UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT

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

May 14, 2020
Date of Report (date of earliest event reported)

TransEnterix, Inc.
(Exact name of Registrant as specified in its charter)

Delaware	**0-19437**	**11-2962080**
(State or other jurisdiction of incorporation or organization)	**(Commission File Number)**	**(I.R.S. Employer Identification Number)**

635 Davis Drive, Suite 300
Morrisville, North Carolina 27560
(Address of principal executive offices)

919-765-8400
(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 Instruction 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	Name of each exchange on which registered
Common Stock $0.001 par value per share	**TRXC**	**NYSE American**

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 May 14, 2020, TransEnterix, Inc., a Delaware corporation (the "Company"), issued a press release announcing its financial results for the first quarter ended March 31, 2020. A copy of the press release is furnished herewith as Exhibit 99.1.

Also on May 14, 2020, following the issuance of the press release referred to above, the Company conducted a conference call to discuss the reported operating and financial results for the first quarter ended March 31, 2020. The Company had issued a press release on May 5, 2020 to announce the scheduling of the conference call. A copy of the transcript of the conference call is furnished herewith as Exhibit 99.2.

The information included herein and in Exhibit 99.1 and Exhibit 99.2 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 ("Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press Release dated May 14, 2020
99.2	May 14, 2020 conference call transcript
104	Cover Page Interactive Data File (formatted in inline XBRL)

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.

TransEnterix, Inc.

Date: May 19, 2020

/s/ Anthony Fernando

Anthony Fernando

President and CEO

Exhibit 99.1

TransEnterix, Inc. Reports Operating and Financial Results for the First Quarter 2020

May 14, 2020, at 6:55 AM EST

RESEARCH TRIANGLE PARK, N.C.--(BUSINESS WIRE)-- May 14, 2020 -- TransEnterix, Inc. (NYSE American: TRXC), a medical device company that is digitizing the interface between the surgeon and the patient to improve minimally invasive surgery, today announced its operating and financial results for the first quarter of 2020.

Recent Highlights

- Obtained FDA 510(k) clearance for First Machine Vision System in Robotic Surgery in March 2020
- Received CE Mark approval for Pediatric indication for Senhance® Surgical System on February 12, 2020
- Raised approximately $15 million in gross proceeds in an underwritten public offering in March of 2020 and $11.6 million in ATM offering gross proceeds since January 2020
- Increased the number of procedures performed with Senhance by 43% in the first quarter of 2020 as compared to the first quarter of 2019
- Reduced anticipated cash burn during 2020 by approximately 35% as a result of restructuring and cost saving initiatives

“I would first like to say how proud I am of every one of our team members around the world as they have managed the COVID-19 crisis extremely well despite the challenges and uncertainty that continue to exist,” said Anthony Fernando, President and CEO of TransEnterix. “During the first two months of 2020, we generated significant momentum with the successful execution of our strategy that we first announced in November 2019. While we have seen some headwinds as a result of COVID, we believe we are well-positioned to continue to deliver on our strategy and bring transformative technology to surgeons, hospitals, and patients globally.”

Commercial and Clinical Update

During the quarter, three hospitals initiated Senhance Digital Laparoscopy Programs, one in the U.S., one in Europe, and one in Asia.

In addition, the Company has signed two other agreements with hospitals, one in EMEA and one in Asia, who are on track to begin their respective Senhance programs during 2020, once their respective local environments reopen subsequent to the COVID-19 pandemic.

First Quarter Financial Results

For the three months ended March 31, 2020, the Company reported revenue of $0.6 million as compared to revenue of $2.2 million in the three months ended March 31, 2019. Revenue in the first quarter of 2020 included no system sales, $0.2 million in system leasing and instruments and accessories, and $0.4 million in services.

For the three months ended March 31, 2020, total operating expenses were $16.0 million, as compared to $21.6 million in the three months ended March 31, 2019.

For the three months ended March 31, 2020, net loss attributable to common stockholders was $17.0 million, or $0.59 per share, as compared to a net loss of $22.5 million, or $1.35 per share, in the three months ended March 31, 2019.

For the three months ended March 31, 2020, the adjusted net loss attributable to common stockholders was $12.0 million, or $0.41 per share, as compared to an adjusted net loss of $18.7 million, or $1.12 per share in the three months ended March 31, 2019, after adjusting for the following charges: change in fair value of warrant liabilities, amortization of intangible assets, change in fair value of contingent consideration, restructuring and other charges, acquisition related costs, deemed dividend related to beneficial conversion feature of preferred stock and loss from sale of SurgiBot assets. Adjusted net loss attributable to common stockholders is a non-GAAP financial measure. See the reconciliation from GAAP to Non-GAAP Measures below.

The Company had cash and cash equivalents and restricted cash of approximately $22.7 million as of March 31, 2020.

As a result of restructuring, cost optimization efforts and recent equity financing, we believe that current cash on hand will be sufficient to meet our anticipated cash needs into the fourth quarter of 2020.

