

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

FORM 10-Q

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

For the quarterly period ended March 31, 2023

OR

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

For the transition period from _____ to _____

Commission File Number 0-19437

ASENSUS SURGICAL, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

11-2962080
(I.R.S. Employer
Identification No.)

1 TW Alexander Drive, Suite 160, Durham, NC 27703
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (919) 765-8400

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No .

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes No

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	ASXC	NYSE American

The number of shares outstanding of the registrant's common stock, as of May 8, 2023 was 239,465,556.

ASENSUS SURGICAL, INC.

TABLE OF CONTENTS FOR FORM 10-Q

PART I.	FINANCIAL INFORMATION	
Item 1.	Financial Statements	
	Condensed Consolidated Statements of Operations and Comprehensive Loss (unaudited)	2
	Condensed Consolidated Balance Sheets (unaudited)	3
	Condensed Consolidated Statements of Stockholders' Equity (unaudited)	4
	Condensed Consolidated Statements of Cash Flows (unaudited)	5
	Notes to Condensed Consolidated Financial Statements (unaudited)	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	16
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	21
Item 4.	Controls and Procedures	21
PART II.	OTHER INFORMATION	22
Item 1.	Legal Proceedings	22
Item 1A.	Risk Factors	22
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	22
Item 3.	Defaults Upon Senior Securities	23
Item 4.	Mine Safety Disclosures	23
Item 5.	Other Information	23
Item 6.	Exhibits	24
	SIGNATURES	25

FORWARD-LOOKING STATEMENTS

In addition to historical financial information, this report contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, that concern matters that involve risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements. These forward-looking statements are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact contained in this report, including statements regarding future events, our future financial performance, our future business strategy and the plans and objectives of management for future operations, are forward-looking statements. We have attempted to identify forward-looking statements by terminology including “anticipates,” “believes,” “can,” “continue,” “could,” “estimates,” “expects,” “intends,” “in the event that,” “may,” “plans,” “potential,” “predicts,” “should” or “will” or the negative of these terms or other comparable terminology. Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements, including our ability to grow utilization of our Senhance Systems and our ability to advance development of our next-generation products and our collaborations with third parties. Readers are urged to carefully review and consider the various disclosures made by us, which attempt to advise interested parties of the risks, uncertainties, and other factors that affect our business, operating results, financial condition and stock price, including without limitation the disclosures made under the captions “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Financial Statements,” “Notes to Condensed Consolidated Financial Statements” and “Risk Factors” in this report, as well as the disclosures made in the Asensus Surgical, Inc. Annual Report on Form 10-K for the year ended December 31, 2022 (the “Fiscal 2022 Form 10-K”), and other filings we make with the SEC. Furthermore, such forward-looking statements speak only as of the date of this report. We expressly disclaim any intent or obligation to update any forward-looking statements after the date hereof to conform such statements to actual results or to changes in our opinions or expectations except as required by applicable law. To the extent that our business is negatively impacted due to a variety of factors, including, but not limited to, the impact of COVID-19 and other geopolitical factors on our operating results, and the demand for our products, we may implement longer-term cost reduction efforts in order to mitigate such impact. References in this report to “we,” “our,” “us,” or the “Company” refer to Asensus Surgical, Inc., including its subsidiaries Asensus Surgical US, Inc., Asensus International, Inc., Asensus Surgical Italia S.r.l., Asensus Surgical Europe S.à.r.l., Asensus Surgical Taiwan Ltd., Asensus Surgical Japan K.K., Asensus Surgical Israel Ltd., Asensus Surgical Netherlands B.V., and Asensus Surgical Canada, Inc.

Any disclosure in this report regarding the receipt of CE Mark or Section 510(k) clearance for any of the Company’s products does not mean or infer any endorsement of the Company’s products by any government agency including, without limitation, the U.S. Food and Drug Administration, or FDA.

PART 1. FINANCIAL INFORMATION**Item 1. Financial Statements**

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

	Three Months Ended	
	March 31,	
	2023	2022
Revenue:		
Product	\$ 293	\$ 347
Service	195	308
Lease	488	411
Total revenue	<u>976</u>	<u>1,066</u>
Cost of revenue:		
Product	1,225	375
Service	749	496
Lease	973	952
Total cost of revenue	<u>2,947</u>	<u>1,823</u>
Gross loss	(1,971)	(757)
Operating Expenses:		
Research and development	10,139	6,428
Sales and marketing	4,553	3,719
General and administrative	5,468	5,533
Amortization of intangible assets	112	2,670
Change in fair value of contingent consideration	105	(154)
Total Operating Expenses	<u>20,377</u>	<u>18,196</u>
Operating Loss	(22,348)	(18,953)
Other Income (Expense), net		
Interest income	439	255
Interest expense	-	(200)
Other expense, net	(218)	(146)
Total Other Income (Expense), net	<u>221</u>	<u>(91)</u>
Loss before income taxes	(22,127)	(19,044)
Income tax expense	(91)	(84)
Net loss	<u>(22,218)</u>	<u>(19,128)</u>
Comprehensive loss:		
Net loss	(22,218)	(19,128)
Foreign currency translation gain (loss)	550	(650)
Unrealized gain (loss) on available-for-sale investments	307	(552)
Comprehensive loss	<u>\$ (21,361)</u>	<u>\$ (20,330)</u>
Net loss per common share attributable to common stockholders - basic and diluted	\$ (0.09)	\$ (0.08)
Weighted average number of shares used in computing net loss per common share - basic and diluted	238,280	235,892

See accompanying notes to unaudited condensed consolidated financial statements.

Asensus Surgical, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except share amounts)
(Unaudited)

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 18,737	\$ 6,329
Short-term investments, available-for-sale	37,697	64,195
Accounts receivable, net	658	2,256
Inventories	8,844	8,284
Prepaid expenses	3,326	3,584
Employee retention tax credit receivable	554	554
Other current assets	1,740	1,671
Total Current Assets	<u>71,556</u>	<u>86,873</u>
Restricted cash	1,142	1,141
Long-term investments, available-for-sale	958	3,865
Inventories, net of current portion	5,198	5,469
Property and equipment, net	8,972	9,542
Intellectual property, net	1,506	1,576
Net deferred tax assets	171	174
Operating lease right-of-use assets, net	4,769	4,950
Other long-term assets	2,251	2,463
Total Assets	<u>\$ 96,523</u>	<u>\$ 116,053</u>
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 4,972	\$ 3,348
Accrued employee compensation and benefits	3,391	4,508
Accrued expenses and other current liabilities	1,283	1,293
Operating lease liabilities - current portion	775	800
Deferred revenue	456	465
Total Current Liabilities	<u>10,877</u>	<u>10,414</u>
Long-Term Liabilities:		
Contingent consideration	1,361	1,256
Noncurrent operating lease liabilities	4,568	4,738
Total Liabilities	<u>16,806</u>	<u>16,408</u>
Commitments and Contingencies (Note 13)		
Stockholders' Equity:		
Common stock \$0.001 par value, 750,000,000 shares authorized at March 31, 2023 and December 31, 2022; 239,341,570 and 236,895,440 issued and outstanding at March 31, 2023 and December 31, 2022, respectively	239	237
Preferred stock, \$0.01 par value, 25,000,000 shares authorized, no shares issued and outstanding at March 31, 2023 and December 31, 2022	-	-
Additional paid-in capital	964,162	962,731
Accumulated deficit	(883,153)	(860,935)
Accumulated other comprehensive loss	(1,531)	(2,388)
Total Stockholders' Equity	<u>79,717</u>	<u>99,645</u>
Total Liabilities and Stockholders' Equity	<u>\$ 96,523</u>	<u>\$ 116,053</u>

See accompanying notes to unaudited condensed consolidated financial statements.

Asensus Surgical, Inc.
Condensed Consolidated Statements of Changes in Stockholders' Equity
(in thousands)
(Unaudited)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance, December 31, 2022	236,895	\$ 237	-	\$ -	\$ 962,731	\$ (860,935)	\$ (2,388)	\$ 99,645
Stock-based compensation	-	-	-	-	1,916	-	-	1,916
Exercise of stock options	13	-	-	-	5	-	-	5
Award of restricted stock units	2,434	2	-	-	-	-	-	2
Return of common stock to pay withholding taxes on restricted stock	-	-	649	1	(490)	-	-	(489)
Cancellation of treasury stock	-	-	(649)	(1)	-	-	-	(1)
Other comprehensive loss	-	-	-	-	-	-	857	857
Net loss	-	-	-	-	-	(22,218)	-	(22,218)
Balance, March 31, 2023	239,342	\$ 239	-	\$ -	\$ 964,162	\$ (883,153)	\$ (1,531)	\$ 79,717
Balance, December 31, 2021	235,219	\$ 235	-	\$ -	\$ 954,649	\$ (785,374)	\$ (264)	\$ 169,246
Stock-based compensation	-	-	-	-	2,245	-	-	2,245
Exercise of stock options	30	-	-	-	12	-	-	12
Award of restricted stock units	1,166	1	-	-	-	-	-	1
Return of common stock to pay withholding taxes on restricted stock	-	-	436	-	(349)	-	-	(349)
Cancellation of treasury stock	-	-	(436)	-	-	-	-	-
Other comprehensive loss	-	-	-	-	-	-	(1,202)	(1,202)
Net loss	-	-	-	-	-	(19,128)	-	(19,128)
Balance, March 31, 2022	236,415	\$ 236	-	\$ -	\$ 956,557	\$ (804,502)	\$ (1,466)	\$ 150,825

See accompanying notes to unaudited condensed consolidated financial statements.

