# 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 December 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: 001-33301**

# ACCURAY INCORPORATED

**(Exact name of registrant as specified in its charter)**

| **Delaware** | **20-8370041** |
|---|---|
| **(State or other jurisdiction of incorporation or organization)** | **(IRS Employer Identification No.)** |

**1240 Deming Way**
**Madison, Wisconsin 53717**
**(Address of Principal Executive Offices Including Zip Code)**

**(608) 824-2800**
**(Registrant's Telephone Number, Including Area Code)**

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $0.001 par value per share | ARAY | The Nasdaq Stock Market LLC |

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 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 | ☐ | Accelerated filer | ☒ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

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

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

As of February 1, 2024, there were 99,168,765 shares of the Registrant's Common Stock, par value $0.001 per share, outstanding.

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We own or have rights to various trademarks and tradenames used in our business in the United States or other countries, including the following: Accuray®, Accuray Logo®, CyberKnife®, Hi-Art®, RoboCouch®, Synchrony®, TomoTherapy®, Xsight®, Accuray Precision®, AutoSegmentation™, CTrue™, H™ Series, iDMS®, InCise™, Iris™, CyberKnife M6™ Series, Accuray OIS Connect™, PreciseART®, PreciseRTX®, Treatment Planning System™, TomoDirect™, TomoEDGE™, TomoH®, TomoHD®, TomoHDA™, TomoHelical™, TomoTherapy Quality Assurance™, Radixact®, Onrad ™, S7™, and VoLO™.

**PART I. FINANCIAL INFORMATION**

**Item 1. Unaudited Condensed Consolidated Financial Statements**

**Accuray Incorporated**
**Unaudited Condensed Consolidated Balance Sheets**
(in thousands, except share amounts and par value)

| | December 31, 2023 | June 30, 2023 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 72,756 | $ 89,402 |
| Restricted cash | 485 | 524 |
| Accounts receivable, net of allowance for credit losses of $2,866 and $3,079 as of December 31, 2023, and June 30, 2023, respectively (a) | 77,397 | 74,777 |
| Inventories | 155,228 | 145,150 |
| Prepaid expenses and other current assets (b) | 25,020 | 27,612 |
| Deferred cost of revenue | 284 | 568 |
| Total current assets | 331,170 | 338,033 |
| Property and equipment, net | 25,919 | 20,926 |
| Investment in joint venture | 14,536 | 15,128 |
| Operating lease right-of-use assets, net | 23,094 | 25,853 |
| Goodwill | 57,771 | 57,681 |
| Intangible assets, net | 116 | 210 |
| Restricted cash | 1,251 | 1,276 |
| Other assets | 22,493 | 20,107 |
| Total assets | $ 476,350 | $ 479,214 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 39,180 | $ 33,739 |
| Accrued compensation | 21,345 | 23,793 |
| Operating lease liabilities, current | 5,707 | 4,151 |
| Other accrued liabilities | 36,253 | 38,271 |
| Customer advances | 22,677 | 20,777 |
| Deferred revenue | 77,406 | 72,185 |
| Short-term debt | 6,738 | 5,721 |
| Total current liabilities | 209,306 | 198,637 |
| Long-term liabilities: | | |
| Operating lease liabilities, non-current | 21,758 | 23,602 |
| Long-term other liabilities | 4,804 | 4,675 |
| Deferred revenue, non-current | 24,809 | 27,079 |
| Long-term debt | 168,020 | 171,562 |
| Total liabilities | 428,697 | 425,555 |
| Commitments and contingencies (Note 8) | | |
| Stockholders' equity: | | |
| Common stock, $0.001 par value; authorized: 200,000,000 shares as of December 31, 2023, and June 30, 2023, respectively; issued and outstanding: 99,163,920 and 96,534,609 shares at December 31, 2023, and June 30, 2023, respectively | 99 | 97 |
| Additional paid-in-capital | 561,223 | 555,276 |
| Accumulated other comprehensive income | 1,057 | 422 |
| Accumulated deficit | (514,726) | (502,136) |
| Total stockholders' equity | 47,653 | 53,659 |
| Total liabilities and stockholders' equity | $ 476,350 | $ 479,214 |

(a) Includes accounts receivable from the joint venture, an equity method investment, of $19,893 and $10,304 at December 31, 2023, and June 30, 2023, respectively. See Note 13.
(b) Includes other receivables from the joint venture, an equity method investment, of $67 and $100 at December 31, 2023, and June 30, 2023, respectively.

*The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.*

**Accuray Incorporated**
**Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)**
(in thousands, except per share amounts)

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Net revenue: | | | | |
| Products (a) | $ 51,538 | $ 63,269 | $ 104,888 | $ 107,892 |
| Services (b) | 55,700 | 51,491 | 106,242 | 103,361 |
| Total net revenue | 107,238 | 114,760 | 211,130 | 211,253 |
| Cost of revenue: | | | | |
| Cost of products | 34,333 | 39,248 | 70,032 | 68,098 |
| Cost of services | 37,003 | 32,545 | 65,703 | 65,591 |
| Total cost of revenue (c) | 71,336 | 71,793 | 135,735 | 133,689 |
| Gross profit | 35,902 | 42,967 | 75,395 | 77,564 |
| Operating expenses: | | | | |
| Research and development (d) | 15,281 | 14,641 | 29,294 | 28,733 |
| Selling and marketing | 11,361 | 13,586 | 21,605 | 24,381 |
| General and administrative | 13,224 | 12,035 | 26,247 | 23,927 |
| Total operating expenses | 39,866 | 40,262 | 77,146 | 77,041 |
| Income (loss) from operations | (3,964) | 2,705 | (1,751) | 523 |
| Income (loss) from equity method investment, net | (427) | (699) | 4 | (1,067) |
| Other expense, net | (4,352) | (2,831) | (8,033) | (5,389) |
| Loss before provision for income taxes | (8,743) | (825) | (9,780) | (5,933) |
| Provision for income taxes | 878 | 1,049 | 2,810 | 1,390 |
| Net loss | $ (9,621) | $ (1,874) | $ (12,590) | $ (7,323) |
| Net loss per share - basic and diluted | $ (0.10) | $ (0.02) | $ (0.13) | $ (0.08) |
| Weighted average common shares used in computing net loss per share: | | | | |
| Basic and diluted | 97,776 | 94,567 | 97,165 | 94,048 |
| Other comprehensive income (loss): | | | | |
| Net loss | $ (9,621) | $ (1,874) | $ (12,590) | $ (7,323) |
| Foreign currency translation adjustment | 2,773 | 2,790 | 635 | (865) |
| Comprehensive income (loss) | $ (6,848) | $ 916 | $ (11,955) | $ (8,188) |

(a) Includes sales of products to the joint venture, an equity method investment, of $17,890 and $39,842 during the three and six months ended December 31, 2023 and $16,715 and $25,584 during the three and six months ended December 31, 2022, respectively. See Note 13.

(b) Includes sales of services to the joint venture, an equity method investment, of $4,134 and $6,988 during the three and six months ended December 31, 2023 and $2,494 and $5,451 during the three and six months ended December 31, 2022, respectively. See Note 13.

(c) Includes cost of revenue from sales to the joint venture, an equity method investment, of $11,102 and $26,373 during the three and six months ended December 31, 2023 and $9,916 and $15,823 during the three and six months ended December 31, 2022. respectively.

(d) Includes charge backs to the joint venture, an equity method investment, related to research and development of $67 and $199 during the three and six months ended December 31, 2023 and $487 and $1,266 during the three and six months ended December 31, 2022, respectively.

*The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.*

**Accuray Incorporated**
**Unaudited Condensed Consolidated Statements of Stockholders' Equity**
(in thousands)

| | Common Stock | | Additional Paid-in | Accumulated Other Comprehensive | Accumulated | Total Stockholders' |
|---|---|---|---|---|---|---|
| | Shares | Amount | Capital | Income (Loss) | Deficit | Equity |
| **Balance at June 30, 2023** | 96,535 | $ 97 | $ 555,276 | $ 422 | $ (502,136) | $ 53,659 |
| Issuance of common stock to employees | 192 | — | — | — | — | — |
| Share-based compensation | — | — | 2,392 | — | — | 2,392 |
| Net loss | — | — | — | — | (2,969) | (2,969) |
| Foreign currency translation adjustment | — | — | — | (2,138) | — | (2,138) |
| **Balance at September 30, 2023** | 96,727 | $ 97 | $ 557,668 | $ (1,716) | $ (505,105) | $ 50,944 |
| Issuance of common stock to employees | 2,484 | 2 | 1,358 | — | — | 1,360 |
| Tax withholding upon vesting of restricted stock units | (47) | — | (117) | — | — | (117) |
| Share-based compensation | — | — | 2,314 | — | — | 2,314 |
| Net loss | — | — | — | — | (9,621) | (9,621) |
| Foreign currency translation adjustment | — | — | — | 2,773 | — | 2,773 |
| **Balance at December 31, 2023** | 99,164 | $ 99 | $ 561,223 | $ 1,057 | $ (514,726) | $ 47,653 |

| | Common Stock | | Additional Paid-in | Accumulated Other Comprehensive | Accumulated | Total Stockholders' |
|---|---|---|---|---|---|---|
| | Shares | Amount | Capital | Income (loss) | Deficit | Equity |
| **Balance at June 30, 2022** | 93,500 | $ 94 | $ 543,211 | $ 2,406 | $ (492,522) | $ 53,189 |
| Issuance of common stock to employees | 279 | — | — | — | — | — |
| Share-based compensation | — | — | 2,906 | — | — | 2,906 |
| Net loss | — | — | — | — | (5,449) | (5,449) |
| Foreign currency translation adjustment | — | — | — | (3,655) | — | (3,655) |
| **Balance at September 30, 2022** | 93,779 | $ 94 | $ 546,117 | $ (1,249) | $ (497,971) | $ 46,991 |
| Issuance of common stock to employees | 1,765 | 1 | 1,138 | — | — | 1,139 |
| Tax withholding upon vesting of restricted stock units | (50) | — | (116) | — | — | (116) |
| Share-based compensation | — | — | 3,136 | — | — | 3,136 |
| Net loss | — | — | — | — | (1,874) | (1,874) |
| Foreign currency translation adjustment | — | — | — | 2,790 | — | 2,790 |
| Other | | | 13 | | (334) | (321) |
| **Balance at December 31, 2022** | 95,494 | $ 95 | $ 550,288 | $ 1,541 | $ (500,179) | $ 51,745 |

*The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.*

**Accuray Incorporated**
**Unaudited Condensed Consolidated Statements of Cash Flows**
(in thousands)

| | Six Months Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| **Cash flows from operating activities** | | |
| Net loss | $ (12,590) | $ (7,323) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 2,797 | 2,327 |
| Share-based compensation | 4,706 | 6,042 |
| Amortization of debt issuance costs | 475 | 447 |
| Provision (recoveries) for provision from credit losses | (218) | 68 |
| Provision for write-down of inventories | 2,676 | 1,972 |
| Loss on disposal of property and equipment | 5 | 2 |
| (Income) loss on equity method investment | (4) | 1,067 |
| Net revenue recognized from intra-entity profit margin from sales | (294) | (986) |
| Changes in assets and liabilities: | | |
| Accounts receivable | (357) | 5,701 |
| Inventories | (14,641) | (14,237) |
| Prepaid expenses and other assets | 1,269 | (2,488) |
| Deferred cost of revenue | 293 | 817 |
| Accounts payable | 5,103 | 3,037 |
| Operating lease liabilities, net of operating lease right-of-use assets | (120) | 23 |
| Accrued liabilities | (4,834) | (8,123) |
| Customer advances | 1,551 | (8,203) |
| Deferred revenues | 499 | 1,889 |
| Net cash used in operating activities | (13,684) | (17,968) |
| **Cash flows from investing activities** | | |
| Purchases of property and equipment | (2,341) | (2,773) |
| Purchase of intangible asset | - | (33) |
| Net cash used in investing activities | (2,341) | (2,806) |
| **Cash flows from financing activities** | | |
| Proceeds from the issuance of common stock to employees | 1,360 | 1,139 |
| Taxes paid related to net share settlement of equity awards | (117) | (116) |
| Debt issuance costs | - | (248) |
| Paydown under Term Loan Facility | (3,000) | (3,000) |
| Repayments of convertible notes | - | (2,865) |
| Borrowings under Revolving Credit Facility | - | 5,000 |
| Net cash used in financing activities | (1,757) | (90) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 1,072 | (79) |
| Net decrease in cash, cash equivalents and restricted cash | (16,710) | (20,943) |
| Cash, cash equivalents and restricted cash at beginning of period | 91,202 | 90,154 |
| Cash, cash equivalents and restricted cash at end of period | $ 74,492 | $ 69,211 |
| **Supplemental non-cash disclosure:** | | |
| Transfers from inventory to property and equipment, net | $ 2,911 | $ - |
| Leasehold improvement from lease incentive | $ 2,593 | $ - |
| Transfers from property and equipment, net to intangible assets | $ - | $ 59 |
| Unpaid purchase of property and equipment | $ 212 | $ 316 |

*The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.*

## Note 1. The Company and its Significant Accounting Policies

### The Company

Accuray Incorporated (together with its subsidiaries, the "Company" or "Accuray") designs, develops and sells advanced radiosurgery and radiation therapy systems for the treatment of tumors throughout the body. The Company is incorporated in Delaware and its headquarters are located in Madison, Wisconsin. The Company has primary offices in the United States, Switzerland, China, Hong Kong, and Japan, and conducts its business worldwide.

### Basis of Presentation

The unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"), pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and note disclosures have been condensed or omitted pursuant to such rules and regulations. The unaudited condensed consolidated financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary for a fair presentation of the periods presented. The results for the three and six months ended December 31, 2023, are not necessarily indicative of the results to be expected for the fiscal year ending June 30, 2024, or for any other future interim period or fiscal year.

These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the fiscal year ended June 30, 2023 included in the Company's Annual Report on Form 10-K filed with the SEC on September 7, 2023.

### Reclassifications

Certain amounts on the unaudited condensed consolidated statements of cash flows and statements of stockholders' equity in prior periods have been reclassified to conform to current year presentation.

### Risks and Uncertainties

The Company is subject to risks and uncertainties caused, directly or indirectly, by events with significant geopolitical and macroeconomic impacts, including, but not limited to, rising inflation; actions taken to counter inflation, including rising interest rates; foreign currency exchange rate fluctuations; uncertainty and volatility in the banking and financial services sector; tightening credit markets, the effects of the COVID-19 pandemic; geopolitical concerns, such as the Russia-Ukraine and Israel-Hamas conflicts and increasing tension between China and the U.S., including with respect to Taiwan; and other factors that may emerge. The Company is also continuing to navigate supply chain and inflation challenges, and adverse foreign currency exchange rate fluctuations, all of which continues to be a significant headwind that affects the Company's results of operations.

The Company expects that the business of its customers and its own business will continue to be adversely impacted, directly or indirectly, by these macroeconomic and geopolitical issues. Delays in deliveries and installations as a result of the COVID-19 pandemic and its effects on the global economic environment may continue, to some degree, through the remainder of calendar year 2024, which could have a negative impact on our revenue during such period. In addition, ongoing supply chain challenges and logistics costs, including difficulties in obtaining a sufficient supply of component materials and increased component costs, have adversely affected the Company's gross margins and net income or loss, and the Company's current expectations are that gross margins and net income or loss will continue to be adversely affected by increased material costs and freight and logistic expenses through at least the remainder of fiscal year 2024, if not longer. Furthermore, certain parts required for the manufacturing and servicing of the Company's products, such as electronic components, are scarce and becoming increasingly difficult to source, even at increased prices. If such parts become unavailable to the Company, it would not be able to manufacture or service our products, which would adversely impact revenue, gross margins, and net income (loss). The extent of the ongoing impact of these macroeconomic events on our business, our markets and on global economic activity, however, is uncertain and the related financial impact cannot be reasonably estimated with any certainty at this time. The Company's past results may not be indicative of its future performance, and historical trends, including conversion of backlog to revenue, income (loss) from operations, net income (loss), net income (loss) per share and cash flows may differ materially.

The Company continues to critically review its liquidity and anticipated capital requirements in light of the significant uncertainty created by geopolitical and macroeconomic conditions. Based on the Company's cash and cash equivalents balance, available debt facilities, current business plan and revenue prospects, the Company believes that it will have sufficient cash resources and anticipated cash flows to fund its operations for at least the next 12 months. The Company, however, is unable to predict with certainty the impact of geopolitical and macroeconomic conditions, including its effect on global supply chain and logistics, will have on its ability to maintain compliance with the debt covenants contained in the credit agreement related to its Credit Facilities, including financial covenants regarding the consolidated fixed charge coverage ratio and consolidated senior net leverage ratio. The Company was in compliance with such covenants at December 31, 2023. Failing to comply with these covenants could adversely affect the Company's ability to finance its future operations or capital needs, withstand a future downturn in its business or the economy in general, engage in business activities, including future opportunities that may be in its interest, and plan for or react to market conditions or otherwise execute its business strategies. The Company's ability to comply with the covenants and other terms governing the Credit Facilities will depend in part on its future operating performance. In addition, because substantially all of the Company's assets are pledged as a security under the Credit Facilities, if the Company is not able to cure any default or repay outstanding borrowings, such assets are subject to the risk of foreclosure by the Company's lenders. Failure to meet the covenant requirements in the future could cause the Company to be in default and the maturity of the related debt could be accelerated and become immediately payable. This may require the Company to obtain waivers or amendments to the credit agreement in order to maintain compliance and there can be no certainty that any such waiver or amendment will be available, or what the cost of such waiver or amendment, if obtained, would be. If the Company is unable to obtain necessary waivers or amendments and the debt under such credit facility is accelerated, the Company would be required to obtain replacement financing at prevailing market rates, which may not be favorable to the Company. There is no guarantee that the Company would be able to satisfy its obligations if any of its indebtedness is accelerated.

**Use of Estimates**

The preparation of unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosures at the date of the financial statements. The Company assessed certain accounting matters that generally require consideration of forecasted financial information in context with the information reasonably available to the Company. Actual results could differ materially from those estimates.

**Significant Accounting Policies**

There have been no material changes in the Company's significant accounting policies during the six months ended December 31, 2023, compared to the significant accounting policies described in its Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

**Accounting Pronouncements Not Yet Effective**

In December 2023, the Financial Accounting Standards Board ("FASB") issued a new accounting standard update ("ASU") 2023-09 to improve the transparency and usefulness of income tax disclosures. The accounting standard expands disclosures to the entity's income tax rate reconciliation table and requires cash taxes paid disaggregated by jurisdiction. These changes will be applied on a prospective basis. The update will be effective for annual periods beginning after December 15, 2024. The Company plans to adopt ASU 2023-09 on July 1, 2025. The Company is currently assessing the impact of this update on its consolidated financial statement disclosures.

In November 2023, the FASB issued ASU 2023-07 to improve reportable segment disclosures. The ASU is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant expenses. The ASU requires disclosures to include significant segment expenses that are regularly provided to the chief operating decision maker ("CODM"), a description of other segment items by reportable segment, and any additional measures of a segment's profit or loss used by the CODM when deciding how to allocate resources. The ASU also requires all annual disclosures to be disclosed in interim periods. The update is effective for fiscal years beginning after December 15, 2023, with early adoption permitted. The Company plans to adopt ASU 2023-07 on July 1, 2024. The ASU requires retrospective application to all prior periods presented in the financial statements. The Company is currently assessing the timing and impact of adopting the updated provisions.

**Note 2. Revenue**

**Contract Balances**

The timing of revenue recognition, billings, and cash collections results in trade receivables, unbilled receivables, and deferred revenues on the unaudited condensed consolidated balance sheets. The Company may offer longer or extended payment terms of more than one year for qualified customers in some circumstances. At times, revenue recognition occurs before the billing, resulting in an unbilled receivable, which represents a contract asset. The contract asset is a component of accounts receivable and other assets for the current and non-current portions, respectively. When the Company receives advances or deposits from customers before revenue is recognized, this results in a contract liability. It can take two or more years from the time of order to revenue recognition due to the Company's long sales cycle.

Changes in the contract assets and liabilities are as follows (dollars in thousands):

| | December 31, 2023 | June 30, 2023 | Change | |
|---|---|---|---|---|
| | | | $ | % |
| **Contract Assets:** | | | | |
| Unbilled accounts receivable – current (1) | $ 13,187 | $ 9,847 | 3,340 | 34 % |
| Interest receivable – current (2) | 332 | 379 | (47) | (12 %) |
| Long-term accounts receivable (3) | 4,564 | 4,734 | (170) | (4 %) |
| Interest receivable – non-current (3) | 605 | 673 | (68) | (10 %) |
| **Contract Liabilities:** | | | | |
| Customer advances | 22,677 | 20,777 | 1,900 | 9 % |
| Deferred revenue – current | 77,406 | 72,185 | 5,221 | 7 % |
| Deferred revenue – non-current | 24,809 | 27,079 | (2,270) | (8 %) |

(1) Included in accounts receivable on the unaudited condensed consolidated balance sheets.
(2) Included in prepaid expenses and other current assets on the unaudited condensed consolidated balance sheets.
(3) Included in other assets on the unaudited condensed consolidated balance sheets.

During the six months ended December 31, 2023, contract assets changed primarily due to changes in the timing of billings that occurred after revenues were recognized and changes in transactions with payment terms exceeding 12 months. During the six months ended December 31, 2023, contract liabilities changed due to changes in the timing of revenue recognition as a result of changes in shipping timing, modifications to the transaction price, reduced customer deposits for system sales and for which the warranty was deferred.

During the three and six months ended December 31, 2023, the Company recognized revenue of $21.2 million and $51.2 million, which was included in the deferred revenue balances at June 30, 2023. During the three and six months ended December 31, 2022, the Company recognized revenue of $20.6 million and $55.5 million, which was included in the deferred revenue balances at June 30, 2022.

**Remaining Performance Obligations**

Remaining performance obligations represent deferred revenue from open contracts for which performance has already started and the transaction price from executed contracts for which performance has not yet started. Service contracts in general are considered month-to-month contracts.

As of December 31, 2023, total remaining performance obligations amounted to $987.9 million. Of this total amount, $67.5 million related to long-term warranty and non-cancellable post-warranty services, which is the estimated revenue expected to be recognized over the remaining service period and warranty period for systems that have been delivered (the time bands reflect management's best estimate of when the Company will transfer control to the customer and may change based on timing of shipment, readiness of customers' facilities for installation, installation requirements, and availability of products). The Company has elected the practical expedient to not disclose the unsatisfied performance obligations of contracts with an original expected duration of one year or less.

The following table represents the Company's remaining performance obligations related to long-term warranty and non-cancellable post-warranty services as of December 31, 2023 (in thousands):

| | Fiscal years of revenue recognition | | | |
|---|---|---|---|---|
| | 2024 | 2025 | 2026 | Thereafter |
| Long-term warranty and non-cancellable post-warranty services | $ 15,979 | $ 24,780 | $ 18,225 | $ 8,563 |

For the remaining $920.4 million of performance obligations (i.e., open systems sales, upgrades, training and other miscellaneous items), the Company estimates 28% to 31% will be recognized in the next 12 months, and the remaining portion will be recognized thereafter. The Company's historical experience indicates that some of its customers will cancel or renegotiate contracts as economic conditions change or when product offerings change during the long sales cycle. The Company anticipates a portion of its open contracts may never result in revenue recognition primarily due to the long sales cycle and factors outside of its control, including changes to its customers' needs or financial condition, changes in government or health insurance reimbursement policies, or changes to regulatory requirements. Based on historical experience and management's best estimate, approximately 23% of the Company's $870.4 million open system sales contracts as of December 31, 2023, may never result in revenue.

**Capitalized Contract Costs**

As of December 31, 2023, and June 30, 2023, the balance of capitalized costs to obtain a contract was $12.5 million and $11.0 million, respectively. The Company has classified the capitalized costs to obtain a contract as a component of prepaid expenses and other current assets and other assets with respect to the current and non-current portions of capitalized costs, respectively, on the unaudited condensed consolidated balance sheets.

The Company recognized expenses related to the amortization of the capitalized contract costs of $0.7 million and $1.6 million during the three and six months ended December 31, 2023, respectively, and $1.0 million and $1.9 million during the three and six months ended December 31, 2022, respectively. The Company recorded $0.1 million in capitalized contract impairment losses during both the three and six months ended December 31, 2023, and recorded $0.2 million and $0.4 million in capitalized contract impairment losses during the three and six months ended December 31, 2022, respectively.

**Note 3. Supplemental Financial Information**

**Balance Sheet Components**

**Financing receivables**

A financing receivable is a contractual right to receive money, on demand or on fixed or determinable dates, that is recognized as an asset on the Company's balance sheets. The Company's financing receivables, consisting of its accounts receivable with contractual maturities of more than one year are included in other assets on the unaudited condensed consolidated balance sheets. The Company evaluates the credit quality of a customer at contract inception and monitors credit quality over the term of the underlying transactions. The Company performs a credit analysis for all new orders and reviews payment history, current order backlog, financial performance of the customers and other variables that augment or mitigate the inherent credit risk of a particular transaction. Such variables include the underlying value and liquidity of the collateral, the essential use of the equipment, the contract term and the inclusion of credit enhancements, such as guarantees, letters of credit or security deposits. The Company classifies accounts as high risk when it considers the financing receivable to be impaired or when management believes there is a significant near-term risk of non-payment. The Company performs an assessment each quarter of the allowance for credit losses related to its financing receivables.

A summary of the Company's financing receivables is presented as follows (in thousands):

| | December 31, 2023 | June 30, 2023 |
|---|---|---|
| Financing receivables | $ 4,717 | $ 5,854 |
| Allowance for credit losses | (798) | (798) |
| Total, net | $ 3,919 | $ 5,056 |
| Reported as: | | |
| Current | $ 1,604 | $ 2,016 |
| Non-current | 2,315 | 3,040 |
| Total, net | $ 3,919 | $ 5,056 |

**Inventories**

Inventories consisted of the following (in thousands):

| | December 31, 2023 | June 30, 2023 |
|---|---|---|
| Raw materials | $ 63,699 | $ 62,945 |
| Work-in-process | 16,387 | 17,469 |
| Finished goods | 75,142 | 64,736 |
| Inventories | $ 155,228 | $ 145,150 |

The Company's inventories on the unaudited condensed consolidated balance sheets are net of reserves.

**Prepaid and Other Current Assets**

Prepaid and other current assets consisted of the following (in thousands):

| | December 31, 2023 | June 30, 2023 |
|---|---|---|
| Value added tax receivables | $ 7,321 | $ 11,718 |
| Prepaid commissions | 5,906 | 5,866 |
| Capitalized contract costs | 1,800 | 1,782 |
| Other prepaid assets | 6,495 | 5,763 |
| Other current assets | 3,498 | 2,483 |
| Total prepaid and other current assets | $ 25,020 | $ 27,612 |

**Property and equipment, net**

Property and equipment, net, consisted of the following (in thousands):

| | December 31, 2023 | June 30, 2023 |
|---|---|---|
| Furniture and fixtures | $ 1,848 | $ 1,581 |
| Computer and office equipment | 7,781 | 7,798 |
| Software | 13,238 | 5,191 |
| Leasehold improvements | 35,667 | 26,641 |
| Machinery and equipment | 44,649 | 44,779 |
| Construction in progress | 3,426 | 13,499 |
| | 106,609 | 99,489 |
| Less: Accumulated depreciation | (80,690) | (78,563) |
| Property and equipment, net | $ 25,919 | $ 20,926 |

At December 31, 2023, software includes $8.1 million in capitalized costs for the completed transition of the Company's new enterprise resource planning system in August 2023. The Company will depreciate the enterprise resource planning system over five years. Depreciation expense related to property and equipment was $1.5 million and $2.7 million during the three and six months ended December 31, 2023, respectively, and $1.1 million and $2.2 million during the three and six months ended December 31, 2022, respectively.

