
**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) **November 8, 2021**

TACTILE SYSTEMS TECHNOLOGY, INC.

(Exact name of registrant as specified in its charter)

| | | |
|--|---|--|
| Delaware (State or other jurisdiction of incorporation) | 001-37799 (Commission File Number) | 41-1801204 (I.R.S. Employer Identification No.) |
|--|---|--|

3701 Wayzata Blvd, Suite 300, Minneapolis, MN 55416
(Address of principal executive offices) (Zip Code)

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

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:

- 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, Par Value \$0.001 Per Share | TCMD | The Nasdaq Stock 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 2.02. Results of Operations and Financial Condition.

On November 8, 2021, we issued a press release disclosing our results of operations and financial condition for our most recently completed fiscal quarter. A copy of the press release is attached hereto as Exhibit 99.1.

In accordance with General Instruction B.2 of Form 8-K, the information in this Current Report on Form 8-K, including Exhibit 99.1, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as shall be expressly set forth by specific reference in that filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

EXHIBIT INDEX

| Exhibit No. | Description |
|------------------------|---|
| 99.1 | Press Release dated November 8, 2021 |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

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 hereunto duly authorized.

Date: November 8, 2021

TACTILE SYSTEMS TECHNOLOGY, INC.

By: /s/ Brent A. Moen

Brent A. Moen
Chief Financial Officer

TACTILE SYSTEMS TECHNOLOGY, INC. REPORTS THIRD QUARTER 2021 FINANCIAL RESULTS; UPDATES FULL YEAR 2021 OUTLOOK

Third Quarter Revenue Increased 7% Year-Over-Year; First Nine Months Revenue Increased 14% Year-over-Year

MINNEAPOLIS, MN, November 8, 2021 – Tactile Systems Technology, Inc. (“Tactile Medical”) (Nasdaq: TCMD), a medical technology company focused on developing medical devices for the treatment of underserved chronic diseases at home, today reported financial results for the third quarter and nine months ended September 30, 2021.

Third Quarter 2021 Summary:

- Total revenue increased 7% year-over-year to \$52.5 million, compared to \$49.1 million in third quarter 2020.
 - Total revenue in third quarter 2021 included \$0.9 million of revenue from the recently acquired AffloVest respiratory therapy business.
- Operating loss of \$1.4 million, compared to operating income of \$1.8 million in third quarter 2020.
 - Non-GAAP operating income of \$1.0 million, compared to non-GAAP operating income of \$2.6 million in third quarter of 2020.
- Net loss of \$3.4 million, compared to net income of \$2.4 million in third quarter 2020.
 - Non-GAAP net loss of \$1.6 million, compared to non-GAAP net income of \$3.0 million in third quarter of 2020.
- Adjusted EBITDA of \$4.1 million, compared to Adjusted EBITDA of \$6.2 million in third quarter 2020.

Third Quarter 2021 Highlights:

- On September 8, 2021, the Company announced it acquired the assets of the AffloVest respiratory therapy business from International Biophysics Corporation, a privately-held company.
- On September 30, 2021, the Company announced the enrollment of the first patient at Vanderbilt University in a multi-center randomized, controlled trial evaluating the effectiveness of its Flexitouch® Plus system for the treatment of head and neck lymphedema.
- National Comprehensive Cancer Network® (NCCN®) Guidelines for Survivorship, a longtime advocate for the early identification and treatment of cancer-related lymphedema, published an update adding pneumatic compression devices to the list of therapies for home management.

“Third quarter operating and financial results were affected by the prolonged recovery from COVID-19 and increased impacts from the Delta variant,” said Dan Reuvers, President and Chief Executive Officer of Tactile Medical. “While we expected progressive improvements in the back half of the year, the Delta variant led to a resurgence in fewer patient visits, absenteeism within practices, and limited our access to patients and clinicians. The challenging labor market also impacted our ability to recruit and retain quality candidates for our sales team.”

