

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 11, 2022

NEUROPACE, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction
of Incorporation)

001-40337

(Commission File Number)

22-3550230

(IRS Employer
Identification No.)

455 N. Bernardo Avenue

Mountain View, CA

(Address of principal executive offices)

94043

(Zip Code)

(650) 237-2700

Registrant's telephone number, including area code

Not Applicable

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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, \$0.001 par value per share	NPCE	Nasdaq Global Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 1.01 Entry into a Material Definitive Agreement.

On August 10, 2022 NeuroPace entered into an exclusive distribution agreement with DIXI Medical USA Corp., or DIXI Medical, pursuant to which NeuroPace will become the exclusive distributor in the United States of DIXI Medical's products approved in the U.S. DIXI Medical is a subsidiary of a European company that pioneered the development of stereoelectroencephalography electrodes, or SEEG. These electrodes are used in the epilepsy monitoring units of Comprehensive Epilepsy Centers to determine where epileptic seizures originate.

The agreement has an initial term of three years from the date of commencement of commercial activities under the agreement, subject to early termination under specified circumstances (such as for cause, as defined in the agreement), and may be automatically renewed for additional one-year terms unless either party provides written notice to the other party of its intention not to renew. NeuroPace will purchase its entire requirement of DIXI products from DIXI Medical at negotiated prices, subject to a minimum annual amount of orders during the term of the agreement. DIXI Medical will provide NeuroPace with commercial support during the term of the agreement. For the commercial support, NeuroPace will pay DIXI Medical a \$2.0 million cash payment anticipated to be in the fourth quarter of 2022, and a \$1.25 million cash payment on each of the first and second anniversaries of the date of commencement of commercial activities under the agreement, for a total of \$4.5 million.

Item 2.02 Results of Operations and Financial Condition.

On August 11, 2022, NeuroPace, Inc. issued a press release announcing its financial results for the fiscal quarter ended June 30, 2022. A copy of the press release dated August 11, 2022, is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The foregoing information in this Item 2.02 (including the exhibit hereto) is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release dated August 11, 2022
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

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

NeuroPace, Inc.

Dated: August 11, 2022

By: /s/ Rebecca Kuhn

Rebecca Kuhn

Chief Financial Officer and Vice President, Finance and
Administration



NeuroPace Reports Second Quarter 2022 Financial Results and Provides a Business Update

Mountain View, Calif. –August 11, 2022 – NeuroPace, Inc. (Nasdaq: NPCE), a commercial-stage medical device company focused on transforming the lives of people suffering from epilepsy, today reported financial results for the quarter ending June 30, 2022.

Recent Highlights

- Announced exclusive U.S. distribution agreement with DIXI Medical to sell its stereo EEG electrodes to Epilepsy Monitoring Units (EMUs)
- Completed sales team expansion initiative
- Begins enrollment in the NAUTILUS study for primary generalized epilepsy
- Total revenue of \$10.2 million for the second quarter of 2022
- Initial implant revenue of \$8.0 million for the second quarter of 2022
- Replacement implant revenue of \$2.2 million for the second quarter of 2022

“While we faced headwinds from reduced EMU patient volumes in the first half of 2022, the operating environment improved through the second quarter with the positive trend continuing into the third quarter. Having completed our sales team expansion initiative, we are more confident in our ability to reach patients earlier in their treatment journey and increase utilization within CECs.” said Mike Favet, Chief Executive Officer of NeuroPace. “I am also thrilled to partner with DIXI Medical to be their exclusive U.S. distributor of stereo EEG electrodes. This partnership is particularly impactful for NeuroPace as it grants us access to a new, adjacent market while also providing better visibility into the diagnostic evaluation pipeline for our core RNS business.”

Second Quarter 2022 Financial Results

Total revenue was \$10.2 million in the second quarter of 2022, compared to \$12.6 million in the prior year period. Initial implant revenue was \$8.0 million, compared to \$9.2 million in the prior year period. Second quarter of 2022 initial implant procedures were limited by the reduction of patients going through the EMU diagnostic process in the first half of 2022 and COVID-19 related cancellations. Replacement implant revenue was \$2.2 million, compared to \$3.4 million in the prior year period. Replacement implant revenue will generally continue to decrease until a significant number of devices with the longer lasting battery reach end of service. More than 90% of patients have had their NeuroPace device replaced when the battery reaches end of service, so replacement implant revenue is primarily a function of when the batteries in the previously implanted devices reach end of service.

Gross margin for the second quarter of 2022 was 73% compared to 74% in the second quarter of 2021. The decline in gross margin was primarily due to an increase in indirect labor costs, including stock-based compensation.

Total operating expenses in the second quarter of 2022 were \$18.4 million, compared with \$14.0 million in the prior year period. R&D expense in the second quarter was \$5.7 million compared with \$4.4 million in the prior year period. The increase in R&D expense was primarily driven by an increase in personnel related expenses, product development and clinical study expenses. SG&A expense in the second quarter of 2022 was \$12.8 million compared with \$9.5 million in the prior year period. The increase in SG&A expense was primarily driven by personnel related expenses, increased costs associated with operating as a public company, and increased sales and marketing costs to support commercial expansion initiatives.

Net loss was \$12.7 million for the second quarter of 2022, compared to a net loss of \$8.5 million in the prior year period. Interest expense in the second quarter of 2022 was \$1.9 million, which was even compared to the prior year period.

