.) (the "Mart Lawsuit"), which alleged, inter alia, that we and eight of our former officers and directors made materially false or misleading statements about our business, operational and compliance policies. The Weaver Lawsuit alleges the following claims under the Exchange Act and common law: (1) that the director defendants made materially false or misleading public statements in proxy statements in violation of Section 14(a) of the Exchange Act; (2) that the director defendants' stock and option awards should be rescinded under Section 29(b) of the Exchange Act; (3) that the officer defendants' employment contract compensation should be rescinded under Section 29(b) of the Exchange Act; (4) that certain officer defendants are liable for contribution arising out of any liability incurred in the Mart Lawsuit, under Sections 10(b) and 21D of the Exchange Act; (5) that the individual defendants breached their fiduciary duties; and (6) that the individual defendants were unjustly enriched. The Weaver Lawsuit seeks unspecified damages. In August 2022, the matter was transferred to the United States District Court for the District of Delaware by order granting the Parties Stipulation to Transfer. On February 10, 2023, we filed a motion to dismiss the action. The plaintiff filed an Amended Complaint on March 3, 2023. On March 31, 2023, we filed a motion to dismiss the Amended Complaint. On July 31, 2023, the plaintiff filed a Joint Notice of Preliminary Settlement indicating that the parties had reached a non-binding settlement-in-principal on most of the material terms that would resolve all claims between the parties and requested that the Court temporarily stay all deadlines, hearings, and conferences while the parties continued to finalize settlement.

On June 6, 2024, the parties entered into a Stipulation of Settlement in the Weaver Lawsuit. On June 7, 2024, the plaintiff filed an unopposed motion for preliminary approval of the settlement. On June 27, 2024, the Court entered an order granting the motion for preliminary approval of the settlement. The final settlement hearing occurred on August 28, 2024, and on September 4, 2024, the Court entered its order approving the settlement, including the agreed upon attorneys' fees and expense awards to plaintiffs' counsel and service awards to the shareholder plaintiffs. Pursuant to the settlement, we are adopting, implementing, and maintaining certain corporate governance reforms. The attorneys' fees and expense award of approximately \$0.5 million was covered by insurance and has been paid. The settlement does not constitute an admission of liability or wrongdoing by us or any of our current or former directors or officers. This matter is now concluded.

On October 25, 2024, the United States District Court, District of Massachusetts (Boston) unsealed two *qui tam* complaints against us. The first complaint is captioned United States ex. rel. Benjamen 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.

Note 10. Stockholders’ Equity

Stock-Based Compensation

Our 2016 Equity Incentive Plan (the “2016 Plan”) 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. There were up to 4,800,000 shares of our common stock initially reserved for issuance pursuant to the 2016 Plan. The 2016 Plan provides that the number of shares reserved and available for issuance under the 2016 Plan will automatically increase annually on January 1 of each calendar year, commencing in 2017 and ending on and including January 1, 2026, by an amount equal to the lesser of: (a) 5% of the number of common shares of stock outstanding as of December 31 of the immediately preceding calendar year, or (b) 2,500,000 shares; provided, however, that our Board of Directors may determine that any annual increase be a lesser number. In addition, all awards granted under our 2007 Omnibus Stock Plan and our 2003 Stock Option Plan that were outstanding when the 2016 Plan became effective and that are forfeited, expired, cancelled, settled for cash or otherwise not issued, will become available for issuance under the 2016 Plan. Pursuant to the automatic increase feature of the 2016 Plan, 1,180,019 shares were added as available for issuance thereunder on January 1, 2024. Our Board of Directors exercised its prerogative to forego the automatic increase on January 1, 2023. As of September 30, 2024, 6,462,956 shares were available for future grant pursuant to the 2016 Plan.

Upon adoption and approval of the 2016 Plan, all of our previous equity incentive compensation plans were terminated. However, existing awards under those plans continue to vest in accordance with the original vesting schedules and will expire at the end of their original terms.

We recorded stock-based compensation expense of \$2.1 million and \$1.8 million for the three months ended September 30, 2024 and 2023, respectively, and \$6.0 million and \$5.6 million for the nine months ended September 30, 2024 and 2023, respectively. This expense was allocated as follows:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Cost of revenue	\$ 100	\$ 116	\$ 286	\$ 340
Sales and marketing expenses	595	634	1,939	2,196
Research and development expenses	42	5	123	98
Reimbursement, general and administrative expenses	1,333	1,011	3,621	2,963
Total stock-based compensation expense	<u>\$ 2,070</u>	<u>\$ 1,766</u>	<u>\$ 5,969</u>	<u>\$ 5,597</u>

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. Stock-based compensation expense included in the Condensed Consolidated Statements of Operations for stock options was \$0.0 million and \$0.2 million for the three months ended September 30, 2024 and 2023, respectively, and \$0.2 million and \$0.8 million for the nine months ended September 30, 2024 and 2023, respectively. At September 30, 2024, there was approximately \$42,100 of total unrecognized pre-tax stock option expense under our equity compensation plans, which is expected to be recognized on a straight-line basis over a weighted-average period of 1.0 years.

Our stock option activity for the nine months ended September 30, 2024, 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, 2023	429,960	\$ 40.74	3.8 years	\$ 223
Exercised	(1,153)	\$ 1.35		\$ 14
Cancelled/Expired	(24,142)	\$ 43.45		
Balance at September 30, 2024	<u>404,665</u>	\$ 40.69	3.1 years	\$ 218
Options exercisable at September 30, 2024	385,514	\$ 42.11	3.0 years	\$ 116

(1) The exercise price of each option granted during the period 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 400,484 as of September 30, 2023, had a weighted-average exercise price of \$43.45 per share.

Time-Based Restricted Stock Units

We have granted time-based restricted stock units to certain participants under the 2016 Plan that are stock-settled with common shares. Time-based restricted stock units granted under the 2016 Plan 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 \$1.5 million and \$1.2 million for the three months ended September 30, 2024 and 2023, respectively, and \$4.4 million and \$3.8 million for the nine months ended September 30, 2024 and 2023, respectively. At September 30, 2024, there was approximately \$7.7 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 1.9 years.

Our time-based restricted stock unit activity for the nine months ended September 30, 2024, 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, 2023	589,142	\$ 16.35	\$ 8,425
Granted	539,496	\$ 13.82	
Vested	(254,490)	\$ 17.44	
Cancelled	(113,724)	\$ 14.70	
Balance at September 30, 2024	<u>760,424</u>	\$ 14.44	\$ 11,110

(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 under the 2016 Plan. These PSUs have both performance-based and time-based vesting features. The PSUs granted in 2023 have three separate performance periods, and one-third of each grant will be earned if and to the extent performance goals based on revenue change and adjusted EBITDA margin are achieved in each of 2023 and 2024 (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 2025 (ranging from 25% to 175% of target). The PSUs granted in 2024 have three separate performance periods, and one-third of each grant will be earned if and to the extent performance goals based on revenue change and adjusted EBITDA margin are

achieved in 2024 (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 2025 (ranging from 25% to 175% of target), and one-third will be earned if and to the extent performance goals to be established are achieved in 2026. All earned and vested PSUs will be settled in shares of common stock.

Stock-based compensation expense recognized for PSUs was \$0.4 million and \$0.3 million for the three months ended September 30, 2024 and 2023, respectively, and \$1.0 million and \$0.6 million for the nine months ended September 30, 2024 and 2023, respectively. At September 30, 2024, there was approximately \$2.0 million of total unrecognized pre-tax compensation expense related to outstanding PSUs that is expected to be recognized over a weighted average period of 2.2 years.

Our PSU activity for the nine months ended September 30, 2024, was as follows:

<i>(In thousands except unit and per unit data)</i>	PSUs Outstanding	Weighted- Average Grant Date Fair Value Per Unit	Aggregate Intrinsic Value ⁽¹⁾
Balance at December 31, 2023	198,232	\$ 18.93	\$ 2,785
Granted	223,762	\$ 13.76	
Vested	(44,162)	\$ 27.31	
Cancelled	(104,913)	\$ 14.14	
Balance at September 30, 2024	<u>272,919</u>	\$ 15.19	\$ 3,987

(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 will automatically be 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, 236,003 shares were added as available for issuance thereunder on January 1, 2024. Our Board of Directors exercised its prerogative to forego the automatic increase on January 1, 2023. As of September 30, 2024, 1,497,964 shares were available for future issuance under the ESPP. We recognized stock-based compensation expense associated with the ESPP of \$0.2 million and \$0.1 million for the three months ended September 30, 2024 and 2023, respectively, and \$0.4 million for each of the nine months ended September 30, 2024 and 2023.