COVID-19 Update and Business Outlook

During the fourth quarter of 2019, prior to the impact of the COVID-19 pandemic on our business, the Company instituted a corporate restructuring in conjunction with our strategy shift. As part of that restructuring, we reduced our headcount by approximately 40% compared to our peak in 2019.

In response to the COVID-19 pandemic, the Company instituted a number of initiatives aimed at keeping its employees and their families safe while at the same time ensuring business continuity.

- Employee safety, including remote working for applicable employees, as well as establishing safe working environments, in accordance with all federal, state, local and foreign directives.
- Expense reduction measures, including cash compensation reductions for certain members of the management team; partial furloughs of our commercial, clinical, and service organizations; a reduction in travel and training spending; cancellation of participation in all trade shows in 2020; and, as previously announced, conversion of Board compensation to all equity compensation, and
- Adding cash to the balance sheet to fund payroll costs and other approved expenses through the receipt of approximately $2.8 million in the form of a loan under the Paycheck Protection Program.

The Company believes that the combined impact of the restructuring along with the initiatives instituted in response to COVID-19 have reduced the anticipated cash burn during 2020 by approximately 35%.

The global response to the COVID-19 pandemic has had, and we expect will continue to have, a negative impact on the Company’s operations and financial results. Due to the uncertain scope and duration of the pandemic, and uncertain timing of global recovery and economic normalization, we are unable to estimate the overall impacts on our operations and financial results, which could be material. Accordingly, we are withdrawing our previously provided full-year 2020 revenue guidance of $3.0 - $3.2 million.

Conference Call

TransEnterix, Inc. will host a conference call on Thursday, May 14, 2020, at 8:00 AM ET to discuss its first quarter 2020 operating and financial results. To listen to the conference call on your telephone, please dial 1-844-804-5261 for domestic callers and 1-612-979-9885 for international callers, and reference conference ID 1946139 approximately ten minutes prior to the start time. To access the live audio webcast or archived recording, use the following link http://ir.transenterix.com/events.cfm. The replay will be available on the Company’s website.

About TransEnterix

TransEnterix is a medical device company that is digitizing the interface between the surgeon and the patient to improve minimally invasive surgery by addressing the clinical and economic challenges associated with current laparoscopic and robotic options in today's value-based healthcare environment. The Company is focused on the market development activities for, and increasing utilization of, its Senhance Surgical System, which digitizes laparoscopic minimally invasive surgery. The system allows for robotic precision, haptic feedback, surgeon camera control via eye sensing and improved ergonomics while offering responsible economics. The Senhance Surgical System is available for sale in the US, the EU, Japan and select other countries. For more information, visit www.transenterix.com.

Non-GAAP Measures

The adjusted net loss and adjusted net loss per share presented in this press release are non-GAAP financial measures. The adjustments relate to the change in fair value of warrant liabilities, amortization of intangible assets, change in fair value of contingent consideration, restructuring and other charges, acquisition-related costs, deemed dividend related to beneficial conversion feature of the preferred stock and the loss from sale of SurgiBot assets. These financial measures are presented on a basis other than in accordance with U.S. generally accepted accounting principles ("Non-GAAP Measures"). In the tables that follow under "Reconciliation of Non-GAAP Measures,” we present adjusted net loss and adjusted net loss per share, reconciled to their comparable GAAP measures. These items are adjusted because they are not operational or because these charges are non-cash or non-recurring and management believes these adjustments are meaningful to understanding the Company's performance during the periods presented. These Non-GAAP Measures should be considered a supplement to, not a substitute for, or superior to, the corresponding financial measures calculated in accordance with GAAP.

Forward-Looking Statements

This press release includes statements relating to the current market development and operational plans for the Senhance System, as well as 2020 first quarter financial results and plans for 2020. These statements and other statements regarding our future plans and goals constitute "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, and are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that are often difficult to predict, are beyond our control and which may cause results to differ materially from expectations and include the extent of the impact of the COVID-19 pandemic on our current and future results of operations, whether we will be well-positioned to continue to deliver on our strategy and bring transformative technology to surgeons, hospitals and patients globally, whether we have cash on hand sufficient to meet our anticipated cash needs into the fourth quarter of 2020 and whether we can meet the operational goals we have set forth for 2020. For a discussion of the risks and uncertainties associated with TransEnterix's business, please review our filings with the Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K for the year ended December 31, 2019, which we filed on March 16, 2020. You are cautioned not to place undue reliance on these forward-looking statements, which are based on our expectations as of the date of this press release and speak only as of the origination date of this press release. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