**Other Assets**

Other assets consisted of the following (in thousands):

| | December 31, 2023 | June 30, 2023 |
|---|---|---|
| Capitalized contract costs | $ 10,736 | $ 9,244 |
| Long-term accounts receivable | 4,564 | 4,734 |
| Capitalized software costs to be sold | 3,624 | 2,853 |

| | | |
|---|---|---|
| Other long-term assets | 3,569 | 3,276 |
| Total other assets | $ 22,493 | $ 20,107 |

**Other Accrued Liabilities**

Other accrued liabilities consisted of the following (in thousands):

| | December 31, 2023 | June 30, 2023 |
|---|---|---|
| Value added tax liabilities | $ 8,540 | $ 12,368 |
| Commissions due to third parties | 8,777 | 10,499 |
| Refunds due to customers | 4,041 | 3,364 |
| Accrued consulting | 1,246 | 2,599 |
| Accrued royalties | 2,518 | 2,398 |
| Income tax payable | 1,869 | 900 |
| Other liabilities | 9,262 | 6,143 |
| Total other accrued liabilities | $ 36,253 | $ 38,271 |

**Accumulated Other Comprehensive Income**

The changes in accumulated other comprehensive income are excluded from earnings and reported as a component of stockholders' equity. The foreign currency translation adjustment results from those subsidiaries not using the U.S. Dollar as their functional currency since the majority of their economic activities are primarily denominated in their applicable local currency. Accordingly, all assets and liabilities related to these operations are translated to the U.S. Dollar at the current exchange rates at the end of each period. Revenues and expenses are translated at average exchange rates in effect during the period.

The components of accumulated other comprehensive income in the stockholders' equity section of the Company's unaudited condensed consolidated balance sheets are as follows (in thousands):

| | December 31, 2023 | June 30, 2023 |
|---|---|---|
| Cumulative foreign currency translation adjustment | $ (1,697) | $ (2,332) |
| Defined benefit pension obligation | 2,754 | 2,754 |
| Accumulated other comprehensive income | $ 1,057 | $ 422 |

**Statements of Operations**

Other expense, net, consisted of the following (in thousands):

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Interest expense | $ (2,922) | $ (2,644) | $ (5,844) | $ (4,906) |
| Foreign currency exchange loss | (1,278) | (33) | (2,234) | (284) |
| Other, net | (152) | (154) | 45 | (199) |
| Total other expense, net | $ (4,352) | $ (2,831) | $ (8,033) | $ (5,389) |

**Note 4. Leases**

The Company has operating leases for corporate offices and warehouse facilities worldwide. Additionally, the Company leases cars, copy machines and laptops that are considered operating leases. Some of the Company's leases are non-cancellable operating lease agreements with various expiration dates through June 2035. Certain lease agreements include options to renew or terminate the lease, which are not reasonably certain to be exercised and therefore, are not factored into the determination of lease payments.

The following table provides information related to the Company's operating leases:

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Operating lease costs [1] | $ 2,456 | $ 2,314 | $ 5,010 | $ 4,651 |
| Short-term operating lease costs | $ 72 | $ 130 | $ 133 | $ 231 |
| Cash paid for amounts included in the measurement of lease liabilities | $ 2,536 | $ 2,211 | $ 5,025 | $ 4,443 |

(1) Excludes expenses related to short-term lease operating costs.

Operating lease right-of-use assets and operating lease liabilities consisted of the following (in thousands):

| | December 31, 2023 | June 30, 2023 |
|---|---|---|
| **Operating lease right-of-use assets** | | |
| Balance at the beginning of period | $ 25,853 | $ 16,798 |
| Lease assets added | 1,046 | 17,157 |
| Amortization for the period | (3,805) | (8,102) |
| Balance at the end of period | $ 23,094 | $ 25,853 |
| | | |
| **Operating lease liabilities** | | |
| Balance at the beginning of period | $ 27,753 | $ 19,020 |
| Lease liabilities added | 3,361 | 16,834 |
| Repayment and interest accretion | (3,649) | (8,101) |
| Balance at the end of period | $ 27,465 | $ 27,753 |
| | | |
| Current portion of operating lease liabilities | $ 5,707 | $ 4,151 |
| Non-current portion of operating lease liabilities | 21,758 | 23,602 |

Maturities of operating lease liabilities as of December 31, 2023, are presented in the table below (dollars in thousands):

| | Amount |
|---|---|
| 2024 (remaining six months) | $ 3,955 |
| 2025 | 4,094 |
| 2026 | 3,736 |
| 2027 | 3,638 |
| 2028 | 3,349 |
| Thereafter | 23,306 |
| Total operating lease payments | 42,078 |
| Less: imputed interest | (14,613) |
| Present value of operating lease liabilities | $ 27,465 |
| Weighted average remaining lease term (in years) | 9.0 |
| Weighted average discount rate | 9.8% |

**Note 5. Goodwill and Intangible Assets**

*Goodwill*

Activity related to goodwill consisted of the following (in thousands):

| | December 31, 2023 | June 30, 2023 |
|---|---|---|
| Balance at the beginning of the period | $ 57,681 | $ 57,840 |
| Currency translation | 90 | (159) |
| Balance at the end of the period | $ 57,771 | $ 57,681 |

The Company performed its annual goodwill impairment test in the second quarter of fiscal year 2024, and determined that there was no impairment to goodwill. The Company will continue to monitor its recorded goodwill for indicators of impairment.

*Purchased Intangible Assets*

The Company's carrying amount of acquired intangible assets, net, consisted of the following (in thousands):

| | December 31, 2023 | | | June 30, 2023 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Amount | Gross Carrying Amount | Accumulated Amortization | Net Amount |
| Patent license | $ 1,000 | $ (964) | $ 36 | $ 1,000 | $ (893) | $ 107 |
| Other intangibles | 132 | (52) | 80 | 132 | (29) | 103 |
| Total intangible assets | $ 1,132 | $ (1,016) | $ 116 | $ 1,132 | $ (922) | $ 210 |

The Company did not identify any triggering events that would indicate a potential impairment of its definite-lived intangible and long-lived assets as of December 31, 2023.

The estimated future amortization expense of acquired intangible assets, net, as of December 31, 2023, is as follows (in thousands):

| | Amount |
|---|---|
| 2024 (remaining six months) | $ 58 |
| 2025 | 44 |
| 2026 | 14 |
| Total estimated future amortization expense | $ 116 |

**Note 6. Derivative Financial Instruments**

The Company utilizes foreign currency forward contracts with reputable financial institutions to manage its exposure of fluctuations in foreign currency exchange rates on certain intercompany balances and foreign currency denominated cash, customer receivables and liabilities. The Company does not use derivative financial instruments for speculative or trading purposes. These forward contracts are not designated as hedging instruments for accounting purposes. Principal hedged currencies primarily include the Japanese Yen, Swiss Franc, and Euro. The periods of these forward contracts range up to approximately three months and the notional amounts are intended to be consistent with changes in the underlying exposures.

The notional amount of the Company's outstanding forward currency exchange contracts consisted of the following (in thousands):

| | December 31, 2023 | June 30, 2023 |
|---|---|---|
| Swiss Franc | $ 45,238 | $ 26,867 |
| Chinese Yuan | 6,191 | 249 |
| Euro | 20,545 | 17,885 |
| British Pound | 736 | 516 |
| Indian Rupee | 6,356 | 3,539 |
| Korean Won | 2,338 | — |
| Japanese Yen | 18,799 | 12,492 |
| Total outstanding forward currency exchange contracts | $ 100,203 | $ 61,548 |

Gains and losses on the Company's foreign currency forward contracts are recorded in Other expense, net, on the Company's unaudited condensed consolidated statements of operations. The following table provides information about the gain or loss associated with the Company's derivative financial instruments not designated as hedging instruments (in thousands):

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Foreign currency exchange gain on forward contracts | $ 959 | $ 363 | $ 141 | $ 761 |

**Note 7. Fair Value Measurements**

Fair value is an exit price representing the amount that would be received to sell an asset or paid to transfer a liability, in the principal or most advantageous market, for the asset or liability, in an orderly transaction between market participants on the measurement date. The fair value hierarchy contains three levels of inputs that may be used to measure fair value, as follows:

*Level 1*— Unadjusted quoted prices that are available in active markets for the identical assets or liabilities at the measurement date.

*Level 2*— Other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

*Level 3*— Unobservable inputs that cannot be corroborated by observable market data and require the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

*Assets and Liabilities That Are Measured at Fair Value*

As of December 31, 2023, the Company had open currency forward contracts to purchase or sell foreign currencies with a stated or notional value of $100.2 million. The fair value of the underlying currency, based upon the December 31, 2023 exchange rate, was $100.4 million, which it considers to be a Level 2 fair value measurement.

As of June 30, 2023, the Company had open currency forward contracts to purchase or sell foreign currencies with a stated or notional value of $61.5 million. The fair value of the underlying currency, based upon the June 30, 2023 exchange rate, was $61.2 million, which it considers to be a Level 2 fair value measurement.

The Company's convertible debt is measured on a recurring basis using Level 2 based upon observable inputs. The Company's Revolving Credit Facility and Term Loan Facility (as defined in Note 9) collectively (the "Credit Facilities") reflect the bank quoted market rates, which the Company considers to be a Level 2 fair value measurement. The Company believes that the carrying value of the Credit Facilities approximates its estimated fair value based on the effective interest rate, compared to the current market rate available to the Company at quarter-end.

The table below summarizes the carrying value and estimated fair value of the 3.75% Convertible Senior Notes due 2026, Term Loan Facility, and the Revolving Credit Facility (in thousands):

| | December 31, 2023 | | June 30, 2023 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| 3.75% Convertible Notes due 2026 | $ 98,483 | $ 91,349 | $ 98,189 | $ 98,265 |
| Term Loan Facility | 66,275 | 66,275 | 69,094 | 69,094 |
| Revolving Credit Facility | 10,000 | 10,000 | 10,000 | 10,000 |
| Total | $ 174,758 | $ 167,624 | $ 177,283 | $ 177,359 |

**Note 8. Commitments and Contingencies**

**Litigation**

From time to time, the Company is involved in legal proceedings, including claims, investigations, and inquiries, arising in the ordinary course of its business. The Company records a provision for a loss when it believes that it is both probable that a loss has been incurred and the amount can be reasonably estimated. To the extent there is a reasonable possibility that a loss exceeding amounts already recognized may be incurred and the amount of such additional loss would be material, we will either disclose the estimated additional loss or state that such an estimate cannot be made. Currently, management believes the Company does not have any probable and reasonably estimable material losses related to any current legal proceedings and claims. Although occasional adverse decisions or settlements may occur, management does not believe that an adverse determination with respect to any of these claims would individually, or in the aggregate, materially and adversely affect the Company's financial condition or operating results. Litigation is inherently unpredictable and is subject to significant uncertainties, some of which are beyond the Company's control. Should any of these estimates and assumptions change or prove to have been incorrect, the Company could incur significant charges related to legal matters that could have a material impact on its results of operations, financial position and cash flows.

**Indemnities**

Under the terms of the Company's software license agreements with its customers, the Company agrees that in the event the software sold infringes upon any patent, copyright, trademark, or any other proprietary right of a third-party, it will indemnify its customer licensees against any loss, expense, or liability from any damages that may be awarded against its customer. The Company includes this infringement indemnification in all of its software license agreements and selected managed services arrangements. In the event the customer cannot use the software or service due to infringement and the Company cannot obtain the right to use, replace or modify the license or service in a commercially feasible manner so that it no longer infringes, then the Company may terminate the license and provide the customer a refund of the fees paid by the customer for the infringing license or service. The Company has not recorded any liability associated with this indemnification, as it is not aware of any pending or threatened actions that represent probable losses as of December 31, 2023.

The Company enters into standard indemnification agreements with its landlords and all superior mortgagees and their respective directors, officers, agents, and employees in the ordinary course of business. Pursuant to these agreements, the Company will indemnify, hold harmless, and agree to reimburse the indemnified party for losses suffered or incurred by the indemnified party, generally the landlords, in connection with any loss, accident, injury, or damage by any third-party with respect to the leased facilities. The term of these indemnification agreements is from the commencement of the lease agreements until termination of the lease agreements. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, historically, the Company has not incurred claims or costs to defend lawsuits or settle claims related to these indemnification agreements. The Company has not recorded any liability associated with its indemnification agreements as it is not aware of any pending or threatened actions that represent probable losses as of December 31, 2023.

**Guarantees**

As of December 31, 2023 and June 30, 2023, the Company had various bank guarantees totaling $1.2 million and $1.3 million, respectively, primarily related to bidding processes with customers.

**Royalty Agreement**

The Company enters into software license agreements with third parties that require royalty payments for each license used. In connection with such agreements, the Company recorded royalty costs of $0.4 million and $0.9 million during the three and six months ended December 31, 2023, respectively, and $0.6 million and $1.1 million during the three and six months ended December 31, 2022, respectively, which were recorded in cost of revenue or deferred cost of revenue. The Company had approximately $2.5 million and $2.4 million in accrued royalty payments as of December 31, 2023, and June 30, 2023, respectively, related to royalty agreements.

**Restructuring Charges**

On October 25, 2023, the Company informed affected employees of a cost savings initiative to reduce operating expenses resulting in the elimination of approximately 5.9 percent of the Company's global workforce. The Company recorded a charge of $2.6 million during the three months ended December 31, 2023. These charges are cash-based and are primarily related to severance expenses and other one-time termination benefits. The Company paid approximately $1.9 million in cash for the restructuring charges during the

three months ended December 31, 2023. At December 31, 2023, the Company has a remaining accrual of $0.7 million, which is included in accrued compensation on the unaudited condensed consolidated balance sheets, and expects to pay the remaining amounts over the remainder of fiscal year 2024.

**Note 9. Debt**

The Company's outstanding debt as of December 31, 2023 and June 30, 2023, is as follows (in thousands):

| | December 31, 2023 | | | June 30, 2023 | | |
|---|---|---|---|---|---|---|
| | Principal Amount | Unamortized Debt Costs | Net Carrying Amount | Principal Amount | Unamortized Debt Costs | Net Carrying Amount |
| 3.75% Convertible Senior Notes due 2026 | $ 100,000 | $ (1,517) | $ 98,483 | $ 100,000 | $ (1,811) | $ 98,189 |
| Term Loan Facility | 67,000 | (725) | 66,275 | 70,000 | (906) | 69,094 |
| Revolving Credit Facility | 10,000 | — | 10,000 | 10,000 | — | 10,000 |
| Total debt | $ 177,000 | $ (2,242) | $ 174,758 | $ 180,000 | $ (2,717) | $ 177,283 |
| Reported as: | | | | | | |
| Short-term debt | | | $ 6,738 | | | $ 5,721 |
| Long-term debt | | | 168,020 | | | 171,562 |
| Total debt | | | $ 174,758 | | | $ 177,283 |

*3.75% Convertible Senior Notes due June 2026*

In May 2021, the Company issued $100.0 million aggregate principal amount of its 3.75% Convertible Senior Notes due June 2026 (the "3.75% Convertible Notes due 2026") under an indenture agreement between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee. As of December 31, 2023, the if-converted value of its 3.75% Convertible Notes due 2026 did not exceed the outstanding principal amount.

*Credit Facilities*

The Company has a $40.0 million revolving credit facility (the "Revolving Credit Facility") and a five-year $80.0 million term loan (the "Term Loan Facility"). In fiscal year 2024, interest on the borrowings under the Credit Facilities is payable in arrears on the applicable interest payment date, at an annual interest rate of reserve-adjusted, 90-day term Secured Overnight Financing Rate (subject to a 0.50% floor) plus a margin between 2.50% and 3.25% margin, determined by the Consolidated Senior Net Leverage Ratio (as defined in the credit agreement governing the Credit Facilities (the "Credit Agreement")). The weighted average effective interest rate on the Term Loan Facility and Revolving Credit Facility was approximately 8.4% during both the three and six months ended December 31, 2023.

The Credit Agreement requires the Company to pay the lenders an unused commitment fee equal to the average unused portion of the Revolving Credit Facility. The Company pays a rate of 0.25% to 0.40% per annum of the average unused portion of the Revolving Credit Facility, determined by the Consolidated Senior Net Leverage Ratio (as defined in the Credit Agreement). If all or a portion of the loans under the Term Loan Facility are prepaid, then the Company will be required to pay a fee equal to 1% of the aggregate amount of the loans so prepaid, subject to certain exceptions.

The Credit Agreement contains restrictions and covenants applicable to the Company and its subsidiaries. Among other requirements, the Company may not permit the Fixed Charge Coverage Ratio (as defined in the Credit Agreement) to be less than a certain specified ratio for each fiscal quarter during the term of the Credit Agreement or the consolidated senior net leverage ratio to be greater than a certain specified ratio for each fiscal quarter during the term of the Credit Agreement. As of December 31, 2023, the Company was in compliance with its covenants under the Credit Agreement.

A summary of interest expense on the 3.75% Convertible Notes due 2026, the Revolving Credit Facility, and the Term Loan Facility is as follows (in thousands):

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Interest expense related to contractual interest coupon | $ 2,653 | $ 2,362 | $ 5,322 | $ 4,394 |
| Interest expense related to amortization of debt issuance costs | 237 | 228 | 475 | 447 |
| Total | $ 2,890 | $ 2,590 | $ 5,797 | $ 4,841 |

**Note 10. Stock Incentive Plan and Employee Stock Purchase Plan**

The following table presents details of share-based compensation expenses, by functional line item, noted within the Company's operating expenses (in thousands):

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Cost of revenue | $ 390 | $ 443 | $ 626 | $ 809 |
| Research and development | 280 | 403 | 681 | 771 |
| Selling and marketing | 437 | 458 | 845 | 944 |
| General and administrative | 1,207 | 1,822 | 2,554 | 3,518 |
| Total share-based compensation | $ 2,314 | $ 3,126 | $ 4,706 | $ 6,042 |

On November 9, 2023, the Company’s stockholders approved amending and restating the Company’s 2016 Equity Incentive Plan to increase the number of shares of the Company’s common stock available for issuance by 5.0 million shares.

**Note 11. Net Loss Per Common Share**

The Company reports both basic and diluted net loss per share, which is based on the weighted average number of common shares outstanding during the period. A reconciliation of the numerator and denominator used in the calculation of basic and diluted net loss per common share follows (in thousands, except for per share amounts):

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **Numerator:** | | | | |
| Net loss | $ (9,621) | $ (1,874) | $ (12,590) | $ (7,323) |
| **Denominator:** | | | | |
| Weighted average shares outstanding - basic and diluted | 97,776 | 94,567 | 97,165 | 94,048 |
| Basic and diluted net loss per share | $ (0.10) | $ (0.02) | $ (0.13) | $ (0.08) |
| Anti-dilutive share-based awards, excluded | 14,601 | 14,910 | 14,601 | 14,910 |

The potentially dilutive shares of the Company’s common stock are excluded from the computation of diluted net loss per share when their effect would have been anti-dilutive. Additionally, the outstanding 3.75% Convertible Notes due 2026 are included in the calculation of diluted net loss per share only if their inclusion is dilutive for periods during which the 3.75% Convertible Notes due 2026 were outstanding. The shares of common stock issuable upon conversion of the outstanding principal amount of the 3.75% Convertible Notes due 2026 as of three and six months ended December 31, 2023 and 2022 totaled approximately 17.1 million shares and were not included in the basic and diluted net loss per common share as the effect of adding the shares were anti-dilutive.

**Note 12. Segment Information**

The Company has one operating and reporting segment (Oncology systems group), which develops, manufactures and markets proprietary medical devices used in radiation therapy for the treatment of cancer patients. The Company’s Chief Executive Officer, its Chief Operating Decision Maker, reviews financial information presented on a consolidated basis for purposes of making operating decisions and assessing financial performance. The Company does not assess the performance of its individual product lines on measures of profit or loss, or asset-based metrics, therefore, the information below is presented only for revenues and long-lived tangible assets by geographic area.

The Company reports its customer revenues in four geographic regions: the Americas, EIMEA, Asia Pacific and Japan. The Americas region primarily includes the United States, Canada, and Latin America. The EIMEA region includes Europe, India, the Middle East and Africa. The Asia Pacific region consists of Asia, Australia and New Zealand.

**Disaggregation of Revenues**

The Company disaggregates its revenues from contracts by geographic region, as the Company believes this best depicts how the nature, amount, timing and uncertainty of revenues and cash flows are affected by economic factors. Revenues attributed to a country or region are based on the shipping address of the Company's customers. Additionally, the Company typically recognizes revenue at a point in time for product revenue and recognizes revenue over time for service revenue.

The following summarizes revenue by geographic region (in thousands):

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Americas | $ 23,742 | $ 27,919 | $ 44,299 | $ 55,204 |
| EIMEA | 43,800 | 39,664 | 83,333 | 76,410 |
| China | 23,375 | 22,278 | 49,590 | 35,278 |
| Japan | 10,648 | 15,700 | 23,240 | 27,188 |
| Asia Pacific, excluding China | 5,673 | 9,199 | 10,668 | 17,173 |
| Total | $ 107,238 | $ 114,760 | $ 211,130 | $ 211,253 |

**Disaggregation of Long-Lived Assets**

Information regarding geographic areas in which the Company has long-lived assets, which consists of property, plant and equipment, net, and operating lease right-of-use assets are as follows (in thousands):

| | December 31, 2023 | June 30, 2023 |
|---|---|---|
| Americas | $ 44,360 | $ 41,569 |
| EIMEA | 2,369 | 3,074 |
| China | 1,139 | 501 |
| Japan | 803 | 1,096 |
| Asia Pacific, excluding China | 342 | 539 |
| Total | $ 49,013 | $ 46,779 |

**Note 13. Joint Venture**

In January 2019, the Company's wholly-owned subsidiary, Accuray Asia Limited ("Accuray Asia"), entered into an agreement with CNNC High Energy Equipment (Tianjin) Co., Ltd. (the "CIRC Subsidiary"), a wholly-owned subsidiary of China Isotope & Radiation Corporation, to form a joint venture, CNNC Accuray (Tianjin) Medical Technology Co. Ltd. (the "JV"), to manufacture and sell radiation oncology systems in China. As of December 31, 2023, the Company owned a 49% interest in the JV, which is reported as an investment in joint venture on the Company's unaudited condensed consolidated balance sheets.

The Company applies the equity method of accounting to its ownership interest in the JV as the Company has the ability to exercise significant influence over the JV but lacks controlling financial interest and is not the primary beneficiary. The Company recognizes the 49% proportionate share of the JV income or loss on a one-quarter lag due to the timing of the availability of the JV's financial records. The Company recognizes revenue on sales to the JV in the current period, eliminating a portion of profit to the extent goods sold have not been sold through by the JV to an end customer at the end of such reporting period.

The following table shows the reconciliation between the carrying value of the Company's investment in the JV and its proportional share of the underlying equity in net assets of the JV (in thousands):

| | December 31, 2023 | June 30, 2023 |
|---|---|---|
| Carrying value of investment in joint venture | $ 14,536 | $ 15,128 |
| Deferred intra-entity profit margin | 5,443 | 5,737 |
| Equity method goodwill | (4,720) | (4,720) |
| Proportional share of equity investment in joint venture | $ 15,259 | $ 16,145 |

As of December 31, 2023, the Company's carrying value of the investment in the JV was decreased for the Company's proportional share of the JV's currency translation adjustment by $0.9 million. As of June 30, 2023, the Company's carrying value of the investment in the JV for the Company's proportional share of the JV's currency translation adjustment was not material.

Summarized financial information of the JV is as follows (in thousands):

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| **Statement of Operations Data:** | **2023** | **2022** | **2023** | **2022** |
| Revenue | $ 22,457 | $ 23,983 | $ 54,312 | $ 50,723 |
| Gross profit | 2,800 | 3,719 | 8,613 | 8,315 |
| Net income (loss) | (872) | (1,416) | 7 | (2,168) |
| Net income (loss) attributable to the Company | (427) | (699) | 4 | (1,067) |

| **Summarized Balance Sheet Data:** | As of September 30, 2023 | As of September 30, 2022 |
|---|---|---|
| Assets | | |
| Current assets | $ 94,504 | $ 74,525 |
| Non-current assets | 13,576 | 17,658 |
| Total assets | $ 108,080 | $ 92,183 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities | $ 76,338 | $ 66,618 |
| Non-current liabilities | 174 | 669 |
| Stockholders' equity | 31,568 | 24,896 |
| Total liabilities and stockholders' equity | $ 108,080 | $ 92,183 |

The following table shows the activity of the Company's net revenue recognized from intra-entity profit margin from sales (in thousands):

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Sales recognized from released deferred intra-entity profit margin | $ 4,728 | $ 4,067 | $ 6,313 | $ 6,415 |
| Deferred intra-entity profit margin from sales | (2,858) | (3,042) | (6,019) | (5,429) |
| Net revenue recognized from intra-entity profit margin from sales [(1)] | $ 1,870 | $ 1,025 | $ 294 | $ 986 |

(1) Profit earned by the Company from the JV is eliminated through cost of goods sold until it is realized; such profits would generally be considered realized when the inventory has been sold through to third parties.

**Note 14. Income Tax**

On a quarterly basis, the Company provides for income taxes based upon an estimated annual effective income tax rate. The Company recognized income tax expense, which were primarily related to foreign taxes, of $0.9 million and $2.8 million during the three and six months ended December 31, 2023, respectively, and $1.0 million and $1.4 million during the three and six months ended December 31, 2022, respectively.

Starting in fiscal year 2019, certain income earned by controlling foreign corporations ("CFCs") must be included in the gross income of the CFC's U.S. shareholder. The income required to be included in gross income is referred to as global intangible low tax income ("GILTI") and is defined under IRC Section 951A as the excess of the shareholder's net CFC tested income over the net

deemed tangible income return. The GILTI inclusion amount is expected to be fully absorbed by net operating losses carryforward and is not expected to cause the Company to be in a U.S. taxable income position for fiscal year 2024.

There is no material impact on the Company's unaudited condensed consolidated financial statements for fiscal year 2024 relating to the change in U.S. tax law that requires capitalization and amortization of research and experimental expenditures incurred after July 1, 2022 which has been fully offset by pre-2018 net operating loss carryforwards. The Company will continue to evaluate the impact of this tax law change on future periods.