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:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue				
Lymphedema products	\$ 65,282	\$ 62,506	\$ 182,278	\$ 172,257
Airway clearance products	7,811	7,080	25,121	24,514
Total	<u>\$ 73,093</u>	<u>\$ 69,586</u>	<u>\$ 207,399</u>	<u>\$ 196,771</u>
Percentage of total revenue				
Lymphedema products	89%	90%	88%	88%
Airway clearance products	11%	10%	12%	12%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Our revenue by channel, inclusive of sales and rental revenue, for the three and nine months ended September 30, 2024 and 2023, are summarized in the following table:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Private insurers and other payers	\$ 47,564	\$ 39,376	\$ 122,907	\$ 101,300
Veterans Administration	8,442	7,259	23,339	20,203
Medicare	9,276	15,871	36,032	50,754
Durable medical equipment distributors	7,811	7,080	25,121	24,514
Total	<u>\$ 73,093</u>	<u>\$ 69,586</u>	<u>\$ 207,399</u>	<u>\$ 196,771</u>

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 the three and nine months ended September 30, 2024 and 2023, was primarily from private insurers. Sales-type lease revenue and the associated cost of revenue for the three and nine months ended September 30, 2024 and 2023, was:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Sales-type lease revenue	\$ 9,925	\$ 10,720	\$ 26,657	\$ 25,312
Cost of sales-type lease revenue	2,703	3,211	8,270	9,122
Gross profit	<u>\$ 7,222</u>	<u>\$ 7,509</u>	<u>\$ 18,387</u>	<u>\$ 16,190</u>

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 (loss) 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 includes 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 September 30, 2024, was an expense of 28.7%, compared to a benefit of 194.0% for the three months ended September 30, 2023. The primary driver of the change in our effective tax rate was attributable to the fact that we did not have a full valuation allowance on our deferred tax assets for the current year period, while the prior year period released a valuation allowance to recognize the full value of its deferred tax assets. We recorded income tax expense of \$2.1 million and an income tax benefit of \$14.7 million for the three months ended September 30, 2024 and 2023, respectively.

The effective tax rate for the nine months ended September 30, 2024, was an expense of 31.0%, compared to a benefit of 407.1% for the nine months ended September 30, 2023. The primary driver of the change in our effective tax rate was attributable to the fact that we did not have a full valuation allowance on our deferred tax assets for the current year period, while the prior year period released a valuation allowance to recognize the full value of its deferred tax assets. We recorded an income tax expense of \$3.3 million and an income tax benefit of \$16.3 million for the nine months ended September 30, 2024 and 2023, 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 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:

(In thousands, except share and per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income	\$ 5,155	\$ 22,299	\$ 7,244	\$ 20,313
Weighted-average shares outstanding	23,985,364	23,483,269	23,842,049	22,714,574
Weighted-average shares used to compute diluted net income per share	24,254,176	23,848,729	24,070,084	22,987,667
Net income per share - Basic	\$ 0.21	\$ 0.95	\$ 0.30	\$ 0.89
Net income per share - Diluted	\$ 0.21	\$ 0.94	\$ 0.30	\$ 0.88

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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Restricted stock units	361,130	74,972	520,171	190,071
Common stock options	370,040	430,521	370,040	430,521
Performance stock units	63,103	—	142,351	17,392
Employee stock purchase plan	79,295	—	—	—
Total	873,568	505,493	1,032,562	637,984

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).

As of September 30, 2024, our obligations under the AffloVest Acquisition earn-out arrangements had been paid in full. Prior to the determination of the actual amount of the earn-out, the earn-out liability was valued by employing a Monte Carlo Simulation model in a risk-neutral framework, which is a Level 3 input. The underlying simulated variable included recognized revenue. The recognized revenue volatility estimate was based on a study of historical asset volatility for a set of comparable public companies. The model included other assumptions including the market price of risk, which was calculated as the weighted average cost of capital less the long-term risk-free rate. The earn-out liability was adjusted to fair value at each reporting date until the end of the earn-out period, which was September 30, 2023. Changes in fair value were included in intangible asset amortization and earn-out expenses in our Condensed Consolidated Statements of Operations.

Changes in the earn-out liability measured at fair value using Level 3 inputs were as follows:

(In thousands)

Earn-out liability at December 31, 2022	\$	13,050
Payment on earn-out		(5,000)
Fair value adjustments		(2,475)
Earn-out liability at September 30, 2023	\$	5,575

On May 25, 2023, the Company paid \$5.0 million, plus an imputed interest payment of \$250,000, relating to the initial earn-out. Subsequent to September 30, 2023, it was determined that the calculated amount of the second earn-out payment was \$5.6 million, which was paid by the Company on November 28, 2023.

The carrying amounts of financial instruments such as cash equivalents, accounts receivable, other assets, accounts payable, accrued expenses and other 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.

Note 15. Subsequent Event

On October 30, 2024, our Board of Directors authorized a program to repurchase up to \$30.0 million of 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. The share repurchase program expires on October 31, 2026. 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.

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 provides innovative medical devices for the treatment of underserved chronic diseases. 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 setting 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.

Our current lymphedema products are the Flexitouch Plus, Entre Plus and Nimbl systems and our airway clearance product is the AffloVest. A predecessor to our Flexitouch system received 510(k) clearance from the U.S. Food and Drug Administration (the "FDA") in July 2002, and we introduced the system to address the many limitations of self-administered home-based manual lymphatic drainage therapy. We began selling our more advanced Flexitouch system after receiving 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. In June 2017, we announced that we received 510(k) clearance from the FDA for the Flexitouch Plus, the third-generation version of our Flexitouch system. In December 2020, we received 510(k) clearance for two new indications for our Flexitouch Plus system: phlebolympedema and lipedema. We introduced our Entre system in the United States in February 2013 and the second generation, Entre Plus, in March 2023. The Entre Plus system is sold or rented to patients who need a simple pump or who do not yet qualify for insurance reimbursement for an advanced compression device such as our Flexitouch Plus system. Nimbl, our next-generation pneumatic compression platform, received 510(k) clearance in June 2024 and, beginning in October 2024, is commercially available throughout the United States for the treatment of upper extremity lymphedema. Sales and rentals of our lymphedema products represented 88% of our revenue in each of the nine months ended September 30, 2024 and 2023.

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. For each of the nine months ended September 30, 2024 and 2023, sales of AffloVest represented 12% of our revenue.

To support the growth of our business, we continue to invest in our commercial infrastructure, consisting of our direct sales force, training resources, reimbursement capabilities and clinical expertise. We market our lymphedema products in the United States using a direct-to-patient and -provider 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 also 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 September 30, 2024, we employed 270 field sales representatives for our lymphedema products and a team of 19 supporting our airway clearance products. This compares to 246 field sales representatives for our lymphedema products and a team of 13 specialists supporting our airway clearance products as of September 30, 2023.

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 September 30, 2024, we generated revenue of \$73.1 million and had net income of \$5.2 million, compared to revenue of \$69.6 million and net income of \$22.3 million for the three months ended September 30, 2023. For the nine months ended September 30, 2024, we generated revenue of \$207.4 million and had net income of \$7.2 million, compared to revenue of \$196.8 million and net income of \$20.3 million for the nine months ended September 30, 2023. 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.

Current Economic Conditions

General global economic downturns and macroeconomic trends, including heightened inflation, capital market volatility, interest rate fluctuations, increased unemployment and economic slowdown or recession, may result in unfavorable conditions that could negatively affect demand for our products and exacerbate some of the other risks that affect our business, financial condition and results of operations.

Results of Operations

Comparison of the Three and Nine Months Ended September 30, 2024 and 2023

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

(In thousands)	Three Months Ended September 30,				Change	
	2024		2023		\$	%
Condensed Consolidated Statement of Operations Data:		% of		% of		
		revenue		revenue		
Revenue						
Sales revenue	\$ 63,168	86 %	\$ 58,866	85 %	\$ 4,302	7 %
Rental revenue	9,925	14 %	10,720	15 %	(795)	(7)%
Total revenue	73,093	100 %	69,586	100 %	3,507	5 %
Cost of revenue						
Cost of sales revenue	15,603	21 %	17,016	24 %	(1,413)	(8)%
Cost of rental revenue	2,703	4 %	3,211	5 %	(508)	(16)%
Total cost of revenue	18,306	25 %	20,227	29 %	(1,921)	(9)%
Gross profit						
Gross profit - sales revenue	47,565	65 %	41,850	61 %	5,715	14 %
Gross profit - rental revenue	7,222	10 %	7,509	10 %	(287)	(4)%
Gross profit	54,787	75 %	49,359	71 %	5,428	11 %
Operating expenses						
Sales and marketing	26,838	37 %	26,030	37 %	808	3 %
Research and development	2,417	3 %	1,964	3 %	453	23 %
Reimbursement, general and administrative	18,118	25 %	16,449	24 %	1,669	10 %
Intangible asset amortization and earn- out	633	1 %	(3,073)	(4)%	3,706	(121)%
Total operating expenses	48,006	66 %	41,370	60 %	6,636	16 %
Income from operations	6,781	9 %	7,989	11 %	(1,208)	(15)%
Other income (expense)	452	1 %	(404)	(1)%	856	N.M. %
Income before income taxes	7,233	10 %	7,585	10 %	(352)	(5)%
Income tax expense (benefit)	2,078	3 %	(14,714)	(21)%	16,792	(114)%
Net income	<u>\$ 5,155</u>	7 %	<u>\$ 22,299</u>	31 %	<u>\$ (17,144)</u>	(77)%