TransEnterix, Inc.
Consolidated Statements of Operations and Comprehensive Loss
(in thousands except per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2020	**2019**
Revenue:		
Product	$ 242	$ 1,829
Service	358	352
Total revenue	600	2,181
Cost of revenue:		
Product	913	1,273
Service	825	1,194
Total cost of revenue	1,738	2,467
Gross loss	(1,138)	(286)
Operating Expenses		
Research and development	3,934	5,655
Sales and marketing	4,253	7,674
General and administrative	3,349	4,560
Amortization of intangible assets	2,564	2,611
Change in fair value of contingent consideration	1,056	998
Restructuring and other charges	858	—
Acquisition related costs	—	45
Loss from sale of SurgiBot assets, net	—	97
Total Operating Expenses	16,014	21,640
Operating Loss	(17,152)	(21,926)
Other Income (Expense)		
Change in fair value of warrant liabilities	(155)	(106)
Interest income	27	318
Interest expense	—	(1,116)
Other expense	(15)	(305)
Total Other Income (Expense), net	(143)	(1,209)
Loss before income taxes	$ (17,295)	$ (23,135)
Income tax benefit	697	610
Net loss	$ (16,598)	$ (22,525)
Deemed dividend related to beneficial conversion feature of preferred stock	(412)	—
Net loss attributable to common stockholders	$ (17,010)	$ (22,525)
Other comprehensive loss		
Net loss	$ (16,598)	$ (22,525)
Foreign currency translation loss	(872)	(1,949)
Comprehensive loss	$ (17,470)	$ (24,474)
Net loss per common share attributable to common stockholders – basic and diluted	$ (0.59)	$ (1.35)
Weighted average number of shares used in computing net loss per common		

share – basic and diluted	28,906	16,677

TransEnterix, Inc.
Consolidated Balance Sheets
(in thousands, except share amounts)

	March 31, 2020 (Unaudited)	December 31, 2019
Assets		
Current Assets		
Cash and cash equivalents	$ 21,816	$ 9,598
Accounts receivable, net	951	620
Inventories	9,829	10,653
Other current assets	7,341	7,084
Total Current Assets	39,937	27,955
Restricted cash	925	969
Inventories, net of current portion	7,201	7,594
Property and equipment, net	6,060	4,706
Intellectual property, net	27,939	28,596
In-process research and development	—	2,470
Other long term assets	2,168	2,489
Total Assets	$ 84,230	$ 74,779
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 4,047	$ 3,579
Accrued expenses	8,026	8,553
Deferred revenue – current portion	903	818
Contingent consideration – current portion	72	73
Total Current Liabilities	13,048	13,023
Long Term Liabilities		
Deferred revenue – less current portion	13	27
Contingent consideration – less current portion	2,068	1,011
Warrant liabilities	73	2,388
Net deferred tax liabilities	649	1,392
Other long term liabilities	1,217	1,403
Total Liabilities	17,068	19,244
Commitments and Contingencies		
Stockholders' Equity		
Common stock $0.001 par value, 750,000,000 shares authorized at March 31, 2020 and December 31, 2019; 47,078,314 and 20,691,301 shares issued and outstanding at March 31, 2020 and December 31, 2019, respectively	47	21
Preferred stock $0.01 par value, 25,000,000 shares authorized, including 7,937,057 and 0 shares of Series A Convertible Preferred Stock at March 31, 2020 and December 31, 2019, and 4,884,117 and 0 shares issued and outstanding at March 31, 2020 and December 31, 2019, respectively	49	—
Additional paid-in capital	749,506	720,484
Accumulated deficit	(680,198)	(663,600)
Accumulated other comprehensive loss	(2,242)	(1,370)
Total Stockholders' Equity	67,162	55,535
Total Liabilities and Stockholders' Equity	$ 84,230	$ 74,779

Consolidated Statements of Cash Flows
(in thousands)

	Three Months Ended March 31,	
	2020	2019
Operating Activities	(Unaudited)	
Net loss	$ (16,598)	$ (22,525)
Adjustments to reconcile net loss to net cash and cash equivalents used in operating activities:		
Loss from sale of SurgiBot assets, net	—	97
Depreciation	570	563
Amortization of intangible assets	2,564	2,611
Amortization of debt discount and debt issuance costs	—	330
Amortization of short-term investment discount	—	(220)
Stock-based compensation	1,923	2,981
Interest expense on deferred consideration – MST acquisition	—	204
Deferred tax benefit	(697)	(610)
Change in fair value of warrant liabilities	155	106
Change in fair value of contingent consideration	1,056	998
Changes in operating assets and liabilities:		
Accounts receivable	(340)	(129)
Inventories	(1,063)	(4,621)
Other current and long term assets	(76)	(2,663)
Accounts payable	509	286
Accrued expenses	(433)	(2,518)
Deferred revenue	83	(197)
Other long term liabilities	(130)	1,112
Net cash and cash equivalents used in operating activities	(12,477)	(24,195)
Investing Activities		
Purchase of short-term investments	—	(10,894)
Proceeds from maturities of short-term investments	—	40,000
Purchase of property and equipment	(2)	(118)
Net cash and cash equivalents (used in) provided by investing activities	(2)	28,988
Financing Activities		
Proceeds from issuance of common stock, preferred stock and warrants under 2020 financing, net of issuance costs	13,525	—
Proceeds from issuance of common stock and warrants, net of issuance costs	11,212	—
Taxes paid related to net share settlement of vesting of restricted stock units	(33)	(499)
Proceeds from exercise of stock options and warrants	—	236
Net cash and cash equivalents provided by (used in) financing activities	24,704	(263)
Effect of exchange rate changes on cash and cash equivalents	(51)	(58)
Net increase in cash, cash equivalents and restricted cash	12,174	4,472
Cash, cash equivalents and restricted cash, beginning of period	10,567	21,651
Cash, cash equivalents and restricted cash, end of period	$ 22,741	$ 26,123
Supplemental Disclosure for Cash Flow Information		
Interest paid	$ —	$ 750
Supplemental Schedule of Non-cash Investing and Financing Activities		
Transfer of inventories to property and equipment	$ 1,958	$ 86
Exchange of common stock for Series B Warrants	$ 2,470	—
Transfer of in-process research and development to intellectual property	$ 2,425	—
Conversion of preferred stock to common stock	$ 30	—