Mr. Reuvers continued, "We are revising our 2021 financial outlook to account for our third quarter results, as well as our expectation for continued COVID-related headwinds and salesforce staffing challenges, which we expect to persist through the remainder of the year, offset in part by an anticipated \$5.0 to \$5.5 million revenue contribution from our recent acquisition of AffloVest. We believe that the headwinds are temporary and that we remain well-positioned longer-term. Importantly, we continue to see evidence of increasing awareness and consensus within the medical community of the prevalence of lymphedema and the importance of effective treatment. The integration of AffloVest is also progressing well and, combined with our lymphedema therapies, expands our addressable U.S. market opportunity to over \$10 billion per year. Given our large addressable market, clinically proven products and commitment to advancing the at-home treatment of patients with underserved chronic conditions, we expect to deliver strong growth and improving profitability as conditions improve."

Third Quarter 2021 Financial Results

Total revenue in the third quarter of 2021 increased \$3.4 million, or 7%, to \$52.5 million, compared to \$49.1 million in the third quarter of 2020. The increase in total revenue was attributable to an increase of \$1.1 million, or 3%, in sales and rentals of the Flexitouch system, an increase of \$1.4 million, or 23%, in sales and rentals of the Entre system and \$0.9 million in sales of the recently acquired AffloVest product line in the quarter ended September 30, 2021. Third quarter 2021 revenue was negatively impacted by the prolonged recovery from COVID-19, including the resurgence due to the Delta variant during the period, which resulted in restricted access to clinics and hospitals and disrupted the recovery in patient visits versus the pre-COVID environment. In addition, the challenging labor market impacted our ability to recruit and retain quality candidates for our direct sales force.

Gross profit in the third quarter of 2021 increased \$2.0 million, or 6%, to \$37.0 million, compared to \$35.0 million in the third quarter of 2020. Gross margin was 70% of revenue, compared to 71% of revenue in the third quarter of 2020. Non-GAAP gross margin was 72% of revenue, compared to 71% of revenue in the third quarter of 2020.

Operating expenses in the third quarter of 2021 increased approximately \$5.2 million, or 16%, to \$38.3 million, compared to \$33.2 million in the third quarter of 2020. The increase in operating expenses was primarily driven by an increase in sales and marketing expense of \$2.7 million, or 14%, to \$22.2 million, primarily due to increases in personnel-related compensation expense and travel-related expenses. Reimbursement, general and administrative expenses increased \$2.1 million, or 17%, to \$14.7 million, primarily due to a combined \$1.0 million increase in occupancy costs, depreciation expense and legal fees, as well as a \$0.8 million increase in acquisition-related fees and a \$0.2 million increase in non-cash intangible amortization in connection with the purchase of AffloVest. Research and development expenses increased \$0.3 million, or 28%, to \$1.4 million, primarily due to an increase in professional services as new product projects advanced.

Operating loss in the third quarter of 2021 was \$1.4 million, compared to operating income of \$1.8 million in the third quarter of 2020. Non-GAAP operating income in the third quarter of 2021 was \$1.0 million, compared to Non-GAAP operating income of \$2.6 million in the third quarter of 2020.

Income tax expense in the third quarter of 2021 was \$1.9 million, compared to an income tax benefit of \$0.8 million in the third quarter of 2020. The increase in income tax expense was primarily due to

changes in our effective tax rate, which was attributable to a change in projected taxable income as compared to the same period last year.

Net loss in the third quarter of 2021 was \$3.4 million, or \$0.17 per diluted share, compared to net income of \$2.4 million, or \$0.12 per diluted share, in the third quarter of 2020. Non-GAAP net loss in the third quarter of 2021 was \$1.6 million, compared to Non-GAAP net income of \$3.0 million in the third quarter of 2020.

Weighted average shares used to compute diluted net income/loss per share were 19.8 million and 19.7 million in the third quarters of 2021 and 2020, respectively.