(In thousands)	Nine Months Ended September 30,				Change	
	2024	% of revenue	2023	% of revenue	\$	%
Condensed Consolidated Statement of Operations Data:						
Revenue						
Sales revenue	\$ 180,742	87 %	\$ 171,459	87 %	\$ 9,283	5 %
Rental revenue	26,657	13 %	25,312	13 %	1,345	5 %
Total revenue	207,399	100 %	196,771	100 %	10,628	5 %
Cost of revenue						
Cost of sales revenue	46,810	23 %	48,523	24 %	(1,713)	(4)%
Cost of rental revenue	8,270	4 %	9,122	5 %	(852)	(9)%
Total cost of revenue	55,080	27 %	57,645	29 %	(2,565)	(4)%
Gross profit						
Gross profit - sales revenue	133,932	64 %	122,936	63 %	10,996	9 %
Gross profit - rental revenue	18,387	9 %	16,190	8 %	2,197	14 %
Gross profit	152,319	73 %	139,126	71 %	13,193	9 %
Operating expenses						
Sales and marketing	82,803	40 %	80,538	41 %	2,265	3 %
Research and development	6,794	3 %	6,030	3 %	764	13 %
Reimbursement, general and administrative	51,158	24 %	46,874	24 %	4,284	9 %
Intangible asset amortization and earn- out	1,898	1 %	(557)	— %	2,455	N.M. %
Total operating expenses	142,653	68 %	132,885	68 %	9,768	7 %
Income from operations	9,666	5 %	6,241	3 %	3,425	55 %
Other income (expense)	832	— %	(2,235)	(1)%	3,067	(137)%
Income before income taxes	10,498	5 %	4,006	2 %	6,492	162 %
Income tax expense (benefit)	3,254	2 %	(16,307)	(8)%	19,561	(120)%
Net income	<u>\$ 7,244</u>	3 %	<u>\$ 20,313</u>	10 %	<u>\$ (13,069)</u>	(64)%

Revenue

Revenue increased \$3.5 million, or 5%, to \$73.1 million in the three months ended September 30, 2024, compared to \$69.6 million in the three months ended September 30, 2023. The increase in total revenue was attributable to an increase of \$2.8 million, or 4%, in sales and rentals of the lymphedema product line and an increase of \$0.7 million, or 10%, in sales of the airway clearance product line in the three months ended September 30, 2024, compared to the three months ended September 30, 2023.

Revenue increased \$10.6 million, or 5%, to \$207.4 million in the nine months ended September 30, 2024, compared to \$196.8 million in the nine months ended September 30, 2023. The increase in total revenue was attributable to an increase of \$10.0 million, or 6%, in sales and rentals of the lymphedema product line, and an increase of \$0.6 million, or 2%, in sales of the airway clearance product line in the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023.

The increase in the lymphedema product line revenue in each of the three and nine months ended September 30, 2024, was attributable to the growth of our field sales team and ongoing technology and workflow initiatives. The increase in the airway clearance product line revenue in the three and nine months ended September 30, 2024, was primarily attributable to the onboarding of a new DME partner in 2024.

The following table summarizes our revenue by product line for the three and nine months ended September 30, 2024 and 2023, both in dollars and percentage of total revenue:

(In thousands)	Three Months Ended September 30,		Change	
	2024	2023	\$	%
Revenue				
Lymphedema products	\$ 65,282	\$ 62,506	\$ 2,776	4%
Airway clearance products	7,811	7,080	731	10%
Total	<u>\$ 73,093</u>	<u>\$ 69,586</u>	<u>\$ 3,507</u>	5%
Percentage of total revenue				
Lymphedema products	89%	90%		
Airway clearance products	11%	10%		
Total	<u>100%</u>	<u>100%</u>		

(In thousands)	Nine Months Ended September 30,		Change	
	2024	2023	\$	%
Revenue				
Lymphedema products	\$ 182,278	\$ 172,257	\$ 10,021	6%
Airway clearance products	25,121	24,514	607	2%
Total	<u>\$ 207,399</u>	<u>\$ 196,771</u>	<u>\$ 10,628</u>	5%
Percentage of total revenues				
Lymphedema products	88%	88%		
Airway clearance products	12%	12%		
Total	<u>100%</u>	<u>100%</u>		

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 decreased \$1.9 million, or 9%, to \$18.3 million in the three months ended September 30, 2024, compared to \$20.2 million in the three months ended September 30, 2023. Cost of revenue decreased \$2.6 million, or 4%, to \$55.1 million in the nine months ended September 30, 2024, compared to \$57.6 million in the nine months ended September 30, 2023. The decrease in cost of revenue in both periods was primarily attributable to lower manufacturing and warranty costs.

Gross margin was 75.0% and 70.9% in the three months ended September 30, 2024 and 2023, respectively, and 73.4% and 70.7% in the nine months ended September 30, 2024 and 2023, respectively.

Sales and Marketing Expenses

Sales and marketing expenses increased \$0.8 million, or 3%, to \$26.8 million in the three months ended September 30, 2024, compared to \$26.0 million in the three months ended September 30, 2023. The increase

was primarily attributable to a \$0.5 million increase in travel and entertainment expenses and a \$0.4 million increase in personnel-related compensation expenses, partially offset by a decrease of \$0.1 million in tradeshow related expenses.

Sales and marketing expenses increased \$2.3 million, or 3%, to \$82.8 million in the nine months ended September 30, 2024, compared to \$80.5 million in the nine months ended September 30, 2023. The increase was primarily attributable to a \$1.1 million increase in travel and entertainment expenses, a \$0.7 million increase in personnel-related compensation expenses and a \$0.5 million increase in meetings, seminars and tradeshow related expenses.

Research and Development Expenses

Research and development (“R&D”) expenses increased \$0.5 million, or 23%, to \$2.4 million in the three months ended September 30, 2024, compared to \$2.0 million in the three months ended September 30, 2023. The increase was primarily attributable to a \$0.4 million increase in professional fees and a \$0.2 million increase in personnel-related compensation expenses, partially offset by a \$0.1 million decrease in clinical study related expenses.

R&D expenses increased \$0.8 million, or 13%, to \$6.8 million in the nine months ended September 30, 2024, compared to \$6.0 million in the nine months ended September 30, 2023. The increase was primarily attributable to a \$0.5 million increase in professional fees, a \$0.2 million increase in personnel-related compensation expenses, and a \$0.1 million increase in clinical study related expenses.

Reimbursement, General and Administrative Expenses

Reimbursement, general and administrative expenses increased \$1.7 million, or 10%, to \$18.1 million in the three months ended September 30, 2024, compared to \$16.5 million in the three months ended September 30, 2023. This increase was primarily attributable to a \$1.2 million increase in personnel-related compensation expenses and a \$0.9 million increase in IT related expenses, partially offset by a \$0.4 million decrease in occupancy costs, depreciation expense and professional fees.

Reimbursement, general and administrative expenses increased \$4.3 million, or 9%, to \$51.2 million in the nine months ended September 30, 2024, compared to \$46.9 million in the nine months ended September 30, 2023. This increase was primarily attributable to a \$2.3 million increase in personnel-related compensation expenses, and a \$2.0 million increase in IT related expenses.

Intangible Asset Amortization and Earn-out Expense

Intangible asset amortization and earn-out expense increased \$3.7 million to an expense of \$0.6 million in the three months ended September 30, 2024, compared to a benefit of \$3.1 million in the three months ended September 30, 2023. The increase in expense was related to there being no earn-out expense in the three months ended September 30, 2024, as final payment under the AffloVest Acquisition earn-out arrangement was made on November 28, 2023, and therefore there was no change in fair value of an earn-out expense recorded in the three months ended September 30, 2024, compared to a decrease in the fair value of the earn-out expense of \$3.7 million for the three months ended September 30, 2023, due to the lower than expected airway clearance product revenue.

Intangible asset amortization and earn-out expense increased \$2.5 million to an expense of \$1.9 million in the nine months ended September 30, 2024, compared to a benefit of \$0.6 million in the nine months ended September 30, 2023. The increase was related to there being no earn-out expense in the nine months ended September 30, 2024, as final payment under the AffloVest Acquisition earn-out arrangement was made on November 28, 2023, and therefore there was no change in fair value of an earn-out expense recorded in the nine months ended September 30, 2024, compared to a decrease in the fair value of the earn-out expense of \$2.5 million for the nine months ended September 30, 2023, due to the lower than expected airway clearance product revenue.

Other Income (Expense), Net

We recorded other income, net of \$0.5 million and other expense, net of \$0.4 million for the three months ended September 30, 2024 and 2023, respectively. The primary drivers of the change were a decrease in interest expense of \$0.4 million and an increase in interest income of \$0.4 million.

We recorded other income, net of \$0.8 million and other expense, net of \$2.2 million for the nine months ended September 30, 2024 and 2023, respectively. The primary drivers of the change were a decrease in interest expense of \$1.6 million and an increase in interest income of \$1.4 million.

Income Taxes

We recorded income tax expense of \$2.1 million and an income tax benefit \$14.7 million for the three months ended September 30, 2024 and 2023, respectively. The primary driver of the change was the fact that we did not have a full valuation allowance on our deferred tax assets for the current year period, while in the prior year period there was a release of a valuation allowance to recognize the full value of our deferred tax assets.

We recorded an income tax expense of \$3.3 million and an income tax benefit of \$16.3 million for the nine months ended September 30, 2024 and 2023, respectively. The primary driver of the change was the fact that we did not have a full valuation allowance on our deferred tax assets for the current year period, while in the prior year period there was a release of a valuation allowance to recognize the full value of our deferred tax assets.