Reconciliation of Non-GAAP Measures
Adjusted Net Loss and Net Loss per Share
(in thousands except per share amounts)

(Unaudited)

(Unaudited, U.S. Dollars, in thousands)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Net Loss Attributable to Common Stockholders (GAAP)	$ (17,010)	$ (22,525)
Adjustments		
Loss from sale of SurgiBot assets, net	—	97
Amortization of intangible assets	2,564	2,611
Change in fair value of contingent consideration	1,056	998
Acquisition related costs	—	45
Change in fair value of warrant liabilities	155	106
Restructuring and other charges	858	—
Deemed dividend related to beneficial conversion feature of preferred stock	412	—
Adjusted Net Loss Attributable to Common Stockholders (Non-GAAP)	$ (11,965)	$ (18,668)

(Unaudited, per basic share)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Net Loss Attributable to Common Stockholders (GAAP)	$ (0.590)	$ (1.350)
Adjustments		
Loss from sale of SurgiBot assets, net	—	0.00
Amortization of intangible assets	0.09	0.16
Change in fair value of contingent consideration	0.04	0.06
Acquisition related costs	—	0.00
Change in fair value of warrant liabilities	0.01	0.01
Restructuring and other charges	0.03	—
Deemed dividend related to beneficial conversion feature of preferred stock	0.01	—
Adjusted Net Loss Attributable to Common Stockholders (Non-GAAP)	$ (0.410)	$ (1.120)

The non-GAAP financial measures for the three months ended March 31, 2020 and 2019 provide management with additional insight into the Company's results of operations from period to period without non-recurring and non-cash charges, and are calculated using the following adjustments:

a) Loss from sale of SurgiBot assets relates to additional outside service costs to transfer the assets in connection with the sale of SurgiBot assets to Great Belief International Limited.

b) Intangible assets that are amortized consist of developed technology and purchased patent rights recorded at cost and amortized over 5 to 10 years.

c) Contingent consideration in connection with the acquisition of the Senhance System in 2015 is recorded as a liability and is the estimate of the fair value of potential milestone payments related to business acquisitions. Contingent consideration is measured at fair value using a discounted cash flow model utilizing significant unobservable inputs including the probability of achieving each of the potential milestones and an estimated discount rate associated with the risks of the expected cash flows attributable to the various milestones. Significant increases or decreases in any of the probabilities of success or changes in expected timelines for achievement of any of these milestones would result in a significantly higher or lower fair value of these milestones, respectively, and commensurate changes to the associated liability. The contingent consideration is revalued at each reporting period and changes in fair value are recognized in the consolidated statements of operations and comprehensive loss.

d) Acquisition related costs were incurred in connection with the MST purchase agreement and consist of legal, accounting, and other costs.

e) The Company’s Series B Warrants are measured at fair value using a simulation model which takes into account, as of the valuation date, factors including the current exercise price, the expected life of the warrant, the current price of the underlying stock, its expected volatility, holding cost and the risk-free interest rate for the term of the warrant. The warrant liability is revalued at each reporting period or upon exercise and changes in fair value are recognized in the consolidated statements of operations and comprehensive loss.

f) During the fourth quarter of 2019, we announced the implementation of a restructuring plan to reduce operating expenses as we continue the global market development of the Senhance platform. During March 2020, the Company continued the restructuring efforts with additional headcount reductions which resulted in $0.9 million related to severance costs.

g) During the first quarter of 2020, the Company closed an underwritten public offering under which it issued, as part of units and the exercise of an over-allotment option, 25,367,646 Series C Warrants, each to acquire one share of Common Stock at an exercise price of $0.68 per share, and 25,367,646 Series D Warrants, each to acquire one share of Common Stock at an exercise price of $0.68 per share. The Company concluded that the Series C Warrants and Series D Warrants are considered equity instruments. The fair value of the Series C and Series D Warrants on the issuance date was determined using a Black-Scholes Merton model. The unit proceeds were then allocated to the Series A preferred stock, Series C Warrants, and Series D Warrants, respectively, based on their relative fair values. As a result, the Company determined that a beneficial conversion feature was created by the difference between the effective conversion price of the preferred stock of $0.37 and the fair value of the Company's common stock as of the issuance date of $0.42. The Company therefore recorded a beneficial conversion charge of $0.4 million as an immediate charge to earnings available to common stockholders for the three months ended March 31, 2020.