Adjusted EBITDA was \$4.1 million in the third quarter of 2021, compared to \$6.2 million in the third quarter of 2020.

First Nine Months 2021 Financial Results:

Total revenue for the nine months ended September 30, 2021, increased \$18.4 million, or 14%, to \$146.3 million, compared to \$127.9 million for the nine months ended September 30, 2020. The increase in revenue was driven by an increase of \$13.9 million, or 12%, in sales and rentals of the Flexitouch system, an increase of \$3.7 million, or 24%, in sales and rentals of the Entre system and \$0.9 million in sales of the recently acquired AffloVest respiratory therapy business for the nine months ended September 30, 2021. Revenue for the nine months ended September 30, 2021, benefited from the initial stages of recovery from the COVID-19 pandemic through the second quarter of 2021, as well as an expanded prescriber base. However, in the third quarter of 2021 revenue was negatively impacted by the prolonged recovery from COVID-19, including the resurgence due to the Delta variant during the period, which resulted in restricted access to clinics and hospitals and disrupted the recovery in patient visits versus the pre-COVID environment. In addition, the challenging labor market impacted our ability to recruit and retain quality candidates for our direct sales force.

Net loss for the nine months ended September 30, 2021, was \$4.3 million, or \$0.22 per diluted share, compared to a net loss of \$12.7 million, or \$0.66 per diluted share, for the nine months ended September 30, 2020. Non-GAAP net loss for the nine months ended September 30, 2021, was \$1.1 million, compared to Non-GAAP net loss of \$8.5 million for the nine months ended September 30, 2020.

Weighted average shares used to compute diluted net income/loss per share were 20.0 million and 19.3 million for the nine months ended September 30, 2021 and 2020, respectively.

Adjusted EBITDA was \$8.2 million in the nine months ended September 30, 2021, compared to \$5.2 million in the nine months ended September 30, 2020.

Balance Sheet Summary

On September 8, 2021, the Company entered into an amendment to its credit agreement that, among other things, adds a \$30.0 million incremental term loan to the \$25.0 million revolving credit facility provided by the credit agreement. The term loan and the revolving credit facility mature on September 8, 2024.

On September 8, 2021, in connection with the closing of the AffloVest acquisition, the Company 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. As of September 30, 2021, the Company had \$22.4 million in cash and cash equivalents and \$55.0 million of outstanding borrowings under its credit agreement, compared to \$47.9 million in cash and cash equivalents and no outstanding borrowings on its revolving credit facility as of December 31, 2020.

2021 Financial Outlook

The Company now expects full year 2021 total revenue in the range of \$203.5 million to \$206.0 million, representing growth of approximately 9% to 10% year-over-year, compared to total revenue of \$187.1 million in 2020. This includes the AffloVest expected revenue range of approximately \$5.0 million to \$5.5 million from the closing date of September 8, 2021 to December 31, 2021. The Company's prior 2021 revenue guidance expectations called for total revenue in the range of \$216.3 million to \$224.5 million, representing an increase of 16% to 20%.

Conference Call

Management will host a conference call at 5:00 p.m. Eastern Time on November 8, 2021, to discuss the results of the quarter with a question-and-answer session. Those who would like to participate may dial 877-407-3088 (201-389-0927 for international callers) and provide access code 13723889. A live webcast of the call will also be provided on the investor relations section of the Company's website at investors.tactilemedical.com.

For those unable to participate, a replay of the call will be available for two weeks at 877-660-6853 (201-612-7415 for international callers); access code 13723889. The webcast will be archived at investors.tactilemedical.com.

About Tactile Systems Technology, Inc. (DBA Tactile Medical)

Tactile Medical is a leader in developing and marketing at-home therapies for people suffering from underserved, chronic conditions including lymphedema, lipedema, chronic venous insufficiency and chronic pulmonary disease by helping them live better and care for themselves at home. The company collaborates with clinicians to expand clinical evidence, raise awareness, increase access to care, reduce overall healthcare costs and improve the quality of life for tens of thousands of patients each year.