Asensus Surgical, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	Three Months Ended March 31,	
	2023	2022
Operating Activities:		
Net loss	\$ (22,218)	\$ (19,128)
Adjustments to reconcile net loss to net cash and cash equivalents used in operating activities:		
Depreciation	813	869
Amortization of intangible assets	112	2,670
Amortization of discounts and premiums on investments, net	(89)	215
Stock-based compensation	1,916	2,245
Deferred tax expense	91	84
Bad debt expense	-	177
Change in inventory reserves	(374)	(180)
Change in fair value of contingent consideration	105	(154)
Changes in operating assets and liabilities:		
Accounts receivable	1,607	25
Inventories	203	(1,440)
Operating lease right-of-use assets	187	197
Prepaid expenses	250	201
Other current and long-term assets	(27)	(487)
Accounts payable	1,608	74
Accrued employee compensation and benefits	(1,120)	(1,043)
Accrued expenses and other current liabilities	(93)	(107)
Deferred revenue	(13)	(1)
Operating lease liabilities	(206)	(160)
Net cash and cash equivalents used in operating activities	(17,248)	(15,943)
Investing Activities:		
Purchase of available-for-sale investments	(2,949)	(5,967)
Proceeds from maturities of available-for-sale investments	32,750	29,258
Purchase of property and equipment	(64)	(246)
Net cash and cash equivalents provided by investing activities	29,737	23,045
Financing Activities:		
Taxes paid related to net share settlement of vesting of restricted stock units	(488)	(348)
Proceeds from exercise of stock options and warrants	5	12
Net cash and cash equivalents used in financing activities	(483)	(336)
Effect of exchange rate changes on cash and cash equivalents	403	(45)
Net increase in cash, cash equivalents and restricted cash	12,409	6,721
Cash, cash equivalents and restricted cash, beginning of period	7,470	19,283
Cash, cash equivalents and restricted cash, end of period	\$ 19,879	\$ 26,004
Supplemental Disclosure for Cash Flow Information		
Cash paid for leases	\$ 330	\$ 300
Cash paid for taxes	\$ 190	\$ 29
Supplemental Schedule of Non-cash Investing and Financing Activities:		
Transfer of inventories to property and equipment	\$ 112	\$ 160
Lease liabilities arising from obtaining right-of-use assets	\$ 45	\$ -

See accompanying notes to unaudited condensed consolidated financial statements.

Asensus Surgical, Inc.
Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Description of the Business

Asensus Surgical, Inc. (formerly known as TransEnterix, Inc.) (the "Company") is a medical device company that is digitizing the interface between the surgeon and the patient to pioneer a new era of what we are calling "Performance-Guided Surgery™" by unlocking clinical intelligence for surgeons to enable consistently superior outcomes and a new standard of surgery. Based upon the foundations of digital laparoscopy and the Senhance® Surgical System, the Company is developing the LUNA™ Surgical System, a next generation robotic and instrument system as a foundation of its digital surgery solution. These systems will be powered by the Intelligent Surgical Unit™(ISU™) to increase surgeon control and reduce surgical variability. With the addition of machine vision, augmented intelligence, and deep learning capabilities throughout the surgical experience, we intend to holistically address the current clinical, cognitive and economic shortcomings that drive surgical outcomes and value-based healthcare. The Company continues market development for and commercialization of the Senhance System, which digitizes laparoscopic minimally invasive surgery, or MIS. The Senhance System is the first and only digital, multi-port laparoscopic platform designed to maintain laparoscopic MIS standards while providing digital benefits such as haptic feedback, robotic precision, comfortable ergonomics, advanced instrumentation including 3mm microlaparoscopic instruments, 5mm articulating instruments, eye-sensing camera control and fully-reusable standard instruments to help maintain per-procedure costs similar to traditional laparoscopy.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and include the accounts of the Company and its direct and indirect wholly owned subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation. The results reported in these unaudited interim condensed consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for any subsequent period or for the entire year. These unaudited condensed consolidated financial statements and notes thereto should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto included in the Fiscal 2022 Form 10-K. Certain information and footnote disclosures normally included in the annual consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted in the accompanying interim condensed consolidated financial statements. In the opinion of the Company's management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting only of normal recurring adjustments, except as otherwise indicated, necessary for a fair statement of its financial position, results of operations, and cash flows of the Company for all periods presented.

Going Concern

The Company's condensed consolidated financial statements are prepared using U.S. GAAP applicable to a going concern, which contemplate the realization of assets and liquidation of liabilities in the normal course of business. The Company had an accumulated deficit of \$883.2 million and working capital of \$60.7 million as of March 31, 2023. The Company has not established sufficient sales revenues to cover its operating costs and requires additional capital to proceed with its operating plan. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable.

The Company will need to obtain additional financing to proceed with its business plan. Management's plan to obtain additional resources for the Company may include additional sales of equity, traditional financing, such as loans, entry into strategic collaborations, entry into an out-licensing arrangement or provision of additional distribution rights in some or all of our markets. However, management cannot provide any assurance that the Company will be successful in accomplishing any or all of its plans. The ability to successfully resolve these factors raise substantial doubt about the Company's ability to meet its existing obligations, and to continue as a going concern within one year from the date that these financial statements are issued. The consolidated financial statements of the Company do not include any adjustments that may result from the outcome of these aforementioned uncertainties.

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and its direct and indirect wholly owned subsidiaries, Asensus Surgical US, Inc., Asensus International, Inc., Asensus Surgical Italia S.r.l., Asensus Surgical Europe S.à.r.l., Asensus Surgical Taiwan Ltd., Asensus Surgical Japan K.K., Asensus Surgical Israel Ltd., Asensus Surgical Netherlands B.V., and Asensus Surgical Canada, Inc. All inter-company accounts and transactions have been eliminated in consolidation.

Risk and Uncertainties

The Company is subject to risks similar to other similarly sized companies in the medical device industry. These risks include, without limitation: the historical lack of profitability; the Company's ability to raise additional capital; its ability to successfully develop, clinically test and commercialize its products and products in development; negative impacts on the Company's operations caused by the COVID-19 pandemic and other geopolitical factors; the success of its market development efforts; the timing and outcome of the regulatory review process for its products; changes in the healthcare regulatory environments of the United States, the European Union, Japan, Taiwan, and other countries in which the Company operates or intends to operate; its ability to attract and retain key management, marketing and scientific personnel; its ability to successfully prepare, file, prosecute, maintain, defend and enforce patent claims and other intellectual property rights; its ability to successfully transition from a research and development company to a marketing, sales and distribution company; competition in the market for robotic surgical devices; and its ability to identify and pursue development of additional products.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include impairment considerations for long-lived assets, fair value estimates related to contingent consideration, stock compensation expense, revenue recognition, short-term and long-term investments, excess and obsolete inventory reserves, inventory classification between current and non-current, measurement of lease liabilities and corresponding right-of-use ("ROU") assets, and deferred tax asset valuation allowances.

Significant Accounting Policies

There have been no new or material changes to the significant accounting policies discussed in the Company's audited financial statements and the notes thereto included in the Fiscal 2022 Form 10-K.

Impact of Recently Issued Accounting Standards

The Company has evaluated issued ASUs not yet adopted and believes the adoption of these standards will not have a material impact on its consolidated financial statements.

3. Revenue Recognition

The following table presents revenue disaggregated by type and geography:

	Three Months Ended March 31,	
	2023	2022
	(in thousands)	
U.S.		
Systems	\$ -	\$ -
Instruments and accessories	60	64
Services	75	74
Leases	71	113
Total U.S. revenue	206	251
Outside of U.S. ("OUS")		
Systems	-	-
Instruments and accessories	233	283
Services	120	234
Leases	417	298
Total OUS revenue	770	815
Total		
Systems	-	-
Instruments and accessories	293	347
Services	195	308
Leases	488	411
Total revenue	\$ 976	\$ 1,066

Remaining Performance Obligations

The transaction price allocated to remaining performance obligations relates to amounts allocated to products and services for which the revenue has not yet been recognized. A significant portion of this amount relates to service obligations performed under the Company's system sales contracts that will be invoiced and recognized as revenue in future periods. The transaction price allocated to remaining performance obligations as of March 31, 2023 was \$0.9 million, which is expected to be recognized over one to four years.