Liquidity and Capital Resources

Cash Flows

On September 30, 2024, our principal sources of liquidity were cash and cash equivalents of \$82.1 million and net accounts receivable of \$43.2 million. This compares to cash and cash equivalents of \$66.0 million and net accounts receivable of \$58.5 million at September 30, 2023.

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

(In thousands)	Nine Months Ended September 30,	
	2024	2023
Net cash provided by (used in):		
Operating activities	\$ 24,322	\$ 17,503
Investing activities	(2,005)	(1,541)
Financing activities	(1,204)	28,145
Net increase in cash and cash equivalents	\$ 21,113	\$ 44,107

Operating Activities

Net cash provided by operating activities during the nine months ended September 30, 2024 was \$24.3 million, resulting from non-cash net income adjustments of \$11.0 million, net income of \$7.2 million and a net increase in operating assets and liabilities of \$6.1 million. The positive non-cash net income adjustments consisted primarily of \$6.0 million of stock-based compensation expense and \$5.1 million of depreciation. Cash provided relating to the change in operating assets and liabilities primarily consisted of a decrease in accounts receivable of \$10.5 million, a decrease in inventories of \$1.4 million and a \$0.6 million increase in accounts payable, partially offset by a decrease in accrued payroll and related taxes of \$3.7 million, an increase in prepaid

expenses and other assets of \$1.8 million, a decrease in income taxes payable of \$0.8 million and a decrease in accrued expenses and other liabilities of \$0.3 million.

Net cash provided by operating activities during the nine months ended September 30, 2023 was \$17.5 million, resulting from net income of \$20.3 million and a net increase in operating assets and liabilities of \$9.9 million, which were partially offset by non-cash net income adjustments of \$12.7 million. Cash provided relating to the change in operating assets and liabilities primarily consisted of a decrease in accounts receivable of \$19.3 million and a decrease in net investment in leases of \$2.5 million, partially offset by a decrease in accrued expenses of \$5.5 million, a decrease in accounts payable of \$3.6 million, a decrease in accrued payroll and related taxes of \$2.3 million, and an increase in prepaid expenses and inventories of \$0.7 million. The negative non-cash net loss adjustments consisted primarily of \$20.7 million of deferred income taxes and a \$2.5 million change in the fair value of earn-out liability, offset by \$5.6 million of stock-based compensation expense and \$4.9 million of depreciation and amortization expense.

Investing Activities

Net cash used in investing activities during the nine months ended September 30, 2024, was \$2.0 million, consisting of purchases of property and equipment primarily related to tenant improvements, and patent costs.

Net cash used in investing activities during the nine months ended September 30, 2023, was \$1.5 million, consisting of purchases of property and equipment, and patent costs.

Financing Activities

Net cash used in financing activities during the nine months ended September 30, 2024, was \$1.2 million, primarily consisting of a \$2.3 million payment made on our term loan, partially offset by \$1.0 million in proceeds from the issuance of common stock under the ESPP.

Net cash provided by financing activities during the nine months ended September 30, 2023, was \$28.1 million, primarily consisting of net proceeds from the offering of our common stock of \$34.6 million and \$1.0 million in proceeds from the issuance of common stock under the ESPP, partially offset by a payment of \$5.0 million on the AffloVest earn-out and a \$2.3 million payment made on our term loan.

Credit Agreement

On April 30, 2021, we entered into an Amended and Restated Credit Agreement (the “Restated Credit Agreement”) with the lenders from time to time party thereto, and Wells Fargo Bank, National Association, as Administrative Agent. The Restated Credit Agreement amended and restated in its entirety our prior credit agreement.

On September 8, 2021, we entered into a First Amendment Agreement (the “Amendment”), which amended the Restated Credit Agreement (as amended by the Amendment, the “Credit Agreement”) with the lenders from time to time party thereto and Wells Fargo Bank, National Association, as administrative agent. The Amendment, among other things, added a \$30.0 million incremental term loan to the \$25.0 million revolving credit facility provided by the Restated Credit Agreement. The term loan is reflected on our condensed consolidated financial statements as a note payable. The Credit Agreement provides that, subject to satisfaction of certain conditions, we may increase the amount of the revolving loans available under the Credit Agreement and/or add one or more term loan facilities in an amount not to exceed \$25.0 million in the aggregate, such that the total aggregate principal amount of loans available under the Credit Agreement (including under the revolving credit facility) does not exceed \$80.0 million.

On September 8, 2021, in connection with the closing of the acquisition of the AffloVest business, we borrowed the \$30.0 million term loan and utilized that borrowing, together with a draw of \$25.0 million under the revolving credit facility and cash on hand, to fund the purchase price.

On February 22, 2022, we entered into a Second Amendment Agreement (the “Second Amendment”), which further amends the Credit Agreement. The Second Amendment modified the maximum leverage ratio, the minimum fixed charge coverage ratio and the minimum consolidated EBITDA covenants under the Credit Agreement, and added a minimum liquidity covenant, through the quarter ended June 30, 2023. The Second Amendment also increased the applicable margin for LIBOR rate loans under the Credit Agreement during the period commencing on the date of the Second Amendment and ending on the last day of the fiscal quarter ending June 30, 2023. Pursuant to the Second Amendment, we made a mandatory principal prepayment of the term loan of \$3.0 million on February 22, 2022.

On June 21, 2023, we entered into a Third Amendment Agreement (the “Third Amendment”) that replaced the interest rate benchmark under the Credit Agreement from LIBOR to the term Secured Overnight Financing Rate (“SOFR”). All tenors of term SOFR are subject to a credit spread adjustment of 0.10% (“Adjusted Term SOFR”).

On August 1, 2023, we entered into a Fourth Amendment Agreement (the “Fourth Amendment”), which further amended the Credit Agreement. The Fourth Amendment, among other things, decreased the commitment fees payable under the revolving credit facility and eliminated the temporary increase in the applicable margin for Adjusted Term SOFR loans. The Fourth Amendment also eliminated the liquidity financial covenant and modified the remaining financial covenants to reflect the termination of the temporary covenant relief period that was in place until June 30, 2023 pursuant to the Second Amendment. In addition, the Fourth Amendment provided for an additional term loan in the amount of \$8.25 million, which we used for a paydown of the revolving credit facility. The Fourth Amendment also extended the maturity date of the term loans and revolving credit facility under the Credit Agreement from September 8, 2024 to August 1, 2026.

On November 1, 2024, we entered into a Fifth Amendment Agreement (the “Fifth Amendment”), which further amended the Credit Agreement. The Fifth Amendment permits the Company to make payments to repurchase shares of its common stock, as long as the Company is not in default before and after giving effect to such repurchases, and as long as such repurchases do not exceed \$30.0 million.

On December 21, 2023, we made a payment of \$16.8 million to repay in full the outstanding balance on the revolving credit facility.

As of September 30, 2024, we had outstanding borrowings of \$27.0 million under the Credit Agreement, comprised entirely of the term loan. The principal of the term loan is required to be repaid in quarterly installments of \$750,000.

For additional information regarding the Credit Agreement, including interest rates, fees and maturities, see Note 8 – “Credit Agreement” of the condensed consolidated financial statements contained in this report.

Share Repurchase Program

On October 30, 2024, our Board of Directors authorized a program to repurchase up to \$30.0 million of 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 our common stock, general business and market conditions and other investment considerations and factors. The share repurchase program expires on October 31, 2026. The program does not obligate us to repurchase any specific number of shares and may be suspended or discontinued at any time without prior notice. We intend to finance the share repurchase program with cash on hand.

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, 2023. There have been no material changes since December 31, 2023.

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;
- 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
- 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, cash equivalents 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.

Inflation and changing prices did not have a material effect on our business during the quarter ended September 30, 2024, and we do not expect that inflation or changing prices will materially affect our business 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, 2023.

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, 2023. There have been no material changes since December 31, 2023.

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 September 30, 2024. 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 September 30, 2024, 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 September 30, 2024, 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, 2023, 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.

None.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Fifth Amendment to Credit Agreement

Because we are filing this Quarterly Report on Form 10-Q within four business days after the triggering event, we are making the following disclosure under this Item 5 instead of filing a Current Report on Form 8-K under Item 1.01, Entry into a Material Definitive Agreement and Item 2.03, Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant:

On November 1, 2024, we entered into a Fifth Amendment Agreement (the “Fifth Amendment”), which amends the Amended and Restated Credit Agreement, dated as of April 30, 2021, as amended by the First Amendment Agreement dated as of September 8, 2021, the Second Amendment Agreement dated as of February 22, 2022, the Third Amendment Agreement dated as of June 21, 2023, and the Fourth Amendment Agreement dated as of August 1, 2023 (as further amended by the Fifth Amendment, the “Credit Agreement”), by and among us, the lenders from time to time party thereto, and Wells Fargo Bank, National Association, as administrative agent.

The Credit Agreement restricts the Company from making certain payments, including any payments to repurchase shares of its common stock. The Fifth Amendment provides for an exception to this restriction by permitting the Company to make payments to repurchase shares of its common stock, as long as the Company is not in default before and after giving effect to such repurchases, and as long as such repurchases do not exceed \$30.0 million.

The foregoing description of the Fifth Amendment is a summary, does not purport to be complete, and is qualified in its entirety by reference to the Fifth Amendment, a copy of which is attached to this Quarterly Report on Form 10-Q as Exhibit 10.2 and is incorporated herein by reference.