Legal Notice Regarding Forward-Looking Statements

This release contains forward-looking statements. Forward-looking statements are generally identifiable by the use of words like "may," "will," "should," "could," "expect," "anticipate," "estimate," "believe," "intend," "continue," "confident," "outlook," "guidance," "project," "goals," "look forward," "poised," "designed," "plan," "return," "focused," "prospects" or "remain" or the negative of these words or other variations on these words or comparable terminology. The reader is cautioned not to put undue reliance on these forward-looking statements, as these statements are subject to numerous factors and uncertainties outside of the Company's control that can make such statements untrue, including, but not limited to, the impacts of the COVID-19 pandemic on the Company's business,

financial condition and results of operations; the course of the COVID-19 pandemic and its impact on general economic, business and market conditions; the Company's inability to execute on its plans to respond to the COVID-19 pandemic; the adequacy of the Company's liquidity to pursue its business objectives; the Company's ability to obtain reimbursement from third party payers for its products; loss or retirement of key executives, including prior to identifying a successor; adverse economic conditions or intense competition; loss of a key supplier; entry of new competitors and products; adverse federal, state and local government regulation; technological obsolescence of the Company's products; technical problems with the Company's research and products; the Company's ability to expand its business through strategic acquisitions; the Company's ability to integrate acquisitions and related businesses; price increases for supplies and components; the effects of current and future U.S. and foreign trade policy and tariff actions; or the inability to carry out research, development and commercialization plans. In addition, other factors that could cause actual results to differ materially are discussed in the Company's filings with the SEC. Investors and security holders are urged to read these documents free of charge on the SEC's website at <http://www.sec.gov>. The Company undertakes no obligation to publicly update or revise its forward-looking statements as a result of new information, future events or otherwise.

Use of Non-GAAP Financial Measures

This press release includes the non-GAAP financial measures of Adjusted EBITDA, non-GAAP gross margin, non-GAAP operating income (loss), and non-GAAP net income (loss), which differ from financial measures calculated in accordance with U.S. generally accepted accounting principles ("GAAP").

Adjusted EBITDA in this release represents net income or loss, plus interest expense, net, or less interest income, net, less income tax benefit or plus income tax expense, plus depreciation and amortization, plus stock-based compensation expense, plus impairment charges and inventory write-offs, plus litigation defense costs, plus acquisition costs and plus executive transition costs. Non-GAAP gross margin in this release represents gross margin plus non-cash intangible amortization expense, inventory write-offs and inventory purchase price adjustments. Non-GAAP operating income (loss) in this release represents operating income (loss) plus non-cash intangible amortization expense, inventory write-offs, inventory purchase price adjustments, impairment of intangibles, acquisition costs and expenses, litigation defense costs and executive transition expenses. Non-GAAP net income (loss) represents net income (loss) adjusted for non-cash intangible amortization expense, inventory write-offs, inventory purchase price adjustments, impairment of intangibles, acquisition costs and expenses, litigation defense costs and executive transition expenses and adjusted for the income tax effect on reconciling items. Reconciliations of these non-GAAP financial measures to their most directly comparable GAAP measures are included in this press release.

These non-GAAP financial measures are presented because the Company believes they are useful indicators of its operating performance. Management uses these measures principally as measures of the Company's operating performance and for planning purposes, including the preparation of the Company's annual operating plan and financial projections. The Company believes these measures are useful to investors as supplemental information and because they are frequently used by analysts, investors and other interested parties to evaluate companies in its industry. The Company also believes these non-GAAP financial measures are useful to its management and investors as a

measure of comparative operating performance from period to period. In addition, Adjusted EBITDA is used as a performance metric in the Company's compensation program.