Contract Assets and Liabilities

Deferred revenue for the periods presented was primarily related to service obligations, for which the service fees are billed up-front, generally annually. The associated deferred revenue is generally recognized ratably over the service period. The Company did not have any significant impairment losses on its contract assets for the periods presented. Revenue recognized for the three months ended March 31, 2023 and 2022 that was included in the deferred revenue balance at the beginning of each reporting period was \$0.2 million and \$0.2 million, respectively.

The following information summarizes the Company's contract assets and liabilities:

	As of	
	March 31, 2023	December 31, 2022
	(in thousands)	
Contract Assets	\$ 81	\$ 116
Deferred Revenue	\$ 456	\$ 465

Senhance System Leasing

The Company enters into lease arrangements with certain qualified customers. Revenue related to arrangements including lease elements are allocated to lease and non-lease elements based on their relative standalone selling prices. Lease elements generally include a Senhance System, while non-lease elements generally include instruments, accessories, and services. For some lease arrangements, the customers are provided with the right to purchase the leased Senhance System at some point during and/or at the end of the lease term. In some arrangements lease payments are based on the usage of the Senhance System. For the three months ended March 31, 2023, and 2022, variable lease revenue related to usage-based arrangements was not material.

Accounts Receivable

Accounts receivable are recorded at net realizable value, which includes an allowance for expected credit losses. The allowance for expected credit losses is based on the Company's assessment of the collectability of customer accounts. The Company regularly reviews the allowance by considering factors such as historical experience, credit quality, the age of the accounts receivable balances, and current economic conditions that may affect a customer's ability to pay. The allowance for expected credit losses was \$1.6 million and \$1.6 million as of March 31, 2023 and December 31, 2022, respectively. The Company recorded immaterial amounts for expected credit losses during the three months ended March 31, 2023 and 2022, respectively.

4. Fair Value

The following are categories of assets and liabilities measured at fair value on a recurring basis using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

March 31, 2023				
(in thousands)				
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets measured at fair value				
Cash and cash equivalents ⁽¹⁾	\$ 18,737	\$ -	\$ -	\$ 18,737
Restricted cash	1,142	-	-	1,142
Short-term investments	-	37,697	-	37,697
Long-term investments	-	958	-	958
Total assets measured at fair value	\$ 19,879	\$ 38,655	\$ -	\$ 58,534
Liabilities measured at fair value				
Contingent consideration	\$ -	\$ -	\$ 1,361	\$ 1,361
Total liabilities measured at fair value	\$ -	\$ -	\$ 1,361	\$ 1,361

⁽¹⁾ Includes investments that are readily convertible to cash with original maturities of 90 days or less.

December 31, 2022				
(in thousands)				
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets measured at fair value				
Cash and cash equivalents ⁽¹⁾	\$ 6,329	\$ -	\$ -	\$ 6,329
Restricted cash	1,141	-	-	1,141
Short-term investments	-	64,195	-	64,195
Long-term investments	-	3,865	-	3,865
Total assets measured at fair value	\$ 7,470	\$ 68,060	\$ -	\$ 75,530
Liabilities measured at fair value				
Contingent consideration	\$ -	\$ -	\$ 1,256	\$ 1,256
Total liabilities measured at fair value	\$ -	\$ -	\$ 1,256	\$ 1,256

⁽¹⁾ Includes investments that are readily convertible to cash with original maturities of 90 days or less.

The carrying values of accounts receivable, prepaid expenses, employee retention tax credit receivables, other current assets, accounts payable, accrued employee compensation and benefits, accrued expenses and other current liabilities, and deferred revenue as of March 31, 2023, and December 31, 2022, approximate their fair values due to the short-term nature of these items.

The Company's financial liabilities consisted of contingent consideration payable to Three Heads Investment S.r.l., related to the Company's 2015 acquisition of the Senhance System from an assignor to Three Heads Investment S.r.l. (the "Senhance Acquisition"). Adjustments associated with the change in fair value of contingent consideration are included in the Company's condensed consolidated statements of operations and comprehensive loss.

The following table presents quantitative information about the inputs and valuation methodologies used for the Company's fair value measurements for contingent consideration utilizing a Monte-Carlo simulation as of March 31, 2023 and December 31, 2022:

Valuation Methodology	Significant Unobservable Input	March 31, 2023	December 31, 2022
Contingent consideration	Probability weighted income approach		
	Milestone dates	2032	2032
	Discount rate	16.0%	16.5%
	Revenue volatility	40.0%	45.0%
	EUR-to-USD exchange rate	1.09	1.07

The following table presents the current and long-term portion of the contingent consideration for the three months ended March 31, 2023 and summarizes the change in fair value, as determined by Level 3 inputs for the contingent consideration for the three months ended March 31, 2023 and 2022:

	Fair Value Measurement at Reporting Date (Level 3)
	(in thousands)
	Contingent consideration
Balance at December 31, 2021	\$ 2,371
Change in fair value	(154)
Balance at March 31, 2022	<u>\$ 2,217</u>
Balance at December 31, 2022	\$ 1,256
Change in fair value	105
Balance at March 31, 2023	<u>\$ 1,361</u>
Current portion	\$ -
Long-term portion	1,361
Balance at March 31, 2023	<u>\$ 1,361</u>

5. Investments, available-for-sale

The aggregate fair values of investment securities along with cumulative unrealized gains and losses determined on an individual investment security basis and included in other comprehensive loss are as follows:

	March 31, 2023					
	(in thousands)					
	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value	Short-term investments	Long-term investments
Commercial Paper	\$ 5,442	\$ -	\$ (16)	\$ 5,426	\$ 5,426	\$ -
Corporate Bonds	29,459	2	(178)	29,283	28,325	958
U.S. Treasuries	2,953	-	(1)	2,952	2,952	-
U.S. Government Agencies	999	-	(5)	994	994	-
Total Investments	<u>\$ 38,853</u>	<u>\$ 2</u>	<u>\$ (200)</u>	<u>\$ 38,655</u>	<u>\$ 37,697</u>	<u>\$ 958</u>

	December 31, 2022					
	(in thousands)					
	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value	Short-term investments	Long-term investments
Commercial Paper	\$ 12,364	\$ -	\$ (49)	\$ 12,315	\$ 12,315	\$ -
Corporate Bonds	55,201	-	(447)	54,754	50,889	3,865
U.S. Government Agencies	999	-	(8)	991	991	-
Total Investments	<u>\$ 68,564</u>	<u>\$ -</u>	<u>\$ (504)</u>	<u>\$ 68,060</u>	<u>\$ 64,195</u>	<u>\$ 3,865</u>

The following table summarizes the contractual maturities of the Company's available-for-sale investments:

	March 31, 2023	
	(in thousands)	
	Amortized Cost	Fair Value
Mature in less than one year	\$ 37,897	\$ 37,697
Mature in one to two years	956	958
Total	<u>\$ 38,853</u>	<u>\$ 38,655</u>

Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay certain obligations. There were no sales of investments or gross realized gains or losses for the three months ended March 31, 2023 or 2022.

6. Inventories

The components of inventories are as follows:

March 31, 2023			
(in thousands)			
	Gross Carrying Amount	Reserve Balance	Net Carrying Amount
Finished goods	\$ 16,101	\$ (4,175)	\$ 11,926
Raw materials	4,617	(2,501)	2,116
Total inventories	\$ 20,718	\$ (6,676)	\$ 14,042
Current Portion	\$ 10,013	\$ (1,169)	\$ 8,844
Long-term portion	10,705	(5,507)	5,198
Total inventories	\$ 20,718	\$ (6,676)	\$ 14,042

December 31, 2022			
(in thousands)			
	Gross Carrying Amount	Reserve Balance	Net Carrying Amount
Finished goods	\$ 15,337	\$ (4,129)	\$ 11,208
Raw materials	4,718	(2,173)	2,545
Total inventories	\$ 20,055	\$ (6,302)	\$ 13,753
Current Portion	\$ 9,399	\$ (1,115)	\$ 8,284
Long-term portion	10,656	(5,187)	5,469
Total inventories	\$ 20,055	\$ (6,302)	\$ 13,753

7. Intellectual Property

The components of gross intellectual property, accumulated amortization, and net intellectual property are as follows:

March 31, 2023				
(in thousands)				
	Gross Carrying Amount	Accumulated Amortization	Foreign Currency Translation Impact	Net Carrying Amount
Developed technology	\$ 68,838	\$ (66,646)	\$ (853)	\$ 1,339
Technology and patents purchased	400	(248)	15	167
Total intellectual property	\$ 69,238	\$ (66,894)	\$ (838)	\$ 1,506

December 31, 2022				
(in thousands)				
	Gross Carrying Amount	Accumulated Amortization	Foreign Currency Translation Impact	Net Carrying Amount
Developed technology	\$ 68,838	\$ (66,562)	\$ (874)	\$ 1,402
Technology and patents purchased	400	(239)	13	174
Total intellectual property	\$ 69,238	\$ (66,801)	\$ (861)	\$ 1,576

The weighted average remaining useful life of the developed technology and technology and patents purchased was 3.9 years and 4.1 years, respectively, as of March 31, 2023. The weighted average remaining useful life of the developed technology and technology and patents purchased was 4.2 years and 4.3 years, respectively as of December 31, 2022.