As of December 31, 2023, the Company's gross unrecognized tax benefits were $21.6 million, of which $21.2 million would not affect income tax expense before consideration of any valuation allowance. The Company does not expect its unrecognized tax benefits to change significantly over the next 12 months. Interest and penalties accrued on unrecognized tax benefits and are recorded as a component of income tax expense.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion and analysis of our financial condition as of December 31, 2023, and results of operations for the three and six months ended December 31, 2023 and 2022 should be read together with our unaudited condensed consolidated financial statements and related notes included in this report. Statements made in this Form 10-Q report that are not statements of historical fact are forward-looking statements that are subject to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements in this report relate, but are not limited, to: our future results of operations and financial position, including the sufficiency of cash resources and expected cash flows to fund future operations, including the next 12 months; expectations regarding our cost savings initiatives, including our reduction in our global workforce and any related costs; our expectations regarding backlog and age-outs, cancellations of contracts and foreign currency impacts; the anticipated drivers of our future capital requirements; expectations regarding our strategy in China and our China joint venture as well as its expected impact on our business; expectations regarding our new enterprise resource planning system, SAP; expectations regarding the market in China for radiation oncology systems; expectations regarding the effects of the global macroeconomic conditions and the COVID-19 pandemic on our financial results and business as well as the business of our customers and suppliers; expectations regarding delays in deliveries and installations and its impact on our business; expectations regarding inflation, supply chain challenges and heightened logistics costs and its impact on our business, including gross margins and net income (loss); expectations regarding the timing of deliveries and revenue conversion related to China; our expectations regarding the adequacy of our manufacturing facilities; the anticipated risks associated with our foreign operations and fluctuations in the U.S. Dollar and foreign currencies as well as our ability to mitigate such risks; tariffs and trade policies; expectations related to the effect of the GILTI tax on our taxable income position; the amount of unrecognized tax amounts; the sufficiency of our cash, cash equivalents and investments to meet our anticipated cash needs for working capital and capital expenditures and our business strategy, plans and objectives. Forward-looking statements generally can be identified by words such as "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "projects," "may," "will be," "will continue," "will likely result," and similar expressions. These forward-looking statements involve risks and uncertainties. If any of these risks or uncertainties materialize, or if any of our assumptions prove incorrect, actual results could differ materially from the results expressed or implied by these forward-looking statements. These risks and uncertainties include, those discussed in this quarterly report, in particular under the heading "Risk Factors" in Part II, Item 1A, and other filings we make with the Securities and Exchange Commission. Forward-looking statements speak only as of the date the statements are made and are based on information available to us at the time those statements are made and/or management's good faith belief as of that time with respect to future events. We assume no obligation to update forward-looking statements to reflect actual performance or results, changes in assumptions or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws. Accordingly, investors should not place undue reliance on any forward-looking statements.*

*In this report, "Accuray," the "Company," "we," "us," and "our" refer to Accuray Incorporated and its subsidiaries.*

**Overview**

**Company**

We are a radiation therapy company that develops, manufactures, sells and supports market-changing solutions that are designed to deliver radiation treatments for even the most complex cases, while making commonly treatable cases even more straightforward, to meet the full spectrum of patient needs. We believe in comparison to conventional linear accelerators, our treatment delivery, planning, and data management solutions provide better accuracy, flexibility, and control; fewer treatments with shorter treatment times; and the technology to expand beyond cancer, making it easier for clinical teams around the world to provide treatments that help patients get back to living their lives, faster.

Our innovative technologies, the CyberKnife® and TomoTherapy® platforms, including the Radixact® System, our next generation TomoTherapy platform, are designed to deliver advanced treatments, including stereotactic radiosurgery ("SRS"), stereotactic body radiation therapy ("SBRT"), intensity modulated radiation therapy ("IMRT"), image-guided radiation therapy ("IGRT"), and adaptive radiation therapy ("ART"). The CyberKnife and TomoTherapy platforms have complementary clinical applications with the same goal: to empower our customers to deliver the most precise and accurate treatments while still minimizing dose to healthy tissue, helping to reduce the risk of side effects that may impact patients' quality of life. Each of these systems serves patient populations treated by the same medical specialty, radiation oncology, with advanced capabilities. The CyberKnife platform is also used by neurosurgeons specializing in radiosurgery to treat patients with tumors in the brain and spine, and neurologic and/or endocrine disorders. In addition to these products, we also provide services, which include post-contract customer support (warranty period services and post-warranty services), installation services, training, and other professional services.

***Current Economic Conditions***

We are subject to risks and uncertainties caused, directly or indirectly, by events with significant geopolitical and macroeconomic impacts, including, but not limited to, rising inflation; actions taken to counter inflation, including rising interest rates; foreign currency exchange rate fluctuations; uncertainty and volatility in the banking and financial services sector; tightening credit markets, the effects of the COVID-19 pandemic; geopolitical concerns, such as the Russian-Ukraine and Israel-Hamas conflicts and increasing tension between China and the U.S., including with respect to Taiwan; and other factors that may emerge. We are also continuing to navigate supply chain and inflation challenges and adverse foreign currency exchange rate fluctuations, all of which continues to have a negative impact on our results of operations.

We expect that our customers' business and our business will continue to be adversely impacted, directly or indirectly, by these macroeconomic and geopolitical issues. Delays in deliveries and installations as a result of the COVID-19 pandemic and the ongoing recovery from the COVID-19 pandemic as well as its effects on the global economic environment have occurred and may continue, to some degree, through the remainder of calendar year 2024, which could have a negative impact on our revenue during such period. In addition, rising inflation and the ongoing supply chain challenges and logistics costs have materially affected our gross margins and net income (loss), and we expect that gross margins and net income (loss) will continue to be adversely affected by increased material costs and freight and logistic expenses through at least the remainder of fiscal year 2024, and potentially longer. The extent of the ongoing impact of these macroeconomic events on our business, our markets and on global economic activity however, is uncertain and the related financial impact cannot be reasonably estimated with any certainty at this time. Our past results may not be indicative of our future performance, and historical trends including conversion of backlog to revenue, income (loss) from operations, net income (loss), net income (loss) per share and cash flows may differ materially. Accordingly, management is carefully evaluating our liquidity position, communicating with and monitoring the actions of our customers and suppliers, and reviewing our near-term financial performance as the uncertainty related to these factors continues to unfold. We also continue to evaluate our operating expenses, including our real estate needs and continue to assess our operations and how and to what extent we will continue to utilize our current real estate assets. The risks related to our business, including further discussion of the impact and possible future impacts of current economic conditions and the COVID-19 pandemic on our business, are further described in the section titled "Risk Factors" in Part II, Item 1A of this Quarterly Report on Form 10-Q.

***Sale of Our Products***

Generating revenue from the sale of our platforms is a lengthy process. Selling our platforms, from first contact with a potential customer to a signed sales contract that meets our backlog criteria (as discussed below) varies significantly and generally spans between six months and 30 months. The length of time between receipt of a signed contract and revenue recognition is generally governed by the time required by the customer to build, renovate or prepare the treatment room for installation of the platform. We report our customer revenues in four geographic regions: the Americas, EIMEA, Asia Pacific and Japan. The Americas region includes the United States, Canada and Latin America. The EIMEA region includes Europe, India, the Middle East and Africa. The Asia Pacific region consists of Asia, Australia and New Zealand.

In the United States, we primarily market directly to customers, including hospitals and stand-alone treatment facilities, through our sales organization and we also market to customers through sales agents and group purchasing organizations. Outside the United States, we market to customers directly and through use of distributors and sales agents. In addition to our offices in the United States, we have international offices in Morges, Switzerland; Hong Kong, China; Shanghai, China and Tokyo, Japan and direct sales staff in most countries in Western Europe, Japan, India and Canada. In addition, we have distributors in Eastern Europe, Russia, the Middle East, the Asia Pacific region, and Latin America.

***Joint Venture***

In January 2019, our wholly-owned subsidiary, Accuray Asia Limited ("Accuray Asia"), entered into an agreement with CNNC High Energy Equipment (Tianjin) Co., Ltd., a wholly-owned subsidiary of China Isotope & Radiation Corporation, to form a joint venture, CNNC Accuray (Tianjin) Medical Technology Co. Ltd. (the "JV"), to manufacture and sell radiation oncology systems in China. The JV aims to be uniquely positioned to serve China, which we believe is the world's largest growth market for radiation oncology systems. China represents a significantly underserved market for linacs based on the country's population and cancer incidence rates on both an absolute and relative country basis.

With the receipt of the necessary permits and licenses to operate, the JV has begun selling products in China, much like a distributor. In the long term, we anticipate that the JV will manufacture and sell a locally branded "Made in China" radiotherapy device in the Class B license category, or Class B device, which would replace our current offering in that category. We believe this strategy will allow us to best maximize both near and longer-term opportunities in China. In September 2023, we received approval for our Class B device from the National Medical Products Administration.

***Restructuring***

On October 25, 2023, we informed affected employees of a cost savings initiative (the "2024 restructuring initiative") to reduce operating costs resulting in the elimination of approximately 5.9 percent of our global workforce. We incurred a charge of $2.6 million during the three months ended December 31, 2023. These charges are cash-based and are primarily related to severance expenses and other one-time termination benefits. We will record the restructuring charges of the affected employees in their respective department cost center. The restructuring charges recorded during the period ending December 31, 2023 are as follows: cost of sales $0.2 million, research and development $1.7 million, sales and marketing $0.1 million, and general and administrative $0.6 million. We paid approximately $1.9 million in cash for the restructuring charges during the three months ended December 31, 2023. At December 31, 2023, we have a remaining accrual of $0.7 million, which is included in accrued compensation on the unaudited condensed consolidated balance sheets, and expect to pay the remaining amounts over the remainder of fiscal year 2024.

***Backlog***

In order for the product portion of a system sales agreement to be included in backlog, it must meet the following criteria:

- The contract is properly executed by both the customer and us. A customer purchase order that incorporates the terms of our contract quote will be considered equivalent to a signed and executed contract. The contract has either cleared all its contingencies or contained no contingencies when signed;
- We have received a minimum deposit or a letter of credit; or the sale is to a customer where a deposit is deemed not necessary or customary (i.e., sale to a government entity, a large hospital, group of hospitals or cancer care group that has sufficient credit, customers with trade-in of existing equipment, sales via tender awards, or indirect channel sales that have signed contracts with end-customers);
- The specific end-customer site has been identified by the customer in the written contract or written amendment; and
- Less than 30 months have passed since the contract met all the criteria above.

Our backlog includes contractual agreements with our customers for the purchase of our CyberKnife or TomoTherapy platforms, including the Radixact Systems and related upgrades. The amount of backlog recognized into revenue is primarily impacted by three items: cancellations, age-outs and age-ins, and foreign currency fluctuations. We cannot provide assurance that we will convert backlog into recognized revenue, primarily due to factors outside of our control, such as:

- Orders could be cancelled for reasons such as, changes in customers' priorities or financial condition, changes in government or health insurance reimbursement policies, or changes to regulatory requirements. Cancellations are outside of our control and are difficult to forecast; however, we continue to work closely with our customers to minimize the impact of cancellations on our business;
- Orders are considered aged-out and removed from reported backlog if we have not been able to recognize revenue on an agreement after 30 months. Agreements may age-out for many reasons, including but not limited to, the inability of the customer to pay, the inability of the customer to adapt their facilities to accommodate our products in a timely manner, or the inability to timely obtain licenses necessary for customer facilities or operation of our equipment. Age-ins represent orders that previously aged-out but have been recognized as revenue in the current period; and
- Orders include amounts not denominated in U.S. Dollars and therefore, fluctuations in the U.S. Dollar as compared to other currencies will impact revenue. Generally, strengthening of the U.S. Dollar will negatively impact revenue. Backlog is stated at historical foreign currency exchange rates, and revenue is released from backlog at current exchange rates, with any difference recorded as a backlog adjustment.

A summary of gross orders, net orders, and order backlog is as follows (in thousands):

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Gross orders | $ 93,856 | $ 79,035 | $ 157,590 | $ 148,883 |
| Age-ins | 4,846 | 6,526 | 13,572 | 12,416 |
| Age-outs | (40,366) | (41,350) | (71,359) | (92,526) |
| Cancellations | - | - | (8,841) | (1,460) |
| Currency impacts and other | (3,730) | (3,342) | (4,616) | (6,874) |
| Net orders | $ 54,606 | $ 40,869 | $ 86,346 | $ 60,439 |
| Order backlog at the end of the period | $ 492,100 | $ 515,236 | $ 492,100 | $ 515,236 |

***Gross Orders and Book to Bill Ratio***

Gross orders are defined as the sum of new orders recorded during the period adjusted for any revisions to existing orders during the period.

Gross orders increased by $14.8 million during the three months ended December 31, 2023, as compared to the same period in the prior fiscal year, primarily due to an increase in gross orders from the China and EIMEA regions, partially offset by a decrease in gross orders from the Americas region. CyberKnife System gross orders and upgrades increased by $12.0 million, and TomoTherapy System gross orders and upgrades increased by $2.8 million during three months ended December 31, 2023, as compared to the same period in the prior fiscal year.

Gross orders increased by $8.7 million during the six months ended December 31, 2023, as compared to the same period in the prior fiscal year, primarily due to an increase in gross orders from the EIMEA, Asia Pacific, and Japan regions, partially offset by a decrease in gross orders from the Americas and China regions. CyberKnife System gross orders and upgrades increased by $15.5 million, and TomoTherapy System gross orders and upgrades decreased by $6.8 million during the six months ended December 31, 2023, as compared to the same period in the prior fiscal year.

Our book to bill ratio is defined as gross orders for the period divided by product revenue for the period. Our book to bill ratio was 1.8 and 1.5 during the three and six months ended December 31, 2023, respectively, as compared to 1.2 and 1.4 during the three and six months ended December 31, 2022, respectively. A book-to-bill ratio greater than 1.2 indicates strong demand for our products. This metric allows management to monitor our business development efforts to ensure we grow our backlog and our business over time.

***Net Orders***

Net orders are defined as gross orders less cancellations, age-outs net of age-ins, foreign currency impacts and other adjustments during the period.

Net orders increased by $13.7 million during the three months ended December 31, 2023, as compared to the same period in the prior fiscal year, primarily due to an increase in gross orders. Net orders increased by $25.9 million during the six months ended December 31, 2023, as compared to the same period in the prior fiscal year, primarily due to an increase in gross orders and a decrease in age-outs.

**Results of Operations — Three and six months ended December 31, 2023 and 2022**

***Net revenue***

Net revenue by sales classification is as follows:

| (Dollars in thousands) | Three Months Ended December 31, 2023 | 2022 | Percent Change | Six Months Ended December 31, 2023 | 2022 | Percent Change |
|---|---|---|---|---|---|---|
| Products (a)(c) | $ 51,538 | $ 63,269 | (19)% | $ 104,888 | $ 107,892 | (3)% |
| Services (b) | 55,700 | 51,491 | 8% | 106,242 | 103,361 | 3% |
| Net revenue | $ 107,238 | $ 114,760 | (7)% | $ 211,130 | $ 211,253 | (0)% |
| Products revenue as a percentage of net revenue | 48% | 55% | | 50% | 51% | |
| Service revenue as a percentage of net revenue | 52% | 45% | | 50% | 49% | |

(a) Includes sales of products to the joint venture, an equity method investment, of $17,890 and $39,842 during the three and six months ended December 31, 2023 and $16,715 and $25,584 during the three and six months ended December 31, 2022, respectively. See Note 13.

(b) Includes sales of services to the joint venture, an equity method investment, of $4,134 and $6,988 during the three and six months ended December 31, 2023 and $2,494 and $5,451 during the three and six months ended December 31, 2022, respectively. See Note 13.

(c) The three and six months ended December 31, 2023 includes revenue from certain upgrades that were recorded in services net revenue in the three and six months ended December 31, 2022.

Products net revenue decreased by $11.7 million and $3.0 million during the three and six months ended December 31, 2023, respectively, as compared to the same periods in the prior fiscal year, mostly driven by a lower volume of shipments of system units of our TomoTherapy System and CyberKnife System.

Services net revenue increased by $4.2 million and $2.9 million during the three and six months ended December 31, 2023, respectively, as compared to the same periods in the prior fiscal year, primarily due to an increase in revenue from service contracts as a result of an increase in our installed base and an increase in revenue from training as a result of more systems put into service, partially offset by a decrease in revenue from the purchase of spare parts by customers and revenue recognized from the installation of systems at customer locations.

Net revenue by geographic region, based on the shipping location of our customers, is as follows:

| (Dollars in thousands) | Three Months Ended December 31, 2023 | 2022 | Percent Change | Six Months Ended December 31, 2023 | 2022 | Percent Change |
|---|---|---|---|---|---|---|
| Americas | $ 23,742 | $ 27,919 | (15)% | $ 44,299 | $ 55,204 | (20)% |
| EIMEA | 43,800 | 39,664 | 10% | 83,333 | 76,410 | 9% |
| China | 23,375 | 22,278 | 5% | 49,590 | 35,278 | 41% |
| Japan | 10,648 | 15,700 | (32)% | 23,240 | 27,188 | (15)% |
| Asia Pacific, excluding China | 5,673 | 9,199 | (38)% | 10,668 | 17,173 | (38)% |
| Net revenue | $ 107,238 | $ 114,760 | (7)% | $ 211,130 | $ 211,253 | (0)% |

Revenue derived from sales outside of the Americas region was $83.5 million and $86.8 million during the three months ended December 31, 2023 and 2022, respectively. Revenue derived from sales outside the Americas region decreased primarily due to a lower volume of shipments of system units in our Japan and Asia Pacific regions, partially offset by a higher volume of shipments of system units and an increase in revenues from services in our EIMEA region. Revenue from the Americas region decreased primarily due to a lower volume of shipments of system units.

Revenue derived from sales outside of the Americas region was $166.8 million and $156.0 million during the six months ended December 31, 2023 and 2022, respectively. Revenue derived from sales outside the Americas region increased primarily due to a higher volume of shipments of system units in our China and EIMEA regions, partially offset by a lower volume of shipments of system units in our Asia Pacific and Japan regions. Revenue from the Americas region decreased primarily due to a lower volume of shipments of system units.

**Gross Profit**

| (Dollars in thousands) | Three Months Ended December 31, 2023 | 2022 | Percent Change | Six Months Ended December 31, 2023 | 2022 | Percent Change |
|---|---|---|---|---|---|---|
| Gross profit | $ 35,902 | $ 42,967 | (16)% | $ 75,395 | $ 77,564 | (3)% |
| Total gross profit as a percentage of net revenue | 33.5% | 37.4% | | 35.7% | 36.7% | |

Gross profit decreased by $7.1 million during the three months ended December 31, 2023, as compared to the same period in the prior fiscal year primarily due to a decrease in revenue from the sale of systems and higher service parts consumption, partially offset by an increase in net revenue recognized from intra-entity profit margin from sales related to shipments for the JV.

Gross profit decreased by $2.2 million during the six months ended December 31, 2023, as compared to the same period in the prior fiscal year primarily due to a lower margin on product shipments, incremental scrap, price inflation for materials, inbound duties, and lower net revenue recognized from intra-entity profit margin from sales related to shipments for the JV.

**Operating Expenses**

| (Dollars in thousands) | Three Months Ended December 31, 2023 | 2022 | Percent Change | Six Months Ended December 31, 2023 | 2022 | Percent Change |
|---|---|---|---|---|---|---|
| Research and development | $ 15,281 | $ 14,641 | 4% | $ 29,294 | $ 28,733 | 2% |
| Selling and marketing | 11,361 | 13,586 | (16)% | 21,605 | 24,381 | (11)% |
| General and administrative | 13,224 | 12,035 | 10% | 26,247 | 23,927 | 10% |
| Total operating expenses | $ 39,866 | $ 40,262 | (1)% | $ 77,146 | $ 77,041 | 0% |
| *Research and development as a percentage of net revenue* | *14%* | *13%* | | *14%* | *14%* | |
| *Selling and marketing as a percentage of net revenue* | *11%* | *12%* | | *10%* | *12%* | |
| *General and administrative as a percentage of net revenue* | *12%* | *10%* | | *12%* | *11%* | |
| *Total operating expenses as a percentage of net revenue* | *37%* | *35%* | | *37%* | *36%* | |

Research and development expenses increased by $0.6 million and $0.6 million during the three and six months ended December 31, 2023, respectively, as compared to the same periods in the prior fiscal year. The increases in both periods were primarily due to severance costs related to the 2024 restructuring initiative, partially offset by lower costs due to a decrease in headcount and project activity as a result of the 2024 restructuring initiative.

Selling and marketing expenses decreased by $2.2 million and $2.8 million during the three and six months ended December 31, 2023, respectively, as compared to the same periods in the prior fiscal year. The decreases in both periods were primarily due to a reduction in compensation and benefits as a result of the restructuring activity in the prior fiscal year, and a decrease in consulting costs due to cost-cutting efforts, partially offset by an increase in trade show expenses.

General and administrative expenses increased by $1.2 million and $2.3 million during the three and six months ended December 31, 2023, respectively, as compared to the same periods in the prior fiscal year. The increases in both periods were primarily due to higher external consulting costs and amortization expense related to the implementation of a new enterprise resource planning system, and higher rent expense as a result of an expansion at our Madison offices during the second quarter of fiscal year 2023, partially offset by a decrease in bonus expenses, stock compensation and recruiting fees.

**Income (loss) on equity method investment, net**

| (Dollars in thousands) | Three Months Ended December 31, 2023 | 2022 | Percent Change | Six Months Ended December 31, 2023 | 2022 | Percent Change |
|---|---|---|---|---|---|---|
| Income (loss) on equity method investment | $ (427) | $ (699) | (39)% | $ 4 | $ (1,067) | (100)% |

Loss on equity method investment, which relates to our JV, decreased by $0.3 million in the three months ended December 31, 2023, as compared to the same period in the prior fiscal year, primarily due to an increase in service revenues and lower operating expenses, partially offset by a decrease in revenue from the sale of system units. Income on equity method investment increased by $1.1 million in the six months ended December 31, 2023, primarily due to an increase in revenues from the sale of system units and services and lower operating expenses.

**Other Expense, net**

| | Three Months Ended December 31, | | | Six Months Ended December 31, | | |
|---|---|---|---|---|---|---|
| (Dollars in thousands) | 2023 | 2022 | Percent Change | 2023 | 2022 | Percent Change |
| Interest expense | $ (2,922) | $ (2,644) | 11% | $ (5,844) | $ (4,906) | 19% |
| Foreign currency transaction loss | (1,278) | (33) | 3773% | (2,234) | (284) | 687% |
| Other, net | (152) | (154) | 1% | 45 | (199) | (123)% |
| Total other expense, net | $ (4,352) | $ (2,831) | 54% | $ (8,033) | $ (5,389) | 49% |

Other expense, net, increased by $1.5 million and $2.6 million during the three and six months ended December 31, 2023, respectively, as compared to the same periods in the prior fiscal year, primarily due to an increase in interest expense as a result of higher interest rates on our Credit Facility and an increase in foreign currency transaction losses due to a stronger U.S. Dollar.

**Provision for Income Taxes**

| | Three Months Ended December 31, | | | Six Months Ended December 31, | | |
|---|---|---|---|---|---|---|
| (Dollars in thousands) | 2023 | 2022 | Percent Change | 2023 | 2022 | Percent Change |
| Provision for income taxes | $ 878 | $ 1,049 | (16)% | $ 2,810 | $ 1,390 | 102% |

On a quarterly basis, we provide for income taxes based upon an estimated annual effective income tax rate. The provision for income taxes decreased by $0.2 million during the three months ended December 31, 2023 primarily due to an additional expense in the prior year period for a tax audit in Japan. The provision for income taxes increased by $1.4 million during six months ended December 31, 2023, as compared to the same period in the prior fiscal year, primarily due to an increase in foreign earnings and deferred tax liability on unremitted foreign earnings as compared to prior fiscal year.

**Liquidity and Capital Resources**

At December 31, 2023, we had $72.8 million in cash and cash equivalents. Cash from operations could be affected by various risks and uncertainties, including, but not limited to, the ongoing recovery from the COVID-19 pandemic, inflation, actions taken to counter inflation, foreign currency exchange rate fluctuations, instability in the banking sector and the risks included in Part II, Item 1A titled “Risk Factors.” In particular, we expect rising inflation and the ongoing supply chain challenges and logistics costs to impact our cash from operations through at least the remainder of fiscal year 2024, if not longer. Based on our cash and cash equivalents balance, available debt facilities, current business plan and revenue prospects, we believe we will have sufficient cash resources and anticipated cash flows to fund our operations for at least the next 12 months. However, we continue to critically review our liquidity and anticipated capital requirements in light of the significant uncertainty created by macroeconomic conditions and ongoing recovery from the COVID-19 pandemic.

On October 25, 2023, we informed affected employees of the 2024 restructuring initiative. We incurred a charge of $2.6 million and paid $1.9 million during the three months ended December 31, 2023. We expect the remaining amounts to be paid over the remainder of fiscal year 2024.

Our liquidity and cash flows have been and could continue to be materially impacted by current macroeconomic factors, including facility closures, supply chain disruptions, rising inflation, increased volatility in the financial markets, instability in the banking sector, tightening of credit markets which could impact debt availability, and the ongoing recovery from the COVID-19 pandemic. These factors have and could continue to negatively impact our business operations and cash flows for the foreseeable future, including reductions in revenue, decreases in gross margin and delays in payments from customers, as well as declines or delays in the conversion of backlog to revenue. Certain of our revenue may not be collectible to the extent our customers suffer financial difficulty and, in fiscal 2023, we increased our bad debt reserve to account for potentially uncollectible revenue. For example, in the United States, at least one has declared bankruptcy in fiscal 2023 causing us to increase our bad debt reserve due to the expectation that they will be unable to pay us. Accordingly, there remain uncertainties as to how the ongoing recovery from the COVID-19 pandemic and the current macroeconomic environment will impact our business, results of operations, access to sources of liquidity and financial

condition in the future. As a result, we are unable to predict with certainty the impacts of these factors on our ability to maintain compliance with the financial covenants contained in the credit and security agreements related to our credit facilities.

In May 2021, we issued $100.0 million aggregate principal amount of 3.75% Convertible Senior Notes due 2026 under an indenture between us and The Bank of New York Mellon Trust Company, N.A., as trustee. Concurrently, with the issuance of the convertible notes, in May 2021, we entered into a senior secured credit agreement with Silicon Valley Bank, individually as a lender and agent, and the other lenders (the "Credit Agreement"), which provides for a five-year $80 million term loan facility (the "Term Loan Facility") and a $40 million revolving credit facility (the "Revolving Credit Facility"). As of December 31, 2023, we had an outstanding balance under the Term Loan Facility of $67.0 million and Revolving Credit Facility of $10.0 million. Refer to Note 9. Debt to our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for discussion of the Term Loan Facility, the Revolving Credit Facility and our Convertible Notes outstanding as of December 31, 2023.

Additionally, the undistributed earnings of our foreign subsidiaries at December 31, 2023, for all countries except Japan, France, and Switzerland are considered to be indefinitely reinvested and unavailable for distribution in the form of dividends or otherwise. Future repatriation of our foreign earnings could be subject to income taxes. As of December 31, 2023, we had $9.0 million of cash and cash equivalents at our foreign subsidiaries. If such funds were repatriated, there will be additional foreign tax withholdings imposed depending on the country from which the funds were repatriated.

Our cash flows for the six months ended December 31, 2023 and 2022, are summarized as follows (in thousands):

| | Six Months Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Net cash used in operating activities | $ (13,684) | $ (17,968) |
| Net cash used in investing activities | (2,341) | (2,806) |
| Net cash used in financing activities | (1,757) | (90) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 1,072 | (79) |
| Net decrease in cash, cash equivalents and restricted cash | $ (16,710) | $ (20,943) |

**Cash Flows from Operating Activities**

Net cash used in operating activities during the six months ended December 31, 2023 was from a net loss of $12.6 million and a decrease from the net changes from assets and liabilities of $11.2 million, partially offset by an increase from non-cash items of $10.1 million.

- Non-cash items primarily consisted of share-based compensation expense of $4.7 million, depreciation and amortization expense of $2.8 million and the provision for write-down of inventories of $2.7 million.

- The major contributors to the decrease from the net changes of assets and liabilities during the six months ended December 31, 2023, were as follows: a $14.6 million increase in inventories primarily due to increased costs for parts; and a $4.8 million decrease in accrued liabilities, primarily due to an decrease in accrued compensation, partially offset by a $5.1 million increase in accounts payable that was primarily due to the timing of payments and a $1.6 million increase in customer advances primarily due to an increase in orders.

**Cash Flows from Investing Activities**

Net cash used in investing activities was $2.3 million during the six months ended December 31, 2023 and was for the purchase of property and equipment.

**Cash Flows from Financing Activities**

Net cash used in financing activities during the six months ended December 31, 2023 was due to the scheduled payment of $3.0 million for the principal amount outstanding on our Term Loan Facility, partially offset by $1.4 million in proceeds from issuance of common stock to employees.

**Operating Capital and Capital Expenditure Requirements**

Our future capital requirements depend on numerous factors. These factors include but are not limited to the following:

- Revenue generated by sales of our products and service plans;
- Our ability to generate cash flows from operations;
- Costs associated with our sales and marketing initiatives and manufacturing activities;
- Facilities, equipment and IT systems required to support current and future operations;
- Rate of progress and cost of our research and development activities;
- Costs of obtaining and maintaining FDA and other regulatory clearances of our products;
- Effects of competing technological and market developments;
- Number and timing of acquisitions and other strategic transactions;
- Servicing and maturity of our current future indebtedness, including interest rates;
- The implementation of our cost savings initiatives, including the reduction of our workforce;
- The impact of inflation on our expenses; and
- The unpredictable impact of the macroeconomic environment and the ongoing recovery from the COVID-19 pandemic, including on collections, supply chain, and logistics.