Investors:
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Exhibit 99.2

Company: TRANSENTERIX, INC.
Conference Title: Q1 2020 TransEnterix Inc. Earnings Call
Moderator: Mark Klausner
Date: May 14, 2020

PRESENTATION

Operator

Good afternoon, and welcome to the TransEnterix First Quarter 2020 Business Update Conference Call. As a reminder, today's call is being webcast live and recorded. After the speaker presentation there will be a question and answer session. Please be advised that today's conference may be recorded.I would now like to introduce your host, Mr. Mark Klausner of Westwicke. Please go ahead, sir.

Mark R. Klausner ***Westwicke Partners, LLC - Managing Partner***

Thanks, operator. Good morning, everyone, and thank you for joining us on today's call. On the call with me today are Anthony Fernando, President and Chief Executive Officer; and Brett Farabaugh, Interim Chief Financial Officer. Before we begin, I would like to caution listeners that certain information discussed by management during this conference call, including any guidance provided, are forward-looking statements covered under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from those stated or implied by our forward-looking statements due to risks and uncertainties associated with the company's business, including any impact from the COVID-19 pandemic. The company undertakes no obligation to update the information provided on this call. For a discussion of risks and uncertainties associated with TransEnterix' business, I encourage you to review the company's filings with the Securities and Exchange Commission, including the Form 10-K filed on March 16, 2020, and other filings we make with the SEC. During this call, we will also present certain non-GAAP financial information related to adjusted net loss and adjusted earnings per share. Management believes that non-GAAP financial measures taken in conjunction with U.S. GAAP financial measures provide useful information for both management and investors by excluding certain noncash and other expenses that are not indicative of the company's core operating results. Management uses non-GAAP measures to compare our performance relative to forecast and strategic plans to benchmark our performance externally against competitors and for certain compensation decisions. Reconciliations from U.S. GAAP to non-GAAP results are presented in the tables accompanying our earnings release, which can be found in the Investor Relations section of our website. It is now my pleasure to turn the call over to TransEnterix' President and Chief Executive Officer, Anthony Fernando.

Anthony Fernando ***TransEnterix, Inc. - President, CEO & Director***

Thanks, Mark, and thank you all for joining us today. On today's call, I will provide an update on the impact of COVID-19 and our response to the pandemic, followed by an update on our capital adequacy. Brett will then provide an update on our first quarter performance. After which, I will provide an update

on recent trends in the business and the progress made towards our 2020 strategic initiatives. Lastly, I will be taking your questions. I would like to begin by providing an update on COVID-19's impact on our business. First and foremost, we are focused on the health and safety of all our employees and their families. Very early on, we instituted work-from-home policies for applicable employees. With a variety of teams spread across the world, we have a robust remote working infrastructure in place and we believe we have adapted well, although we, like many others, have been dealing with delays and inefficiencies caused by remote working. We host frequent all-staff town halls to get feedback from the field and provide real-time updates. For those employees considered essential, we have continued to operate safely doing so under the guidance of the WHO, the CDC as well as respective applicable federal, state and local directives. North Carolina, the home of our global headquarters, is beginning to ease COVID-related social distancing restrictions. As this progresses, we are looking forward to getting our employees safely back in the office. Shifting to a high-level update on the impact we have seen on our business. Given that we have significant Italian operations, we had early experience with COVID-19, including the potential scope and scale of the impact it might have on our business. The three areas I would like to provide an update on are surgeon training, manufacturing, and research and development. Surgeon training is a critical component in allowing us to add incremental new system installations as well as add incremental surgeons at existing sites. With the early closure of our Milan, Italy training facility, along with travel restrictions in Europe and the subsequent shutdown of our training facility in the United States, our ability to train surgeons has been limited. As a result, pipeline accounts have deferred signing agreements or accepting the delivery of Senhance systems until hospitals have more visibility on COVID-19 impact and the resumption of elective surgery as well as Senhance training being available for their surgeons. While these accounts currently remain in the pipeline, the speed at which they can progress towards the system installations has been delayed. The second area where we have seen an impact is in our manufacturing operations. Our systems are manufactured at a contract manufacturing facility in Milanand, as a result of COVID-19, we experienced a disruption in inventory build during the first quarter. Despite an eight-week shutdown and government-regulated social distancing requirements, we believe that we will not experience any supply constraints in 2020. Late in 2019, we fast-tracked the buildup of systems inventory to support our 2020 plans for the expansion of the active installed base globally. As a result, we believe we have sufficient Senhance inventory ready for immediate, near-term delivery, and we do not foresee any inventory shortages. Lastly, R&D timelines have shifted as a result of COVID-19. Due to the reallocation of regulatory agency resources during the pandemic to focus on high-priority COVID-specific issues, the timing of approval decisions from regulators have generally been delayed. While we are optimistic that we will achieve the approvals we are currently pursuing, we do anticipate an approximate one quarter delay in the timing of those approvals, which I will discuss in more detail shortly. One area where we have stepped up efforts during COVID-19 has been virtual training. Our teams have been actively engaged in the creation and dissemination of virtual training and clinical content. We have hosted a number of internal and external webinars on Senhance best practices with surgeons and administrators at multiple pipeline accounts, both in the U.S. and Europe, in attendance. Shifting to commentary on our capital adequacy and liquidity. At the beginning of 2020 and during the fourth quarter 2019, prior to seeing the impact of COVID-19, we instituted a corporate restructuring in conjunction with our strategy shift. As part of that, we reduced our headcount by approximately 40% compared to our peak in 2019. This restructuring reduced our anticipated cash burn during the year by approximately 35%. In addition to these cost-saving steps, we have put incremental expense reductions in place in response to the impact of COVID-19,