8. Leases

Lessee Information

Components of operating lease expense are primarily recorded in general and administrative on the condensed consolidated statements of operations and comprehensive loss were as follows:

	Three Months Ended March 31,	
	2023	2022
	(in thousands)	
Long-term Operating	\$ 451	\$ 398
Short-term Operating	-	-
Total Operating lease expense	\$ 451	\$ 398

Supplemental balance sheet information related to operating leases was as follows:

	March 31, 2023		December 31, 2022	
Weighted-average remaining lease term (in years)	6.7		6.8	
Weighted-average discount rate	8.4%		8.4%	
Incremental borrowing rate	7.07%	- 14.5%	6.1%	- 14.5%

Maturities of operating lease obligations as of March 31, 2023 were as follows (in thousands):

Fiscal Year	
2023	\$ 897
2024	1,142
2025	1,061
2026	847
2027	780
Thereafter	2,199
Total minimum lease payments	\$ 6,926
Less: Amount of lease payments representing interest	(1,583)
Present value of future minimum lease payments	<u>\$ 5,343</u>

9. Income Taxes

Income taxes have been accounted for using the asset and liability method in accordance with ASC 740 "Income Taxes". The Company computes its interim provision for income taxes by applying the estimated annual effective tax rate method. The Company estimates an annual effective tax rate of (0.4)% for the year ending December 31, 2023. This rate does not include the impact of any discrete items. The Company's effective tax rate for the three months ended March 31, 2023 and 2022 was (0.4)% and (0.4)%, respectively.

The Company incurred losses for the three months ended March 31, 2023, and is forecasting additional losses through the year, resulting in an estimated net loss for both financial statement and tax purposes for the year ending December 31, 2023. Due to the Company's history of losses, there is not sufficient evidence to record a net deferred tax asset associated with the U.S., Luxembourg, Swiss, Italian, Taiwanese, and Canadian operations. Accordingly, a full valuation allowance has been recorded related to the net deferred tax assets in those jurisdictions.

The total tax expense during the three months ended March 31, 2023 and 2022, was approximately \$0.09 million and \$0.08 million, respectively.

At March 31, 2023 the Company had no unrecognized tax benefits that would affect the Company's effective tax rate.

The FASB Staff Q&A, Topic 740, No. 5, Accounting for Global Intangible Low-Taxed Income ("GILTI"), states that an entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or to provide for the tax expense related to GILTI in the year the tax is incurred as a period expense only. The Company has elected to account for GILTI as a period expense in the year the tax is incurred. The Company does not expect a GILTI inclusion for 2023; no GILTI tax has been recorded for the three months ended March 31, 2023 or 2022, respectively.

10. Stock-Based Compensation

Stock Options

The following table summarizes the Company's stock option activity, including grants to non-employees, for the three months ended March 31, 2023:

	Number of Shares	Weighted- Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)
Balance at December 31, 2022	7,584,967	\$ 4.22	5.31
Granted	2,748,415	0.73	
Forfeited	-	-	
Cancelled	(913)	4.21	
Exercised	(13,300)	0.38	
Balance at March 31, 2023	<u>10,319,169</u>	<u>\$ 3.30</u>	<u>5.54</u>

The following table summarizes information about stock options outstanding at March 31, 2023:

	Number of Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (Millions)
Exercisable at March 31, 2023	4,843,264	\$ 5.96	4.80	\$ 0.4
Vested or expected to vest at March 31, 2023	9,645,630	\$ 3.47	5.47	\$ 0.6

The fair value of options granted were estimated using the Black-Scholes-Merton option pricing model based on the assumptions in the table below:

	Three Months Ended March 31,					
	2023			2022		
Expected dividend yield	0%			0%		
Expected volatility	124%	-	126%	131%	-	133%
Risk-free interest rate	3.73%	-	4.14%	1.25%	-	1.94%
Expected life (in years)	4.3	-	4.5	4.3	-	4.5

Restricted Stock Units

The following is a summary of the restricted stock units activity, including performance restricted stock units, for the three months ended March 31, 2023:

	Number of Restricted Stock Units Outstanding	Weighted- Average Grant Date Fair Value
Unvested December 31, 2022	8,483,491	\$ 1.04
Granted	7,340,630	0.73
Vested	(3,082,354)	1.18
Forfeited	(84,673)	1.13
Unvested March 31, 2023	<u>12,657,094</u>	<u>\$ 0.83</u>

Performance Restricted Stock Units

In 2023 and 2022, the Company granted performance-based restricted stock units with vesting terms based on our attainment of certain operational targets by December 31, 2023 and October 1, 2023, respectively. The number of shares earnable under the 2023 and 2022 awards are based on achieving designated corporate goals. These operational targets have been achieved for the awards granted in 2022, therefore the 2022 performance-based restricted stock units are fully earned and remain subject to three-year time-based vesting requirements. The Company has not yet achieved the operational targets required for the awards granted in 2023.

Stock-based Compensation Expense

The following table summarizes non-cash stock-based compensation expense by award type for the three months ended March 31, 2023 and 2022:

	Three Months Ended March 31,	
	2023	2022
	(in thousands)	
Stock options	\$ 665	\$ 978
Restricted stock units	859	883
Performance restricted stock units	392	384
	<u>\$ 1,916</u>	<u>\$ 2,245</u>

As of March 31, 2023, the Company had future employee stock-based compensation expense of approximately \$2.9 million related to unvested stock options, which is expected to be recognized over an estimated weighted-average period of approximately 2.0 years. As of March 31, 2023, the unrecognized stock-based compensation expense related to unvested restricted stock units and performance restricted stock units was approximately \$7.4 million, which is expected to be recognized over a weighted average period of approximately 1.9 years.

11. Equity Offerings

2022 ATM Offering. On March 18, 2022, the Company entered a Controlled Equity Offering Sales Agreement (the “2022 Sales Agreement”), with Cantor Fitzgerald & Co., and Oppenheimer & Co. Inc. The Company commenced an at-the-market offering (the “2022 ATM Offering”) pursuant to which the Company could sell from time to time, at its option, up to an aggregate of \$100.0 million shares of the Company’s common stock. No sales of common stock were made under the 2022 ATM Offering during the three months ended March 31, 2023 and 2022, respectively.

12. Basic and Diluted Net Loss per Share

Basic net loss per common share is computed by dividing net loss attributable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net loss per common share is computed giving effect to all potential dilutive common shares that were outstanding during the period when the effect is dilutive. Potential dilutive common shares consist of incremental shares issuable upon exercise of stock options, restricted stock units, and warrants. No adjustments have been made to the weighted average outstanding common shares figures for the three months ended March 31, 2023 or 2022 as the assumed exercise of outstanding options, warrants and restricted stock units would be anti-dilutive.

Potential common shares not included in calculating diluted net loss per share are as follows:

	March 31,	
	2023	2022
Stock options	10,319,169	6,766,520
Stock warrants	1,021,076	1,120,300
Nonvested restricted stock units	12,657,094	7,299,111
Total	<u>23,997,339</u>	<u>15,185,931</u>

13. Commitments and Contingencies

License and Supply Agreements

The Company has purchase orders with various suppliers for certain tooling, supplies, contract engineering and research services. Commitments related to these agreements and purchase orders are as follows (in thousands):

Fiscal Year	
2023	\$ 8,058
2024	439
2025	315
2026	303
Total commitments	<u>\$ 9,115</u>

14. Segments and Geographic Areas

The Company operates in one business segment—the research, development and sale of medical devices to improve minimally invasive surgery. The Company’s chief operating decision maker (determined to be the Chief Executive Officer) does not manage any part of the Company separately, and the allocation of resources and assessment of performance are based on the Company’s consolidated operating results.

The following table presents consolidated assets and long-lived assets by geographic area, which includes property and equipment, intellectual property, and operating lease assets:

	March 31, 2023	
	Long-Lived Assets	Total Assets
U.S.	36%	71%
EMEA		
Switzerland	45%	24%
Italy	8%	2%
Other	8%	2%
Total EMEA	61%	28%
Asia	3%	1%
Total	100%	100%

	December 31, 2022	
	Long-Lived Assets	Total Assets
U.S.	35%	72%
EMEA		
Switzerland	46%	24%
Italy	8%	2%
Other	8%	1%
Total EMEA	62%	27%
Asia	3%	1%
Total	100%	100%

The following table presents sales by geographic area based on the country in which the customer is based.