We believe that our current cash and cash equivalents balance will be sufficient to meet our anticipated cash needs for working capital and capital expenditures for at least the next 12 months. If these sources of cash and cash equivalents are insufficient to satisfy our liquidity requirements, or we believe market conditions are favorable, we may seek to sell additional equity or debt securities or enter into additional credit facilities. The sale of additional equity or convertible debt securities could result in dilution to our stockholders. If additional funds are raised through the issuance of debt securities, these securities could have rights senior to those associated with our common stock and could contain covenants that would restrict our operations. Additional financing may not be available at all, or in amounts or on terms acceptable to us. If we are unable to obtain this additional financing, we may be required to reduce the scope of our planned product development and marketing efforts.

**Contractual Obligations and Commitments**

We presented our contractual obligations in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023. Our contractual obligations consist of debt, operating leases, purchase commitments, and other contractual obligations. There have been no material changes to these obligations outside the ordinary course of business during the six months ended December 31, 2023 as compared to the contractual obligations disclosed in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of our Annual Report on Form 10-K for the year ended June 30, 2023.

**Inflation**

We experienced rising costs for certain materials, including increased logistics and duties costs that adversely affected our gross margins and net income (loss), and had a material effect on our business, financial condition and results of operations for fiscal year 2023 and the first six months of fiscal year 2024. We expect that gross margins and net income (loss) will continue to be adversely affected by increased material costs and freight and logistic expenses through at least the remainder of fiscal year 2024, and potentially longer. Continued pressure from inflationary factors, such as further increases in the cost of materials for our products, cost of labor, interest rates, overhead costs, logistics and duties costs could further exacerbate these effects and harm our business, operating results, and financial condition.

**Critical Accounting Policies and Estimates**

The discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as revenue and expenses during the reporting periods. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on historical experience and on various other factors we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities. The economic uncertainty in the current environment caused by the ongoing recovery from the COVID-19 pandemic however, could limit

our ability to accurately make and evaluate our estimates and judgments. Actual results could therefore differ materially from those estimates if actual conditions differ from our assumptions.

During the six months ended December 31, 2023, there have been no material changes to the critical accounting policies and estimates, previously disclosed in Part II, Item 7, of our Annual Report on Form 10-K filed with the SEC on September 7, 2023.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We do not utilize derivative commodity instruments or other market risk sensitive instruments, positions or transactions, but we may in the future.

**Concentration of Credit and Other Risks**

Our cash and cash equivalents are deposited with several major financial institutions. At times, deposits in these institutions exceed the amount of insurance provided on such deposits. We have not experienced any losses in such accounts and do not believe that we are exposed to any significant risk of loss on these balances.

During the three and six months ended December 31, 2023 and 2022, one customer represented 10% or more of total net revenue. As of December 31, 2023, and June 30, 2023, we had one customer that accounted for 10% or more of our total accounts receivable, net.

We perform ongoing credit evaluations of our customers and maintain reserves for potential credit losses. Accounts receivable are deemed past due in accordance with the contractual terms of the agreement. Accounts receivable balances are charged against the allowance for credit losses once collection efforts are unsuccessful.

Single-source suppliers presently provide us with several components. In most cases, if a supplier was unable to deliver these components, we believe that we would be able to find other sources for these components subject to any regulatory qualifications, if required.

***Foreign Currency Exchange Rate Risk***

A majority of our sales are denominated in foreign currencies, most notably the Euro and the Japanese Yen. Future fluctuations in the value of the U.S. Dollar may affect the price competitiveness of our products outside the United States. For direct sales outside the United States, we sell in both U.S. Dollars and local currencies, which does expose us to additional foreign currency risks, including changes in currency exchange rates. Our operating expenses in countries outside the United States are mostly payable in local currencies and therefore, expose us to currency risk. Foreign exchange continues to be a significant headwind as the U.S. Dollar has strengthened recently, which affect our results of operations and could cause potential delays in orders, and we may see our sales and margins outside of the U.S. decline as we may not be able to raise local prices to fully offset the strengthening of the U.S. Dollar.

We expect the changes in the fair value of the net foreign currency assets arising from fluctuations in foreign currency exchange rates to be materially offset by the changes in the fair value of the forward contracts. We have developed a foreign exchange risk management policy to mitigate foreign currency exchange rate fluctuation risk. As of December 31, 2023, we had entered into foreign currency forward contracts to purchase or sell foreign currencies with a stated or notional value of approximately $100.2 million. These foreign currency forward contracts do not qualify for hedge accounting treatment and all changes in fair value are reported in earnings as part of other expense, net. We have not entered into any other types of derivative financial instruments for trading or speculative purpose.

***Interest Rate Risk***

Our debt obligations consist of a variety of financial instruments that expose us to interest rate risk including, but not limited to the Credit Facilities and Notes. The interest rates on the Notes are fixed and the interest rate on the Credit Facilities are at variable rates, which are tied to a “prime rate” and the Secured Overnight Financing Rate (“SOFR”). As of December 31, 2023, our borrowings under the Term Loan Facility totaling $67.0 million and Revolving Credit Facility totaling $10.0 million, are both subject to a 90-day SOFR (subject to a 0.50% floor) plus a margin between 2.50% and 3.25% as determined by the Consolidated Senior Net Leverage Ratio as defined in the credit agreement governing the Credit Facilities. If the amount outstanding under the Credit Facilities remained at this level for the next 12 months and interest rates increased or decreased by a 50 basis point change, our annual interest expense would increase or decrease, respectively, approximately $0.4 million. Refer to Note 9. Debt to our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for a discussion regarding our debt obligation.

***Equity Price Risk***

On May 13, 2021, we issued approximately $100.0 million aggregate principal amount of 3.75% Convertible Notes due 2026. Upon conversion, we can settle the obligation by issuing our common stock, cash or a combination thereof at an initial conversion rate equal to 170.5611 shares of common stock per $1,000 principal amount of the 3.75% Convertible Notes due 2026, which is equivalent to a conversion price of approximately $5.86 per share of common stock, subject to adjustment. There is no equity price risk if the share price of our common stock is below $5.86 upon conversion of the 3.75% Convertible Notes due 2026. For every $1 that the share price of our common stock exceeds $5.86, we expect to issue an additional $17.1 million in cash or shares of our common stock, or a combination thereof, if all of the 3.75% Convertible Notes due 2026 are converted.

**Item 4. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2023. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2023 our disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

*Changes in Internal Control Over Financial Reporting*

We have implemented new enterprise resource planning system, SAP, which went live in August 2023. We expect to experience certain changes to our processes and procedures which, in turn, result in changes to our internal control over financial reporting. While we expect SAP to strengthen our internal financial controls by automating certain manual processes and standardizing business processes and reporting, management will continue to evaluate and monitor our internal controls as processes and procedures in each of the affected areas evolve.

Other than discussed above, there were no significant changes in our internal control over financial reporting that occurred during the three months ended December 31, 2023, that have been materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

*Inherent Limitations of Internal Control Over Financial Reporting*

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. These inherent limitations, however, are known features of the financial reporting process, therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and in reaching a reasonable level of assurance, management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

The information set forth in Note 8. *Commitments and Contingencies—Litigation*, to our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q is incorporated herein by reference.

## Item 1A. RISK FACTORS

### Risk Factors Summary

Our business is subject to numerous risks and uncertainties, including those highlighted in Part II, Item 1A titled "Risk Factors." These risks include, but are not limited to, the following:

***Risks related to our business and results of operations***

- We face risks related to the current global economic environment, which could adversely affect our business, financial condition and results of operations.
- If our products do not achieve widespread market acceptance, we will not be able to generate the revenue necessary to support our business.
- Our ability to achieve profitability depends in part on maintaining or increasing our gross margins on product sales and services, which we may not be able to achieve.
- We have outstanding indebtedness and may incur other debt in the future, which may adversely affect our financial condition and future financial results.
- Our operating results, including our cash flows, quarterly orders, revenues and margins fluctuate from quarter to quarter and may be unpredictable, which may result in a decline in our stock price.
- Our industry is subject to intense competition and rapid technological change, which may result in products or new tumor treatments that are superior to the CyberKnife and TomoTherapy platforms. If we are unable to anticipate or keep pace with changes in the marketplace and the direction of technological innovation and customer demands, our products may become obsolete or less useful and our operating results will suffer.
- We are subject to risks arising from our international operations, which may adversely affect our business, financial condition, and results of operations.
- Our results have been and may continue to be impacted by changes in foreign currency exchange rates.
- The effect of the COVID-19 pandemic, or the perception of its effects, as well as the responses of governments and private industry on our operations and the operations of our customers and suppliers, have and could continue to have a material adverse effect on our business, financial condition, results of operations, or cash flows.
- If we encounter manufacturing problems, or if our manufacturing facilities do not continue to meet federal, state or foreign manufacturing standards, we may be required to temporarily cease all or part of our manufacturing operations, which would result in delays and lost revenue.
- If we are unable to develop new products or enhance existing products to meet our customers' needs and compete favorably in the market, we may be unable to attract or retain customers.
- If we do not effectively manage our growth, our business may be significantly harmed.
- We could become subject to product liability claims, product recalls, other field actions and warranty claims that could be expensive, divert management's attention and harm our business.
- Our reliance on single-source suppliers for critical components of our products could harm our ability to meet demand for our products in a timely and cost effective manner.
- We depend on key employees, the loss of whom would adversely affect our business. If we fail to attract and retain employees with the expertise required for our business, we may be unable to continue to grow our business.

- Disruption of critical information technology systems, infrastructure and data or cyberattacks or other security breaches or incidents could harm our business and financial condition.
- Any actual or perceived failure by us to comply with legal or regulatory requirements related to privacy, cybersecurity and data protection in one or multiple jurisdictions could result in proceedings, actions or penalties against us.
- If third party payors do not provide sufficient coverage and reimbursement to healthcare providers for use of our product platforms or if the number of patients covered by health insurance reduces, demand for our products and our revenue could be adversely affected.
- The safety and efficacy of our products for certain uses is not yet supported by long-term clinical data, and our products may therefore prove to be less safe and effective than initially thought.
- We rely on third parties to perform spare parts shipping and other logistics functions on our behalf. Failures or disruptions at our logistics providers has occurred and could continue to occur, which would adversely impact our business.
- Third parties may claim we are infringing their intellectual property or that we are operating outside the scope of or violating a license or other agreement relating to their intellectual property.
- We may be subject to claims that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.
- It is difficult and costly to protect our intellectual property and our proprietary technologies and we may not be able to ensure their protection.

***Risks related to the regulation of our products and business***

- Modifications, upgrades, new indications and future products related to our products may require new Food and Drug Administration ("FDA") 510(k) clearances or premarket approvals and similar licensing or approvals in international markets.
- We are subject to federal, state and foreign laws and regulations applicable to our operations, the violation of which could result in substantial penalties and harm our business.
- If we or our distributors do not obtain and maintain the necessary regulatory approvals in a specific country, we will not be able to market and sell our products in that country.

***Risks related to our common stock***

- The price of our common stock is volatile and may continue to fluctuate significantly, which could lead to losses for stockholders.
- Future issuances of shares of our common stock could dilute the ownership interests of our stockholders.
- The conditional conversion features of the Notes, if triggered, may adversely affect our financial condition and operating results.
- Provisions in the indenture for the Notes, the credit agreement for our Credit Facilities (as defined below), our certificate of incorporation and our bylaws could discourage or prevent a takeover, even if an acquisition would be beneficial in the opinion of our stockholders.

***General Risks***

- Our liquidity could be adversely impacted by adverse conditions in the financial markets.

**Risk Factors**

*We operate in a rapidly changing environment that involves significant risks, a number of which are beyond our control. In addition to the other information contained in this Form 10-Q, the following discussion highlights some of these risks and the possible impact of these factors on our business, financial condition and future results of operations. If any of the following risks actually occur, our business, financial condition or results of operations may be adversely impacted, causing the trading price of our common stock to decline. In addition, these risks and uncertainties may impact the "forward-looking" statements described elsewhere in this Form 10-Q and in the documents incorporated herein by reference. They could affect our actual results of operations, causing them to differ materially from those expressed in "forward-looking" statements.*

**Risks Related to Our Business and Results of Operations**

***We face risks related to the current global economic environment, including risks arising in connection with inflation, recession or the ongoing recovery from the COVID-19 pandemic, any of which could adversely affect our business, financial condition and results of operations by, among other things, delaying or preventing our customers from obtaining financing to purchase our products and services or implementing the required facilities to house our systems.***

Our business and results of operations are materially affected by conditions in the global markets and the economy generally. Concerns over economic and political stability; inflation levels and related efforts to mitigate inflation; a potential recession; the level of U.S. national debt, the U.S. debt credit rating and U.S. budgetary concerns; currency fluctuations and volatility; the rate of growth of Japan, China and other Asian economies; unemployment; the availability and cost of credit; trade relations, including the imposition of various sanctions and tariffs in other countries; the duration and severity of the ongoing recovery from the COVID-19 pandemic; energy costs; instability in the banking and financial services sector and geopolitical uncertainty and conflict have contributed to increased volatility and diminished expectations for the economy and the markets in general. In turn, periods of economic slowdown or recession could lead to a reduction in demand for our products and services, which in turn would reduce our revenues and adversely affect our results of operations and our financial position. The results of these macroeconomic conditions, and the actions taken by governments, central banks, companies, and consumers in response, have and may continue to result in higher inflation in the U.S. and globally, which has led to an increase in costs and caused changes in fiscal and monetary policy, including increased interest rates. Other adverse impacts of recent macroeconomic conditions have been and may continue to be supply chain constraints, logistics challenges, and fluctuations in labor availability. Thus, if general macroeconomic conditions deteriorate, our business and financial results could be materially and adversely affected.

In an inflationary environment, we may be unable to raise the prices of our products and services sufficiently to keep up with the rate of inflation. Impacts from inflationary pressures could be more pronounced and materially adversely impact aspects of our business where revenue streams and cost commitments are linked to contractual agreements that extend many years into the future, as we may not be able to quickly or easily adjust pricing, reduce costs, or implement counter measures. A higher inflationary environment can also negatively impact raw material, component, and logistics costs that, in turn, has increased the costs of producing and distributing our products. For example, inflationary pressures beginning in fiscal year 2023 have resulted in rising costs for certain materials, including increased logistics and duties costs, that have adversely affected our gross margins, which have had a material effect on our business, financial condition or results of operations. Continued pressure from these inflationary factors could further exacerbate these effects.

Further, the U.S. federal government has called for, or enacted, substantial changes to healthcare, trade, fiscal, and tax policies, which may include changes to existing trade agreements and may have a significant impact on our operations. For example, the United States has imposed tariffs on certain foreign products, including from China, that have resulted in and may result in future retaliatory tariffs on U.S. goods and products. We cannot predict whether these policies will continue, or if new policies will be enacted, or the impact, if any, that any policy changes could have on our business. In addition, failure of the U.S. Government to pass a budget in a timely manner or any reductions in healthcare spending in the budget may adversely impact us or our customers. Any failure of the U.S. Government to pass a budget in a timely manner or any reductions in healthcare spending in the budget may adversely impact us or our customers. If economic conditions worsen, or new legislation is passed related to the healthcare system, trade, fiscal or tax policies, customer demand may not materialize to levels we require to achieve our anticipated financial results, which could have a material adverse effect on our business, financial condition and results of operations.

Additionally, rising inflation and the ongoing supply chain challenges and logistics costs have materially affected our gross margins and net income (loss), and we expect that gross margins and net income (loss) will continue to be adversely affected by increased material costs and freight and logistic expenses through at least the remainder of fiscal year 2024, and potentially longer. The uncertain macroeconomic environment, including volatile credit markets and concerns regarding the availability and cost of credit, increased interest rates, inflation, reduced economic growth or a recession, instability in the banking and financial services sector or concerns related to the ongoing recovery from the COVID-19 pandemic, in any of the geographic areas where we do business, could impact consumer and customer demand for our products and services, as well as our ability to manage normal commercial relationships with our customers, suppliers and creditors, including financial institutions, and the ability of our customers

to meet their obligations to us. For example, in the United States, at least one customer has declared bankruptcy in fiscal 2023 causing us to increase our bad debt reserve due to the expectation that they will be unable to pay us. Further, some of our customers have been delayed in obtaining, or have not been able to obtain, necessary financing for their purchases of the CyberKnife or TomoTherapy platforms. In addition, some of our customers have been delayed in obtaining, or have not been able to obtain, necessary financing for the construction or renovation of facilities to house the CyberKnife or TomoTherapy platforms, the cost of which can be substantial. These delays have, in some instances, led to our customers postponing the shipment and installation of previously ordered systems or cancelling their system orders and may cause other customers to postpone their system installation or to cancel their agreements with us. A continuation or further deterioration of the adverse economic environment would further increase delays and order cancellations, or affect our ability to collect from our customers, any of which would continue to adversely affect revenues, and therefore, harm our business and results of operations.

***If the CyberKnife or TomoTherapy platforms do not achieve widespread market acceptance, we will not be able to generate the revenue necessary to support our business.***

Achieving physician, patient, hospital administrator and third-party payor acceptance of the CyberKnife and TomoTherapy platforms as preferred methods of tumor treatment is crucial to our continued success. Physicians will not begin to use or increase the use of the CyberKnife or TomoTherapy platforms unless they determine, based on experience, clinical data and other factors, that the CyberKnife and TomoTherapy platforms are safe and effective alternatives to traditional treatment methods. Further, physicians may be slow to adopt new or updated versions of our CyberKnife and TomoTherapy platforms because of the perceived liability risks arising from the use of new products and the uncertainty of reimbursement from third-party payors, particularly in light of ongoing health care reform initiatives and the evolving U.S. health care environment. If we are not able to expand market acceptance of our products and maintain and increase our base of installed systems, or installed base, then sales of our products may not meet expectations. Any failure to expand and protect our existing installed base could adversely affect our operating results.

We often need to educate physicians about the use of stereotactic radiosurgery, image guided radiation therapy ("IGRT") and adaptive radiation therapy, convince healthcare payors that the benefits of the CyberKnife and TomoTherapy platforms and their related treatment processes outweigh their costs, and help train qualified physicians in the skilled use of these systems. In addition, we also must educate prospective customers regarding the entire functionality of our radiation therapy systems and their relative benefits compared to alternative products and treatment methods. We must also increase awareness among potential patients, who are increasingly educated about treatment options and therefore, impact adoption of new technologies by clinicians. We have expended and will continue to expend significant resources on marketing and educational efforts to create awareness of stereotactic radiosurgery and robotic intensity-modulated radiotherapy ("IMRT") as well as adaptive radiation therapy and IGRT generally and to encourage the acceptance and adoption of our products for these technologies. We cannot be sure that our products will gain significant market acceptance among physicians, patients and healthcare payors, even if we spend significant time and expense on their education.

In addition to achieving market acceptance of our products and the need to educate physicians and others about the benefits of our products, the CyberKnife and TomoTherapy platforms are major capital purchases, and purchase decisions are greatly influenced by hospital administrators who are subject to increasing pressures to reduce costs. In addition, hospitals and other health professionals may reduce staffing and reduce or postpone meetings with potential suppliers in response to the spread of an infectious disease, such as COVID-19, effectively delaying the decision on potential purchases of new products such as ours. These and other factors, including the following, may affect the rate and level of market acceptance of the CyberKnife and TomoTherapy platforms:

- the CyberKnife and TomoTherapy platforms' price relative to other products or competing treatments;
- our ability to develop new products and enhancements and receive regulatory clearances and approval, if required, to such products in a timely manner;
- increased scrutiny by state boards when evaluating certificates of need requested by purchasing institutions;
- perception by patients, physicians and other members of the healthcare community of the CyberKnife and TomoTherapy platforms' safety, efficacy, efficiency and benefits compared to competing technologies or treatments;
- willingness of physicians to adopt new techniques and the ability of physicians to acquire the skills necessary to operate the CyberKnife and TomoTherapy platforms;
- extent of third-party coverage and reimbursement rates, particularly from Medicare, for procedures using the CyberKnife and TomoTherapy platforms; and

- development of new products and technologies by our competitors or new treatment alternatives.

If the CyberKnife or TomoTherapy platforms are unable to achieve or maintain market acceptance, new orders and sales of our systems would be adversely affected, our revenue levels would decrease and our business would be harmed.

***Our ability to achieve profitability depends in part on maintaining or increasing our gross margins on product sales and services, which we may not be able to achieve.***

As of December 31, 2023, we had an accumulated deficit of $514.7 million. We have incurred net losses, and expect to incur net losses in the future, particularly as selling and marketing activities increase ahead of any expected revenue. Our ability to achieve and sustain long-term profitability is largely dependent on our ability to successfully market and sell the CyberKnife and TomoTherapy platforms, control our costs, and effectively manage our growth. We cannot assure you that we will be able to achieve profitability and even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. In the event we fail to achieve profitability, our stock price could decline.

Our ability to achieve profitability also depends on our ability to maintain or increase our gross margins on product sales and services. A number of factors have adversely impacted or could impact gross margins, including:

- lower than expected manufacturing yields of high cost components leading to increased manufacturing costs;
- low production volume, which will result in high levels of overhead cost per unit of production;
- lower selling pricing;
- our ability to sell products and services, recognize revenue from our sales and the timing of revenue recognition and revenue deferrals;
- increased labor costs or other costs as a result of increased inflation and supply chain constraints;
- delays in receipt of or increased costs related to critical components parts, including as a result of supply chain disruptions;
- increased inventory costs and liabilities for excess inventory resulting from inventory held in excess of forecasted demand;
- increased service or warranty costs or the failure to reduce service or warranty costs;
- increased price competition;
- variation in the margins across products installed in a particular period;
- changes to U.S. and foreign trade policies, including enactments of tariffs on goods imported into the U.S. and any retaliatory tariffs imposed by other countries on U.S. goods, including our products; and
- how well we execute on our strategic and operating plans.

If we are unable to maintain or increase our gross margins on product sales and service, our results of operations could be adversely impacted, we may not achieve profitability and our stock price could decline.

***We have outstanding indebtedness in the form of Convertible Senior Notes and a credit facility and may incur other debt in the future, which may adversely affect our financial condition and future financial results.***

In May 2021, we issued $100.0 million aggregate principal amount of our 3.75% Convertible Senior Notes due 2026 (the "Notes"). As our debt matures, we anticipate having to expend significant resources to either repay or refinance the Notes. For example, in May 2021, in connection with the issuance of the Notes, we (i) exchanged approximately $82.1 million aggregate principal amount of our previously issued 3.75% Convertible Senior Notes due 2022 for approximately $97.1 million aggregate principal amount of the Notes and (ii) sold approximately $2.9 million aggregate principal amount of the Notes for cash. If we decide to, or are required to, refinance the Notes in the future, we may be required to do so on different or less favorable terms or we may be unable to refinance the Notes at all, both of which may adversely affect our financial condition.

In May 2021, we entered into a credit agreement that provided us with a five-year $80.0 million term loan (the "Term Loan Facility") and $40.0 million revolving credit facility (the "Revolving Credit Facility" and together with the "Term Loan Facility", the "Credit Facilities").

As of December 31, 2023, we had total consolidated liabilities of approximately $428.7 million; including long-term liabilities of the Notes of $100.0 million, the Revolving Credit Facility of $10.0 million and the Term Loan Facility of $67.0 million, of which $6.7 million is classified as short-term loan. Our existing and future levels of indebtedness could have important consequences to stockholders and note holders and may adversely affect our financial conditions and future financial results by, among other things:

- affecting our ability to satisfy our obligations under the Notes and Credit Facilities;
- requiring a substantial portion of our cash flows from operations to be dedicated to interest and principal payments, which may not be available for operations, working capital, capital expenditures, expansion, acquisitions or general corporate or other purposes;
- impairing our ability to obtain additional financing in the future;
- limiting our flexibility in planning for, or reacting to, changes in our business and industry; and
- increasing our vulnerability to downturns in our business, our industry or the economy in general.

The credit agreement governing the Credit Facilities (the "Existing Credit Agreement") also includes certain restrictive covenants that limit, among other things, our ability and our subsidiaries' ability to (i) incur indebtedness, (ii) incur liens on their property, (iii) pay dividends or make other distributions, (iv) sell their assets, (v) make certain loans or investments, (vi) merge or consolidate, (vii) voluntarily repay or prepay certain indebtedness and (viii) enter into transactions with affiliates, in each case, subject to certain exceptions. In addition, such agreements require us to meet certain financial covenants, including a consolidated fixed charge coverage ratio and consolidated senior net leverage ratio, as defined in the Existing Credit Agreement. These restrictions could adversely affect our ability to finance our future operations or capital needs, withstand a future downturn in our business or the economy in general, engage in business activities, including future opportunities that may be in our interest, and plan for or react to market conditions or otherwise execute our business strategies. Our ability to comply with the covenants and other terms governing the Credit Facilities will depend in part on our future operating performance. If we fail to comply with such covenants and terms, we may be in default and the maturity of the related debt could be accelerated and become immediately due and payable. In addition, because substantially all of our assets are pledged as a security under the Credit Facilities, if we are not able to cure any default or repay outstanding borrowings, such assets are subject to the risk of foreclosure by our lenders. From time to time, we may not be in compliance with such covenants or other terms governing the Credit Facilities and we may be required to obtain waivers or amendments to the Existing Credit Agreement from our lenders in order to maintain compliance and there can be no certainty that any such waiver or amendment will be available, or what the cost of such waiver or amendment, if obtained, would be. If we are unable to obtain necessary waivers and the debt under such credit facility is accelerated, we would be required to obtain replacement financing at prevailing market rates, which may not be favorable to us. Additionally, a default on indebtedness could result in a default under the terms of the indenture governing the Notes. There is no guarantee that we would be able to satisfy our obligations if any of our indebtedness is accelerated.

In addition, our debt obligations consist of a variety of financial instruments that expose us to interest rate risk, including, but not limited to the Credit Facilities and Notes. If the amount outstanding under the Credit Facilities remained at this level for the next 12 months and interest rates increased or decreased by 50 basis point change, our annual interest expense would increase or decrease, respectively, approximately $0.4 million.

***Our operating results, including our cash flows, quarterly orders, revenues and margins fluctuate from quarter to quarter and may be unpredictable, which may result in a decline in our stock price.***

We have experienced and expect in the future to experience fluctuations in our operating results, including gross orders, revenues and margins, from period to period. Drivers of orders include the introduction and timing of new product or product enhancement announcements by us and our competitors, the timing of regulatory approvals, changes in price by us and our competitors as well as changes or anticipated changes in third-party reimbursement amounts or policies applicable to treatments using our products. The availability of economic stimulus packages or other government funding, or reductions thereof, may also affect timing of customer purchases. Our products have a high unit price and require significant capital expenditures by our customers. Accordingly, we experience long sales and implementation cycles, which is of greater concern during a volatile economic environment where we have had customers delay or cancel orders. The timing of when orders are placed, when installation, delivery or shipping, as applicable, is accomplished and when revenue is recognized affect our quarterly results. Further, because of the high unit price of the CyberKnife and TomoTherapy platforms and the relatively small number of units sold or installed each quarter, each sale or installation of a CyberKnife or TomoTherapy platform can represent a significant percentage of our net orders, backlog or revenue for a particular quarter and shifts in sales or installation from one quarter to another may have significant effects. For example, multi-system sales or sales involving negotiations with integrated delivery networks involve additional complexities to the transaction and require a longer timeline to finalize the sale, which make it more difficult to predict the quarter in which the sale will occur. In addition, we have experienced delays in orders and installations due to the impact of the COVID-19 pandemic at our customer sites. The COVID-19 pandemic has impacted and may continue to impact our business operations, including our employees, customers and partners, and there is substantial uncertainty in the nature and degree of its continued effects over time.