including the partial furlough of our field-based commercial, clinical and service organizations; the reduction of salary for senior members of the management team as well as the elimination of cash compensation for our Board of Directors beginning July 1; and a reduction in T&E spending throughout the organization. Beyond these expense-reduction initiatives, over the course of 2020, we have taken steps to bolster our balance sheet. As previously announced, in March, we closed an underwritten equity financing transaction, providing us with gross proceeds of $15 million. In April, we received approximately $2.8 million in the form of a loan under the Paycheck Protection Program within the CARES Act. We are cognizant of the guidance in the marketplace around loan eligibility, and we remain mindful of the evolving regulatory landscape. With the various cost-reduction initiatives, our recently completed financing, and the additional capital received from the PPP loan, we continue to expect to have sufficient cash to support operations into the fourth quarter of 2020. I will now turn the call over to Brett to provide the first quarter financial review.

Brett Farabaugh - Thanks, Anthony. For the three months ended March 31, 2020, the company reported revenue of $0.6 million as compared to revenue of $2.2 million in the 3 months ended March 31, 2019. Revenue in the first quarter of 2020 included no system sales, $0.2 million in instruments and accessories and system leasing, and $0.4 million in services. For the three months ended March 31, 2020, total operating expenses were $16.0 million as compared to $21.6 million in the three months ended March 31, 2019. For the three months ended March 31, 2020, net loss attributable to common stockholders was $17 million, as compared to a net loss of $22.5 million in the three months ended March 31, 2019. For the three months ended March 31, 2020, the adjusted net loss attributable to common stockholders was $12 million, as compared to an adjusted net loss of $18.7 million in the three months ended March 31, 2019, after adjusting for the following charges: change in fair value of warrant liabilities, amortization of intangible assets, change in fair value of contingent consideration, restructuring and other charges, acquisition-related costs, beneficial conversion charge, and loss from the sale of SurgiBot assets. Adjusted net loss attributable to common stockholders is a non-GAAP financial measure. See the reconciliation from GAAP to non-GAAP measures included in our press release. The company had cash and cash equivalents and restricted cash of approximately $22.7 million as of March 31, 2020. I will now turn the call back to Anthony.

Anthony Fernando ***TransEnterix, Inc. - President, CEO & Director***

Thanks, Brett. I would now like to provide an update on recent performance as well as the progress we have made on the four key areas that we are focused on in 2020: market development, clinical validation, portfolio expansion, and capital funding. Beginning with new system installations. As we have previously announced, in January and February, three hospitals initiated Senhance digital laparoscopy programs: one in the U.S., one in Europe, and one in Asia. They are very happy with the speed at which we were able to get these sites up and running. On average, it was 15 days between signing an agreement to completing the first case. In addition, we have two other signed agreements with hospitals: St. Marianna University School of Medicine, Tokyo Hospital, a hospital in the Greater Tokyo Metropolitan area; LKH Feldkirch, a major university teaching and multi-specialty hospital in Austria. While these two accounts are committed to installing the Senhance system, the timing of when that will occur is not certain given the travel restrictions and limited access to surgeon training in the current environment. Shifting to our pipeline. We continue to have a strong global pipeline of potential hospital customers despite the current COVID-19