	Three Months Ended March 31,	
	2023	2022
US	21%	24%
EMEA	58%	48%
Asia	21%	28%
Total	100%	100%

15. Related Party Transactions

In March 2018, Asensus Surgical Europe S.à.r.l entered into a Service Supply Agreement with 1 Med S.A. for certain regulatory consulting services. Andrea Biffi, a current member of the Company’s Board of Directors, owns a non-controlling interest in 1 Med S.A. Expenses under the Service Supply Agreement were approximately \$19,000 and \$73,000 for the three months ended March 31, 2023 and 2022, respectively.

Item 2. Management's Discussion and Analysis of Financial Conditions and Results of Operation

The following discussion of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and the related notes to our condensed consolidated financial statements included in this report. The following discussion contains forward-looking statements. See cautionary note regarding "Forward-Looking Statements" at the beginning of this report.

Overview

We are a medical device company that is digitizing the interface between the surgeon and patient to pioneer a new era of what we call "Performance-Guided Surgery™" by unlocking clinical intelligence for surgeons to enable consistently superior outcomes and a new standard of surgery. Based upon the foundations of digital laparoscopy and the Senhance® Surgical System, the Company is developing the LUNA™ Surgical System, a next generation robotic and instrument system as a foundation of its digital surgery solution. These systems will be powered by the Intelligent Surgical Unit™ (ISU™) to increase surgeon control and reduce surgical variability. With the addition of machine vision, augmented intelligence, and deep learning capabilities throughout the surgical experience, we intend to holistically address the current clinical, cognitive and economic shortcomings that drive surgical outcomes and value-based healthcare.

Our strategy is to focus on the realization of Performance-Guided Surgery through the continued collection of surgical data via the ISU and Asensus Cloud leveraging the Senhance System and by other means of non-robotic laparoscopic surgery, while completing the design and development of the LUNA System and its capabilities.

We continue market development for and commercialization of the Senhance System, which digitizes laparoscopic minimally invasive surgery, or MIS. The Senhance System is the first and only digital, multi-port laparoscopic platform designed to maintain laparoscopic MIS standards while providing digital benefits such as haptic feedback, robotic precision, comfortable ergonomics, advanced instrumentation including 3mm microlaparoscopic instruments, 5mm articulating instruments, eye-sensing camera control and fully-reusable standard instruments to help maintain per-procedure costs similar to traditional laparoscopy.

The Senhance System is available for sale in Europe, the United States, Japan, Taiwan, Russia (to the extent lawful), and select other countries.

- The Senhance System has a CE Mark in Europe for adult and pediatric laparoscopic abdominal and pelvic surgery, as well as limited thoracic surgeries excluding cardiac and vascular surgery.
- In the United States, the Company has received 510(k) clearance from the FDA for use of the Senhance System in general laparoscopic surgical procedures and laparoscopic gynecologic surgery in a total of 31 indicated procedures, including benign and oncologic procedures, laparoscopic inguinal, hiatal and paraesophageal hernia, sleeve gastrectomy and laparoscopic cholecystectomy surgery.
- In Japan, the Company has received regulatory approval and reimbursement for 124 laparoscopic procedures.
- The Senhance System received its registration certificate by the Russian medical device regulatory agency, Roszdravnadzor, in December 2020, allowing for its sale and utilization throughout the Russian Federation.

We also enter into lease arrangements with certain qualified customers. For some lease arrangements, the customers are provided with the right to purchase the leased Senhance System during or at the end of the lease term ("Lease Buyout").

On February 23, 2021, we changed our name from TransEnterix, Inc. to Asensus Surgical, Inc. as part of our strategy to utilize the Senhance System and ISU capabilities, along with our other augmented intelligence related offerings and instrumentation to unlock clinical intelligence to enable consistently superior outcomes and a new standard of surgery we are calling Performance-Guided Surgery. We believe our product offerings, and our digitization of the interface between the surgeon and the patient allows us to assist the surgeon in all aspects of laparoscopic surgery including:

- Pre-operative - in what we call "intelligent preparation," our machine learning models will take data from procedures done utilizing our current Senhance System with the ISU, such as tracking surgical motion and team interaction, to create a large and constantly expanding database of surgeries and their outcomes to enable surgeons to best inform their surgical approach and setup.

- Intra-operative – we believe the Senhance System provides “perceptive real-time guidance” for intra-operative tasks, allowing surgeons performing a procedure with the Senhance System and ISU to execute multiple tasks while benefitting from the collective knowledge of other successful Senhance-based procedures delivered through augmented intelligence in real time. Not only will this provide the surgeon with a pathway to better outcomes, but we also believe it will ultimately help reduce the cognitive load of the surgeons, enabling more sustained peak performance over time and reducing risk of burn-out.
- Post-operative – finally, by tapping into the vast amount of data captured during procedures, surgeons and operating room staff will have access to “performance analytics” with actionable assessments of their performance giving them the information needed to constantly and consistently improve. We intend to establish a new standard of descriptive, diagnostic, predictive and prescriptive analytics to improve not only the skills of surgeons but move towards best-practice-sharing that bridges the global surgeon community.

We received FDA clearance in March 2020 for our ISU. We believe it is the only FDA cleared device for machine vision technology in abdominal robotic surgery. On September 23, 2020, we announced the first surgical procedures successfully completed using the ISU. In January 2021, we received CE Mark for the ISU. In 2022 we received FDA clearance for advanced features of the ISU, and received CE Mark for such enhancements in January 2023.

In February 2020, we received CE Mark for the Senhance System and related instruments for pediatric use indications in CE Mark territories. We received FDA clearance in March 2023 for the pediatric indication for the Senhance System. The expanded indication allows accessibility to more surgeons and patients, as well as expanding our potential market to include pediatric hospitals. We anticipate the robotic precision provided by the Senhance System, coupled with the already available 3mm instruments and haptic feedback will prove to be an effective tool in surgery with smaller patients.

In 2020, we obtained regulatory clearance for the Senhance ultrasonic system in both Taiwan and Japan. We also received clearance for the ISU in Japan.

On July 28, 2021, the Company announced that it received FDA clearance for 5mm diameter articulating instruments, offering better access to difficult-to-reach areas of the anatomy by providing two additional degrees of freedom. These instruments have previously received CE Mark for use in the EU.

On February 21, 2023, we held an investor day to describe our focus on developing a next generation robotic system we call the LUNA Surgical System and the ongoing developments in our Performance-Guided Surgery platform. Performance-Guided Surgery is comprised of three strategic pillars:

- enhanced robotic precision and manipulation capabilities, via the Senhance System today and, when developed and approved, the LUNA System;
- expanded intra-operative augmented intelligence clinical decision support guidance for the surgeon via the ISU; and
- integration of cloud and big data to harness best practices across pre-, intra- and post-operative settings, and make it available to surgeons around the world via the Asensus Cloud.

The Company believes that future outcomes of minimally invasive laparoscopic surgery will be enhanced through its combination of more advanced tools and robotic functionality, which are designed to: (i) empower surgeons with improved precision, dexterity and visualization; (ii) improve patient satisfaction and enable a desirable post-operative recovery; and (iii) provide a cost-effective robotic system, compared to existing alternatives today, for a wide range of clinical indications.

From our inception, we devoted a substantial percentage of our resources to research and development and start-up activities, consisting primarily of product design and development, clinical studies, manufacturing, recruiting qualified personnel and raising capital. We are a data driven company that expects to continue to invest in research and development, market development, and generation and analysis of clinical evidence as we implement our strategy. As a result, we will need to generate significant revenue in order to achieve profitability. We expect to continue to invest in research and development and market development as we implement our strategy.

Since inception, we have been unprofitable. As of March 31, 2023, we had an accumulated deficit of \$883.2 million, and there is substantial doubt about our ability to continue as a going concern. We operate in one business segment.

Recent Financing Transactions

At-the -Market Offering

On March 18, 2022, the Company entered a Controlled Equity Offering Sales Agreement (the “2022 Sales Agreement”), with Cantor Fitzgerald & Co., and Oppenheimer & Co. Inc. The Company commenced an at-the-market offering (the “2022 ATM Offering”) pursuant to which the Company could sell from time to time, at its option, up to an aggregate of \$100.0 million shares of the Company’s common stock. No sales of common stock were made under the 2022 ATM Offering during the three months ended March 31, 2023.

Results of Operations - Comparison of Three Months Ended March 31, 2023 and 2022

Revenue

Both in the first quarter of 2023 and 2022, our revenue consisted of ongoing System leasing payments, sales of instruments and accessories, and services revenue for Senhance Systems sold in Europe, Asia, and the U.S. in prior periods.