Once orders are received and booked into backlog, there is a risk that we may not recognize revenue in the near term or at all. The COVID-19 pandemic and the ongoing recovery from the COVID-19 pandemic has adversely impacted the pace at which the backlog converts to revenue. This is primarily the result of delays in the timing of deliveries and installations in fiscal 2020 through 2022 caused by the COVID-19 pandemic, which resulted in decreased revenue for these periods. These delays in deliveries and installations as a result of the COVID-19 pandemic and the ongoing recovery from the COVID-19 pandemic as well as its effects on the global economic environment have occurred and may continue, to some degree, through the remainder of calendar year 2024, which could have a negative impact on our revenue during such period. Factors that may affect whether these orders become revenue (or are cancelled or deemed aged-out and reflected as a reduction in net orders) and the timing of revenue include:

- economic or political instability, including volatility related to the current global economic environment and the ongoing recovery from the COVID-19 pandemic;
- delays in the customer obtaining or inability of a customer to obtain funding or financing;
- delays in construction at the customer site and delays in installation;
- delays in the customer obtaining or inability of such customer to obtain local or foreign regulatory approvals such as certificates of need in certain states or Class A or Class B user licenses in China;
- the terms of the applicable sales and service contracts of the CyberKnife and TomoTherapy platforms; and
- the proportion of revenue attributable to orders placed by our distributors, which may be more difficult to forecast due to factors outside our control.

Our operating results may also be affected by a number of other factors, some of which are outside of our control, including:

- delays in business operations of our customers or vendors, construction at customer sites and installation, including delays caused by the impact of the ongoing recovery from the COVID-19 pandemic or supply chain delays;
- timing and level of expenditures associated with new product development activities;
- regulatory requirements in some states for a certificate of need prior to the installation of a radiation device or foreign regulatory approvals, such as Class A or Class B user licenses in China;
- delays in shipment due to, among other things, unanticipated construction delays at customer locations where our products are to be installed, cancellations by customers, natural disasters, global or regional health pandemics or epidemics, or labor disturbances;

- delays in our manufacturing processes or unexpected manufacturing difficulties, including due to supply chain and logistics challenges;
- the timing of the announcement, introduction and delivery of new products or product upgrades by us and by our competitors;
- timing and level of expenditures associated with expansion of sales and marketing activities such as trade shows and our overall operations;
- the timing and level of expenditures associated with our financing activities;
- the effects of foreign currency adjustments;
- changes in accounting principles, such as those related to revenue recognition, or in the interpretation or the application thereof; and
- fluctuations in our gross margins and the factors that contribute to such fluctuations, as described in Management's Discussion and Analysis of Financial Condition and Results of Operations and the risk factor entitled, "Our ability to achieve profitability depends in part on maintaining or increasing our gross margins on product sales and services, which we may not be able to achieve."

Because many of our operating expenses are based on anticipated sales and a high percentage of these expenses are fixed for the short term, a small variation in the timing of revenue recognition can cause significant variations in operating results from quarter to quarter. If our financial results fall below the expectation of securities analysts and investors, the trading price of our common stock would almost certainly decline.

We report our orders and backlog on a quarterly and annual basis. Unlike revenues, orders and backlog are not defined by United States generally accepted accounting principles ("U.S. GAAP"), and are not within the scope of the audit conducted by our independent registered public accounting firm. Also, for the reasons discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations, our orders and backlog cannot necessarily be relied upon as accurate predictors of future revenues. Order cancellation or significant delays in installation date will reduce our backlog and future revenues, and we cannot predict if or when orders will mature into revenues. Particularly high levels of cancellations or age-outs in one or more periods may cause our revenue and gross margins to decline in current or future periods and will make it difficult to compare our operating results from quarter to quarter. We cannot assure you that our backlog will result in revenue on a timely basis or at all, or that any cancelled contracts will be replaced.

***Our industry is subject to intense competition and rapid technological change, which may result in products or new tumor treatments that are superior to the CyberKnife and TomoTherapy platforms. If we are unable to anticipate or keep pace with changes in the marketplace and the direction of technological innovation and customer demands, our products may become obsolete or less useful and our operating results will suffer.***

The medical device industry in general and the non-invasive cancer treatment field in particular are subject to intense and increasing competition and rapidly evolving technologies. Because our products often have long development and government approval cycles, we must anticipate changes in the marketplace and the direction of technological innovation and customer demands. To compete successfully, we will need to continue to demonstrate the advantages of our products and technologies over well-established alternative procedures, products and technologies, and convince physicians and other healthcare decision makers of the advantages of our products and technologies. Traditional surgery and other forms of minimally invasive procedures, brachytherapy, chemotherapy or other drugs remain alternatives to the CyberKnife and TomoTherapy platforms.

We consider the competition for the CyberKnife and TomoTherapy platforms to be existing radiation therapy systems, primarily using C-arm linacs, which are sold by large, well-capitalized companies with significantly greater market share and resources than we have. Several of these competitors are also able to leverage their fixed sales, service and other costs over multiple products or product lines. In particular, we compete with a number of existing radiation therapy equipment companies, including Varian Medical Systems, Inc., a Siemens Healthineers company ("Varian"), Elekta AB ("Elekta"), RefleXion Medical Inc. and Zap Surgical Systems. Varian has been the leader in the external beam radiation therapy market for many years and has the majority market share for radiation therapy systems worldwide. In general, because of aging demographics and attractive market factors in oncology, we believe that new competitors will enter the radiosurgery and radiation therapy markets in the years ahead. In addition, some manufacturers of conventional linac based radiation therapy systems, including Varian and Elekta, have products that can be used in combination with

body and/or head frames and image guidance systems to perform both radiosurgical and radiotherapy procedures. Varian was acquired by Siemens Healthineers in 2021, which may result in Varian having greater resources and increase their ability to develop new products and technologies and provide better pricing to customers.

Furthermore, many government, academic and business entities are investing substantial resources in research and development of cancer treatments, including surgical approaches, radiation treatment, MRI-guided radiotherapy systems, proton therapy systems, radiopharmaceutical/pharmaceutical treatments, gene therapy (which is the treatment of disease by replacing, manipulating, or supplementing nonfunctional genes) and other approaches. Successful developments that result in new approaches for the treatment of cancer could reduce the attractiveness of our products or render them obsolete.

Our future success will depend in large part on our ability to establish and maintain a competitive position in current and future technologies. Rapid technological development may render the CyberKnife and TomoTherapy platforms and their technologies obsolete. Many of our competitors have or may have greater corporate, financial, operational, sales and marketing resources, and more experience and resources in research and development than we have. We cannot assure you that our competitors will not succeed in developing or marketing technologies or products that are more effective or commercially attractive than our products or that would render our technologies and products obsolete or less useful. We may not have the financial resources, technical expertise, marketing, distribution or support capabilities to compete successfully in the future. In addition, some of our competitors may compete by changing their pricing model or by lowering the price of their products. If we are unable to maintain or increase our selling prices, our revenue and gross margins may suffer. Our success will depend in large part on our ability to maintain a competitive position with our technologies.

In addition to competition from technologies performing similar functions as our platforms, competition also exists for the limited capital expenditure budgets of our customers. For example, our platforms may compete with other equipment required by a radiation therapy department for financing under the same capital expenditure budget, which is typically limited. A purchaser, such as a hospital or cancer treatment center, may be required to select between the two items of capital equipment. Our ability to compete may also be adversely affected when purchase decisions are based solely upon price, since our products are premium-priced systems due to their higher level of functionality and performance.

***We are subject to risks arising from our international operations, which may adversely affect our business, financial condition, and results of operations.***

We derive most of our revenue from our international operations, and we plan to continue expanding our business in international markets in the future. In addition, we have employees engaged in R&D, manufacturing, administration, manufacturing, support and sales and marketing activities.

As a result of our international operations, in addition to similar risks we face in our U.S. operations, we are affected by economic, business, regulatory, social, and political conditions in foreign countries, including the following:

- economic or political instability in the world or in particular regions or countries in which we do business, including the market volatility resulting from the ongoing recovery from the COVID-19 pandemic and related restrictions as well as conflicts or war, such as the Russia-Ukraine and Israel-Hamas conflicts;
- import delays;
- changes in foreign laws and regulations governing, among other matters, the clearance, approval and sales of medical devices;
- compliance with differing foreign regulatory requirements to sell and market our products;
- U.S. relations with the governments of the foreign countries in which we operate, which may, among other things, affect our access to such markets, including China, where our JV is located;
- longer payment cycles associated with many customers outside the United States;
- inability of customers to obtain requisite government approvals, such as customers in China, including customers of the JV, obtaining one of the limited number of Class A or Class B user licenses available in order to purchase our products;

- effective compliance with privacy, data protection and information security laws, such as the European Union ("EU") General Data Protection Regulation (the "GDPR") and new regulations in China;
- adequate coverage and reimbursement for the CyberKnife and TomoTherapy platform treatment procedures outside the United States;
- failure of local laws to provide the same degree of protection against infringement of our intellectual property;
- protectionist laws and business practices that favor local competitors;
- U.S. trade and economic sanctions policies that are in effect from time to time and the possibility that foreign countries may impose additional taxes, tariffs or other restrictions on foreign trade;
- trade restrictions that are in effect from time to time, including U.S. prohibitions and restrictions on exports of certain products and technologies to certain nations and customers;
- the unfamiliarity of shipping companies and other logistics providers with U.S. export control laws, which may lead to their unwillingness to ship or delays in shipping, our products to certain nations and customers despite such shipments being permitted under such laws;
- the inability to obtain required export or import licenses or approvals;
- risks relating to foreign currency, including fluctuations in foreign currency exchange rates possibly causing fewer sales due to the strengthening of the U.S. Dollar;
- effects of and uncertainties caused by the United Kingdom's withdrawal from the European Union;
- contractual provisions governed by foreign laws; and
- natural disasters, such as earthquakes and fires, and global or regional health pandemics or epidemics, such as COVID-19 or data privacy or security incidents, that may have a disproportionate effect in certain geographies resulting in decreased demand or decreased ability of our employees or employees of our customers and partners to work and travel.

Our inability to overcome these obstacles could harm our business, financial condition and operating results. Even if we are successful in managing these obstacles, our partners internationally are subject to these same risks and may not be able to manage these obstacles effectively.

In addition, our partners internationally are subject to these same risks. If we or our partners are impacted by any of these factors, our business, financial condition and operating results could be adversely affected.

***Our results have been and may continue to be impacted by changes in foreign currency exchange rates.***

Our operating results are subject to volatility due to fluctuations in foreign currency exchange rates. Currently, the majority of our international sales are denominated in U.S. Dollars. As a result, an increase in the value of the U.S. Dollar relative to foreign currencies could require us to reduce our sales price or make our products less competitive in international markets. Foreign exchange continues to be a significant headwind as the U.S. Dollar has continued to strengthen, which affect our results of operations and could cause potential delays in orders and we may see our sales and margins outside of the U.S. decline as we may not be able to raise local prices to fully offset the strengthening of the U.S. Dollar. Also, if our international sales continue to increase, we may enter into a greater number of transactions denominated in non-U.S. Dollars, which would expose us to foreign currency risks, including changes in currency exchange rates. If we are unable to address these risks and challenges effectively, our international operations may not be successful and our business would be materially harmed.

***Enhanced international tariffs, including tariffs imposed by the United States and China that affect our products or components within our products, other trade barriers or a global trade war could increase our costs and materially and adversely affect our business operations and financial condition.***

Our global business could be negatively affected by trade barriers and other governmental protectionist measures, any of which can be imposed suddenly and unpredictably. For example, following Russia's invasion of Ukraine, the United States and other countries imposed economic sanctions and severe export control restrictions against Russia and Belarus, and the United States and other countries could impose wider sanctions and export restrictions and take other actions should the conflict further escalate. Any exports or sales of our products into Russia and Belarus may be impacted by these restrictions. The military conflict in Ukraine has also led to an expansion of sanction programs imposed against Russia by the United States, Canada, the EU, the United Kingdom, Switzerland, and Japan, among others, that in relevant part, impose sanctions against some of the largest state-owned and private Russian financial institutions (and their subsequent removal from the Society for Worldwide Interbank Financial Telecommunication ("SWIFT") payment system) and certain Russian businesses, some of which have significant financial and trade ties to the EU, making it increasingly difficult to transfer money from Russia to other countries. In response to international sanctions, and as part of measures to stabilize and support the volatile Russian financial and currency markets, the Russian authorities imposed significant currency control measures aimed at restricting the outflow of foreign currency and capital from Russia, imposed various restrictions on transacting with non-Russian parties, banned exports of various products and imposed other economic and financial restrictions. If we are unable to receive payment from customers in Russia or transfer money outside of Russia, it could affect our ability to convert backlog from that region into revenue. The situation continues to evolve, and the United States, the EU, the United Kingdom and other countries may implement additional sanctions, export controls or other measures against Russia and other countries, regions, officials, individuals or industries in the respective territories. Such sanctions and measures, as well as existing and potential further responses from Russia or other countries, could adversely affect the global economy and financial markets, as well as our business, financial condition and results of operations, which may also magnify the impact of other risks described in this "Risk Factors" section.

There is also currently significant uncertainty about the future relationship between the U.S. and various other countries, most significantly China, with respect to trade policies, treaties, government regulations and tariffs. Since the beginning of 2018, there has been legislative or executive action, from U.S. and foreign leaders regarding instituting tariffs against foreign imports of certain materials. During the last half of calendar year 2018, the federal government imposed a series of tariffs ranging from 10% to 25% on a variety of imports from China. These tariffs affect certain components, including the linear accelerator for our CyberKnife platforms, which we manufacture in China and import into the U.S., as well as other components that we import into the U.S. from our suppliers. China responded to these tariffs with retaliatory tariffs ranging from 5% to 25% on a wide range of products from the U.S., which include certain of our products. Although the U.S. and China signed an initial trade deal in January 2020 and we have thus far been able to obtain tariff exemptions for medical linear accelerators imported into the U.S. from China, there is no assurance that the exemption on medical linear accelerators will continue or that we will continue to qualify for such exemption. If these tariffs continue, if additional tariffs are placed on certain of our components or products, or if any related counter-measures are taken by China, the U.S. or other countries, our business, financial condition and results of operations may be materially harmed. The imposition of tariffs could also increase our costs and require us to raise prices on our products, which may negatively impact the demand for our products in the affected market. If we are not successful in offsetting the impact of any such tariffs, our revenue, gross margins and operating results may be adversely affected.

These tariffs are subject to a number of uncertainties as they are implemented, including future adjustments and changes. The ultimate reaction of other countries and the impact of these tariffs or other actions on the U.S., the global economy and our business, financial condition and results of operations, cannot be predicted at this time, nor can we predict the impact of any other developments with respect to global trade. Further, the imposition of additional tariffs by the U.S. could result in the adoption of additional tariffs by other countries, as well as further retaliatory actions by any affected country. Any resulting trade war could negatively impact the global market for medical devices, including radiation therapy devices, and could have a significant adverse effect on our business. These developments may have a material adverse effect on global economic conditions and the stability of global financial markets, and they may significantly reduce global trade. Any of these factors could depress economic activity, restrict our access to customers and have a material adverse effect on our business, financial condition and results of operations.

***The effect of the COVID-19 pandemic, or the perception of its effects, as well as the responses of governments and private industry on our operations and the operations of our customers and suppliers, have and could continue to have a material adverse effect on our business, financial condition, results of operations, or cash flows.***

Governments, public institutions, and other organizations have taken and are taking certain preventative or protective measures to combat the spread of COVID-19 and aid in the ongoing recovery from the COVID-19 pandemic. While we are unable to predict the full impact of the COVID-19 pandemic, and how long any recovery will take, we are closely monitoring the trends in the COVID-19 pandemic and are continually assessing its current and potential effects on our business. For example, as a result of the COVID-19

related restrictions in China, sales in China previously decreased and we have experienced delays in the JV obtaining certain necessary regulatory approvals for a Class B device. Sales in China may continue to experience declines if additional COVID-19 related restrictions are initiated in the future. In addition, as a result of timing delays caused by the COVID-19 pandemic, we have experienced disruptions in our sales and revenue cycle as well as declines in deliveries and installations of our products, which has adversely impacted the pace at which our backlog converts to revenue. Delays in deliveries and installations as a result of the COVID-19 pandemic and its effects on the global economic environment may continue, to some degree, through the remainder of calendar year 2024, which could have a negative impact on our revenue during such period. These timing delays have been a result of various factors driven by the COVID-19 pandemic, including disruptions in the operations of our customers that have redirected customer resources to the COVID-19 response and away from purchases of capital equipment such as our products, disruptions and restrictions on our ability to travel to customer sites, disruptions in our supply chain, and manufacturing interruptions.

In addition, the COVID-19 pandemic and other factors impacted the global supply chain, causing disruptions to service providers, logistics and the flow and availability of supplies and products. In particular, we have experienced disruptions in parts of our supply chain that have resulted in delays in the receipt of certain components for our products that have also delayed shipments of our products as well as increased pricing pressure for such parts. These ongoing supply chain challenges and logistics costs have affected our gross margins and net income (loss), and our current expectations are that gross margins and net income (loss) will continue to be adversely affected by increased material costs and freight and logistic expenses through at least the remainder of fiscal year 2024, if not longer. Furthermore, certain parts required for the manufacturing and servicing of our products are scarce and becoming increasingly difficult to source, even at increased prices. If such parts become unavailable to us, we would not be able to manufacture or service our products, which would adversely impact revenue, gross margins, and net income (loss). Additionally, to protect the health and well-being of our employees, suppliers, and customers, we have implemented remote work arrangements. Other impacts of the COVID-19 pandemic have included and could include significant and unpredictable reductions in the demand for our products; a deepening of the changes to the operations and workflows of our customers that could result in increased customer defaults or delays in payment; additional delays, cancellations and redirection of planned capital expenditures and installations of our system by our customers to focus resources on COVID-19; a reduction or interruption in any of our manufacturing processes resulting in our inability to meet demand for our products or services; or closures of our key facilities or the facilities of our customers or suppliers. For example, cancellations of orders have increased due to the COVID-19 pandemic. Further, a lack of coordinated response on or compliance with risk mitigation with respect to the COVID-19 pandemic could result in significant increases to the duration and severity of the pandemic and could have a corresponding negative impact on our business.

Additional impacts may arise that we are not aware of currently; however, the COVID-19 pandemic or the perception of its effects could have a material adverse effect on our business, financial condition, results of operations, or cash flows. In addition, the COVID-19 pandemic, the ongoing recovery from the COVID-19 pandemic and the various responses to it, may also have the effect of heightening many of the other risks discussed in this "Risk Factors" section.

***If we encounter manufacturing problems, or if our manufacturing facilities do not continue to meet federal, state or foreign manufacturing standards, we may be required to temporarily cease all or part of our manufacturing operations, which would result in delays and lost revenue.***

The CyberKnife and TomoTherapy platforms are complex and require the integration of a number of components from several sources of supply. We must manufacture and assemble these complex systems in commercial quantities in compliance with regulatory requirements and at an acceptable cost. Our linear accelerator components are extremely complex devices and require significant expertise to manufacture, and we may encounter difficulties in scaling up production of the CyberKnife or TomoTherapy platforms, including problems with quality control and assurance, component supply shortages, increased costs, shortages of qualified personnel, the long lead time required to develop additional radiation shielded facilities for purposes of testing our products and/or difficulties associated with compliance with local, state, federal and foreign regulatory requirements. In addition, the macroeconomic environment and the ongoing recovery from the COVID-19 pandemic has and may continue to impact the supply of key components such that we may not receive them in a timely manner, in sufficient quantities, or at a reasonable cost. In addition, as a result of COVID-related restrictions in China, we may also experience limitations in the availability of qualified personnel. If component supply or our manufacturing capacity does not keep pace with demand, we will not be able to fulfill product orders or service our products in a timely manner, which in turn may have a negative effect on our financial results and overall business. Conversely, if demand for our products decreases, the fixed costs associated with excess manufacturing capacity may adversely affect our financial results.

Our manufacturing processes and the manufacturing processes of our third-party suppliers are required to comply with the FDA's Quality System Regulations ("QSR") for any products imported into, or sold within, the U.S. The QSR is a complex regulatory scheme that covers the methods and documentation of the design, testing, production process and controls, manufacturing, labeling, quality assurance, packaging, storage and shipping of our products. Furthermore, we are required to verify that our suppliers maintain

facilities, procedures and operations that comply with our quality requirements. We are also subject to state licensing and other requirements and licenses applicable to manufacturers of medical devices, and we are required to comply with International Organization for Standardization ("ISO"), quality system standards in order to produce products for sale in Europe and Canada, as well as various other foreign laws and regulations. Because our manufacturing processes include the production of diagnostic and therapeutic X-ray equipment and laser equipment, we are subject to the electronic product radiation control provisions of the Federal Food, Drug and Cosmetic Act, which requires that we file reports with the FDA, applicable states and our customers regarding the distribution, manufacturing and installation of these types of equipment. The FDA enforces the QSR and the electronic product radiation control provisions through periodic inspections, some of which may be unannounced. We have been and anticipate in the future being subject to such inspections. FDA inspections usually occur every two to three years. During such inspections, the FDA may issue Inspectional Observations on Form FDA 483, listing instances where the manufacturer has failed to comply with applicable regulations and procedures, or warning letters.

If a manufacturer does not adequately address the observations, the FDA may take enforcement action against the manufacturer, including the imposition of fines, restriction of the ability to export product, total shutdown of production facilities and criminal prosecution. If we or a third-party supplier receive a Form FDA 483 with material or major observations that are not promptly corrected, fail to pass a QSR inspection, or fail to comply with these, ISO and other applicable regulatory requirements, our operations could be disrupted and our ability to generate sales could be delayed. Our failure to take prompt and satisfactory corrective action in response to an adverse inspection or our failure to comply with applicable standards could result in enforcement actions, including a public warning letter, a shutdown of our manufacturing operations, a recall of our products, civil or criminal penalties, or other sanctions, which would cause our sales and business to suffer. In addition, because some foreign regulatory approvals are based on approvals or clearances from the FDA, any failure to comply with FDA requirements may also disrupt our sales of products in other countries. We cannot assure you that the FDA or other governmental authorities would agree with our interpretation of applicable regulatory requirements or that we or our third-party suppliers have in all instances fully complied with all applicable requirements. If any of these events occur, our reputation could be harmed, we could lose customers and there could be a material adverse effect on our business, financial condition and results of operations.

If we cannot achieve the required level and quality of production, we may need to outsource production or rely on licensing and other arrangements with third parties who possess sufficient manufacturing facilities and capabilities in compliance with regulatory requirements. Even if we could outsource needed production or enter into licensing or other third-party arrangements, this could reduce our gross margin and expose us to the risks inherent in relying on others. We also cannot assure you that our suppliers will deliver an adequate supply of required components on a timely basis or that they will adequately comply with the QSR. Failure to obtain these components on a timely basis would disrupt our manufacturing processes and increase our costs, which would harm our operating results.

***If we are unable to develop new products or enhance existing products to meet our customers' needs and compete favorably in the market, we may be unable to attract or retain customers.***

Our success depends on the successful development, regulatory clearance or approval, introduction and commercialization of new generations of products, treatment systems, and enhancements to and/or simplification of existing products that will meet our customers' needs provide novel features and compete favorably in the market. The CyberKnife and TomoTherapy platforms, which are currently our principal products, are technologically complex and must keep pace with, among other things, the products of our competitors and new technologies. We are making significant investments in long-term growth initiatives. Such initiatives require significant capital commitments, involvement of senior management and other investments on our part, which we may be unable to recover. Our timeline for the development of new products or enhancements may not be achieved and price and profitability targets may not prove feasible. Commercialization of new products may prove challenging, and we may be required to invest more time and money than expected to successfully introduce them. Once introduced, new products may adversely impact orders and sales of our existing products or make them less desirable or even obsolete. Compliance with regulations, competitive alternatives, and shifting market preferences may also impact the successful implementation of new products or enhancements. Our inability to develop, gain regulatory approval for or supply competitive products to the market as quickly and effectively as our competitors could limit market acceptance of our products and reduce our sales.

In addition, we depend on one of our customers for a substantial portion of our revenue, and the loss of, or a significant reduction in orders from our major customer could have a material adverse effect on our revenue and operating results. We had one customer that represented 10% or more of total net revenue for the years ended June 30, 2023, 2022, and 2021, respectively. In the future, our

major customer may decide not to purchase our products at all, may purchase fewer products than they did in the past, or may defer or cancel purchases or otherwise alter their purchasing patterns.

Our ability to successfully develop and introduce new products, treatment systems and product enhancements and simplifications, and the revenues and costs associated with these efforts, will be affected by our ability to:

- properly identify and address customer needs;
- prove feasibility of new products in a timely manner;
- educate physicians about the use of new products and procedures;
- comply with internal quality assurance systems and processes timely and efficiently;
- manage the timing and cost of obtaining regulatory approvals or clearances;
- accurately predict and control costs associated with inventory overruns caused by phase-in of new products and phase-out of old products;
- price new products competitively;
- manufacture and deliver our products in sufficient volumes on time and accurately predict and control costs associated with manufacturing, installation, warranty and maintenance of the products;
- meet our product development plan and launch timelines;
- enter into collaborations with third parties. For example, a key component of our research and development program is our collaboration with research programs at selected hospitals, cancer treatment centers, academic institutions and research institutions worldwide;
- improve manufacturing yields of components; and
- manage customer demands for retrofits of both old and new products.

Even if customers accept new products or product enhancements, the revenues from these products may not be sufficient to offset the significant costs associated with making them available to customers.

We cannot be sure that we will be able to successfully develop, obtain regulatory approval or clearance for, manufacture or introduce new products, treatment systems or enhancements, the roll-out of which involves compliance with complex quality assurance processes, including QSR. Failure to obtain regulatory approval or clearance for our products or to complete these processes in a timely and efficient manner could result in delays that could affect our ability to attract and retain customers, or could cause customers to delay or cancel orders, causing our backlog, revenues and operating results to suffer.

***If we do not effectively manage our growth, our business may be significantly harmed.***

In order to implement our business strategy, we expect continued growth in our infrastructure requirements, particularly as we expand into new and growing markets as well as expand our manufacturing capacities and sales and marketing capabilities. To manage our growth, we must expand our facilities, augment our management, operational and financial systems, hire and train additional qualified personnel, scale-up our manufacturing capacity and expand our marketing and distribution capabilities, all of which will be more difficult to accomplish the more employees we have that work remotely from home. Our manufacturing, assembly and installation process is complex and occurs over many months and we must effectively scale this entire process to satisfy customer expectations and changes in demand. Further, to accommodate our growth and compete effectively, we will be required to make improvements to our business operations. We cannot be certain that our personnel, systems, procedures and internal controls will be adequate to support our future operations and any expansion of our systems and infrastructure may require us to commit significant additional financial, operational and management resources. If we cannot manage our growth effectively, our business will suffer.