Cash, cash equivalents and marketable securities were \$92.4 million down from \$103.2 million at March 31, 2022, and long-term borrowings were \$51.0 million as of June 30, 2022.

2022 Financial Guidance

- Total revenue of \$43 million to \$45 million
- Initial implant revenue of \$34 million to \$36 million
- Replacement implant revenue of approximately \$7.5 million
- DIXI Medical revenue of approximately \$1.5 million, expected in the fourth quarter of 2022
- Gross margin in the low 70% range
- Total operating expenses of \$74 million to \$75 million, which includes approximately \$8 million to \$9 million of non-cash stock-based compensation expense

Webcast and Conference Call Information

NeuroPace will host a conference call to discuss the second quarter 2022 financial results after market close on Thursday, August 11, 2022, at 4:30 P.M. Eastern Time.

Investors interested in listening to the conference call may do so by following one of the below links:

- Webcast link for interested listeners:
 - <https://edge.media-server.com/mmc/p/e9g3pw5c>
- Dial-in registration for sell-side research analysts:
 - <https://register.vevent.com/register/B19a39528014b64663b5d4f5d3f7805954>

Live audio of the webcast will be available on the “Investors” section of the company’s website at: <https://investors.neuropace.com/>. The webcast will be archived and available for replay for at least 90 days after the event.

About NeuroPace, Inc.

Based in Mountain View, Calif., NeuroPace is a commercial-stage medical device company focused on transforming the lives of people suffering from epilepsy by reducing or eliminating the occurrence of debilitating seizures. Its novel and differentiated RNS System is the first and only commercially available, brain-responsive platform that delivers personalized, real-time treatment at the seizure source. This platform can drive a better standard of care for patients suffering from drug-resistant epilepsy and has the potential to offer a more personalized solution and improved outcomes to the large population of patients suffering from other brain disorders.

Forward Looking Statements

In addition to background and historical information, this press release contains “forward-looking statements” based on NeuroPace’s current expectations, forecasts and beliefs, including the statements related to EMU patient volume trends, drivers of replacement implant revenue and under the caption “2022 Financial Guidance” above. These forward-looking statements are subject to inherent uncertainties, risks, and assumptions that are difficult to predict. Actual outcomes and results could differ materially due to a number of factors, including the ongoing uncertainty of the impact of the COVID-19 pandemic, as well as COVID recovery impact, on its business. These and other risks and uncertainties include those described more fully in the section titled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operation” and elsewhere in its public filings with the U.S. Securities and Exchange Commission (SEC), including its Annual

Report on Form 10-K for the year ended December 31, 2021 filed with the SEC on March 10, 2022 and its quarterly report on Form 10-Q to be filed with the SEC on August 11, 2022, as well as any reports that it may file with the SEC in the future. Forward-looking statements contained in this announcement are based on information available to NeuroPace as of the date hereof. NeuroPace undertakes no obligation to update such information except as required under applicable law. These forward-looking statements should not be relied upon as representing NeuroPace's views as of any date subsequent to the date of this press release and should not be relied upon as a prediction of future events. In light of the foregoing, investors are urged not to rely on any forward-looking statement in reaching any conclusion or making any investment decision about any securities of NeuroPace.

Investor Contact:

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NeuroPace, Inc.
Condensed Statements of Operations
(unaudited)

<i>(in thousands, except share and per share amounts)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue	\$ 10,200	\$ 12,630	\$ 21,574	\$ 23,847
Cost of goods sold	2,734	3,271	5,849	5,995
Gross profit	7,466	9,359	15,725	17,852
Operating expenses				
Research and development	5,669	4,437	11,246	8,537
Selling, general and administrative	12,771	9,527	25,215	17,794
Total operating expenses	18,440	13,964	36,461	26,331
Loss from operations	(10,974)	(4,605)	(20,736)	(8,479)
Interest income	221	100	355	126
Interest expense	(1,852)	(1,873)	(3,682)	(3,722)
Other income (expense), net	(85)	(2,116)	(88)	(5,229)
Net loss	\$ (12,690)	\$ (8,494)	\$ (24,151)	\$ (17,304)
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.52)	\$ (0.48)	\$ (0.99)	\$ (1.93)
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	24,503,552	17,553,818	24,406,100	8,959,134

NeuroPace, Inc.
Condensed Balance Sheets
(unaudited)

<i>(in thousands, except share and per share amounts)</i>	June 30, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	\$ 5,702	\$ 19,187
Short-term investments	86,709	96,397
Accounts receivable	8,474	7,091
Inventory	8,419	7,822
Prepaid expenses and other current assets	3,160	2,319
Total current assets	112,464	132,816
Property and equipment, net	951	603
Operating lease right-of-use asset	4,986	—
Restricted cash	122	122
Other assets	21	21
Total assets	<u>\$ 118,544</u>	<u>\$ 133,562</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 1,503	\$ 1,378
Accrued liabilities	6,962	7,923
Operating lease liability	2,936	—
Total current liabilities	11,401	9,301
Deferred rent, noncurrent	—	911
Long-term debt	51,018	49,847
Operating lease liability, net of current portion	3,223	—
Total liabilities	65,642	60,059
Stockholders' equity		
Common stock, \$0.001 par value	25	24
Additional paid-in capital	502,250	497,522
Accumulated other comprehensive income	(1,451)	(272)
Accumulated deficit	(447,922)	(423,771)
Total stockholders' equity	52,902	73,503
Total liabilities and stockholders' equity	<u>\$ 118,544</u>	<u>\$ 133,562</u>