Trading Arrangements

During the quarter ended September 30, 2024, 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 8, 2024	10-Q	08/05/2024	3.3	
3.2	Amended and Restated By-laws, effective December 19, 2022	10-K	02/21/2023	3.2	
10.1	Tactile Systems Technology, Inc. Executive Employee Severance Plan, Amended and Restated as of October 15, 2024				X
10.2	Fifth Amendment Agreement, dated as of November 1, 2024, among Tactile Systems Technology, Inc., the lenders signatory thereto and Wells Fargo Bank, National Association, as administrative agent				X
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 September 30, 2024: (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: November 4, 2024

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

TACTILE SYSTEMS TECHNOLOGY, INC.
EXECUTIVE EMPLOYEE SEVERANCE PLAN

Adopted:	01-Nov-2018
Amended and Restated:	15-Oct-2024

I. INTRODUCTION

Tactile Systems Technology, Inc. (the “*Company*”) has established the Tactile Systems Technology, Inc. Executive Employee Severance Plan (the “*Plan*”) to provide severance pay and other benefits to eligible executive-level employees of the Company whose employment terminates under certain covered circumstances. The Company, in its complete and sole discretion, will determine who is an eligible employee under the Plan, the requirements to receive severance benefits under the Plan, and the amount of any severance benefits under the Plan.

This Plan supersedes and replaces any policy, plan or practice that may have existed in the past regarding the payment of severance benefits to eligible employees.

This document is both the “Plan document” and the “Summary Plan Description” for the Plan.

II. ELIGIBILITY

All employees designated by the Company’s Board of Directors (“*Board*”) or a committee thereof as eligible to be a participant in the Plan are eligible to become participants in the Plan. An eligible employee becomes a participant (“*Participant*”) as of the later of (i) the effective date of this Plan or (2) the date he or she is first classified by the Board or a committee thereof as an eligible employee. In order for an eligible employee to become a Participant under this Plan the eligible employee must sign a Confidentiality, Assignment of Intellectual Property and Restrictive Covenants Agreement (or similarly titled agreement) in a form approved by the Board or a committee thereof, unless such requirement is waived in writing by the Board or a committee thereof. You will cease to be a Participant in this Plan when you cease to be designated by the Board or a committee thereof as eligible to be a participant in the Plan.

III. SEVERANCE EVENTS

In general, if you are an eligible Participant in this Plan, and you comply with all provisions and requirements of the Plan, then you will receive severance benefits if your employment with the Company is terminated (either before a Change in Control or within 12 months following a Change in Control) (i) at the initiative of the Company other than for Cause or (ii) by you for Good Reason. These concepts are described in detail below.

“For Cause”. You will not be eligible for benefits under this Plan if your employment is terminated by the Company “for Cause.” “Cause” means:

- (i) an act or acts of dishonesty undertaken by you and intended to result in personal gain or enrichment of you or others at the expense of the Company;
- (ii) unlawful conduct or gross misconduct by you that, in either event, is materially injurious to the Company;
- (iii) you being convicted of a felony; or
- (iv) any material breach by you of any terms or conditions of any written agreement between you and the Company which breach has not been cured by you within 15 days after written notice thereof to you from the Company.

For the purposes of clauses (ii) and (iv) above, no act or failure to act on your part shall be considered “Cause” if done by you pursuant to specific authorization evidenced by a resolution duly adopted by the

Board or pursuant to specific advice given by counsel for the Company, unless such specific authorization or advice results in whole or in part from material misrepresentations or omissions by you.

“Good Reason”. If you initiate the termination of your employment with the Company, you will be eligible for Plan benefits only if you terminated with Good Reason, as defined below.

“*Good Reason*” means the occurrence of any of the following events without your consent:

- (i) the assignment of you to a position with responsibilities or duties of a materially lesser status or degree than your position as of the date this Plan was adopted;
- (ii) any material breach of any terms or conditions of any written agreement between the Company and you by the Company not caused by you; or
- (iii) the requirement by the Company that you relocate out of the Minneapolis/St. Paul Metropolitan area or metropolitan area designated by the Company at the later of your initial employment date or the date this Plan is adopted by the Company.

“Good Reason” shall not exist unless you have first provided written notice to the Company of the occurrence of one or more of the conditions under clauses (i) through (iii) above within 90 days of the condition’s initial occurrence, such condition is not fully remedied by the Company within 30 days after the Company’s receipt of written notice from you, and your termination of employment with the Company occurs no later than 130 days after the condition’s initial occurrence.

“Change in Control”. For purposes of this Plan, a qualifying “*Change in Control*” means a “Change in Control” as defined in the Tactile Systems Technology, Inc. 2016 Equity Incentive Plan.

“Disability”. For purposes of this Plan, “*Disability*” means your inability to perform on a full-time basis the duties and responsibilities of your employment with the Company by reason of your illness or other physical or mental impairment or condition, if such inability continues for an uninterrupted period of 90 days or more during any 180-day period. A period of inability is “uninterrupted” unless and until you return to full-time work for a continuous period of at least 30 days.

“Termination Date”. For purposes of this Plan, “*Termination Date*” means the date on which a “separation from service” has occurred for purposes of Section 409A of the Internal Revenue Code, as amended, and the regulations and guidance thereunder (the “Code”).

Timely Release Required. Regardless of the reason for your termination, you will not be eligible for Plan benefits unless you sign an approved release form after your employment with the Company actually terminates, timely deliver such signed release form to the Company and do not rescind the release during any period during which rescission is permissible. You may obtain a copy of the current release form at any time by contacting the Company’s Human Resources Department. However, the Company will determine the contents of the release form, and may revise it from time to time as appropriate to deal with particular severance situations. As such, the release form you will be required to sign to receive benefits under the Plan may differ from any release form you previously received.

The release will generally include provisions addressing a full release of all claims you may have against the Company and related individuals and entities (to the full extent permitted under applicable law) and provisions concerning your ongoing compliance with your non-disclosure of confidential information, assignment of intellectual property, non-competition and non-solicitation obligations to the Company, including those obligations that survive the termination of your employment with the Company. Severance benefits will be paid only after any period for rescinding the release has expired. If you violate any provisions of the release, the Company will no longer be required to pay you any remaining severance benefits due to you under the Plan.

Ineligibility for Benefits. Severance benefits will not be paid under this Plan in any of the following circumstances:

- You are offered another position with the Company (or the successor/ purchasing entity) and you refuse to accept that position, other than for Good Reason.
- You voluntarily terminate your employment with the Company (or the successor/purchasing entity), other than for Good Reason.
- Your termination of employment occurs more than 12 months after a Change in Control occurs.
- Your termination of employment does not qualify as a “separation from service” under Section 409A of the Code.
- Your employment is terminated by the Company (or the successor/ purchasing entity) for Cause.
- Your employment terminates due to death, Disability, or failure to return to work for the Company following a leave of absence, layoff or any other period of authorized absence from the Company.
- You have not signed a Confidentiality, Assignment of Intellectual Property and Restrictive Covenants Agreement.
- You refuse to sign the release form prepared by the Company, or you rescind the release before it becomes final.
- You breach any provisions included in the release form prepared by the Company.

IV. PLAN BENEFITS

A Participant who experiences a qualifying severance event under Section III while a Participant will be eligible to receive severance benefits under the Plan, including severance pay and vesting of equity awards as set forth below.

SEVERANCE PAY (CEO)

If you are a Participant, you are the Chief Executive Officer of the Company, and you experience a qualifying severance event and you otherwise qualify for benefits under the Plan, then you will be entitled to the severance pay and benefits described below.

Qualifying Severance Event Before a Change in Control:

The Company will pay you an amount equal to two times your annualized base salary as of your Termination Date, payable in substantially equal installments in accordance with the Company’s regular payroll schedule commencing with the first normal payroll date of the Company following the Termination Date and continuing for 24 months thereafter, provided that any installments that would have been paid during the 60 day period immediately following the Termination Date shall be held by the Company until the first payroll date occurring more than 60 days after the Termination Date.

If you are eligible for and take all steps necessary to continue your group health insurance coverage with the Company following the Termination Date, the Company will pay for the portion of the premium costs for such coverage that the Company would pay if you had remained employed by the Company, at the same level of coverage that was in effect as of the Termination Date, for a period of 18 consecutive months after the Termination Date (or until you receive group health or dental coverage from another employer, if earlier).

Qualifying Severance Event Within 12 Months After a Change in Control:

The Company will pay you an amount equal to two times the sum of (i) your annualized base salary as of your Termination Date, plus (ii) your target incentive bonus as of your Termination Date, less applicable

withholdings, payable in a lump sum on the Company's first payroll date occurring more than 60 days after the Termination Date (but no later than 75 days after the Termination Date).

If you are eligible for and take all steps necessary to continue your group health insurance coverage with the Company following the Termination Date, the Company will pay for the portion of the premium costs for such coverage that the Company would pay if you had remained employed by the Company, at the same level of coverage that was in effect as of the Termination Date, for a period of 18 consecutive months after the Termination Date (or until you receive group health or dental coverage from another employer, if earlier).

SEVERANCE PAY (NON-CEO)

If you are a Participant, you are employed in any position other than Chief Executive Officer of the Company, and you experience a qualifying severance event and you otherwise qualify for benefits under the Plan, then you will be entitled to the severance pay and benefits described below.