The non-GAAP financial measures presented in this release should not be considered as an alternative to, or superior to, their respective GAAP financial measures, as measures of financial performance or cash flows from operations as a measure of liquidity, or any other performance measure derived in accordance with GAAP, and they should not be construed to imply that the Company's future results will be unaffected by unusual or non-recurring items. In addition, Adjusted EBITDA is not intended to be a measure of free cash flow for management's discretionary use, as it does not reflect certain cash requirements such as tax payments, debt service requirements, capital expenditures and certain other cash costs that may recur in the future. Adjusted EBITDA contains certain other limitations, including the failure to reflect our cash expenditures, cash requirements for working capital needs and cash costs to replace assets being depreciated and amortized. In evaluating non-GAAP financial measures, you should be aware that in the future the Company may incur expenses that are the same as or similar to some of the adjustments in this presentation. The Company's presentation of non-GAAP financial measures should not be construed to imply that its future results will be unaffected by any such adjustments. Management compensates for these limitations by primarily relying on the Company's GAAP results in addition to using non-GAAP financial measures on a supplemental basis. The Company's definition of these non-GAAP financial measures is not necessarily comparable to other similarly titled captions of other companies due to different methods of calculation.

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

| (In thousands, except share and per share data) | September 30, 2021 | December 31, 2020 |
|---|-----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 22,401 | \$ 47,855 |
| Accounts receivable | 44,257 | 43,849 |
| Net investment in leases | 12,385 | 10,708 |
| Inventories | 23,830 | 18,563 |
| Prepaid expenses and other current assets | 3,701 | 2,638 |
| Total current assets | 106,574 | 123,613 |
| Non-current assets | | |
| Property and equipment, net | 6,458 | 6,957 |
| Right of use operating lease assets | 23,919 | 20,132 |
| Intangible assets, net | 54,970 | 1,680 |
| Goodwill | 31,063 | — |
| Accounts receivable, non-current | 12,422 | 9,433 |
| Deferred income taxes | 11,907 | 10,198 |
| Other non-current assets | 2,082 | 2,074 |
| Total non-current assets | 142,821 | 50,474 |
| Total assets | \$ 249,395 | \$ 174,087 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities | | |
| Accounts payable | \$ 6,192 | \$ 4,197 |
| Note payable | 2,210 | — |
| Accrued payroll and related taxes | 10,322 | 11,588 |
| Accrued expenses | 5,350 | 4,423 |
| Income taxes payable | 1,129 | 2,658 |
| Operating lease liabilities | 2,412 | 2,006 |
| Other current liabilities | 3,694 | 1,842 |
| Total current liabilities | 31,309 | 26,714 |
| Non-current liabilities | | |
| Revolving line of credit, non-current | 24,844 | — |
| Note payable, non-current | 27,673 | — |
| Earn-out, non-current | 6,400 | — |
| Accrued warranty reserve, non-current | 3,358 | 3,235 |
| Income taxes payable, non-current | 348 | — |
| Operating lease liabilities, non-current | 23,357 | 19,388 |
| Total non-current liabilities | 85,980 | 22,623 |
| Total liabilities | 117,289 | 49,337 |
| Stockholders' equity: | | |
| Preferred stock, \$0.001 par value, 50,000,000 shares authorized; none issued and outstanding as of September 30, 2021 and December 31, 2020 | — | — |
| Common stock, \$0.001 par value, 300,000,000 shares authorized; 19,797,723 shares issued and outstanding as of September 30, 2021; 19,492,718 shares issued and outstanding as of December 31, 2020 | 20 | 19 |
| Additional paid-in capital | 116,346 | 104,675 |
| Retained earnings | 15,740 | 20,056 |
| Total stockholders' equity | 132,106 | 124,750 |
| Total liabilities and stockholders' equity | \$ 249,395 | \$ 174,087 |