***We could become subject to product liability claims, product recalls, other field actions and warranty claims that could be expensive, divert management's attention and harm our business.***

Our business exposes us to potential liability risks that are inherent in the manufacturing, marketing, sale, installation, servicing, and support of medical device products. We may be held liable if one of our CyberKnife or TomoTherapy platforms or our software, including the Precision Treatment Planning with iDMS Data Management System software causes or contributes to injury or death or is found otherwise unsuitable during usage. Our products incorporate sophisticated components and computer software. Complex software can contain errors, particularly when first introduced. In addition, new products or enhancements may contain undetected errors or performance problems that, despite testing, are discovered only after installation. Because our products are designed to be used to perform complex surgical and therapeutic procedures involving delivery of radiation to the body, defects, even if small, could result in a number of complications, some of which could be serious and could harm or kill patients. Any alleged weaknesses in physician training and services associated with our products may result in unsatisfactory patient outcomes and product liability lawsuits. It is also possible that defects in the design, manufacture or labeling of our products might necessitate a product recall or other field corrective action, which may result in warranty claims beyond our expectations and may harm our reputation and create adverse publicity. A product liability claim, regardless of its merit or eventual outcome, could result in significant legal defense costs that may not be covered by insurance and be time-consuming to defend. We may also be subject to claims for personal injury, property damage or economic loss related to, or resulting from, any errors or defects in our products, or the installation, servicing and support of our products, or any professional services rendered in conjunction with our products. Adverse publicity related to any product liability actions may cause patients to be less receptive to radiation therapy generally or our products specifically and could also result in additional regulation that could adversely affect our ability to promote, manufacture and sell our products. The coverage limits of our insurance policies may not be adequate to cover future claims. If sales of our products increase or we suffer future product liability claims, we may be unable to maintain product liability insurance in the future at satisfactory rates or with adequate amounts of coverage. A product liability claim, any product recalls or other field actions or excessive warranty claims, whether arising from defects in design or manufacture or labeling, could negatively affect our sales or require a change in the design, manufacturing process or the indications for which our systems or software may be used, any of which could harm our reputation and business and result in a decline in revenue.

In addition, if a product we designed or manufactured is defective, whether because of design or manufacturing, supplied parts, or labeling defects, improper use of the product or other reasons, we may be required to notify regulatory authorities and/or to recall the product, possibly at our expense. We have voluntarily initiated recalls and other product corrections in the past. For example, in fiscal year 2021, we voluntarily initiated one recall related to the TomoTherapy platform and one recall on the CyberKnife platform; and in fiscal year 2024, we voluntarily initiated one recall related to the Radixact platform, all of which were reported to the FDA. We are committed to the safety and precision of our products and while no serious adverse health consequences have been reported in connection with these recalls and the costs associated with each such recall were not material, we cannot ensure that the FDA will not require that we take additional actions to address problems that resulted in previous recalls or that similar or more significant product recalls will not occur in the future. A required notification of a correction or removal to a regulatory authority or recall could result in an investigation by regulatory authorities of our products, which could in turn result in required recalls, restrictions on the sale of the products or other civil or criminal penalties. The adverse publicity resulting from any of these actions could cause customers to review and potentially terminate their relationships with us. These investigations, corrections or recalls, especially if accompanied by unfavorable publicity, patient injury or termination of customer contracts, could result in incurring substantial costs, losing revenues and damaging our reputation, each of which would harm our business.

***Our reliance on single-source suppliers for critical components of the CyberKnife and TomoTherapy platforms could harm our ability to meet demand for our products in a timely and cost effective manner.***

We currently depend on single source suppliers for some of the critical components necessary to assemble the CyberKnife and TomoTherapy platforms, including, with respect to the CyberKnife platform, the robot, couch and magnetron and, with respect to the TomoTherapy platforms, the couch, solid state modulator and magnetron. In addition, as a result of global supply chain disruptions, we have experienced and continue to experience disruptions in parts of our supply chain, which has caused delays in the receipt of certain component parts for our products and increased pricing pressure for such parts, including with respect to parts purchased from our single-source suppliers, adversely affecting our gross margins in the near term, and increasing the risk that these supply chain disruptions could materially affect our ability to meet customer demand. Furthermore, as a result of the effects of the macroeconomic conditions, including rising inflation, the ongoing recovery from the COVID-19 pandemic and associated supply chain challenges, some of our suppliers have limited or reduced the sale of such components to us or increased the cost of such components to us. If these conditions worsen, or if these suppliers were to experience financial difficulties, additional supply chain or other problems that prevents them from supplying us with the necessary components, we could fail to meet product demand, which could have a material adverse effect on our business, financial condition and results of operations. These sole source and other suppliers could also be subject to quality and performance issues, materials shortages, excess demand, reduction in capacity and other factors that may disrupt the flow of goods to us; thereby adversely affecting our business and customer relationships. If any single-source supplier was to cease delivering components to us or fail to provide the components to our specifications and on a timely basis, we might be required to find

alternative sources for these components. The disruption or termination of the supply of components, including as a result of global shortages in important components, have resulted in, and will continue to cause, inflationary pressure on our supply chain and a significant increase in the costs of these components, which have materially affected and could continue to adversely affect our results of operations. In some cases, alternative suppliers may be located in the same geographic area as existing suppliers, and are thus subject to the same economic, political and geographic factors that may affect existing suppliers to meet our demand. We may have difficulty or be unable to find alternative sources for these components. Difficulties in obtaining a sufficient supply of component materials continue to increase as well as the costs associated with such components, and we expect such difficulties to persist through at least the remainder of fiscal year 2024, if not longer. As a result, we may be unable to meet the demand for the CyberKnife or TomoTherapy platforms, which could harm our ability to generate revenue and damage our reputation. Even if we do find alternate suppliers, we will be required to qualify any such alternate suppliers and we would likely experience a lengthy delay in our manufacturing processes or a cessation in production, which would result in delays of shipment to end users. We cannot assure you that our single-source suppliers will be able or willing to meet our future demands.

We generally do not maintain large volumes of inventory, which makes us even more susceptible to harm if a single source supplier fails to deliver components on a timely basis, and maintaining our historical levels of inventory has been adversely impacted by the ongoing recovery from the COVID-19 pandemic and macroeconomic environment. Furthermore, if we are required to change the manufacturer of a critical component of the CyberKnife or TomoTherapy platforms, we will be required to verify that the new manufacturer maintains facilities, procedures and operations that comply with our quality and applicable regulatory requirements and guidelines, which could further impede our ability to manufacture our products in a timely manner. If the change in manufacturer results in a significant change to the product, a new 510(k) clearance would be necessary, which would likely cause substantial delays. The disruption or termination of the supply of key components for the CyberKnife or TomoTherapy platforms could harm our ability to manufacture our products in a timely manner or within budget, harm our ability to generate revenue, lead to customer dissatisfaction and adversely affect our reputation and results of operations.

Failures of components also affect the reliability and performance of our products, can reduce customer confidence in our products, increase service parts consumption, and may adversely affect our financial performance. From time to time, we may receive components that do not perform according to their specifications, which could result in the inability of such customer utilize our systems in their practices until such components are replaced. Any future difficulty in obtaining reliable component parts could result in increased customer dissatisfaction and adversely affect our reputation, our ability to protect and retain our installed base of customers and results of operations.

***We depend on key employees, the loss of whom would adversely affect our business. If we fail to attract and retain employees with the expertise required for our business, we may be unable to continue to grow our business.***

We are highly dependent on the members of our senior management, sales, marketing, operations and research and development staff. Our future success will depend in part on our ability to retain our key employees and to identify, hire and retain additional personnel. Competition for qualified personnel in the medical device industry is intense and finding and retaining qualified personnel with experience in our industry is very difficult. We believe there are only a limited number of individuals with the requisite skills to serve in many of our key positions and we face significant competition for key personnel and other employees, from other medical equipment and software manufacturers, technology companies, universities and research institutions. Fluctuations in labor availability globally, including labor shortages and staff burnout and attrition, may also impact our ability to hire and retain personnel critical to our manufacturing, logistics, and commercial operations. As a result, we may not be able to retain our existing employees or hire new employees quickly enough to meet our needs. Moreover, we have in the past conducted reductions in force in order to optimize our organizational structure and reduce costs, and certain senior personnel have also departed for various reasons. For example, in December 2022, we reduced the global workforce by four and half percent and, in October 2023, we informed affected employees of a cost savings initiative to reduce operating expenses resulting in the elimination of approximately 5.9 percent of our global workforce. At the same time, we may face high turnover among employees that are critical to our ongoing operations, requiring us to expend time and resources, including financial resources, to source, train and integrate new employees. The challenging markets in which we compete for talent may also require us to invest significant amounts of cash and equity to attract and retain employees. In addition, a significant portion of our compensation to our key employees is in the form of stock related grants. A prolonged depression in our stock price could make it difficult for us to retain our key and other employees and recruit additional qualified personnel and we may have to pay additional compensation to employees to incentivize them to join or stay with us. We do not maintain, and do not currently intend to obtain, key employee life insurance on any of our personnel. If we fail to hire and retain key personnel and other employees, we may be unable to continue to grow our business successfully.

***Disruption of critical information technology systems, infrastructure and data or cyberattacks or other security breaches or incidents could harm our business and financial condition.***

Information technology helps us operate more efficiently, interface with customers, maintain financial accuracy and efficiency and accurately produce our financial statements. If we do not allocate and effectively manage the resources necessary to build, sustain and

secure the proper technology infrastructure, we could be subject to transaction errors, processing inefficiencies, the loss of customers, business disruptions or the loss, unavailability of or damage to data and intellectual property through a cyberattack (including ransomware and other attacks) or other security breach or incident. While management is committed to identifying and improving data security risks through oversight of data security by our Chief Information Security Officer and implementation of various technical safeguards, procedural requirements and policies, regardless of the resources we allocate and the effectiveness with which we manage them, we face a risk of cyberattacks and other security breaches and incidents. Any cyberattacks or other security breaches or incidents we suffer could expose us to a risk of lost, unavailable, or corrupted information, unauthorized disclosure or other processing of information, claims, litigation and possible liability to employees, customers and others, and investigations and proceedings by regulatory authorities. Additionally, cyberattack activity may be heightened in connection with geopolitical events and conflicts such as the Russia-Ukraine and Israel-Hamas conflicts. In addition to potential exposure to cyberattacks, security incidents, or other actions that may compromise the security of or interfere with the function of our products, defects or vulnerabilities in the software or systems of our third party vendors may expose failures in our internal controls and risk management processes, which may adversely impact our business, financial condition, results of operations, or cash flows and may also harm our reputation, brand, and customer relationships.

If our data management systems or those of our third-party providers do not effectively collect, store, process and report relevant data for the operation of our business, whether due to equipment malfunction or constraints, software deficiencies, computer viruses, security breaches or incidents, cyberattacks, catastrophic events or human error, our ability to effectively plan, forecast and execute our business plan and comply with applicable laws and regulations will be impaired, perhaps materially. Any such impairment could materially and adversely affect our financial condition, results of operations, cash flows and the timeliness with which we internally and externally report our operating results. As a result, our information systems require an ongoing commitment of significant resources to maintain, protect, and enhance existing systems and develop new systems to keep pace with continuing changes in information processing technology, evolving legal and regulatory standards, the increasing need to protect patient and customer information, and the information technology needs associated with our changing products and services. There can be no assurance that our process of consolidating the number of systems we operate, upgrading and expanding our information systems capabilities, continuing our efforts to build security into the design of our products, protecting and enhancing our systems and developing new systems to keep pace with continuing changes in information processing technology will be successful or that additional systems issues will not arise in the future, or that we will not suffer from disruptions or other systems issues even if we devote substantial resources and personnel to these efforts.

In addition, privacy and security breaches and incidents arising from errors, malfeasance or misconduct by employees, contractors or others with permitted access to our systems may pose a risk that sensitive data, including individually identifiable data, may be exposed to unauthorized persons or to the public and may compromise our security systems. There can be no assurance that any efforts we make to prevent against such privacy or security breaches or incidents have been or will be able to prevent breakdowns or breaches or incidents in our systems or those of our third-party service providers that could adversely affect our business. Third parties may also attempt to fraudulently induce employees or customers into disclosing usernames, passwords or other sensitive information, which may in turn be used to access our information technology systems. For example, our employees have received in the past and likely will continue to receive “phishing” e-mails attempting to induce them to divulge sensitive information. We may also face increased cybersecurity risks due to our reliance on internet technology and many of our employees working remotely at least part of the time, which may create additional opportunities for cybercriminals to exploit vulnerabilities. In addition, unauthorized persons may attempt to hack into our products or systems to obtain personal data relating to patients or employees, our confidential or proprietary information or confidential information we hold on behalf of third parties, which, if successful, could pose a risk of loss, unavailability, or corruption of, or unauthorized access to or acquisition of, data, risk to patient safety and risk of product recall. The techniques used to obtain unauthorized access to our systems change frequently and may be difficult to detect, and we may not be able to anticipate and prevent these intrusions or mitigate them when they occur. Third-party service providers store and otherwise process certain personal data and other confidential or proprietary information of ourselves and third parties on our behalf, and these service providers face similar risks. In addition, our employees, third-party service providers, strategic partners, or other contractors or consultants may input personal or confidential information, or other business data of ours, into an artificial intelligence system (in particular, a system that is managed, owned, or controlled by a third party), which may disrupt and otherwise compromise our business operations, divert the attention of management and key information technology resources, potentially lead to security breaches or incidents or other unauthorized access to, or other use or processing of, personal information, our confidential information or other business data. Moreover, we manufacture and sell hardware and software products that allow our customers to store confidential information about their patients. Both types of products are often connected to and reside within our customers’ information technology infrastructures. We do not have measures to configure or secure our customers’ equipment or any information stored in our customers’ systems or at their locations, which is the responsibility of our customers. Our customers are also continually updating their cybersecurity standards for the products that they purchase. While we have implemented security measures designed to protect our hardware and software products from unauthorized access and cyberattacks, these measures may not meet the standards set by our customers or be effective in securing these products, particularly since techniques used to obtain unauthorized access, or to

sabotage systems, change frequently and may not be recognized until launched against a target. A network security or systems security breach of incident suffered by ourselves or our third-party service providers or other events that cause the loss or unauthorized use or disclosure of, or access by third parties to, sensitive information stored by us or our customers could result in loss, unavailability, or unauthorized acquisition, modification, or other processing of data, and any such events, or the perception that these events have occurred or that our security measures for our products are lacking, could have serious negative consequences for our business, including indemnity obligations, possible fines, penalties and damages, reduced demand for our products and services, an unwillingness of our customers to use our products or services, harm to our reputation and brand, and time consuming and expensive litigation, any of which could have an adverse effect on our business, financial condition, and operating results.

Due to frequently changing attack techniques, along with the increased volume and sophistication of the attacks, including the increasing use of tools and techniques that are designed to circumvent controls, avoid detection, and remove or obfuscate forensic evidence, all of which hinders our ability to identify, investigate, and recover from incidents, we could be adversely impacted by cybersecurity attacks or other security breaches. This impact could result in reputational, competitive, operational, or other business harm as well as financial costs and claims, demands, litigation and regulatory action.

While we do maintain insurance coverage that is intended to address certain aspects of data security risks, such insurance coverage may be insufficient to cover all losses or all types of claims that may arise.

***Any actual or perceived failure by us to comply with legal or regulatory requirements related to privacy, cybersecurity and data protection in one or multiple jurisdictions could result in proceedings, actions or penalties against us.***

There are numerous state, federal and foreign laws, regulations, decisions and directives regarding privacy and the collection, storage, transmission, use, processing, disclosure and protection of personal information and other data, the scope of which is continually evolving and subject to differing interpretations. Our worldwide operations mean that we are subject to privacy, cybersecurity and data protection laws and regulations in many jurisdictions to varying degrees, and that some of the data we process, store and transmit may be transmitted across countries. For example, in the U.S., privacy and security rules implementing the Health Insurance Portability and Accountability Act ("HIPAA") require us as a business associate, in certain instances, to protect the confidentiality of patient health information, and the Federal Trade Commission has consumer protection authority, including regarding privacy and cybersecurity. In Europe, the GDPR imposes several stringent requirements for controllers and processors of personal data that will increase our obligations and, in the event of violations, may impose significant fines of up to the greater of 4% of worldwide annual revenue or €20 million. In the UK, the Data Protection Act of 2018 and the UK GDPR collectively implement material provisions of the GDPR and provide for penalties for noncompliance of up to the greater of £17.5 million or four percent of worldwide revenues.

Data transfer and localization requirements also appear to be increasing and becoming more complex. With regard to transfers to the U.S. of personal data from our employees and European customers and users, both the EU-U.S. Privacy Shield and standard contractual clauses issued by the European Commission (the "EU SCCs") have been subject to legal challenge. In July 2020, the Court of Justice of the European Union ("CJEU") released a decision in the Schrems II case (Data Protection Commissioner v. Facebook Ireland, Schrems) (the "CJEU Decision"), declaring the EU-U.S. Privacy Shield invalid and imposing additional obligations in connection with the use of the EU SCCs, another mechanism for cross-border personal data transfers from the European Economic Area ("EEA"). Although the EU SCCs remain a valid means to transfer personal data from the EEA, the CJEU imposed additional obligations in connection with their use and, on June 4, 2021, the European Commission issued revised EU SCCs that address certain concerns of the CJEU. The United Kingdom also has issued new standard contractual clauses (the "UK SCCs") that became effective March 21, 2022, and which are required to be implemented. In March 2022, the EU and U.S. reached an agreement in principle on a new EU-U.S. Data Privacy Framework ("DPF"). In October 2022, the U.S. issued an executive order in furtherance of this framework, on which basis the European Commission adopted an adequacy decision with respect to the DPF in July 2023, allowing for the DPF to be implemented and available for companies to use to legitimize transfers of personal data from the E.U. to the U.S. It remains unclear, however, whether this new framework will be appropriate for us to rely upon, and it may be subject to legal challenge. Additionally, the European Commission's adequacy decision regarding the DPF provides that the DPF will be subject to future reviews and may be subject to suspension, amendment, repeal, or limitations to its scope by the European Commission. The CJEU Decision, the revised EU SCCs and UK SCCs, regulatory guidance and opinions, and other developments relating to cross-border data transfer may require us to implement additional contractual and technical safeguards for any personal data transferred out of the EEA, Switzerland, and the United Kingdom, which may increase compliance costs, lead to increased regulatory scrutiny or liability, may require additional contractual negotiations, and may adversely impact our business, financial condition and operating results.

Other jurisdictions have adopted laws and regulations addressing privacy, data protection, data security, or other aspects of data processing, such as data localization. For example, the People's Republic of China ("PRC") and Russia have passed laws that require individually identifiable data on their citizens to be maintained on local servers and that may restrict transfer or processing of that data if certain data quantity thresholds are triggered. Additionally, the Personal Information Protection Law ("PIPL") of the PRC went into

effect on November 1, 2021. The PIPL shares similarities with the GDPR, including extraterritorial application, data minimization, data localization, and purpose limitation requirements, and obligations to provide certain notices and rights to citizens of the PRC. The PIPL allows for fines of up to 50 million Renminbi or 5% of a covered company's revenue in the prior year. We may be required to modify our policies, procedures, and data processing measures in order to address requirements under these or other privacy, data protection, or cybersecurity regimes, and may face claims, litigation, investigations, or other proceedings regarding them and may incur related liabilities, expenses, costs, and operational losses.

Further, the current U.S. administration is engaged in a comprehensive evaluation of national security concerns and other risks relating to the transfer of personally identifiable information from the United States to China, and on June 9, 2021, U.S. President Biden signed an executive order instituting a framework for determining national security risks of transactions that involve applications connected to governments or militaries of certain foreign adversaries or that collect sensitive personal data from U.S. consumers. In 2019, an executive order citing national security risks in the telecommunications sector served to block U.S. companies from buying Chinese-made Huawei and ZTE products. If our operations, including those involving the processing of U.S.-collected data such as medical imagery, through the JV in China, come to be perceived as a U.S. national security risk, those operations may become subject to executive orders, sanctions, or other measures. Any ban or other restriction on our transfer of data to the JV in China may increase costs as we seek operational and data processing alternatives.

New and proposed privacy, cybersecurity, and data protection laws are also providing new rights to individuals and increasing the penalties associated with non-compliance. For example, the California Consumer Privacy Act (the "CCPA"), which became effective on January 1, 2020, imposes stringent data privacy and data protection requirements regarding the personal information of California residents, and provides for penalties for noncompliance of up to $7,500 per violation, as well as a private right of action from individuals in relation to certain security breaches.

The California Privacy Rights Act ("CPRA"), approved by California voters in November 2020, became effective on January 1, 2023. The CPRA, significantly modified the CCPA, has resulted in further uncertainty and may require us to incur additional costs and expenses in an effort to comply. We will continue to monitor developments related to the CPRA and anticipate additional costs and expenses associated with CPRA compliance. The enactment of the CCPA, as modified by the CPRA, is prompting a wave of similar legislative developments in other states in the U.S., which could potentially create a patchwork of overlapping but different state laws. For example, Virginia, Colorado, Utah, and Connecticut all have enacted state laws that have become, or will become, effective in 2023; Texas, Montana, Oregon, and Florida have adopted laws that will become effective in 2024, Delaware, Iowa, New Jersey and Tennessee have adopted laws that will become effective in 2025; and Indiana has adopted a law that will become effective in 2026. These new state laws share similarities with the CCPA, CPRA, and legislation proposed in other states. Other states have enacted other types of privacy legislation, such as Washington's My Health, My Data Act, which includes a private right of action. Additionally, the U.S. federal government is contemplating privacy legislation. We cannot fully predict the impact of the CCPA, CPRA, or other new or proposed legislation on our business or operations, but the restrictions imposed by these laws and regulations may require us to modify our data handling practices and impose additional costs and burdens, including risks of regulatory fines, litigation and associated reputational harm. In addition, U.S. and international laws that have been applied to protect consumer privacy (including laws regarding unfair and deceptive practices in the U.S. and GDPR in the EU) may be subject to evolving interpretations or applications in light of privacy developments. As a result, we may be subject to significant consequences, including penalties and fines, for any failure to comply with such laws, regulations and directives.

Privacy, cybersecurity and data protection legislation around the world is comprehensive and complex and there has been a trend towards more stringent enforcement of requirements regarding protection and confidentiality of personal data. The restrictions imposed by such laws and regulations may limit the use and adoption of our products and services, reduce overall demand for our products and services, require us to modify our data handling practices and impose additional costs and burdens. With increasing enforcement of privacy, cybersecurity and data protection laws and regulations, there is no guarantee that we will not be subject to investigation, enforcement actions or other proceedings by governmental bodies or that our costs relating to privacy, data protection or cybersecurity laws and regulations will not increase significantly. Enforcement actions, investigations and other proceedings can be costly, require significant time and attention of management and other personnel and interrupt regular operations of our business. In addition, there has been a developing trend of civil lawsuits and class actions relating to breaches of consumer data held by large companies. While we have not been named in any such suits, we may be in the future, including if we were to suffer a security breach or incident. Any inability to adequately address concerns relating to privacy, data protection or cybersecurity, even if unfounded, or to comply with applicable laws, regulations, policies, industry standards, contractual obligations or other legal obligations could result in additional cost and liability to us, damage our reputation, inhibit sales and adversely affect our business. Our actual or alleged failure to comply with applicable laws and regulations could result in investigation, enforcement actions or other proceedings against us, including fines and public censure, claims for damages by customers and other affected individuals, damage to our reputation and loss of goodwill (both in relation to existing customers and prospective customers), any of which could harm our business, results of operations and financial condition.

***If third-party payors do not provide sufficient coverage and reimbursement to healthcare providers for use of the CyberKnife and TomoTherapy platforms or if the number of patients covered by health insurance reduces, demand for our products and our revenue could be adversely affected.***

Our customers rely significantly on reimbursement from public and private third-party payors for CyberKnife and TomoTherapy platform procedures. Our ability to commercialize our products successfully and increase market acceptance of our products will depend in significant part on the extent to which public and private third-party payors provide adequate coverage and reimbursement for procedures that are performed with our products and the extent to which patients that are treated by our products continue to be covered by health insurance. Third-party payors may establish or change the reimbursement for medical products and services that could significantly influence the purchase of medical products and services. If reimbursement policies or other cost containment measures are instituted in a manner that significantly reduces the coverage or payment for the procedures that are performed with our products or if there is a prolonged reduction in the number of patients eligible to be treated by our products that are covered by health insurance, our revenue may decline, our existing customers may not continue using our products or may decrease their use of our products, and we may have difficulty obtaining new customers. Such actions would likely have a material adverse effect on our operating results.

In addition, the Centers for Medicare and Medicaid Services ("CMS") reviews reimbursement rates annually and may implement significant changes in future years, which could discourage existing and potential customers from purchasing or using our products. Further, outside of the U.S., reimbursement practices vary significantly by country. Market acceptance of our products may depend on the availability and level of coverage and reimbursement in any country within a particular time.

***The safety and efficacy of our products for certain uses is not yet supported by long-term clinical data, and our products may therefore prove to be less safe and effective than initially thought.***

Although we believe that the CyberKnife and TomoTherapy platforms have advantages over competing products and technologies, we do not have sufficient clinical data demonstrating these advantages for all tumor indications. In addition, we have only limited five-year patient survival rate data, which is a common long-term measure of clinical effectiveness in cancer treatment. We also have limited clinical data directly comparing the effectiveness of the CyberKnife platform to other competing platforms. Future patient studies or clinical experience may indicate that treatment with the CyberKnife platform does not improve patient survival or outcomes relative to other platforms.

Likewise, because the TomoTherapy platform has only been on the market since 2003, we have limited complication or patient survival rate data with respect to treatment using the systems for all clinical indications. If future patient studies or clinical experience do not support our beliefs that the TomoTherapy platform offer a more advantageous treatment for a wide variety of cancer types, use of the systems could fail to increase or could decrease, and our business would therefore be adversely affected.

Such results could reduce the rate of reimbursement by both public and private third-party payors for procedures that are performed with our products, slow the adoption of our products by physicians, significantly reduce our ability to achieve expected revenues and could prevent us from being profitable. In addition, if future results and experience indicate that our products cause unexpected or serious complications or other unforeseen negative effects, the FDA could rescind our clearances, our reputation with physicians, patients and others may suffer and we could be subject to significant legal liability.

***We rely on third parties to perform shipping and logistics functions on our behalf. Failures or disruptions at our logistics providers has occurred and could continue to occur, which would adversely impact our business.***

Customer service is a critical element of our sales strategy. Third party logistics providers store most of our spare parts inventory in depots around the world and perform a significant portion of our spare parts logistics and shipping activities. Our logistics providers may terminate their relationship with us, suffer an interruption in their business, including as a result of macroeconomic factors or COVID-19, significantly increase fees for services or experience delays, disruptions or quality control problems in their operations, or we may have to change and qualify alternative logistics providers for our spare parts. For example, in recent years we have experienced delays in shipment of parts to customers as well as increased freight and logistics expenses, which were the result of macroeconomic factors. In the current environment, this could intensify if such factors continue to disrupt the global supply chain. These delays and increased costs have adversely affected our gross margins and net income (loss) and we currently expect such delays and increased costs may continue through the remainder of fiscal year 2024, if not longer. If this continues for longer than we expect or if any of the above occurs our customers may experience further delays and higher costs and our reputation, business, financial condition and results of operations, including our ability to recognize revenue, may be adversely affected.

***Third parties may claim we are infringing their intellectual property or that we are operating outside the scope of or violating a license or other agreement relating to their intellectual property, and we could suffer significant audit, litigation or licensing expenses, incur liabilities associated with indemnification obligations to customers, experience disruptions in the supply of components of our products or related services, or be prevented from selling our product or components of our product.***

The medical device industry is characterized by a substantial amount of litigation over patent and other intellectual property rights. In particular, the field of radiation treatment of cancer is well established and crowded with the intellectual property of competitors and others. We also expect that other participants will enter the field. A number of companies in our market, as well as universities and research institutions, have issued patents and have filed patent applications that relate to the use of radiation therapy and stereotactic radiosurgery to treat cancerous and benign tumors.

Determining whether a product infringes a patent involves complex legal and factual issues, and the outcome of patent litigation actions is often uncertain. We have not conducted an extensive search of patents issued to third parties, and no assurance can be given that third-party patents containing claims covering our products, parts of our products, technology or methods do not exist, have not been filed, or could not be filed or issued. Because of the number of patents issued and patent applications filed in our technical areas or fields, our competitors or other third parties may assert that our products and the methods we employ in the use of our products are covered by U.S. or foreign patents held by them.