environment. We are currently in late-stage discussions with multiple hospitals in the U.S., Europe and Asia that could result in placements in the relative near term once hospital restrictions are loosened, elective surgeries recommence and surgeon training can resume. We continue to expect that we will meet our goal of 12 system placements in 2020. Along these lines, as part of our strategic shift in late 2019, we opted to focus on installing systems at hospitals with high laparoscopic volumes around the globe, largely through leasing as opposed to capital sales. We have seen early success this year using this model and expect that hospitals will continue to utilize operating lease agreements to conserve capital. We believe the shift has positioned us well to drive increased installations later in the year when hospitals reopen to elective procedures. Shifting to procedure volumes. We saw a strong momentum during the first quarter, with procedure volumes growing 43% year-over-year. As I indicated earlier, we did see a slowdown in procedure volumes as a result of COVID-19 in March. During the first two months of the year, total procedure volumes were up 48% versus the same period in 2019, largely driven by the growth in all regions with new U.S. surgeons beginning surgery, additional European sites coming online, and steady growth in multi-specialty programs in Asia. As we moved into March, we started to see the impact of early shutdowns in Europe, which then quickly extended to our U.S. installed base. As a result, during March, year-over-year procedure volume growth slowed to 27%. One of the reasons we were able to maintain relatively strong growth in Q1 was the recent procedure volume performance within our installed systems in Asia. Specifically in Japan and Taiwan, we have seen significant growth in procedure volumes during the first quarter and even into April. This was partially due to the slow onset of the pandemic in those regions but had more to do with the rapid acceleration of procedures being done within those hospitals. The Taiwanese system saw steady volume across urology, gynecology, and general surgery. The Japanese sites saw increased general surgery volumes as a result of the rapid start of a busy Senhance program at a newly installed hospital in Kitakyushu, leveraging the favorable reimbursement that is applicable to Senhance in Japan. One of our goals for the year was to expand the number of foundational sites that are using the Senhance system at high volumes to 12 sites during the first three quarters of the year. While the slowdown in elective procedures has slowed down the expansion of these foundational sites in recent months, we are happy with the progress we have made during the year and expect to continue to add foundational sites during the balance of the year. Turning to clinical validation. Moving on to clinical evidence. In 2020, we continue to focus on the development of health economic data, primarily around the cost impact of Senhance relative to traditional laparoscopy as well as other surgical robotic systems. In addition, we will continue to develop data on the use of 3-millimeter instruments and the benefit of smaller incisions. Moving to our portfolio expansion efforts. In the first quarter, we received FDA clearance for the First Machine Vision System in robotic surgery with the Intelligent Surgical Unit, or ISU. This hardware and software system is compatible with the existing installed base of Senhance system and represents a meaningful advance in augmented intelligence in the system with the ability to recognize instruments, link camera movement to desired instrument movements, and reduce the cognitive tasks required in visualization. Following up on our FDA approval for the ISU, we continue to pursue incremental ISU features, namely next generation of additional machine vision and augmented intelligence capabilities, which we now plan to submit in Q4 to the FDA.We are also focused on the expansion of our indications for use with the Senhance system with the initial efforts devoted to a general surgery indication, which we now expect to file with the FDA during the third quarter of 2020. As noted earlier, these timelines have shifted as a result of the impact of COVID-19 on the regulatory process in the U.S. Finally, on the capital funding side. As I noted earlier, we have taken a number of steps, both before

and in response to COVID, to ensure that we have the capital we need to continue to meet our 2020 goals. Turning to full year guidance. Given the uncertainty that exists within the global health care market, we cannot currently predict the specific extent or duration of the impact of the COVID-19 outbreak on our financial and operating results. As a result, we are withdrawing our previously announced full year 2020 revenue guidance of $3 million to $3.2 million. To recap, we remain very excited about the opportunity that exists for Senhance and I'm very proud of our team and their response during these uncertain and unprecedented times. We have worked diligently to bolster our balance sheet, drive momentum in the growth of our installed base, increase the utilization of our systems worldwide, develop strong clinical data, and continue to expand the capabilities of Senhance. Despite the near-term disruptions caused by COVID-19, we believe we are well positioned to continue to execute on our strategy and drive the long-term adoption of Senhance. With that, I would now like to open the line for questions.

QUESTIONS AND ANSWERS

Operator

Thank you. To ask a question you will need to press *1 on your telephone. To withdraw your question press the # key. Please stand by while we compile the Q&A roster. Our first question comes from Jeff Cohen with Ladenburg Thalmann. Your line is now open.

Jeffrey Scott Cohen ***Ladenburg Thalmann & Co. Inc., Research Division - MD of Equity Research***

Oh, hi Anthony and Brett how are you?

Anthony Fernando ***TransEnterix, Inc. - President, CEO & Director***

Doing good Jeff, good morning.

Jeffrey Scott Cohen ***Ladenburg Thalmann & Co. Inc., Research Division - MD of Equity Research***

Good morning. So, I wanted to run through a few questions. Could you give us an indication from Q1 as far as procedure volumes by region: U.S., Asia, Europe, please?

Anthony Fernando ***TransEnterix, Inc. - President, CEO & Director***

Sure. So I think if -- just kind of breaking down the three regions, Jeff, I think in Europe, we saw about a 65% procedure increase compared to previous year, 24% or 25% in Asia Pacific and about 10% in the U.S. That's kind of the breakup of -- between the 3 regions for the first quarter.

Jeffrey Scott Cohen ***Ladenburg Thalmann & Co. Inc., Research Division - MD of Equity Research***

Okay. Got it. And can you talk about some of the training that you've been doing, March, April, May? And give us a sense of if the training is for existing accounts, new users at existing accounts, or accounts slated to come online, or accounts that you're in discussions with?