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, | |
|---|-------------------------------------|------------|------------------------------------|-------------|
| | 2021 | 2020 | 2021 | 2020 |
| Revenue | | | | |
| Sales revenue | \$ 44,460 | \$ 42,573 | \$ 124,215 | \$ 109,714 |
| Rental revenue | 8,037 | 6,519 | 22,114 | 18,173 |
| Total revenue | 52,497 | 49,092 | 146,329 | 127,887 |
| Cost of revenue | | | | |
| Cost of sales revenue | 13,096 | 11,558 | 36,425 | 30,868 |
| Cost of rental revenue | 2,433 | 2,562 | 6,501 | 6,062 |
| Total cost of revenue | 15,529 | 14,120 | 42,926 | 36,930 |
| Gross profit | | | | |
| Gross profit - sales revenue | 31,364 | 31,015 | 87,790 | 78,846 |
| Gross profit - rental revenue | 5,604 | 3,957 | 15,613 | 12,111 |
| Gross profit | 36,968 | 34,972 | 103,403 | 90,957 |
| Operating expenses | | | | |
| Sales and marketing | 22,231 | 19,488 | 61,949 | 59,856 |
| Research and development | 1,409 | 1,102 | 3,885 | 3,891 |
| Reimbursement, general and administrative | 14,500 | 12,539 | 42,802 | 37,682 |
| Intangible asset amortization | 195 | 49 | 294 | 148 |
| Total operating expenses | 38,335 | 33,178 | 108,930 | 101,577 |
| (Loss) income from operations | (1,367) | 1,794 | (5,527) | (10,620) |
| Other (expense) income | (120) | (121) | (154) | 181 |
| (Loss) income before income taxes | (1,487) | 1,673 | (5,681) | (10,439) |
| Income tax expense (benefit) | 1,868 | (751) | (1,365) | 2,294 |
| Net (loss) income | \$ (3,355) | \$ 2,424 | \$ (4,316) | \$ (12,733) |
| Net (loss) income per common share | | | | |
| Basic | \$ (0.17) | \$ 0.12 | \$ (0.22) | \$ (0.66) |
| Diluted | \$ (0.17) | \$ 0.12 | \$ (0.22) | \$ (0.66) |
| Weighted-average common shares used to compute net (loss) income per common share | | | | |
| Basic | 19,790,838 | 19,415,640 | 19,676,749 | 19,309,344 |
| Diluted | 19,790,838 | 19,747,365 | 19,676,749 | 19,309,344 |

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

| (In thousands) | Nine Months Ended September 30, | |
|--|--|------------------|
| | 2021 | 2020 |
| Cash flows from operating activities | | |
| Net loss | \$ (4,316) | \$ (12,733) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 2,150 | 2,102 |
| Net amortization of premiums and discounts on securities available-for-sale | — | (91) |
| Deferred income taxes | (1,709) | 3,934 |
| Stock-based compensation expense | 7,703 | 8,288 |
| Gain on other investments and maturities of marketable securities | — | 10 |
| Impairment losses | — | 4,025 |
| Loss on disposal of property and equipment | 7 | — |
| Changes in assets and liabilities, net of acquisition: | | |
| Accounts receivable | (408) | (2,589) |
| Net investment in leases | (1,677) | (1,304) |
| Inventories | (3,641) | (3,538) |
| Income taxes | (1,181) | 773 |
| Prepaid expenses and other assets | (1,133) | (1,553) |
| Right of use operating lease assets | 588 | 509 |
| Medicare accounts receivable, non-current | (2,989) | (2,916) |
| Accounts payable | 1,995 | 938 |
| Accrued payroll and related taxes | (1,266) | 766 |
| Accrued expenses and other liabilities | 2,902 | 1,134 |
| Net cash used in operating activities | <u>(2,975)</u> | <u>(2,245)</u> |
| Cash flows from investing activities | | |
| Proceeds from maturities of securities available-for-sale | — | 22,500 |
| Payments related to acquisition | (79,829) | — |
| Purchases of property and equipment | (1,221) | (1,623) |
| Intangible assets costs | (187) | (163) |
| Other investments | — | (30) |
| Net cash (used in) provided by investing activities | <u>(81,237)</u> | <u>20,684</u> |
| Cash flows from financing activities | | |
| Proceeds from issuance of note payable | 30,000 | — |
| Proceeds from revolving line of credit | 25,000 | — |
| Payment of deferred debt issuance costs | (211) | — |
| Taxes paid for net share settlement of performance and restricted stock units | (1,157) | (1,592) |
| Proceeds from exercise of common stock options | 3,584 | 762 |
| Proceeds from the issuance of common stock from the employee stock purchase plan | 1,542 | 1,825 |
| Net cash provided by financing activities | <u>58,758</u> | <u>995</u> |
| Net (decrease) increase in cash and cash equivalents | <u>(25,454)</u> | <u>19,434</u> |
| Cash and cash equivalents – beginning of period | 47,855 | 22,770 |
| Cash and cash equivalents – end of period | <u>\$ 22,401</u> | <u>\$ 42,204</u> |
| Supplemental cash flow disclosure | | |
| Cash paid for taxes | \$ 1,541 | \$ 475 |
| Capital expenditures incurred but not yet paid | \$ — | \$ 41 |