Qualifying Severance Event Before a Change in Control:

The Company will pay you an amount equal to one times your annualized base salary as of your Termination Date, payable in substantially equal installments in accordance with the Company's regular payroll schedule commencing with the first normal payroll date of the Company following the Termination Date and continuing for 12 months thereafter, provided that any installments that would have been paid during the 60 day period immediately following the Termination Date shall be held by the Company until the first payroll date occurring more than 60 days after the Termination Date.

If you are eligible for and take all steps necessary to continue your group health insurance coverage with the Company following the Termination Date, the Company will pay for the portion of the premium costs for such coverage that the Company would pay if you had remained employed by the Company, at the same level of coverage that was in effect as of the Termination Date, for a period of 12 consecutive months after the Termination Date (or until you receive group health or dental coverage from another employer, if earlier).

Qualifying Severance Event Within 12 Months After a Change in Control:

The Company will pay you an amount equal to one times the sum of (i) your annualized base salary as of your Termination Date, plus (ii) your target incentive bonus as of your Termination Date, less applicable withholdings, payable in a lump sum on the Company's first payroll date occurring more than 60 days after the Termination Date (but no later than 75 days after the Termination Date).

If you are eligible for and take all steps necessary to continue your group health insurance coverage with the Company following the Termination Date, the Company will pay for the portion of the premium costs for such coverage that the Company would pay if you had remained employed by the Company, at the same level of coverage that was in effect as of the Termination Date, for a period of 12 consecutive months after the Termination Date (or until you receive group health or dental coverage from another employer, if earlier).

EQUITY VESTING

If you experience a qualifying severance event and you otherwise qualify for benefits under the Plan, and the Termination Date occurs before a Change in Control, then with respect to any equity-based award that has been granted to you under the Company's applicable equity incentive plan and is outstanding and not fully vested on such Termination Date (an "*Equity Award*"), a number of shares, as determined below, of such Equity Award will vest as of the date your release becomes irrevocable.

- *Time-Based Vesting:* The number of shares or stock units which will become vested for an Equity Award that is solely subject to time-based vesting shall be (1) the number of shares or stock units subject to the Equity Award multiplied by a fraction (x) whose numerator is the number of days

elapsed during the applicable vesting period prior to your Termination Date and (y) whose denominator is the total number of days in the vesting period, minus (2) the number of shares or stock units as to which the Equity Award had vested prior to your Termination Date.

- *Performance-Based Vesting*: First, each Equity Award that is subject to the satisfaction of performance goals over a performance period (“*Performance Awards*”) which has more than one sub-performance periods or performance years will be divided into separate tranches of awards for each applicable period or year, with such accelerated vesting determined separately for each tranche. If the Performance Award has only one performance period or performance year, the entire award will be considered one tranche. Then, the number of shares or stock units subject to a tranche of a Performance Award that will become vested will be determined as follows:
 - The number of shares that will vest for a tranche of a Performance Award with a completed performance period or performance year that is subject to additional time-based vesting, including, for avoidance of doubt, the time between the end of a performance period and the date of certification of performance, shall be (1) the number of earned number of shares or stock units subject to the tranche based on actual performance achieved, multiplied by (2) a fraction (x) whose numerator is the number of days between the first day of the applicable performance period or performance year and your Termination Date and (y) whose denominator is the total number of days between the first day of the applicable performance period or performance year and the date of the tranche’s certification of performance.
 - The number of shares that will vest for a tranche of a Performance Award if the Termination Date occurs between the first and last day of the performance period or performance year shall be (1) the number of shares or stock units subject to that tranche that would otherwise be earned and vest at the end of the applicable performance period or performance year if target level performance had been achieved, multiplied by (2) a fraction (x) whose numerator is the number of days between the first day of the applicable performance period or performance year and your Termination Date and (y) whose denominator is the total number of days between the first day of the applicable performance period or performance year and the scheduled vesting date.
 - If a performance period or performance year for a tranche of a Performance Award has not yet commenced as of your Termination Date, you will not vest in that tranche and the shares or stock units will be automatically forfeited.

If you experience a qualifying severance event and you otherwise qualify for benefits under the Plan, and the Termination Date occurs within 12 months after a Change in Control, then the unvested portion of any Equity Award which is not a Performance Award that is outstanding on such Termination Date will vest in full as of the date your release becomes irrevocable. If the Equity Award is a Performance Award, the number of shares that will vest will be (1) the number of shares or stock units that would otherwise vest at the end of the applicable performance period if target level performance had been achieved, minus (2) the number of shares or stock units as to which the Equity Award had vested prior to your Termination Date.

If an Equity Award is a stock option or stock appreciation rights award, it will remain exercisable to the extent so vested for one year after your Termination Date, but no later than the expiration date of the award. This extension of the post-termination exercise period will cause any of your stock options which are “incentive stock options” pursuant to Section 422 of the Code (“*ISOs*”) to no longer be treated as *ISOs* and to convert to nonqualified stock options.

Any Equity Award not vested after application of the equity vesting provisions of this Plan will be cancelled and permanently forfeited.

SECTION 409A

This Plan is intended to provide for payments and benefits that are exempt from, or that comply with, the requirements of Section 409A(a)(2), (3) and (4) of the Code, including current and future guidance and regulations interpreting such provisions, and should be interpreted accordingly. Each payment or benefit made pursuant to this Plan shall be deemed to be a separate payment for purposes of Code Section 409A. In addition, payments or benefits pursuant to this Plan shall be exempt from the requirements of Code Section 409A to the maximum extent possible as “short-term deferrals” pursuant to Treasury Regulation Section 1.409A-1(b)(4), as involuntary separation pay pursuant to Treasury Regulation Section 1.409A-1(b)(9)(iii), and/or under any other exemption that may be applicable, and this Plan shall be construed accordingly. To the extent that any amounts payable under this Plan are required to be delayed under Code Section 409A, such amounts are intended to be and should be considered for purposes of Code Section 409A as separate payments from the amounts that are not required to be delayed. Notwithstanding anything herein to the contrary, if any Participant is considered a “specified employee” (as defined in Treasury Regulation Section 1.409A-1(i)) as of the Termination Date, then no payments of deferred compensation subject to Code Section 409A and payable due to such Participant’s separation from service shall be made under this Plan before the first business day that is six months after the Termination Date (or upon the Participant’s death, if earlier) (the “Specified Period”). Any deferred compensation payments that would otherwise be required to be made to a Participant during the Specified Period will be accumulated by the Company and paid to the Participant on the first day after the end of the Specified Period. The foregoing restriction on the payment of amounts to a Participant during the Specified Period will not apply to the payment of employment taxes.

SECTION 280G

If any payment or benefit to be paid or provided to a Participant under this Plan, taken together with any payments or benefits otherwise paid or provided to such Participant by the Company or any corporation that is a member of an “affiliated group” (as defined in Section 1504 of the Code without regard to Section 1504(b) of the Code) of which the Company is a member (the “*other arrangements*”), would collectively constitute a “parachute payment” (as defined in Section 280G(b)(2) of the Code), and if the net after-tax amount of such parachute payment to such Participant is less than what the net after-tax amount to such Participant would be if the aggregate payments and benefits otherwise constituting the parachute payment were limited to three times such Participant’s “base amount” (as defined in Section 280G(b)(3) of the Code) less \$1.00, then the aggregate payments and benefits otherwise constituting the parachute payment shall be reduced to an amount that shall equal three times such Participant’s base amount, less \$1.00. Should such a reduction in payments and benefits be required, such Participant shall be entitled, subject to the following sentence, to designate those payments and benefits under this Plan or the other arrangements that will be reduced or eliminated so as to achieve the specified reduction in aggregate payments and benefits to such Participant and avoid characterization of such aggregate payments and benefits as a parachute payment. The Company will provide such Participant with all information reasonably requested by such Participant to permit the Participant to make such designation. To the extent that such Participant’s ability to make such a designation would cause any of the payments and benefits to become subject to any additional tax under Code Section 409A, or if such Participant fails to make such a designation within ten business days of receiving the requested information from the Company, then the Company shall achieve the necessary reduction in such payments and benefits by first reducing or eliminating the portion of the payments and benefits that are payable in cash and then by reducing or eliminating the non-cash portion of the payments and benefits, in each case in reverse order beginning with payments and benefits which are to be paid or provided the furthest in time from the date of the Company’s determination. A net after-tax amount shall be determined by taking into account all applicable income, excise and employment taxes, whether imposed at the federal, state or local level, including the excise tax imposed under Section 4999 of the Code.

REDUCTIONS OF SEVERANCE BENEFITS

Except as otherwise provided in this Plan, all severance benefits payable under this Plan will be reduced, as and when it is otherwise payable, by the amount of any severance or similar payment required to be paid to you by the Company under applicable federal, state, and local laws. Cash severance payments are also subject to all applicable withholding due on any severance benefits, including state and federal income tax withholding and FICA and Medicare tax withholding.