In addition, because patent applications can take many years to issue and because publication schedules for pending applications vary by jurisdiction, there may be applications now pending of which we are unaware, and which may result in issued patents that our current or future products infringe. Also, because the claims of published patent applications can change between publication and patent grant, there may be published patent applications that may ultimately issue with claims that we infringe. There could also be existing patents that one or more of our products or parts may infringe and of which we are unaware. As the number of competitors in the market for less invasive cancer treatment alternatives grows, and as the number of patents issued in this area grows, the possibility of patent infringement claims against us increases. Regardless of the merit of infringement claims, they can be time-consuming and result in costly litigation and diversion of technical and management personnel. Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources. In addition, any uncertainties resulting from the initiation and continuation of any litigation could have a material adverse effect on our ability to raise funds, if necessary, to continue our operations.

Also, because we purchase major components and software for each of our products from third party suppliers and manufacturers, we face the additional risk that infringement claims may be brought against us based on patents and other intellectual property rights that are embodied or contained in, or practiced by, those components (including software components) that we obtain from third parties, and any such claims against us, such as by our direct and indirect suppliers, may additionally allege that we are operating outside the scope of or violating a license or other agreement relating to their intellectual property. These third party suppliers or manufacturers may terminate their licenses with us for a variety of reasons, including actual or perceived failures or breaches of contractual commitments, or they may choose not to renew their licenses with us. The loss of, or inability to obtain, certain third-party licenses or other rights, including the right to resell, or to obtain such licenses or rights on favorable terms, or the need to engage in litigation regarding these matters, could affect the operability or performance of our products until equivalent technology can be identified, licensed or developed, if at all, and integrated into our products, and it may have a material adverse effect on our business, financial condition, and results of operations.

In the event that we become subject to a patent infringement or other intellectual property lawsuit and if the relevant patents or other intellectual property were upheld as valid and enforceable and we were found to infringe or violate the terms of a license or other agreement to which we are a party, we could be subject to third-party audit, experience disruptions in the supply of third-party components or related services, or be prevented from selling our products (or components of our products) unless we obtain a license or are able to redesign the product to avoid infringement. Required licenses may not be made available to us on acceptable terms or at all. If we are unable to obtain a license or successfully redesign our system, we might be prevented from selling such system. If there is an allegation or determination that we have infringed the intellectual property rights of a competitor or other person, we may be required to pay damages, pay ongoing royalties or otherwise settle such matter upon terms that are unfavorable to us. In these circumstances, we may be unable to sell our products at competitive prices or at all, and our business and operating results could be harmed.

***We may be subject to claims that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.***

As is common in the medical device industry, we employ individuals who were previously employed at other medical equipment or biotechnology companies, including our competitors or potential competitors. We may be subject to claims that we or those employees have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers.

Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against claims of this nature, litigation could result in substantial costs and be a distraction to management.

***It is difficult and costly to protect our intellectual property and our proprietary technologies and we may not be able to ensure their protection.***

Our success depends significantly on our ability to obtain, maintain and protect our proprietary rights to the technologies used in our products. Patents and other proprietary rights provide uncertain protections, and we may be unable to protect our intellectual property. For example, we may be unsuccessful in defending our patents and other proprietary rights against third-party challenges. As key patents expire, our ability to prevent competitors from copying our technology may be limited. In addition, patent reform legislation or precedent could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents.

In addition to patents, we rely on a combination of trade secrets, copyright and trademark laws, nondisclosure agreements and other contractual provisions and technical security measures to protect our intellectual property rights. These measures may not be adequate to safeguard the technology underlying our products, including in case of a security breach involving our intellectual property. If these measures do not protect our rights adequately, third parties could use our technology, and our ability to compete in the market would be reduced. Although we have attempted to obtain patent coverage for our technology where available and appropriate, there are aspects of the technology for which patent coverage was never sought or never received. There also may be countries in which we sell or intend to sell the CyberKnife or TomoTherapy platforms but have no patents or pending patent applications. Our ability to prevent others from making or selling duplicate or similar technologies will be impaired in those countries in which we have no patent protection. Although we have several issued patents in the U.S. and in foreign countries protecting aspects of the CyberKnife and TomoTherapy platforms, our pending U.S. and foreign patent applications may not issue, may issue only with limited coverage or may issue and be subsequently successfully challenged by others and held invalid or unenforceable. In addition, many countries limit the enforceability of patents against certain third parties, including government agencies or government contractors. In these countries, patents may provide limited or no benefit. Patent protection must ultimately be sought on a country-by-country basis, which is an expensive and time consuming process with uncertain outcomes. Accordingly, we may choose not to seek patent protection in certain countries, and we will not have the benefit of patent protection in such countries.

Similarly, our issued patents and those of our licensors may not provide us with any competitive advantages. Competitors may be able to design around our patents or develop products which provide outcomes comparable or superior to ours. Our patents may be held invalid or unenforceable as a result of legal challenges by third parties, and others may challenge the inventorship or ownership of our patents and pending patent applications. In addition, the laws of some foreign countries, such as China where the JV operates, may not protect our intellectual property rights to the same extent as do the laws of the United States and, even if they do, uneven enforcement and procedural barriers may exist in such countries. In the event a competitor or other third party infringes upon our patent or other intellectual property rights or otherwise misappropriates such rights, enforcing those rights may be difficult and time consuming. Even if successful, litigation to enforce our intellectual property rights or to defend our patents against challenge could be expensive and time consuming and could divert our management's attention from our core business. Damage awards resulting from successful litigation in foreign jurisdictions may not be in amounts commensurate with damage awards in the U.S. We may not have sufficient resources to enforce our intellectual property rights or to defend our patents against a challenge. In addition, we may not prevail in any lawsuits that we initiate, and the damages or other remedies awarded, if any, may not be commercially valuable. Litigation also puts our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing. Additionally, we may provoke third parties to assert claims against us.

We also license patent and other proprietary rights to aspects of our technology to third parties in fields where we currently do not operate as well as in fields where we currently do operate. Disputes with our licensees may arise regarding the scope and content of these licenses. Further, our ability to expand into additional fields with our technologies may be restricted by our existing licenses or licenses we may grant to third parties in the future.

Additionally, we have written agreements with collaborators regarding the ownership of intellectual property arising from our collaborations. These agreements generally provide that we must negotiate certain commercial rights with collaborators with respect to joint inventions or inventions made by our collaborators that arise from the results of the collaboration. In some instances, there may not be adequate written provisions to address clearly the resolution of intellectual property rights that may arise from a collaboration. If we cannot successfully negotiate sufficient ownership and commercial rights to the inventions that result from our use of a third-party collaborator's materials where required, or if disputes otherwise arise with respect to the intellectual property developed with the use of a collaborator's technology, we may be limited in our ability to utilize these intellectual property rights. In addition, we may face claims by third parties that our agreements with employees, contractors or consultants obligating them to assign

intellectual property to us are ineffective or in conflict with prior or competing contractual obligations of assignment, which could result in ownership disputes regarding intellectual property we have developed or will develop and interfere with our ability to capture the commercial value of such intellectual property. Litigation may be necessary to resolve an ownership dispute, and if we are not successful, we may be precluded from using certain intellectual property or may lose our exclusive rights in that intellectual property. Either outcome could harm our business.

The policies and procedures we have in place to protect our trade secrets may not be effective in preventing misappropriation of our trade secrets by others. In addition, confidentiality agreements executed by our employees, consultants and advisors may not be enforceable or may not provide meaningful protection for our trade secrets or other proprietary information in the event of unauthorized use or disclosure. Litigating a trade secret claim is expensive and time consuming, and the outcome is unpredictable. In addition, courts outside the United States are sometimes less willing to protect trade secrets. Moreover, our competitors may independently develop equivalent knowledge methods and know-how. If we are unable to protect our intellectual property rights, we may be unable to prevent competitors from using our own inventions and intellectual property to compete against us and our business may be harmed.

***Unfavorable results of legal proceedings could materially and adversely affect our financial condition.***

We are and may become a party to legal proceedings, claims, investigations, demands and other legal matters in the ordinary course of business or otherwise including intellectual property, product liability, employment, class action, whistleblower and other litigation claims, and governmental and other regulatory investigations and proceedings. These legal proceedings, claims and other legal matters, regardless of merit, may be costly, time-consuming and require the attention of key management and other personnel. The outcomes of such matters are uncertain and difficult to predict. If any such matters are adjudicated against us, in whole or in part, we may be subject to substantial monetary damages, disgorgement of profits and injunctions that prevent us from operating our business, any of which could materially and adversely affect our business and financial condition. We cannot guarantee that our insurance coverage will be sufficient to cover any damages awarded against us. Further, legal proceedings, and any adverse resolution thereof, can result in adverse publicity and damage to our reputation, which could adversely impact our business.

***Because the majority of our product revenue is derived from sales of the CyberKnife and TomoTherapy platforms, which have a long and variable sales and installation cycle, our revenues and cash flows may be volatile and difficult to predict.***

Our primary products are the CyberKnife and TomoTherapy platforms. We expect to generate substantially all of our revenue for the foreseeable future from sales of and service contracts for the CyberKnife and TomoTherapy platforms. The CyberKnife and TomoTherapy platforms have lengthy sales and purchase order cycles because they are major capital equipment items and require the approval of senior management at purchasing institutions. In addition, sales to some of our customers are subject to competitive bidding or public tender processes. These approval and bidding processes can be lengthy. Selling our systems, from first contact with a potential customer to a complete order, generally spans six months to two years and involves personnel with multiple skills. The sales process in the U.S. typically begins with pre-selling activity followed by sales presentations and other sales related activities. After the customer has expressed an intention to purchase a CyberKnife or TomoTherapy platform, we negotiate and enter into a definitive purchase contract with the customer. The negotiation of terms that are not standard for Accuray may require additional time and approvals. Typically, following the execution of the contract, the customer begins the building or renovation of a radiation-shielded facility to house the CyberKnife or TomoTherapy platform, which together with the subsequent installation of the CyberKnife or TomoTherapy platform, can take up to 24 months to complete. In order to construct this facility, the customer must typically obtain radiation device installation permits, which are granted by state and local government bodies, each of which may have different criteria for permit issuance. If a permit was denied for installation at a specific hospital or treatment center, our CyberKnife or TomoTherapy platform could not be installed at that location. In addition, some of our customers are cancer centers or facilities that are new, and in these cases, it may be necessary for the entire facility to be completed before the CyberKnife or TomoTherapy platform can be installed, which can result in additional construction and installation delays. Our sales and installations of CyberKnife and TomoTherapy platforms tend to be heaviest during the third month of each fiscal quarter.

Under our revenue recognition policy, we recognize revenue attributable to a CyberKnife or TomoTherapy platform and related upgrades when control of a platform or upgrade is transferred, which generally happens when a system or upgrade is shipped, while an element of installation is deferred until performed. Events beyond our control may delay shipment or installation and the satisfaction of contingencies required to receive cash inflows and recognition of revenue associated with shipment or installation. Such events may include a delay in the construction at the customer site or customer delay in obtaining receipt of regulatory approvals such as certificates of need. In addition, disruption in operations of certain customers caused by the COVID-19 pandemic or other macroeconomic factors have resulted in delays in construction, shipment or installation and some have failed to timely pay their obligations when due. If the events which are beyond our control delay the customer from obtaining funding or financing of the entire transaction, we may not be able to recognize revenue for the sale of the entire system because the collectability of contract consideration is not reasonably assured.

The long sales cycle, together with delays in the shipment of CyberKnife and TomoTherapy platforms or customer cancellations that could affect our ability to recognize revenue, could adversely affect our cash flows and revenue, which would harm our results of operations and may result in significant fluctuations in our reporting of quarterly revenues. Our historical experience indicates that some of our customers will cancel or renegotiate contracts as economic conditions change or when product offerings change during the long sales cycle. We anticipate a portion of our open contracts may never result in revenue recognition primarily due to the long sales cycle and factors outside of our control including changes in customers' needs or financial condition, changes in government or health insurance reimbursement policies or changes to regulatory requirements. As a result of these fluctuations, it is likely that in some future quarters, our operating results will fall below the expectations of securities analysts or investors. If that happens, the market price of our stock would likely decrease. These fluctuations also mean that you will not be able to rely upon our operating results in any particular period as an indication of future performance.

***We depend on third-party distributors to market and distribute our products in international markets. If our distributors fail to successfully market and distribute our products, our business will be materially harmed.***

We have strategic relationships with a number of key distributors for sales and service of our products in certain foreign countries, including the JV in China and other third-party distributors in other regions. We cannot control the efforts and resources our third party distributors will devote to marketing the CyberKnife or TomoTherapy platforms. Our distributors may not be able to successfully market and sell the CyberKnife or TomoTherapy platforms, including as a result of concerns regarding the COVID-19 pandemic, may not devote sufficient time and resources to support the marketing and selling efforts and may not market the CyberKnife or TomoTherapy platform at prices that will permit the product to develop, achieve or sustain market acceptance. In some jurisdictions, we rely on our distributors to manage the regulatory process and oversee their activities such that they are in compliance with all laws that govern their activities, such as the U.S. Foreign Corrupt Practices Act ("FCPA"), and we are dependent on their ability to do so effectively. If a distributor is terminated by us or goes out of business, it may take us a period of time to locate an alternative distributor, to seek appropriate regulatory approvals and to train its personnel to market the CyberKnife or TomoTherapy platforms, and our ability to sell and service the CyberKnife or TomoTherapy platforms in the region formerly serviced by such terminated distributor could be materially and adversely affected. Any of our distributors could become insolvent or otherwise become unable to pay amounts owed to us when due. If any of these distributor relationships end and are not replaced, our revenues from product sales or the ability to service our products in the territories serviced by these distributors could be adversely affected. Any of these factors could materially and adversely affect our revenue from international markets, increase our costs in those markets or damage our reputation. If we are unable to attract additional international distributors, our international revenue may not grow. If our distributors experience difficulties, do not comply with regulatory or legal requirements that results in fines or penalties, do not actively market the CyberKnife or TomoTherapy platforms or do not otherwise perform under our distribution agreements, our potential for revenue from international markets may be dramatically reduced, and our business could be harmed.

***The high unit price of the CyberKnife and TomoTherapy platforms, as well as other factors, may contribute to substantial fluctuations in our operating results, which could adversely affect our stock price.***

Because of the high unit price of the CyberKnife and TomoTherapy platforms and the relatively small number of units shipped each quarter, each shipment of a CyberKnife or TomoTherapy platform can represent a significant percentage of our revenue for a particular quarter. Therefore, if we do not ship a CyberKnife or TomoTherapy platform when anticipated, we will not be able to recognize the associated revenue and our operating results will vary significantly from our expectations. This is of particular concern when the economic environment is volatile, such as the current economic environment. For example, during periods of severe economic volatility, such as during the COVID-19 pandemic, we have had customers cancel or postpone orders for our CyberKnife and TomoTherapy platforms and delaying any required build-outs. These fluctuations and other potential fluctuations mean that you should not rely upon our operating results in any particular period as an indication of future performance.

***As a strategy to assist our sales efforts, we may offer extended payment terms, which may potentially result in higher days sales outstanding, reduced cash flows in a particular period and greater payment defaults.***

We offer longer or extended payment terms for qualified customers in some circumstances. As of December 31, 2023, customer contracts with extended payment terms of more than one year amounted to approximately 6% of our total accounts receivable balance. While we qualify customers to whom we offer longer or extended payment terms, their financial positions may change adversely over the longer time period given for payment. This may result in an increase in payment defaults, which would negatively affect our revenue. In addition, any increase in days sales outstanding could also negatively affect our cash flow.

***We have entered into certain relationships with collaborators, partnerships, strategic alliances, joint venture partners and other third parties, which are outside of our full control and may harm our existing business if we fail to realize the expected benefits of such relationships.***

We are a part of certain collaborations, partnerships, strategic alliances, joint ventures and other third-party relationships and depend in part on them to grow our business and market share. Reliance on these third parties subjects us to a number of risks, including that:

- we may be required to contribute significant amounts of capital or incur losses in the initial stages of a collaboration, partnership, alliance or joint venture, particularly as selling and marketing activities increase ahead of expected long-term revenue. For example, we completed our capital contributions to the JV in the second quarter of fiscal 2020 and one system upgrade in the first quarter of fiscal 2021. Further contributions may be necessary in the future as the JV expands its operations in China in order to achieve our long-term strategy in China;

- the failure of a collaboration, partnership, strategic alliance, joint venture or other third-party relationship to meet our performance and financial expectations, which could adversely impact our ability to meet internal forecasts and expectations. For example, we have experienced losses in connection with our JV that has negatively impacted our operating results;

- the process for customers of the collaboration, partnership, alliance or joint venture to comply with local or foreign regulatory requirements that may be required to purchase our products may cause delays in the collaborator, partner, alliance partner or joint venture's ability to conduct business. For example, any delays in the JV obtaining necessary regulatory clearances for a Class B device, in customers in China obtaining Class A or Class B user licenses or in the subsequent tender process to complete the sale could affect the JV's expected ability to initiate sales, recognize revenue and achieve revenue and orders expectations in China;

- we may not be in a position to exercise sole decision making authority regarding any collaboration, partnership, alliance or joint venture, which could result in impasses on decisions or decisions made by our partners, and our partners in such collaborations, partnerships, alliances or joint ventures may have economic or business interests that are, or may become, inconsistent with our interests;

- collaborations, partnerships, alliances and joint ventures can be difficult to manage and may involve significant expense and divert the focus and attention of our management and other key personnel away from our existing businesses;

- with respect to joint ventures, we may not be able to attract qualified employees, acquire customers or develop reliable supply, distribution or other partnerships;

- we could face potential damage to existing customer relationships or lack of customer acceptance or inability to attract new customers as a result of certain collaborations, partnerships, alliances and joint ventures;

- collaborators, partners, alliance partners and joint ventures may also operate in foreign jurisdictions with laws and regulations with which we have limited familiarity, which could adversely impact our ability to comply with such laws and regulations and may lead to increased litigation risk; and

- foreign laws may offer us inadequate or less intellectual property protection relative to U.S. laws, which may impact our ability, as well as the ability of the collaborator, partner, alliance partner and joint venture, to safeguard our respective intellectual property from infringement and misappropriation.

As a result of these and other factors, we may not realize the expected benefits of any collaboration, partnership, strategic alliance or joint venture or such benefits may not be realized at expected levels or within the expected time period.

***We may attempt to acquire new businesses, products or technologies, including forming joint ventures, and if we are unable to successfully complete these acquisitions or to integrate acquired businesses, products, technologies or employees, we may fail to realize expected benefits or harm our existing business.***

Our success will depend, in part, on our ability to expand our product offerings and grow our business in response to changing technologies, customer demands and competitive pressures. In some circumstances, we may determine to do so through the acquisition of complementary businesses, products or technologies rather than through internal development. The identification of suitable acquisition candidates can be difficult, time consuming, and costly, and we may not be able to successfully complete

identified acquisitions. Other companies may compete with us for these strategic opportunities. In addition, even if we successfully complete an acquisition, we may not be able to successfully integrate newly acquired organizations, products or technologies into our operations or timely and effectively commence operations because the process of integration could be expensive, time consuming and may strain our resources. Furthermore, the products and technologies that we acquire may not be successful or may require significantly greater resources and investments than we originally anticipated. Implementing or acquiring new lines of business or offering new products and services within existing lines of business can affect the sales and profitability of existing lines of business or products and services, including as a result of sales channel conflicts. With respect to any acquisition, we may be unable to retain employees of acquired companies, or retain the acquired company's customers, suppliers, distributors or other partners who are our competitors or who have close relationships with our competitors. Future acquisitions could also result in potentially dilutive issuances of equity securities or the incurrence of debt, contingent liabilities, or expenses or other charges, any of which could harm our business and affect our financial results or cause a reduction in the price of our common stock. Further, acquisition targets may also operate in foreign jurisdictions with laws and regulations with which we have limited familiarity, which could adversely impact our ability to comply with such laws and regulations and may lead to increased litigation risk. Such laws may also offer us inadequate or less intellectual property protection relative to U.S. laws, which may impact our ability, as well as the ability of the acquisition target to safeguard our respective intellectual property from infringement and misappropriation. As a result of these and other factors, we may not realize the expected benefits of any acquisition or such benefits may not be realized at expected levels or within the expected time period. The failure to successfully consummate such strategic transactions and effectively integrate and execute following such consummation may have an adverse impact on our growth, profitability, financial position and results of operations.

***Our ability to raise capital or obtain financing in the future may be limited, and our failure to raise capital when needed could prevent us from executing our growth strategy.***

While we believe that our existing cash and cash equivalents will be sufficient to meet our anticipated cash needs for at least the next twelve months, the timing and amount of our working capital and capital expenditure requirements may vary significantly depending on numerous factors, including the other risk factors described above and below.

If our capital resources are insufficient to satisfy our liquidity requirements, we may seek to sell additional equity securities or debt securities or obtain other debt financing, which could be difficult or impossible depending on the state of economic and capital markets environments at the time, as well as the state of our business, operating results and financial condition. For example, any sustained disruption in the capital markets from the global economic environment could negatively impact our ability to raise capital. Our ability to raise additional capital or access capital can be affected by macroeconomic events which affect the economy and the financial and banking sectors in particular. Failures at banks and other financial institutions, such as the failure at Silicon Valley Bank in March 2023, or issues in the broader U.S. financial system, including uncertainty related to the debt ceiling, increased interest rates, and lack of availability of credit, which may have an impact on the broader capital markets and, in turn, our ability to access those markets. In addition, the tightening of the credit markets and lending standards could it make more difficult to raise capital through either debt or equity offerings on commercially reasonable terms or at all. Also, our debt levels may impair our ability to obtain additional financing in the future. The sale of additional equity securities or convertible debt securities would result in additional dilution to our stockholders. We cannot assure that additional financing, if required or desired, will be available in amounts or on terms acceptable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired, and our business may be adversely affected. If we need to accept less favorable terms, it could increase our cost of capital, reduce our cash balances or otherwise restrict our ability to grow.

***We may not be able to fully utilize certain tax loss carryforwards.***

As of June 30, 2023, we had approximately $294.1 million and $125.1 million in federal and state net operating loss carryforwards, respectively. The federal and state carryforwards expire in varying amounts beginning in 2025 for federal and 2024 for state purposes. In addition, as of June 30, 2023, we had federal and state research and development tax credit carryforwards of approximately $27.9 million and $22.6 million, respectively. The California research credits have no expiration date, but if not utilized, the federal research credits and other non-California state research credits will begin to expire in 2024.

The Tax Act legislation, as modified by the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), among other things, includes changes to the rules governing net operating losses. Net operating losses arising in tax years beginning after December 31, 2017 are subject to an 80% of taxable income limitation (as calculated before taking the net operating losses into account). It is uncertain if and to what extent various states will conform to the Tax Act or CARES Act. For state income tax purposes, there may be periods during which the use of net operating losses is suspended or otherwise limited. In addition, utilization of our net operating loss and credit carryforwards is subject to annual limitation due to the application of the ownership change limitations provided by Section 382 of the Internal Revenue Code and similar state provisions to us. Future changes in our stock ownership, including future offerings, as well as changes that may be outside of our control, could result in an ownership change under Section

382 of the Internal Revenue Code. Additionally, one of the provisions under the Tax Cuts and Jobs Act that became effective in tax years beginning after December 31, 2021 required the capitalization and amortization of research and experimental expenditures and although this change did not have an impact on our current consolidated financial statements, it may have an impact on future periods as our research and experimental expenditures have been a material amount on our financial statements.

***We are subject to the tax laws of various foreign jurisdictions, as well as within the United States, which are subject to unanticipated changes and interpretation and could harm our future results.***

The application of tax laws of various foreign jurisdictions and within the United States is subject to interpretation and depends on our ability to operate our business in a manner consistent with our corporate structure and intercompany arrangements. The taxing authorities of jurisdictions in which we operate may challenge our methodologies for valuing intercompany arrangements including our transfer pricing or determine that the manner in which we operate our business does not achieve the intended tax consequences. The application of tax laws can also be subject to conflicting interpretations by tax authorities in the various jurisdictions we operate. It is not uncommon for taxing authorities in different countries to have conflicting views, with respect to, among other things, the manner in which the arm's length standard is applied for transfer pricing purposes. Further, tax laws are subject to change, which could adversely impact our tax rate. A number of countries, as well as organizations such as the Organization for Economic Cooperation and Development, support the 15% global minimum tax initiative, and have adopted or intend to adopt laws to implement this initiative. Such countries and organizations are also actively considering changes to existing tax laws or have proposed or enacted new laws that could increase our tax obligations in countries where we do business or cause us to change the way we operate our business, which could materially impact our results of operation.

***If we fail to maintain an effective system of internal control over financial reporting, our ability to produce timely and accurate financial results could be impaired. As a result, current and potential stockholders could lose confidence in our financial reporting, which could have an adverse effect on our business and our stock price.***

Effective internal controls are necessary for us to provide reliable financial reports and to protect from fraudulent, illegal, or unauthorized transactions. If we cannot maintain effective controls and provide timely and reliable financial reports, our business and operating results could be harmed.

In August 2023, we began using a new enterprise resource planning system (the "ERP system") for financial reporting. Although we have completed this transition to the ERP system, any disruption or difficulties in connection with our ERP system could adversely impact the effectiveness of our internal control over financial reporting. Further, any disruptions or difficulties that may occur in connection with our ERP system or other systems (whether in connection with the regular operation, periodic enhancements, modifications or upgrades of such systems or the integration of any acquired businesses into such systems, or due to cybersecurity events such as ransomware attacks) could also adversely affect our ability to manufacture products, process orders, deliver products, provide customer support, fulfill contractual obligations, track inventories, or otherwise operate our business, in particular as a result of our limited experience implementing such systems and the complex nature of the system itself. It is also possible that any disruption or difficulties in connection with our ERP system could adversely impact the effectiveness of our internal control over financial reporting, which could lead to further material weaknesses or significant deficiencies in our controls, which in turn could adversely affect our business, financial condition or results of operations. A failure to implement and maintain effective internal control over financial reporting could result in a material misstatement of our financial statements or otherwise cause us to fail to meet our financial reporting obligations. This, in turn, could result in a loss of investor confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on our business and operating results and our stock price, and we could be subject to stockholder litigation.

In addition, it may be difficult to timely determine the effectiveness of our financial reporting systems and internal controls because of the complexity of our financial model. We recognize revenue from a range of transactions including CyberKnife and TomoTherapy platform sales and services. The CyberKnife and TomoTherapy platforms are complex products that contain both hardware and software elements. The complexity of the CyberKnife and TomoTherapy platforms and of our financial model used to recognize revenue on such systems requires us to process a greater variety of financial transactions than would be required by a company with a less complex financial model. Accordingly, efforts to timely remediate deficiencies or weaknesses in our internal controls would likely be more challenging for us than they would for a company with a less complex financial model. Furthermore, if we were to find an internal control deficiency or material weakness, we may be required to amend or restate historical financial statements, which would likely have a negative impact on our stock price.

**Risks Related to the Regulation of our Products and Business**

***Modifications, upgrades, new indications and future products related to the CyberKnife or TomoTherapy Systems or the Precision Treatment Planning and iDMS Data Management System software may require new FDA 510(k) clearances or premarket approvals and similar licensing or approvals in international markets. Such modifications, or any defects in design, manufacture or labeling may require us to recall or cease marketing the affected systems or software until approvals or clearances are obtained.***

The CyberKnife and TomoTherapy platforms as well as the Precision Treatment Planning with iDMS Data Management System software are medical devices that are subject to extensive regulation in the United States by local, state and the federal government, including the FDA. The FDA cleared the latest imaging feature for the Radixact System, ClearRTTM, under K202412 on December 18, 2020. The FDA regulates virtually all aspects of a medical device design, development, testing manufacturing, labeling, storage, record keeping, adverse event reporting, sale, promotion, distribution and shipping. Before a new medical device, or a new intended use or indication or claim for an existing product, can be marketed in the United States, it must first receive either premarket approval or 510(k) clearance from the FDA, unless an exemption exists. Either process can be expensive, lengthy and unpredictable. The FDA's 510(k) clearance process generally takes from three to twelve months, but it can last longer. The process of obtaining premarket approval is much more costly and uncertain than the 510(k) clearance process and it generally takes from one to three years, or even longer, from the time the application is filed with the FDA. Additionally, outside of the United States, our products are subject to clearances and approvals by foreign governmental agencies similar to the FDA. In order to market our products internationally, we must obtain licenses or approvals from these governmental agencies, which could include local requirements, safety standards, testing or certifications, and can be time consuming, burdensome and uncertain. Despite the time, effort and cost, there can be no assurance that a particular device or a modification of a device will be approved or cleared by the FDA or any foreign governmental agency in a timely fashion, if at all. Even if we are granted regulatory clearances or approvals, they may include significant limitations on the indicated uses of the product, which may limit the market for those products, and how those products can be promoted.