The following table summarizes revenue by product for the three and nine months ended September 30, 2021 and 2020:

| (In thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|------------------------------------|-------------------------------------|------------------|------------------------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Revenue | | | | |
| Flexitouch system | \$ 44,014 | \$ 42,908 | \$ 126,544 | \$ 112,621 |
| Entre system | 7,622 | 6,184 | 18,924 | 15,266 |
| AffloVest | 861 | — | 861 | — |
| Total | \$ 52,497 | \$ 49,092 | \$ 146,329 | \$ 127,887 |
| Percentage of total revenue | | | | |
| Flexitouch system | 84% | 87% | 86% | 88% |
| Entre system | 14% | 13% | 13% | 12% |
| AffloVest | 2% | — % | 1% | — % |
| Total | 100% | 100% | 100% | 100% |

The following table contains a reconciliation of gross margin to non-GAAP gross margin:

Tactile Systems Technology, Inc.
Reconciliation of Gross Margin to Non-GAAP Gross Margin
(Unaudited)

| (Dollars in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|-----------|------------------------------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| Revenue | \$ 52,497 | \$ 49,092 | \$ 146,329 | \$ 127,887 |
| Gross profit, as reported | \$ 36,968 | \$ 34,972 | \$ 103,403 | \$ 90,957 |
| Gross margin, as reported | 70.4 % | 71.2 % | 70.7 % | 71.1 % |
| Reconciling items affecting gross margin: | | | | |
| Non-cash intangible amortization expense | \$ 84 | \$ 8 | \$ 104 | \$ 165 |
| Inventory write-offs | 588 | — | 588 | 428 |
| Inventory purchase price adjustments | 50 | — | 50 | — |
| Non-GAAP gross profit | \$ 37,690 | \$ 34,980 | \$ 104,145 | \$ 91,550 |
| Non-GAAP gross margin | 71.8 % | 71.3 % | 71.2 % | 71.6 % |

The following table contains a reconciliation of GAAP operating income (loss) to non-GAAP operating income (loss):

Tactile Systems Technology, Inc.
Reconciliation of GAAP Operating Income (Loss) to Non-GAAP Operating Income (Loss)
(Unaudited)

| (Dollars in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|-----------------|------------------------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| GAAP operating income/(loss) | \$ (1,367) | \$ 1,794 | \$ (5,527) | \$ (10,620) |
| Reconciling items affecting operating income/(loss): | | | | |
| Non-cash intangible amortization expense impacting gross profit | \$ 84 | \$ 8 | \$ 104 | \$ 165 |
| Inventory write-offs | 588 | — | 588 | 428 |
| Inventory purchase price adjustments | 50 | — | 50 | — |
| Non-cash intangible amortization expense impacting operating expenses | 195 | 49 | 294 | 148 |
| Impairment of intangibles | — | — | — | 3,597 |
| Acquisition costs and expenses | 774 | — | 774 | — |
| Litigation defense costs | 631 | 202 | 2,352 | 430 |
| Executive transition expenses | — | 499 | 186 | 876 |
| Non-GAAP operating income/(loss): | <u>\$ 955</u> | <u>\$ 2,552</u> | <u>\$ (1,179)</u> | <u>\$ (4,976)</u> |