Anthony Fernando ***TransEnterix, Inc. - President, CEO & Director***

Sure, Jeff. So I think it's somewhat all encompassing. We have -- what we were doing is we leveraged surgeons that are utilizing the Senhance system, and now -- and had them speak about best practices and for them to talk about how they got -- how and why they kind of got started with the Senhance program and what they have seen and experienced over the past year or so with the Senhance program. So in the folks who joined these webinars were -- there were a few existing users who joined and also several -- I would say, majority were potential pipeline accounts who are considering starting a Senhance program. So those were kind of -- that's why I said it's a mix, and we had both regions, U.S. and Europe, who joined these calls. So that was one dimension, and the second dimension was more internal, where we did a lot of training internally between our European team, Asia team and the U.S. team in terms of clinical field service, et cetera, trying to do some cross-training, and again, best practice sharing and also digitizing our content so that we can deliver it in a digital means in the future.

Jeffrey Scott Cohen ***Ladenburg Thalmann & Co. Inc., Research Division - MD of Equity Research***

Okay. Got it. Can you give us a sense of -- it sounds like you were affected earlier than most companies who were more domestic focused, you have more of a focus on Asia as well as Europe. So what did you see for Q1? Did you see any impact just with the last few weeks of Q1? Or was it more like half of Q1 beginning in February? And then also, can you give us a sense of how that may have rebounded? Or are you seeing any bright spots from April, I imagine April could have been the trough, and then from May compared to April?

Anthony Fernando ***TransEnterix, Inc. - President, CEO & Director***

Sure, Jeff. So I think March is when we started to see the decline in procedures. I mean, February, we had very nice growth. In just the month of February, our procedures grew by 115% compared to previous year. But then in March, it came down to 27% compared to the previous March in 2019. So March is when we saw a decline -- starting to come down. But in April, obviously, it went negative. So April, we were down probably by about 80% compared to last year. So significant decrease in procedure volumes, primarily from Europe and U.S., and we did see a slowdown in Asia as well, but I think we saw a decrease in Europe and U.S. And even in May, we are seeing a pretty significant, I would say, close to the 80% mark decrease compared to previous year, just the last two weeks.So I think -- probably, I think Q2 is going to take a pretty significant drop in terms of procedures. But then I think we are seeing some uptick as well in the second half of May. You know, we are seeing surgical elective procedures and robotic cases starting in Germany. As of last week, cases began there, and Netherlands, we are planning to start next week. So I think Western Europe should start slowly, but they'll start cases here towards the second half of May. And we've also gotten some positive indications from U.S. hospitals putting cases -- scheduling cases for the first half of June. So we are pretty optimistic about that as well. And like I said, Asia has been relatively steady, and again, in June, we are expecting increase compared to what they have been doing in the last few months.

Jeffrey Scott Cohen ***Ladenburg Thalmann & Co. Inc., Research Division - MD of Equity Research***

Okay. Got it. Can you give us a little more color on the augmented intelligence? It sounds like you've got the next module going in, in the fourth quarter. That's coming out of MST, and what's existing on MST as far as capabilities and number of employees and any effects there?

Anthony Fernando ***TransEnterix, Inc. - President, CEO & Director***

So I think, yes, we've been continuing to develop the next generation of features. We submitted and got approved the first wave of features and the hardware. So from now on, it will be addition of features through software upgrades moving forward. So all the teams are intact. We have a team in Israel. We have R&D center in Israel and also our R&D center in Milan and also in RTP. So all these three sites, they work very closely together in working on the next submission to the FDA that we are planning later this year with a more integrated, augmented intelligence, machine-learning kind of applications. So we do have a kind of a pipeline. We've not disclosed exactly what those specific features are, but we do have a pipeline of features that we intend to bring to market in by upgrading the software periodically.

Jeffrey Scott Cohen ***Ladenburg Thalmann & Co. Inc., Research Division - MD of Equity Research***

Okay. Got it. And one more, if I may, I think, for Brett. On the OpEx of the $16 million for Q1, how does that feel going forward? Can you give us any sense of what Q2 may look like relative to Q1? Or what kind of normalized level you're looking at for the year?

Anthony Fernando ***TransEnterix, Inc. - President, CEO & Director***

Brett, do you want to take that question?

Brett Farabaugh - Sure. I mean we're obviously focused overall on reducing our cash burn. So we kind of look at it on an overall basis to try to get that and lower by the year-end and more in the $3 million to $4 million per month range.

Jeffrey Scott Cohen ***Ladenburg Thalmann & Co. Inc., Research Division - MD of Equity Research***

Got it. Okay. Perfect. Guys thank you for taking the questions.

Operator

Thank you. That concludes our question-and-answer session for today. I will now turn the call back to Mr. Fernando for closing remarks.

Anthony Fernando ***TransEnterix, Inc. - President, CEO & Director***

Thank you all for joining us on today's call. We appreciate your interest in TransEnterix, and look forward to updating you on our progress next quarter. Thank you very much.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.