COORDINATION/OFFSETS FOR EMPLOYMENT AGREEMENTS

If you are party to an individual written employment contract or agreement with the Company (or a subsidiary) that provides for the payment of any benefits upon termination of your employment, then your cash severance benefits under this Plan will be reduced as follows. Any cash severance pay under this Plan will be reduced (offset), as and when it is otherwise payable, by the amount of any cash payment made or due to be made by the Company to you pursuant to an employment contract, agreement or other severance arrangement, to the extent such payment is called a severance payment or otherwise becomes payable due to a termination of your employment with the Company (but not including any cash severance payments that are specifically due to COBRA premiums or outplacement). If such an agreement, contract or arrangement provides for cash severance payments in excess of those provided under this Plan, no severance pay will be due under this Plan. However, you may still be eligible for other benefits under the Plan, to the extent benefits are not duplicative of what you are receiving under the agreement, contract or arrangement.

TERMINATION OF SEVERANCE BENEFITS

All severance benefits payable under this Plan will be terminated if the Company determines that you have violated your ongoing obligations with respect to non-disclosure of confidential information, assignment of intellectual property, non-competition and non-solicitation, including those obligations under your Confidentiality, Assignment of Intellectual Property and Restrictive Covenants Agreement and any other agreement with the Company that survive the termination of your employment with the Company. Specifically with respect to Equity Awards, and notwithstanding anything to the contrary in any agreement evidencing an Equity Award, if you violate any of your ongoing obligations described above, then (i) you will immediately forfeit all outstanding Equity Awards and any right to receive shares thereunder, and (ii) with respect to shares that have been issued pursuant to an Equity Award within two (2) years prior to such violation, you shall either (A) return such shares to the Company or (B) pay to the Company in cash an amount equal to the fair market value of the shares as of the date their receipt became taxable to you.

V. AMENDMENT AND TERMINATION OF THE PLAN

Except as provided below, the Company reserves the right in its discretion to amend or terminate this Plan, or to alter, reduce, or eliminate any severance benefit, practice or policy hereunder, in whole or in part, at any time and for any reason without the consent of or notice to any employee or any other person having any beneficial interest in this Plan. Such action may be taken by the Board of the Company, the Compensation Committee of the Board, or by any other individual or committee to whom such authority has been delegated by the Board.

However, during the 12-month period following a Change in Control, the Plan may not be amended, terminated or otherwise altered to reduce the amount (or negatively change the terms) of any severance benefit that becomes payable to a Participant who was a Participant in the Plan on the day prior to the Change in Control. In addition, if a Change in Control occurs within the 6-month period following the effective date of an amendment to terminate the Plan or otherwise reduce the amount (or negatively alter the terms) of any severance benefit under the Plan, such amendment (or portion of such amendment) will become null and void upon the Change in Control. Upon the Change in Control, the Plan will automatically revert to the terms in effect prior to the adoption of said amendment.

Notwithstanding the above limitations, the Plan may be amended at any time (and such amendment will be given effect) if such amendment is required to bring the Plan into compliance with applicable law, including but not limited to Section 409A of the Internal Revenue Code of 1986, as amended (and the regulations or other applicable guidance thereunder).

VI. SUBMITTING CLAIMS FOR BENEFITS

Normally, the Company will determine an employee's eligibility and benefit amount on its own and without any action on the part of the terminating employee, other than returning the release form. The severance payments will begin as soon as administratively feasible after the date the release becomes irrevocable.

Formal Claims for Benefits. If you think you are entitled to benefits but have not been so notified by the Company, if you disagree with a decision made by the Company, or if you have any other complaint regarding the Plan that is not resolved to your satisfaction, you or your authorized representative may submit a written claim for benefits. The claim must be submitted to the Company's Human Resources Department within six months after the date you terminated employment. Claims received after that time will not be considered.

The Company will ordinarily respond to the claim within 90 days of the date on which it is received. However, if special circumstances require an extension of the period of time for processing a claim, the 90-day period can be extended for an additional 90 days by giving you written notice of the extension, the reason why the extension is necessary, and the date a decision is expected.

The Company will give you a written notice of its decision if it denies your claim for benefits in whole or in part. The notice will explain the specific reasons for the decision, including references to the relevant plan provision upon which the decision is based, with a description of any additional material or information necessary for you to perfect your claim, and the procedures for appealing the decision.

Appeals. If you disagree with the initial claim determination, in whole or in part, you or your authorized representative can request that the decision be reviewed by filing a written request for review with the Company's Human Resources Department within 60 days after receiving notice that the claim has been denied. You or your representative may present written statements describing reasons why you believe the claim denial was in error, and should include copies of any documents you want us to consider in support of your appeal. Your claim will be decided based on the information submitted, so you should make sure that your submission is complete. Upon request to the Company, you may review all documents we considered or relied on in deciding your claim. (You may also receive copies of these documents free of charge.)

Any appeal will be reviewed and decided by person(s) other than the person(s) who made the determination on your original claim. Generally, the decision will be reviewed within 60 days after the Company receives a request for review. However, if special circumstances require a delay, the review may take up to 120 days. (If a decision cannot be made within the 60-day period, you will be notified of this fact in writing.) You will receive a written notice of the decision on the appeal, which will explain the reasons for the decision by making specific reference to the Plan provisions on which the decision is based.

Limitations Period. The claims procedure above is mandatory. If an employee has completed the entire claims procedure and still disagrees with the outcome of the employee's claim, the employee may commence a civil action under § 502(a) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The employee must commence such civil action within one year of the date of the final denial, or the employee will waive all rights to relief under ERISA.

VII. PLAN ADMINISTRATION

The following information relates to the administration of the Plan and the determination of Plan benefits.

Type of Plan: The Plan is a severance benefit plan.

Plan Administrator/Plan Sponsor: The Company is the “Plan Sponsor” and “Plan Administrator” of this Plan. Communications to the Company regarding the Plan should be addressed to:

Tactile Systems Technology, Inc.
3701 Wayzata Blvd., Suite 300
Minneapolis, MN 55416
Attention: Chief Financial Officer
Telephone: +1 (612) 355-5100

As Plan Administrator, the Company has complete discretionary authority to interpret the provisions of the Plan and to determine which employees are eligible to participate and eligible for Plan benefits, the requirements to receive severance benefits, and the amount of those benefits. The Company also has authority to correct any errors that may occur in the administration of the Plan, including recovering any overpayment of benefits from the person who received it.

Employer Identification Number: 41-1801204

Plan Year: The calendar year. The first Plan Year is a short Plan Year, starting on the date the Plan was initially adopted and ending on December 31, 2018.

Agent for Service of Legal Process: Legal process regarding the Plan may be served on the Company at the address listed above.

Assignment of Benefits: You cannot assign your benefits under this Plan to anyone else, and your benefits are not subject to attachment by your creditors. The Company will not pay Plan benefits to anyone other than you (or your estate, if you die after having a qualifying severance event but before receiving the complete severance amount payable to you up to the date of your death).

Governing Law: This Plan, to the extent not preempted by ERISA or any other federal law shall be governed by and construed in accordance with, the laws of the State of Minnesota.

Employment Rights: Establishment of the Plan shall not be construed to in any way modify the parties’ at-will employment relationship, or to give any employee the right to be retained in the Company’s service or to any benefits not specifically provided by the Plan. The right of an employer to terminate the employment relationship of an employee (or to accelerate the termination date) will not in any way be affected by the terms of this Plan or any release.

Successor/Purchasing Entity: For the avoidance of doubt, references in this Plan to the “Company” include, after a Change in Control or other corporate transaction, the successor to the Company or purchasing entity.

FIFTH AMENDMENT AGREEMENT

This **FIFTH AMENDMENT AGREEMENT** (this “Amendment”), dated as of November 1, 2024, is entered into among Tactile Systems Technology, Inc., a Delaware corporation (dba Tactile Medical) (the “Borrower”), the Lenders (as defined below) signatory hereto, and Wells Fargo Bank, National Association, a national banking association, as administrative agent for the Lenders (in such capacity, the “Administrative Agent”).

RECITALS

WHEREAS, the Borrower, the financial institutions from time to time party thereto (the “Lenders”) and the Administrative Agent are parties to that certain Amended and Restated Credit Agreement, dated as of April 30, 2021, as amended by that certain First Amendment Agreement dated as of September 8, 2021, that certain Second Amendment Agreement dated as of February 22, 2022, that certain Third Amendment Agreement dated as of June 21, 2023, and that certain Fourth Amendment Agreement dated as of August 1, 2023 (as further amended, restated, supplemented or otherwise modified from time to time prior to the date hereof, the “Existing Credit Agreement”, and as amended by this Amendment, the “Credit Agreement”);

WHEREAS, the Borrower has requested that the Administrative Agent and the Lenders agree to certain amendments to the Existing Credit Agreement, and, subject to the terms and conditions set forth in this Amendment, the Administrative Agent and the Lenders have agreed to provide certain amendments.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto covenant and agree to be bound as follows:

Section 1. Capitalized Terms. Capitalized terms used and not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement, unless the context otherwise requires.

Section 2. Amendments to Existing Credit Agreement. The Existing Credit Agreement is hereby amended as follows:

2.1. Section 9.6 is amended by adding a new Section 9.6(f) to the end thereof:

(i) beginning on the Fifth Amendment Date, the Borrower shall be permitted to make one or more Restricted Payments solely for the purpose of repurchasing issued and publicly held common voting Equity Interests of the Borrower (the “Permitted Equity Interest Repurchases”); provided that (w) in no event shall such repurchases exceed \$30,000,000 individually or in the aggregate, (x) at the time of the making such Restricted Payment, (A) no Default or Event of Default has occurred, or is continuing or would result from the making such Restricted Payment in connection with such repurchase, and (B) the Borrower is in compliance on a Pro Forma Basis (after giving effect to the making of any Restricted Payment in connection with such repurchase) with

each covenant contained in Section 9.15, (y) the Board of Directors of Borrower has duly authorized each such Restricted Payment and related repurchase of common voting Equity Interests, including analysis of the Solvency of the Borrower after giving effect to such repurchases and the incurrence of any Indebtedness in connection therewith, and (z) Borrower shall cancel, retire or otherwise return all such shares of common voting Equity Interests to treasury stock.