Product revenue for the three months ended March 31, 2023 and 2022 remained constant at approximately \$0.3 million, respectively.

Service revenue for the three months ended March 31, 2023 decreased to \$0.2 million compared to \$0.3 million for the three months ended March 31, 2022.

Lease revenue for the three months ended March 31, 2023 increased to \$0.5 million compared to \$0.4 million for the three months ended March 31, 2022.

Cost of Revenue

Cost of revenue consists of contract manufacturing, materials, labor, and manufacturing overhead incurred internally to produce the products. Shipping and handling costs incurred by the Company are included in cost of revenue. We expense all inventory excess and obsolescence provisions as cost of revenue. The manufacturing overhead costs include the cost of quality assurance, material procurement, inventory control, facilities, equipment depreciation and operations supervision and management. We expect overhead costs as a percentage of revenues to decline as our production volume increases.

Product cost for the three months ended March 31, 2023 increased to \$1.2 million as compared to \$0.4 million for the three months ended March 31, 2022. The \$0.8 million increase primarily relates to a \$0.4 million increase in product costs, \$0.2 million increase in personnel costs, and \$0.2 million increase in the change in inventory reserves.

Service cost for the three months ended March 31, 2023 increased to \$0.7 million as compared to \$0.5 million for the three months ended March 31, 2022. The \$0.2 million increase primarily relates to an increase in personnel-related costs of \$0.1 million and an increase in materials costs of \$0.1 million. Cost of revenue exceeds revenue primarily due to part replacements under maintenance plans, which are expensed when incurred, along with salaries for the field service teams.

Lease cost for the three months ended March 31, 2023 and 2022 remained constant at \$1.0 million, respectively.

Research and Development

Research and development, or R&D, expenses primarily consist of engineering, product development and regulatory expenses incurred in the design, development, testing and enhancement of our products and legal services associated with our efforts to obtain and maintain broad protection for the intellectual property related to our products. In future periods, we expect R&D expenses to continue to substantially increase as we invest in the LUNA System and our digital laparoscopy platform. R&D expenses are expensed as incurred.

R&D expenses for the three months ended March 31, 2023 increased 58% to \$10.1 million as compared to \$6.4 million for the three months ended March 31, 2022 as we continue to invest in basic research, clinical studies, and product development in the areas of robotics and digital technologies supporting the LUNA System and our digital laparoscopy platform. All activities are in the effort of building the future for Performance-Guided Surgery. The \$3.7 million increase primarily relates to increased contract engineering services, consulting, and other outside services of \$2.4 million. The change was also driven by increased personnel costs of \$0.7 million, driven by additional headcount, and increased supplies costs of \$0.6 million.

Sales and Marketing

Sales and marketing expenses include costs for sales and marketing personnel, travel, demonstration product, market development, physician training, tradeshows, marketing clinical studies and consulting expenses.

Sales and marketing expenses for the three months ended March 31, 2023 increased 24% to \$4.6 million compared to \$3.7 million for the three months ended March 31, 2022. The \$0.9 million increase was primarily related to increased employee-related costs of \$0.7 million due to an increase in headcount, increased travel costs of \$0.1 million, and increased consulting expenses of \$0.1 million.

General and Administrative

General and administrative expenses consist of personnel costs related to the executive, finance, legal and human resource functions, as well as professional service fees, legal fees, accounting fees, insurance costs, and general corporate expenses.

General and administrative expenses for the three months ended March 31, 2023 and 2022 remained constant at approximately \$5.5 million, respectively.

Amortization of Intangible Assets

Amortization of intangible assets for the three months ended March 31, 2023 decreased to \$0.1 million compared to \$2.7 million for the three months ended March 31, 2022. The \$2.6 million decrease is primarily related to two developed technologies intangibles that fully amortized during the year ended December 31, 2022.

Change in Fair Value of Contingent Consideration

The change in fair value of contingent consideration in connection with the Senhance Acquisition was a \$0.1 million increase for the three months ended March 31, 2023 compared to a \$0.2 million decrease for the three months ended March 31, 2022. The increase was primarily due to changes in the Company's forecast of future revenue, including changes in market assumptions and discount rate utilized.

Other Income (Expense), net

Other income for the three months ended March 31, 2023 increased \$0.3 million to \$0.2 million income compared to \$0.1 million loss for the three months ended March 31, 2022. The change primarily related to changes in interest amortization and accretion on investments.

Income Tax Expense

The Company recognized \$0.09 million income tax expense for the three months ended March 31, 2023, compared to \$0.08 million income tax expense for the three months ended March 31, 2022. Income tax expense consisted primarily of current income taxes related to profitable foreign jurisdictions in Japan, Israel, and the Netherlands.

Liquidity and Capital Resources

Going Concern

The Company's consolidated financial statements are prepared using U.S. GAAP applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company had an accumulated deficit of \$883.2 million and working capital of \$60.7 million as of March 31, 2023. The Company has not established sufficient revenues to cover its operating costs and will require additional capital to continue as a going concern. As of March 31, 2023, the Company had cash, cash equivalents, short-term investments and long-term investments, excluding restricted cash, of approximately \$57.4 million. We believe that our existing cash, cash equivalents, short-term investments and long-term investments, together with cash received from product, service, and lease sales will be sufficient to meet our anticipated cash needs into the first quarter of 2024.

The Company will need to obtain additional financing to proceed with its business plan. Management's plan to obtain additional resources for the Company may include additional sales of equity, traditional financing, such as loans, entry into a strategic collaboration, entry into an out-licensing arrangement or provision of additional distribution rights in some or all of our markets. However, management cannot provide any assurance that the Company will be successful in accomplishing any or all of its plans. If sufficient funds are not received on a timely basis, the Company would then need to pursue a plan to license or sell its assets, seek to be acquired by another entity, cease operations and/or seek bankruptcy protection. The ability to successfully resolve these factors raise substantial doubt about the Company's ability to continue as a going concern within one year from the date that these financial statements are issued. The consolidated financial statements of the Company do not include any adjustments that may result from the outcome of these aforementioned uncertainties.

The Company is subject to risks similar to other similarly sized companies in the medical device industry. These risks include, without limitation: the historical lack of profitability; the Company's ability to grow its placements and increase utilization of the Senhance System by customers, the Company's ability to raise additional capital; its ability to successfully develop, clinically test and commercialize its products and products in development; negative impacts on the Company's operations caused by the COVID-19 pandemic and other geopolitical factors; the success of its market development efforts; the timing and outcome of the regulatory review process for its products; changes in the healthcare regulatory environments of the United States, the European Union, Japan, Taiwan and other countries in which the Company operates or intends to operate; its ability to attract and retain key management, marketing and scientific personnel; its ability to successfully prepare, file, prosecute, maintain, defend and enforce patent claims and other intellectual property rights; its ability to successfully transition from a research and development company to a marketing, sales and distribution concern; competition in the market for robotic and digital surgical devices; and its ability to identify and pursue development of additional products.

Sources of Liquidity

Our principal sources of cash to date have been proceeds from public offerings of common stock, incurrence of debt, the sale of equity securities held as investments and asset sales.

Consolidated Cash Flow Data

(Unaudited, in millions)	Three Months Ended March 31,	
	2023	2022
Net cash (used in) provided by		
Operating activities	\$ (17.2)	\$ (15.9)
Investing activities	29.7	23.0
Financing activities	(0.5)	(0.3)
Effect of exchange rate changes on cash and cash equivalents	0.4	(0.1)
Net increase in cash, cash equivalents and restricted cash	<u>\$ 12.4</u>	<u>\$ 6.7</u>

Operating Activities

For the three months ended March 31, 2023, cash used in operating activities of \$17.2 million consisted of a net loss of \$22.2 million, changes in operating assets and liabilities of \$2.4 million, and changes in non-cash items of \$2.6 million. The non-cash items primarily consisted of \$1.9 million of stock-based compensation expense, \$0.8 million of depreciation, \$0.1 million of amortization of intangible assets, \$0.1 million of change in fair value of contingent consideration, offset by \$0.4 million change in inventory reserves, and \$0.1 million of net amortization of discounts and premiums on investments. The increase in cash from changes in operating assets and liabilities primarily relates to a \$1.6 million increase in accounts payable, a \$1.6 million decrease in accounts receivable, a \$0.3 million decrease in prepaid expenses, offset by a \$1.1 million decrease in accrued employee compensation and benefits.