The following table contains a reconciliation of GAAP net income (loss) to non-GAAP net income (loss):

Tactile Systems Technology, Inc.
Reconciliation of GAAP Net Income (Loss) to Non-GAAP Net Income (Loss)
(Unaudited)

| (Dollars in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|-----------------|------------------------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| GAAP net (loss) income | \$ (3,355) | \$ 2,424 | \$ (4,316) | \$ (12,733) |
| Reconciling items affecting net (loss) income: | | | | |
| Non-cash intangible amortization expense impacting gross profit | \$ 84 | \$ 8 | \$ 104 | \$ 165 |
| Inventory write-offs | 588 | — | 588 | 428 |
| Inventory purchase price adjustments | 50 | — | 50 | — |
| Non-cash intangible amortization expense impacting operating expenses | 195 | 49 | 294 | 148 |
| Impairment of intangibles | — | — | — | 3,597 |
| Acquisition costs & expenses | 774 | — | 774 | — |
| Litigation defense costs | 631 | 202 | 2,352 | 430 |
| Executive transition expenses | — | 499 | 186 | 876 |
| Income tax (expense) benefit on reconciling items* | (581) | (190) | (1,087) | (1,411) |
| Non-GAAP net (loss) income | <u>\$ (1,614)</u> | <u>\$ 2,992</u> | <u>\$ (1,055)</u> | <u>\$ (8,500)</u> |

* The effect of income tax on the reconciling items is estimated using the Company's effective statutory tax rate.

The following table contains a reconciliation of net (loss) income to Adjusted EBITDA for the three and nine months ended September 30, 2021 and 2020, as well as the dollar and percentage change between the comparable periods:

Tactile Systems Technology, Inc.
Reconciliation of Net (Loss) Income to Non-GAAP Adjusted EBITDA
(Unaudited)

| (Dollars in thousands) | Three Months Ended September 30, | | Increase (Decrease) | | Nine Months Ended September 30, | | Increase (Decrease) | |
|--|-------------------------------------|-----------------|------------------------|--------|------------------------------------|-----------------|------------------------|--------|
| | 2021 | 2020 | \$ | % | 2021 | 2020 | \$ | % |
| Net (loss) income | \$ (3,355) | \$ 2,424 | \$ (5,779) | N.M. % | \$ (4,316) | \$ (12,733) | \$ 8,417 | (66)% |
| Interest expense (income), net | 105 | 19 | 86 | N.M. % | 121 | (61) | 182 | N.M. % |
| Income tax expense (benefit) | 1,868 | (751) | 2,619 | N.M. % | (1,365) | 2,294 | (3,659) | (160)% |
| Depreciation and amortization | 863 | 652 | 211 | 32 % | 2,150 | 2,102 | 48 | 2 % |
| Stock-based compensation | 2,588 | 3,164 | (576) | (18)% | 7,703 | 8,288 | (585) | (7)% |
| Impairment charges and inventory write- offs | 588 | — | 588 | — % | 588 | 4,025 | (3,437) | (85)% |
| Acquisition costs | 824 | — | 824 | — % | 824 | — | 824 | — % |
| Litigation defense costs | 631 | 202 | 429 | N.M. % | 2,351 | 430 | 1,921 | N.M. % |
| Executive transition costs | — | 499 | (499) | (100)% | 186 | 876 | (690) | (79)% |
| Adjusted EBITDA | <u>\$ 4,112</u> | <u>\$ 6,209</u> | <u>\$ (2,097)</u> | (34)% | <u>\$ 8,242</u> | <u>\$ 5,221</u> | <u>\$ 3,021</u> | 58 % |

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