Section 3. Effectiveness of Amendment. The amendments set forth in Section 2 hereof shall become effective on the Fifth Amendment Date upon delivery of, or compliance with, the following:

3.1. This Amendment, duly executed by the Credit Parties, the Administrative Agent, and each of the Lenders (whether the same or different copies) and delivered (including by way of facsimile or other electronic transmission (including by e-mail in .pdf format)) in each case with original signatures to follow promptly thereafter, to the Administrative Agent.

3.2. Certificates of current status or good standing for each Credit Party in the state of its organization, in each case as of a recent date.

3.3. The Administrative Agent shall have received for itself and for the account of the Lenders all reasonable and documented fees and expenses of counsel to the Administrative Agent payable pursuant to Section 12.3 of the Credit Agreement to the extent requested in advance by the Administrative Agent.

Section 4. Release, No Waiver, Representations, Warranties, Authority, No Adverse Claim.

4.1. Release of Claims. Each Credit Party, for itself and on behalf of its legal representatives, successors, and assigns, hereby (a) expressly waives, releases, and relinquishes the Administrative Agent and each of the Lenders from any and all claims, offsets, defenses, affirmative defenses, and counterclaims of any kind or nature whatsoever that such Credit Party has asserted, or might assert, against the Administrative Agent or the Lenders with respect to the Obligations, the Credit Agreement (including as affected by this Amendment), and any other Loan Document, other than any such claim arising from the bad faith, gross negligence or willful misconduct of the Administrative Agent or a Lender as determined by a final non-appealable order by a court of competent jurisdiction, in each case arising on or before the date hereof, such waiver and release being with full knowledge and understanding of the circumstances and effect thereof, and (b) expressly covenants and agrees never to institute, cause to be instituted, or continue prosecution of any suit or other form of action or proceeding of any kind or nature whatsoever against the Administrative Agent or the Lenders by reason of or in connection with any of the foregoing matters, claims, or causes of action.

4.2. No Waiver. The execution of this Amendment and acceptance of any documents related hereto shall not be deemed to be a waiver of any Default or Event of

Default under the Credit Agreement or breach, default, or event of default under any Security Document or other document held by the Administrative Agent or the Lenders, whether or not known to the Administrative Agent or the Lenders and whether or not existing on the date of this Amendment.

4.3. Representations and Warranties, No Default. Each Credit Party hereby represents that after giving effect to this Amendment:

(a) It is a corporation or limited liability company, as applicable, duly incorporated or organized, as the case may be, validly existing and (to the extent such concept applies to such entity) in good standing under the laws of its jurisdiction of incorporation or organization and, is duly qualified and authorized to do business in each jurisdiction in which the character of its Properties or the nature of its business requires such qualification and authorization except where the failure to be so qualified would not reasonably be expected to result a Material Adverse Effect.

(b) It has the power and authority and legal right to execute and deliver, and to perform its obligations under, this Amendment, the Credit Agreement, the Notes, and all other Loan Documents, each as amended by this Amendment, to which it is a party and the performance of its obligations thereunder have been duly authorized by proper organizational proceedings, and the Loan Documents to which such Person is a party constitute legal, valid and binding obligations of such Person enforceable against such Person in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar state or federal Debtor Relief Laws from time to time in effect which affect the enforcement of creditors' right in general and the availability of equitable remedies.

(c) The execution, delivery and performance of this Amendment, the Credit Agreement, and all other Loan Documents, each as amended by this Amendment, the Extensions of Credit thereunder and the transactions contemplated hereby or thereby do not and will not, by the passage of time, the giving of notice or otherwise, (a) require any Governmental Approval or violate any Applicable Law relating to any Credit Party or any Subsidiary thereof where the failure to obtain such Governmental Approval or such violation could reasonably be expected to have a Material Adverse Effect, (b) conflict with, result in a breach of or constitute a default under the articles of incorporation, bylaws or other organizational documents of any Credit Party or any Subsidiary thereof, (c) conflict with, result in a breach of or constitute a default under any indenture, agreement or other instrument evidencing Indebtedness or a payment obligation in excess of the Threshold Amount to which such Person is a party or by which any of its properties may be bound or any Governmental Approval relating to such Person, which could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (d) result in or require the creation or imposition of any Lien upon or with respect to any property now owned or hereafter acquired by such Person other than Permitted Liens or (e) require any consent or authorization of, filing with, or other act in respect of, an arbitrator or Governmental Authority and no consent of any other Person is required in connection with the execution, delivery, performance, validity or enforceability of any Loan Document other than (i) consents, authorizations, filings or

other acts or consents for which the failure to obtain or make could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (ii) consents or filings under the UCC, (iii) filings with the United States Copyright Office and/or the United States Patent and Trademark Office and (iv) filings of any mortgage or deed of trust with the applicable county recording office or register of deeds.

(d) The representations and warranties in Article VII of the Credit Agreement, are true and correct in all material respects, without duplication as to any materiality modifiers, qualifications, or limitations set forth in Article VII of the Credit Agreement, with respect to such Credit Party and its Subsidiaries as of the Fifth Amendment Date, except to the extent such representations and warranties specifically relate to an earlier date, in which case they are true and correct in all material respects as of such earlier date.

(e) There will exist no Default or Event of Default under the Credit Agreement.

(f) To the Borrower's knowledge, no events have taken place and no circumstances exist at the date hereof that would give any Credit Party a basis to assert a defense, offset, or counterclaim to any claim of the Administrative Agent or any Lender with respect to the Obligations.

Section 5. Affirmation of Loan Documents, Further References, Affirmation of Security Interest and Guarantee. Each of the Administrative Agent, the Lenders, and the Credit Parties acknowledge and affirm that each of the Credit Agreement, any Guarantee, the Security Agreement, and each of the other Loan Documents to which it is a party is hereby ratified and confirmed in all respects except as expressly amended hereby, and all terms, conditions, and provisions of each such Loan Document shall remain unmodified and in full force and effect except as expressly amended hereby. Each Credit Party confirms to the Administrative Agent and the Lenders that the Obligations are and continue to be guaranteed and secured by the security interest granted in favor of the Administrative Agent for the benefit of the Administrative Agent and the Lenders under any Guarantee and any Security Documents, as applicable, and that all of the terms, conditions, provisions, agreements, requirements, promises, obligations, duties, covenants, and representations of such Credit Party under such documents and any and all other documents and agreements entered into with respect to the obligations under the Credit Agreement are hereby ratified, assumed, and affirmed in all respects by such Credit Party, except as expressly modified hereby.

Section 6. Merger and Integration, Superseding Effect. This Amendment embodies the entire agreement and understanding among any Credit Party, the Administrative Agent, the Issuing Lender and the Lenders and supersedes all prior agreements and understandings among any Credit Party, the Administrative Agent, the Issuing Lender and the Lenders relating to the subject matter hereof or thereof.

Section 7. Severability. Any provision in this Amendment that is held to be inoperative, unenforceable or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable or invalid without affecting the remaining provisions in that

jurisdiction or the operation, enforceability or validity of that provision in any other jurisdiction, and to this end the provisions of this Amendment are declared to be severable.

Section 8. Successors. This Amendment shall be binding upon the Credit Parties, the Lenders, the Administrative Agent, and their respective successors and assigns, and shall inure to the benefit of the Credit Parties, the Administrative Agent, the Lenders, and the successors and assigns of the Administrative Agent and the Lenders.

Section 9. Expenses. The Borrower shall pay the Administrative Agent, upon execution of this Amendment, the fees and expenses as provided in Section 12.3 of the Credit Agreement to the extent requested in advance by the Administrative Agent.

Section 10. Headings. Section headings in this Amendment are for convenience of reference only and shall not govern the interpretation of any of the provisions of this Amendment.

Section 11. Counterparts. This Amendment may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract.

Section 12. Governing Law. THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF MINNESOTA, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.

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IN WITNESS WHEREOF, the parties hereto have caused this Fifth Amendment Agreement to be executed as of the date and year first above written.

TACTILE SYSTEMS TECHNOLOGY, INC., as
Borrower

By: /s/ Elaine Birkemeyer

Name: Elaine Birkemeyer

Title: Chief Financial Officer

SWELLING SOLUTIONS, INC., as Guarantor

By: /s/ Elaine Birkemeyer

Name: Elaine Birkemeyer

Title: Chief Financial Officer

[Signature Page to Fifth Amendment Agreement]

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent, Swingline Lender, Issuing
Lender and Lender

By: /s/ Brandon Moss

Name: Brandon Moss

Title: Vice President

[Signature Page to Fifth Amendment Agreement]

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: November 4, 2024

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: November 4, 2024

**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 September 30, 2024, 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: November 4, 2024

**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 September 30, 2024, 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: November 4, 2024