For the three months ended March 31, 2022, cash used in operating activities of \$15.9 million consisted of a net loss of \$19.1 million, changes in operating assets and liabilities of \$2.7 million, offset by non-cash items of \$5.9 million. The non-cash items primarily consisted of \$2.7 million of amortization of intangible assets, \$2.2 million of stock-based compensation expense, \$0.9 million of depreciation, \$0.2 million of net amortization of discounts and premiums on investments, \$0.2 million of bad debt expense, \$0.1 million deferred tax expense, offset by \$0.2 million change in inventory reserves and \$0.2 million of change in fair value of contingent consideration. The decrease in cash from changes in operating assets and liabilities primarily relates to a \$1.4 million increase in inventory net of transfers to property and equipment, \$1.1 million decrease in accrued expenses, \$0.5 million increase in other current and long-term assets, \$0.2 million decrease in operating lease liabilities, offset by a \$0.2 million decrease in prepaid expenses, \$0.2 million decrease in operating lease right-of-use assets, and a \$0.1 million increase in accounts payable.

Investing Activities

For the three months ended March 31, 2023, net cash provided by investing activities was \$29.7 million. This amount consists of \$32.8 million of proceeds from maturities of available-for-sale investments, offset by \$2.9 million of purchases of available-for-sale investments and \$0.1 million purchases of property and equipment.

For the three months ended March 31, 2022, net cash provided by investing activities was \$23.0 million. This amount consists of \$29.2 million of proceeds from maturities of available-for-sale investments, offset by \$6.0 million of purchases of available-for-sale investments and \$0.2 million purchases of property and equipment.

Financing Activities

For the three months ended March 31, 2023, net cash used in financing activities was \$0.5 million, primarily related to taxes paid for the net share settlement of vesting of restricted stock units.

For the three months ended March 31, 2022, net cash used in financing activities was \$0.3 million, related to taxes paid for the net share settlement of vesting of restricted stock units.

Operating Capital and Capital Expenditure Requirements

We intend to spend substantial amounts on research and development activities, including product development, regulatory and compliance, and clinical studies in support of the development of the LUNA System and our digital solutions platform. We intend to use financing opportunities strategically to continue to strengthen our financial position.

Cash and cash equivalents held by our foreign subsidiaries totaled \$1.0 million as of March 31, 2023, including restricted cash. We do not intend or currently foresee a need to repatriate cash and cash equivalents held by our foreign subsidiaries. If these funds are needed in the United States, we believe that the potential U.S. tax impact to repatriate these funds would be immaterial.

Critical Accounting Estimates

The discussion and analysis of our financial condition and results of operations set forth above under the headings “Results of Operations” and “Liquidity and Capital Resources” have been prepared in accordance with U.S. GAAP and should be read in conjunction with our financial statements and notes thereto appearing in this Form 10-Q and in the Fiscal 2022 Form 10-K. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our critical accounting estimates, including identifiable intangible assets, contingent consideration, stock-based compensation, inventory, revenue recognition and income taxes. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. A more detailed discussion on the application of these and other accounting policies can be found in Note 2 in the Notes to the Financial Statements in this Form 10-Q. Actual results may differ from these estimates under different assumptions and conditions. There have been no new or material changes to the critical accounting estimates discussed in our Fiscal 2022 Form 10-K, that are of significance, or potential significance, to us.

While all accounting policies impact the consolidated financial statements, certain policies may be viewed as critical. Critical accounting estimates are those that are both most important to the portrayal of financial condition and results of operations and that require management’s most subjective or complex judgments and estimates. Our management believes the policies that fall within this category are the estimates on accounting for identifiable intangible assets, contingent consideration, stock-based compensation, inventory, revenue recognition and income taxes.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to changes in foreign currency exchange rates. Operations outside of the United States accounted for 79% and 76% of revenue for the three months ended March 31, 2023 and 2022, respectively, and are concentrated principally in Europe. We translate the revenue and expenses of our foreign operations using average exchange rates prevailing during the period. The effect of a 10% change in the average foreign currency exchange rates among the U.S. dollar versus the Euro for the quarter ended March 31, 2022, would result in revenue changing by \$0.1 million. This change would not be material to our cash flows and our results of operations.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of March 31, 2023. We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow for timely decisions regarding required disclosure. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on such evaluation, our Chief Executive Officer and Executive Vice President and Chief Financial Officer concluded that, as of March 31, 2023, our disclosure controls and procedures were not effective due to the material weakness in internal control over financial reporting, described below.

Changes in Internal Controls Over Financial Reporting

Other than the remediation efforts described below, there were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Material Weakness in Internal Control over Financial Reporting

During the year ended December 31, 2022, management identified a deficiency constituting a material weakness related to the design and implementation of information technology general controls (“ITGCs”) related to the implementation of our new global enterprise resource planning system (“ERP”) utilized in the preparation of our consolidated financial statements. Specifically, we did not design and maintain user access controls to adequately restrict user and privileged access to the financial application and data to appropriate Company personnel.

The material weakness identified above did not result in any identified misstatements to our consolidated interim financial statements, and our management has concluded that the consolidated financial statements present fairly, in all material respects, our financial position, results of operations, and cash flows in conformity with U.S. GAAP.

Remediation Efforts

We have commenced measures to remediate the identified material weakness. Management has been and will continue designing and implementing an improved process for requesting, authorizing, and reviewing user access to key systems which impact our financial reporting, including identifying access to roles where manual business process controls may be required. This implementation will include the addition of detection controls which will include the review of user access and activity logs related to systems that were accessed. We will also enhance the training of our personnel regarding their roles and responsibilities within the information technology general controls objectives and activities. The material weakness will not be considered remediated until management designs and implements effective controls that operate for a sufficient period of time for management to conclude, through testing, that the controls are operating effectively. The material weakness is not considered remediated as of March 31, 2023 as remediation efforts are ongoing.

PART II. OTHER INFORMATION**Item 1 Legal Proceedings.**

None.

Item 1A Risk Factors.

Reference is made to the Risk Factors included in our Fiscal 2022 Form 10-K. There have been no material changes to our risk factors from those disclosed under “Risk Factors” in Part I, Item 1A of our Fiscal 2022 Form 10-K.

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

The following table summarizes the Company’s purchases of its common stock for the quarter ended March 31, 2023:

<u>Period</u>	<u>Issuer Purchases of Equity Securities</u>			<u>Maximum Number of Shares that May Yet be Purchased Under the Plan or Programs</u>
	<u>Total Number of Shares Purchased (1)</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	
January 1 - 31, 2023	-	-	-	-
February 1 - 28, 2023	649,524	\$ 0.75	-	-
March 1 - 31, 2023	-	-	-	-
Total	<u>649,524</u>	<u>\$ 0.75</u>	<u>-</u>	<u>-</u>

These amounts consist of 649,524 shares we acquired from employees associated with the withholding of shares to pay certain withholding taxes upon the vesting of stock-based compensation in accordance with the terms of our equity compensation plan that were previously approved by our stockholders and disclosed in our proxy statements. We purchased these shares at their fair market value, as determined by reference to the closing price of our common stock on the vesting date.

Item 3 Defaults Upon Senior Securities.

None.

Item 4 Mine Safety Disclosures.

Not applicable.

Item 5 Other Information.

None.

Item 6. EXHIBITS

Exhibit No.	Description
10.1 * +	Form of 2023 Performance-Based Restricted Stock Unit Award Notice
31.1 *	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).
31.2 *	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).
32.1 *	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2 *	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS *	Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE *	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, formatted in Inline XBRL (included in Exhibit 101).

* Filed herewith.

+ A management contract, compensatory plan or arrangement required to be separately identified.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Asensus Surgical, Inc.

Date: May 11, 2023

By: /s/ Anthony Fernando

Anthony Fernando
President and Chief Executive Officer

Date: May 11, 2023

By: /s/ Shameze Rampertab

Shameze Rampertab
Executive Vice President and Chief Financial Officer

**ASENSUS SURGICAL, INC.
PERFORMANCE RESTRICTED STOCK UNITS AWARD NOTICE**

Asensus Surgical, Inc., a Delaware corporation (the "Company"), has granted performance-based restricted stock units award (the "PRSUs") to acquire shares (the "Shares") of its common stock, par value \$0.001 per share (the "Common Stock") to the individual named below. The terms and conditions of the PRSUs are set forth in this award cover sheet and in the attachment (collectively, the "Award Notice") and in the Company's Amended and Restated Incentive Compensation Plan (as further amended or amended and restated, the "Plan"). The PRSUs are awarded to the Participant as a Deferred Stock Award under the Plan. All capitalized terms used in this Award Notice without definition have the meanings set forth in the Plan.

Grant Number:

Grant Date:

Name of Participant:

Number of Shares of Common Stock Underlying the PRSUs:

50% of the Shares of Common Stock Underlying the PRSUs shall be applicable to Goal 1 and
50% of the Shares of Common Stock Underlying the PRSUs shall be applicable to Goal 2.

Performance Goals:

Goal 1: [] between January 1, ____ and December 31, ____ (the "____ Performance Period")

Goal 2: [] prior to the end of the ____ Performance Period.

Lapse of Forfeiture Restrictions (Vesting Schedule):

Date

Shares

Thank you for your efforts on behalf of the Company.

Name:

This is not a stock certificate or a negotiable instrument

Performance Vesting	If either Performance Goal is achieved during the _____ Performance Period, then the PRSUs associated with the attainment of Goal 1 and/or Goal 2, as applicable, will vest in full and be earned on each Vesting Date. If a Performance Goal is not satisfied by the end of the Performance Period, the PRSUs associated with the attainment of such Goal shall be forfeited and shall not vest. The number of Shares underlying the PRSUs vested and earned shall be adjusted if the Company engages in any stock split, reverse stock split or other capitalization affecting all common stock during the Performance Period.
Settlement	Upon vesting of all or any portion of the PRSUs, settlement will be made by issuance of the number of Shares equal to the vesting PRSUs.
No Dividend Equivalents	No dividend equivalents are authorized as part of this award of PRSUs.
Withholding	The Participant shall pay to the Company promptly upon request, and in any event at the time the Participant recognizes taxable income in respect of the PRSUs, an amount equal to the federal, state or local taxes the Company determines it is required to withhold with respect to the vesting PRSUs. Such payment shall be made by check or, for (1) employees other than executive officers, (2) employees in possession of material non-public information, or (3) employees in jurisdictions that do not allow “sell to cover,” by selling Shares on the open market to cover the tax obligations. Upon approval by the Committee or the Board, the Participant may pay the applicable withholding by having the Company withhold from the Shares which would otherwise be delivered to the Participant hereunder Shares with a Fair Market Value sufficient to satisfy the minimum withholding required with respect thereto to the extent permitted by the Company, or in a combination of such methods, as irrevocably elected by the Participant prior to the applicable tax due date with respect to such PRSUs. The net settlement of the Shares underlying the vested PRSUs and the delivery of Shares previously owned are hereby specifically authorized alternatives for the satisfaction of the foregoing withholding obligation. The Company provides no advice regarding the availability of “sell to cover” at any specific point in time.
Issuance of Shares	Following the applicable vesting date with respect to the PRSUs, and subject to the terms and conditions of the Plan, the Company will cause to be issued a direct registration/book-entry statement (“DRS”) for the Shares issuable with respect to such vested PRSUs. Such issuance shall take place as soon as practicable following the applicable vesting date (but in no event later than two and one-half months following the end of the calendar year in which the vesting date occurs). The certificates or DRS representing the Shares issued in respect of the PRSUs shall be subject to such stop transfer orders and other restrictions as the Committee may determine is required by the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares are listed, any applicable federal or state laws and the Company’s Certificate of Incorporation and Bylaws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.
Transferability of PRSUs	The PRSUs are not transferable and may not be sold, assigned, transferred, disposed of, pledged or otherwise encumbered by the Participant, other than by will or the laws of descent and distribution. Upon such transfer (by will or the laws of descent and distribution), such transferee in interest shall take the rights granted herein subject to all the terms and conditions hereof.

Transferability of Shares	Shares issued to the Participant with respect to vested PRSUs can only be sold by the Participant following registration of such Shares under the Securities Act of 1933, as amended, or pursuant to an exemption therefrom.
Change in Control	The provisions of Article 9 of the Plan shall apply to the Restricted Stock Units under this Agreement.
Imposition of Other Requirements	The Company reserves the right to impose other requirements on the PRSUs and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Award, and to require the Participant to sign any agreements or undertakings that may be necessary to accomplish the foregoing. The Participant agrees, upon demand of the Company or the Committee, to do all acts and execute, deliver and perform all documents, instruments and agreements which may be reasonably required by the Company or the Committee, as the case may be, to implement the provisions and purposes of this Award Notice.
No Stockholder Rights	Neither the Participant nor any personal representative (or beneficiary) shall be, or shall have any of the rights and privileges of, a stockholder of the Company with respect to any Shares issuable upon the vesting of the PRSUs, in whole or in part, prior to the date on which the Shares are issued.
No Right to Continued Employment	Neither the PRSUs nor this Award Notice shall confer upon the Participant any right to continued employment or service with the Company.
Interpretation/Provisions of Plan Control	This Award Notice is subject to all the terms, conditions and provisions of the Plan, including, without limitation, the amendment provisions thereof, and to such rules, regulations and interpretations relating to the Plan adopted by the Committee as may be in effect from time to time. If and to the extent that this Award Notice conflicts or is inconsistent with the terms, conditions and provisions of the Plan, the Plan shall control, and this Award Notice shall be deemed to be modified accordingly. The Participant accepts the PRSUs subject to all of the terms and provisions of the Plan. All decisions or interpretations of the Committee upon any questions arising under the Plan shall be binding, conclusive and final, unless shown to have been made in an arbitrary and capricious manner.
Notices	Any notice under this Award Notice shall be in writing and shall be deemed to have been duly given when delivered personally or when deposited in the United States mail, registered, postage prepaid, and addressed, in the case of the Company, to the Company's Secretary at 1 TW Alexander Drive, Suite 160, Durham NC 27703, or if the Company should move its principal office, to such principal office, and, in the case of the Participant, to the Participant's last permanent address as shown on the Company's records, subject to the right of either to designate some other address at any time hereafter in a notice satisfying the requirements of this Notice section.

Data Privacy

In order to administer the Plan, the Company may process personal data about you. Such data includes, but is not limited to the information provided in this Award Notice and any changes thereto, other appropriate personal and financial data about you such as home address and business addresses and other contact information, payroll information and any other information that might be deemed appropriate by the Company to facilitate the administration of the Plan.

By accepting these PRSUs, you give explicit consent to the Company to process any such personal data. You also give explicit consent to the Company to transfer any such personal data outside the country in which you work or are employed, including, with respect to non-U.S. resident grantees, to the United States, to transferees who shall include the Company and other persons who are designated by the Company to administer the Plan.

Consent to Electronic Delivery

The Company may choose to deliver certain statutory materials relating to the Plan (if any) in electronic form. By accepting this grant you agree that the Company may deliver the Plan prospectus and the Company's annual report to you in an electronic format. If at any time you would prefer to receive paper copies of these documents, as you are entitled to, the Company would be pleased to provide copies. Please contact the Company's Secretary to request paper copies of these documents.

Code Section 409A

For U.S. taxpayers, it is intended that this Award comply with Section 409A of the Code ("Section 409A") or an exemption to Section 409A, and shall be interpreted and administered accordingly. To the extent that the Company determines that the Participant would be subject to the additional 20% tax imposed on certain nonqualified deferred compensation plans pursuant to Section 409A as a result of any provision of any this Award Notice, such provision shall be deemed amended to the minimum extent necessary to avoid application of such additional tax. The nature of any such amendment shall be determined by the Company.

Notwithstanding anything to the contrary in the Plan, neither the Company, any Affiliate, the Board, nor the Committee shall have any obligation to take any action to prevent the assessment of any excise tax or penalty on you under Section 409A, and neither the Company, any Affiliate, the Board, nor the Committee shall have any liability to you or other person for such tax or penalty.

No Tax Advice

Except for the information provided in any prospectus applicable to U.S. taxpayers, the Company is not providing the Participant with any information, advice or recommendations with respect to the tax consequences of this Award including, without limitation, whether this Award is taxable upon grant or lapse of forfeiture restrictions. Please consult with your tax advisor to determine the tax consequences in your tax jurisdiction.

SECTION 302
CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Anthony Fernando, certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q of Asensus Surgical, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 11, 2023

By: /s/ Anthony Fernando
Anthony Fernando,
President and Chief Executive Officer
(Principal Executive Officer)

SECTION 302
CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Shameze Rampertab, certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q of Asensus Surgical, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 11, 2023

By: /s/ Shameze Rampertab
Shameze Rampertab
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting
Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Anthony Fernando, hereby certify pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and 18 U.S.C. Section 1350, that the Quarterly Report on Form 10-Q of Asensus Surgical, Inc. (the “Company”) for the quarterly period ended March 31, 2023 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Anthony Fernando

Anthony Fernando, President and Chief Executive Officer (Principal Executive Officer)

May 11, 2023

The certification set forth above is being furnished as an Exhibit solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the Report or as a separate disclosure document of Asensus Surgical, Inc. or the certifying officers.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Shameze Rampertab, hereby certify pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and 18 U.S.C. Section 1350, that the Quarterly Report on Form 10-Q of Asensus Surgical, Inc. (the "Company") for the quarterly period ended March 31, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Shameze Rampertab

Shameze Rampertab, Executive Vice President and Chief Financial Officer (Principal Financial Officer
and Principal Accounting Officer)

May 11, 2023

The certification set forth above is being furnished as an Exhibit solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the Report or as a separate disclosure document of Asensus Surgical, Inc. or the certifying officers.