Medical devices may only be marketed for the indications for which they are approved or cleared. The FDA and other foreign governments also may change their policies, adopt additional regulations, or revise existing regulations, each of which could prevent or delay approval or clearance of our device, or could impact our ability to market our currently approved or cleared device. We are also subject to medical device reporting regulations, which require us to report to the FDA and other international governmental agencies if our products cause or contribute to a death or a serious injury, or malfunction in a way that would likely cause or contribute to a death or a serious injury. We also are subject to the QSR in the U.S. and ISO 13485 certification in many international markets, compliance with which is necessary to receive FDA and other international clearances or approvals to market new products and is necessary for us to be able to continue to market a cleared or approved product in the United States or globally. After a product is placed in the market, we are also subject to regulations by the FDA and Federal Trade Commission related to the advertising and promotion of our products to ensure our claims are consistent with our regulatory clearances, that there is scientific data to substantiate our claims and that our advertising is not false or misleading. Our products are also subject to state regulations and various worldwide laws and regulations.

A component of our strategy is to continue to upgrade the CyberKnife and TomoTherapy platforms as well as the Precision Treatment Planning with iDMS Data Management System software. Upgrades previously released by us required 510(k) clearance and international registration before we were able to offer them for sale. We expect our future upgrades will similarly require 510(k) clearance or approval; however, future upgrades may be subject to substantially more time-consuming data generation requirements and uncertain premarket approval or clearance processes. If we were required to use the premarket approval process for future products or product modifications, it could delay or prevent release of the proposed products or modifications, which could harm our business.

The FDA requires device manufacturers to make their own determination of whether or not a modification requires an approval or clearance; however, the FDA can review a manufacturer's decision not to submit for additional approvals or clearances. Any modification to an FDA approved or cleared device that would significantly affect its safety or efficacy or that would constitute a major change in its intended use would require a new premarket approval or 510(k) clearance. We cannot assure you that the FDA will agree with our decisions not to seek approvals or clearances for particular device modifications or that we will be successful in obtaining premarket approvals or 510(k) clearances for modifications in a timely fashion, if at all.

We have obtained 510(k) clearance for the CyberKnife platform for the treatment of conditions anywhere in the body when radiation treatment is indicated, and we have obtained 510(k) clearance for the TomoTherapy platform to be used as integrated systems for the planning and delivery of IMRT for the treatment of cancer. We have made modifications to the CyberKnife and TomoTherapy platforms in the past and may make additional modifications in the future that we believe do not or will not require additional approvals or clearances. If the FDA disagrees, based on new finalized guidance and requires us to obtain additional premarket approvals or 510(k) clearances for any modifications to the CyberKnife or TomoTherapy platforms and we fail to obtain such approvals or clearances or fail to secure approvals or clearances in a timely manner, we may be required to cease manufacturing

and marketing the modified device or to recall such modified device until we obtain FDA approval or clearance and we may be subject to significant regulatory fines or penalties.

The FDA and similar governmental authorities in other countries in which we market and sell our products have the authority to require the recall of our products in the event of material deficiencies or defects in design, manufacture or labeling. A government mandated recall, or a voluntary recall by us, could occur as a result of component failures, manufacturing errors or design defects, including defects in labeling and user manuals. Any recall could divert management's attention, cause us to incur significant expenses, generate negative publicity, harm our reputation with customers, negatively affect our future sales and business, require redesign of the CyberKnife or TomoTherapy platform, and harm our operating results. In these circumstances, we may also be subject to significant enforcement action. If any of these events were to occur, our ability to introduce new or enhanced products in a timely manner would be adversely affected, which in turn would harm our future growth.

***We are subject to federal, state and foreign laws and regulations applicable to our operations, the violation of which could result in substantial penalties and harm our business.***

In addition to regulation by the FDA and similar governmental authorities in other countries, our operations are subject to other laws and regulations, such as laws and rules governing interactions with healthcare providers, anti-corruption laws, privacy rules and transparency laws. In order to maintain compliance with these laws and requirements, we must continually keep abreast of any changes or developments to be able to integrate compliance protocols into the development and regulatory documentation of our products. Failure to maintain compliance could result in substantial penalties to us and harm our business.

*Laws and ethical rules governing interactions with healthcare providers.* The Medicare and Medicaid "anti-kickback" laws, and similar state laws, prohibit soliciting, offering, paying or accepting any payments or other remuneration that is intended to induce any individual or entity to either refer patients to or purchase, lease or order, or arrange for or recommend the purchase, lease or order of, healthcare products or services for which payment may be made under federal and state healthcare programs, such as Medicare and Medicaid. Such laws impact our sales, marketing and other promotional activities by reducing the types of financial arrangements we may have with our customers, potential customers, marketing consultants and other service providers. They particularly impact how we structure our sales offerings, including discount practices, customer support, product loans, education and training programs, physician consulting, research grants and other service arrangements. Many of these laws are broadly drafted and are open to a variety of interpretations, making it difficult to determine with any certainty whether certain arrangements violate such laws, even if statutory safe harbors are available. Generally, courts have taken a broad interpretation of the scope of the "anti-kickback" laws, holding that these laws may be violated if merely one purpose of a payment arrangement is to induce referrals or purchases. Further, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. Violations of these laws can be punishable with prison time, and can also result in criminal fines, administrative civil money penalties and exclusion from participation in federal healthcare programs. In addition, a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal False Claims Act.

Federal and state "false claims" laws generally prohibit the knowing filing or causing the filing of a false claim or the knowing use of false statements to obtain payment from government payors. Although we do not submit claims directly to payors, manufacturers can be held liable under these laws if they are deemed to "cause" the submission of false or fraudulent claims by providing inaccurate billing or coding information to customers, or through certain other activities, including promoting products for uses or indications that are not approved by the FDA. In addition to actions initiated by the government itself, the federal False Claims Act authorizes actions to be brought on behalf of the federal government by a private party having knowledge of the alleged fraud called a "relator". Because the complaint is initially filed under seal, the action may be pending for some time before the defendant is even aware of the action. If the government is ultimately successful in obtaining redress in the matter or if the relator succeeds in obtaining redress without the government's involvement, then the relator is typically entitled to receive a percentage of the recovery. When an entity is determined to have violated the federal False Claims Act, it may be required to pay up to three times the actual damages sustained by the government, plus civil penalties for each separate false claim, and may be excluded from participation in federal health care programs, and, although the federal False Claims Act is a civil statute, violations may also implicate various federal criminal statutes. Several states have also adopted comparable state false claims act, some of which apply to all payors.

We are also subject to federal and state physician self-referral laws. The federal Ethics in Patient Referrals Act of 1989, commonly known as the Stark Law, prohibits, subject to certain exceptions, physician referrals of Medicare and Medicaid patients to an entity providing certain "designated health services" if the physician or an immediate family member has any financial relationship with the entity. The Stark Law also prohibits the entity receiving the referral from billing any good or service furnished pursuant to an unlawful referral. Various states have corollary laws to the Stark Law, including laws that require physicians to disclose any financial interest they may have with a healthcare provider to their patients when referring patients to that provider. Both the scope and exceptions for such laws vary from state to state.

If our past or present operations are found to be in violation of any of these "anti-kickback," "false claims," "self-referral" or other similar laws in foreign jurisdictions, we may be subject to the applicable penalty associated with the violation, which may include significant civil and criminal penalties, damages, fines, imprisonment and exclusion from healthcare programs. The impact of any such violations may lead to curtailment or restructuring of our operations, which could adversely affect our ability to operate our business and our financial results.

*Anti-corruption laws.* We are also subject to laws regarding the conduct of business overseas, such as the FCPA, the U.K. Bribery Act of 2010, the Brazil Clean Companies Act, and other similar laws in foreign countries in which we operate. The FCPA prohibits the provision of illegal or improper inducements to foreign government officials in connection with the obtaining of business overseas. Becoming familiar with and implementing the infrastructure necessary to ensure that we and our distributors comply with such laws, rules and regulations and mitigate and protect against corruption risks could be quite costly, and there can be no assurance that any policies and procedures we do implement will protect us against liability under the FCPA or related laws for actions taken by our employees, executive officers, distributors, agents and other intermediaries with respect to our business. Violations of the FCPA or other similar laws by us or any of our employees, executive officers, distributors, agents or other intermediaries could subject us or the individuals involved to criminal or civil liability, cause a loss of reputation in the market, and materially harm our business.

*Laws protecting patient health information.* There are a number of federal and state laws protecting the confidentiality of certain patient health information, including patient records, and restricting the use and disclosure of that protected information. In particular, the U.S. Department of Health and Human Services ("HHS") has promulgated patient privacy rules under the HIPAA. These privacy rules protect medical records and other personal health information of patients by limiting their use and disclosure, giving patients the right to access, amend and seek accounting of their own health information and limiting most uses and disclosures of health information to the minimum amount reasonably necessary to accomplish the intended purpose. The HIPAA privacy standard was amended by the Health Information Technology for Economic and Clinical Health Act, enacted as part of the American Recovery and Reinvestment Act of 2009. Although we are not a "covered entity" under HIPAA, we are considered a "business associate" of certain covered entities and, as such, we are directly subject to HIPAA, including its enforcement scheme and inspection requirements, and are required to implement policies, procedures as well as reasonable and appropriate physical, technical and administrative security measures to protect individually identifiable health information we receive from covered entities. Our failure to protect health information received from customers in compliance with HIPAA or other laws could subject us to civil and criminal liability to the government and civil liability to the covered entity, could result in adverse publicity, and could harm our business and impair our ability to attract new customers.

*Transparency laws.* The Sunshine Act, which was enacted by Congress as part of the Patient Protection and Affordable Care Act on December 14, 2011, requires each applicable manufacturer, which includes medical device companies such as Accuray, to track and report to the federal government on an annual basis all payments and other transfers of value from such applicable manufacturer to U.S. licensed physicians and teaching hospitals as well as physician ownership of such applicable manufacturer's equity, in each case subject to certain statutory exceptions. Furthermore, on October 25, 2018, President Trump signed into law the "Substance Use-Disorder Prevention that Promoted Opioid Recovery and Treatment for Patients and Communities Act" which in part (under a provision entitled "Fighting the Opioid Epidemic with Sunshine") extends the reporting and transparency requirements for physicians in the Physician Payments Sunshine Act to physician assistants, nurse practitioners, clinical nurse specialists, certified registered nurse anesthetists, and certified nurse midwives. Such data is available by the government on a publicly searchable website. Failure to comply with the data collection and reporting obligations imposed by the Sunshine Act can result in civil monetary penalties ranging from $1,000 to $10,000 for each payment or other transfer of value that is not reported (up to a maximum of $150,000 per reporting period) and from $10,000 to $100,000 for each knowing failure to report (up to a maximum of $1 million per reporting period). In addition, we are subject to similar state and foreign laws related to the tracking and reporting of payments and other transfers of value to healthcare professionals, the violation of which could, among other things, result in civil monetary penalties and adversely impact our reputation and business.

*Conflict minerals*. The Dodd Frank Wall Street Reform and Consumer Protection Act and the rules promulgated by the SEC under such act require companies, including Accuray, to disclose the existence in their products of certain metals, known as "conflict minerals," which are metals mined from the Democratic Republic of the Congo and adjoining countries. These rules require investigative efforts, which has and will continue to cause us to incur associated costs, could adversely affect the sourcing, availability and pricing of minerals used in our products and may cause reputational harm if we determine that certain of our components contain such conflict minerals or if we are unable to alter our processes or sources of supply to avoid using such materials, all of which could adversely impact sales of our products and results of operations.

***If we or our distributors do not obtain and maintain the necessary regulatory approvals in a specific country, we will not be able to market and sell our products in that country.***

To be able to market and sell our products in a specific country, we or our distributors must comply with applicable laws and regulations of that country. In jurisdictions where we rely on our distributors to manage the regulatory process, we are dependent on their ability to do so effectively. While the laws and regulations of some countries do not impose barriers to marketing and selling our products or only require notification, others require that we or our distributors obtain the approval of a specified regulatory body. These laws and regulations, including the requirements for approvals, and the time required for regulatory review vary from country to country. The governmental agencies regulating medical devices in some countries, for example, require that the user interface on medical device software be in the local language. We currently provide user guides and manuals, both paper copies and electronically, in the local language but only provide an English language version of the user interface. Obtaining regulatory approvals is expensive and time-consuming, and we cannot be certain that we or our distributors will receive regulatory approvals in each country in which we market or plan to market our products. If we modify our products, we or our distributors may need to apply for additional regulatory approvals before we are permitted to sell them. We may not continue to meet the quality and safety standards required to maintain the authorizations that we or our distributors have received. It can also be costly for us and our distributors to keep up with regulatory changes issued or mandated from time to time. If we change distributors, it may be time-consuming and disruptive to our business to transfer the required regulatory approvals, particularly if such approvals are maintained by our third-party distributors on our behalf. If we or our distributors are unable to maintain our authorizations, or fail to obtain appropriate authorizations in a particular country, we will no longer be able to sell our products in that country, and our ability to generate revenue will be materially adversely affected.

Within the EU, we are required under the Medical Device Directive to affix the Conformité Européene ("CE") mark on our products in order to sell the products in member countries of the EU. This conformity to the applicable directives is done through self-declaration and is verified by an independent certification body, called a Notified Body, before the CE mark can be placed on the device. Once the CE mark is affixed to the device, the Notified Body will regularly audit us to ensure that we remain in compliance with the applicable European laws or directives. CE marking demonstrates that our products comply with the laws and regulations required by the European Union countries to allow free movement of trade within those countries. If we cannot support our performance claims and/or demonstrate or maintain compliance with the applicable European laws and directives, we lose our CE mark, which would prevent us from selling our products within the European Union. In addition, the EU's Medical Device Regulation ("MDR"), which replaced the existing Medical Device Directive, became effective in May 2021. The MDR establishes new requirements and oversight for maintaining the CE mark. The official guidance continues to be published for the implementation of these requirements and the number of Notified Bodies are still limited. There may be variability in review timeframes and requirements as both manufacturers and authorities navigate these new requirements. In addition, the EU and Switzerland failed to establish a Mutual Recognition Agreement ("MRA") for medical devices to include Switzerland within the MDR and as a result, Switzerland has initiated its own medical device regulation similar to the EU MDR, which will require additional registrations for economic operators and products within Switzerland for our devices.

Under the Pharmaceutical Affairs Law in Japan, a pre-market approval necessary to sell, market and import a product, or Shonin, must be obtained from the Ministry of Health, Labor and Welfare ("MHLW"), for our products. Before issuing approvals, MHLW examines the application in detail with regard to the quality, efficacy, and safety of the proposed medical device. The Shonin is granted once MHLW is content with the safety and effectiveness of the medical device. The time required for approval varies. A delay in approval could prevent us from selling our products in Japan, which could impact our ability to generate revenue and harm our business.

In addition to laws and regulations regarding medical devices, we are subject to a variety of environmental laws and regulations around the world regulating our operations, including those relating to the use, generation, handling, storage, transportation, treatment and disposal of hazardous materials, which laws impose compliance costs on our business and can also result in liability to us. Although we follow procedures intended to comply with existing environmental laws and regulations, risk of accidental contamination or injury can never be fully eliminated. In the event of an accident, state or federal or other applicable authorities may curtail our use of these materials and interrupt our business operations. In addition, future changes in these laws and regulations could also increase our costs of doing business. We must continually keep abreast of these standards and requirements and integrate our compliance into the development and regulatory documentation for our products. Failure to meet these standards could limit our ability to market our products in those regions that require compliance to such standards. For example, the European Union has adopted directives that may lead to restrictions on the use of certain hazardous substances or other regulated substances in some of our products sold there, unless such products are eligible for an exemption. While we believe that certain of our products are exempt, there can be no guarantee that such determination would not be challenged or that the regulations would not change in a way that would subject our products to such regulation. These directives, along with other laws and regulations that may be adopted by other countries, could increase our operating costs in order to maintain access to certain markets, which could adversely affect our business.

***Healthcare reform legislation could adversely affect demand for our products, our revenue and our financial condition.***

In March 2010, the Patient Protection and Affordable Care Act, as amended by Health Care and Education Reconciliation Act (collectively, the "ACA") were signed into law. Since its enactment, there have been judicial and Congressional challenges to certain aspects of the ACA. In particular, on December 14, 2018, a Texas U.S. District Court Judge ruled that the ACA is unconstitutional in its entirety because the "individual mandate" was repealed by Congress as part of the Tax Act. Additionally, on December 18, 2019, the U.S. Court of Appeals for the 5th Circuit upheld the District Court ruling that the individual mandate was unconstitutional and remanded the case back to the District Court to determine whether the remaining provisions of the ACA are invalid as well. On June 18, 2021, the United States Supreme Court upheld the ACA, holding that the individuals who brought the lawsuit did not have standing to challenge the law. It is unclear how this decision and the decisions of the current administration will impact the ACA and our business. Complying with any new legislation or reversing changes implemented under the ACA could be time-intensive and expensive, resulting in a material adverse effect on our business.

The ACA includes a large number of health related provisions, including expanding Medicaid eligibility, requiring most individuals to have health insurance, establishing new regulations on health plans, establishing health insurance exchanges, requiring manufacturers to report payments or other transfers of value made to physicians and teaching hospitals, modifying certain payment systems to encourage more cost-effective care and a reduction of inefficiencies and waste and including new tools to address fraud and abuse. The laws also include a decrease in the annual rate of inflation for Medicare payments to hospitals and the establishment of an independent payment advisory board to suggest methods of reducing the rate of growth in Medicare spending. We do not yet know the full impact that the ACA will have on our business. The expansion in the government's role in the U.S. healthcare industry may result in decreased profits to us, lower reimbursement by third-party payors for our products, or reduced volume of medical procedures conducted with our products, all of which could have a material adverse effect on our business, financial condition and results of operations. We cannot predict the ultimate content, timing or effect of any healthcare reform legislation or the impact of potential legislation on us.

In addition, since the adoption of the ACA, other legislation designed to keep federal healthcare costs down has been proposed or passed. For example, under the sequestration required by the Budget Control Act of 2011, as amended by the American Taxpayer Relief Act of 2012, Medicare payments for all items and services under Parts A and B incurred on or after April 1, 2013 have been reduced by up to 2%. In 2020 and 2021, during the COVID-19 pandemic, Congress passed several laws including the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and Consolidated Appropriations Act of 2021, that temporarily suspended the 2% sequestration. At the end of 2021, Congress passed the Protecting Medicare and American Farmers from Sequester Cuts Act, which extended the suspension on the 2% sequestration through March 31, 2022, and adjusted the sequester to 1% for the period between April 1, 2022 and June 30, 2022. Future federal legislation may impose further limitations on the coverage or amounts of reimbursement available for our products from governmental agencies or third-party payors. These limitations could have a negative impact on the demand for our products and services, and therefore on our financial position and results of operations.

Since the enactment of the ACA, CMS continues its efforts to move away from fee for service payments for furnishing items and services in Medicare. As a result of actions taken in 2020 and 2021, CMS has finalized, but not implemented a radiation oncology alternative payment model ("RO-APM"). This model was designed to determine if a site neutral, modality agnostic, episode based payment model would reduce Medicare expenditures and preserve beneficiary quality of care. However, due to the COVID-19 pandemic, implementation of the RO-APM has been delayed several times. On August 29, 2022, CMS published a final rule in the Federal Register, CMS-5527-F2, that delayed the start date of the RO-APM to a date to be determined through future rulemaking. As such, it remains unclear as to if or when CMS will introduce the RO-APM. If implemented, it is unclear what impact, if any, the RO-APM and other government payer initiatives will have on our business and operating results, but uncertainties surrounding the new payment model or other initiatives could pause or otherwise delay the purchase of our products by our customers and any resulting decrease in reimbursement to our customers may result in reduced demand for our services.

Future legislative or policy initiatives directed at reducing costs could be introduced at either the federal or state level. We cannot predict what healthcare reform legislation or regulations, if any, including any potential repeal or amendment of the ACA, will be enacted in the United States or elsewhere, what impact any legislation or regulations related to the healthcare system that may be enacted or adopted in the future might have on our business, or the effect of ongoing uncertainty or public perception about these matters will have on the purchasing decisions of our customers. However, the implementation of new legislation and regulation may materially lower reimbursements for our products, materially reduce medical procedure volumes and significantly and adversely affect our business.

**Risks Related to Our Common Stock**

***The price of our common stock is volatile and may continue to fluctuate significantly, which could lead to losses for stockholders.***

The stock market in general has recently experienced relatively large price and volume fluctuations, particularly in response to macroeconomic factors. In addition, the trading prices of the stock of healthcare companies of our size can experience extreme price and volume fluctuations. These fluctuations often have been unrelated or out of proportion to the operating performance of these companies. Our stock price has experienced periods of volatility, including in recent quarters. Broad market fluctuations may also harm our stock price. Continued market fluctuations could result in extreme volatility in the price of our common stock, which could cause a decline in the value of our common stock. Any negative change in the public's perception of the prospects of companies that employ similar technology or sell into similar markets could also depress our stock price, regardless of our actual results.

In addition to the other risk factors described above and below, factors affecting the trading price of our common stock include:

- impacts to our business, operations or financial condition caused by concerns in connection with the global economic environment, the ongoing recovery from the COVID-19 pandemic or supply chain disruptions;
- regulatory developments related to manufacturing, marketing or sale of the CyberKnife or TomoTherapy platform;
- political or social uncertainties, including as a result of the Russia-Ukraine and Israel-Hamas conflicts;
- changes in product pricing policies;
- variations in our operating results, as well as costs and expenditures;
- announcements of technological innovations, new services or service enhancements, strategic alliances or significant agreements by us or by our competitors;
- changes in analysts' estimates, investors' perceptions, recommendations by securities analysts or our failure to achieve analysts' and our own estimates;
- recruitment or departure of key personnel;
- the performance of our competitors and investor perception of the markets and industries in which we compete;
- announcement of strategic transactions or capital raising activities; and
- market conditions in our industry, the industries of our customers and the economy as a whole, including the impact of increased inflation, a recession or instability in the banking and financial services sector.

***Future issuances of shares of our common stock could dilute the ownership interests of our stockholders.***

Any issuance of equity securities could dilute the interests of our stockholders and could substantially decrease the trading price of our common stock. We may issue equity securities in the future for a number of reasons, including to finance our operations and business strategy (including in connection with acquisitions, strategic collaborations or other transactions), to adjust our ratio of debt to equity, to satisfy our obligations upon the exercise of outstanding options or for other reasons.

In May 2021, we issued $100.0 million aggregate principal amount of the Notes. We exchanged approximately $82.1 million aggregate principal amount of then-outstanding 3.75% Convertible Senior Notes due 2022 for approximately $97.1 million aggregate principal amount of the Notes and issued approximately $2.9 million aggregate principal amount of the Notes to certain other qualified new investors for cash. To the extent we issue common stock upon conversion of any outstanding convertible notes, that conversion would dilute the ownership interests of our stockholders.

***The conditional conversion features of the Notes, if triggered, may adversely affect our financial condition and operating results.***

In the event the conditional conversion features of the Notes are triggered, holders of the Notes, as applicable, will be entitled to convert such notes at any time during specified periods at their option. If one or more holders elect to convert such notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying solely cash in lieu of any

fractional share), including if we have irrevocably elected full physical settlement upon conversion, we would be required to make cash payments to satisfy all or a portion of our conversion obligation based on the applicable conversion rate, which could adversely affect our liquidity. In addition, even if holders do not elect to convert such notes, if we have irrevocably elected net share settlement upon conversion we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of such notes as a current rather than long-term liability, which could result in a material reduction of our net working capital.

***Provisions in the indenture for the Notes, the credit agreement for our Credit Facilities, our certificate of incorporation and our bylaws could discourage or prevent a takeover, even if an acquisition would be beneficial in the opinion of our stockholders.***

Provisions of our certificate of incorporation and bylaws could make it more difficult for a third-party to acquire us, even if doing so would be beneficial in the opinion of our stockholders. These provisions include:

- authorizing the issuance of "blank check" preferred stock that could be issued by our board of directors to increase the number of outstanding shares and thwart a takeover attempt;
- establishing a classified board of directors, which could discourage a takeover attempt;
- prohibiting cumulative voting in the election of directors, which would limit the ability of less than a majority of stockholders to elect director candidates;
- limiting the ability of stockholders to call special meetings of stockholders;
- prohibiting stockholder action by written consent and requiring that all stockholder actions be taken at a meeting of our stockholders; and
- establishing advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

In addition, Section 203 of the Delaware General Corporation Law may discourage, delay or prevent a change of control of our company. Generally, Section 203 prohibits stockholders who, alone or together with their affiliates and associates, own more than 15% of the subject company from engaging in certain business combinations for a period of three years following the date that the stockholder became an interested stockholder of such subject company without approval of the board or $66^{2}/_{3}$% of the independent stockholders. The existence of these provisions could adversely affect the voting power of holders of common stock and limit the price that investors might be willing to pay in the future for shares of our common stock.

A change of control will also trigger an event of default under the Credit Facilities. If an event of default occurs, the agent for the lenders under the Credit Facilities may, at its discretion, suspend or terminate any of the lenders' loan obligations thereunder and/or declare all or any portion of the loan then-outstanding under the Credit Facilities, including all accrued but unpaid interest thereon, to be accelerated and immediately due and payable.

Furthermore, if a "fundamental change" (as such term is defined in the applicable indenture of the Notes) occurs, holders of the Notes will have the right, at their option, to require us to repurchase all or a portion of their convertible notes. A "fundamental change" generally occurs when there is a change in control of Accuray (acquisition of 50% or more of our voting stock, liquidation or sale of Accuray not for stock in another publicly traded company) or trading of our stock is terminated. In the event of a "make-whole fundamental change" (as such term is defined in the applicable indenture of the Notes), we may also be required to increase the conversion rate applicable to the Notes surrendered for conversion in connection with such make-whole fundamental change. A "make-whole fundamental change" is generally a sale of Accuray not for stock in another publicly traded company. In addition, the applicable indentures for the Notes prohibits us from engaging in certain mergers or acquisitions unless, among other things, the surviving entity assumes our obligations under the Notes.

**General Risks**

***Our liquidity could be adversely impacted by adverse conditions in the financial markets.***

At December 31, 2023, we had $72.8 million in cash and cash equivalents. The available cash and cash equivalents are held in accounts managed by third-party financial institutions and consist of cash in our operating accounts and cash invested in money market funds. To date, we have experienced no material realized losses on or lack of access to our invested cash, or cash equivalents; however, we can provide no assurances that access to our invested cash and cash equivalents will not be impacted by adverse conditions in the financial markets.

Actual events involving reduced or limited liquidity, defaults, non-performance or other adverse developments that affect domestic and international financial institutions or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds may in the future lead to market-wide liquidity problems. In addition, the tightening of the credit markets would it make more difficult to raise capital through either debt or equity offerings on commercially reasonable terms or at all.

At any point in time, we also have funds in our operating accounts that are with third-party financial institutions that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. While we monitor daily the cash balances in our operating accounts and adjust the cash balances as appropriate, these cash balances could be impacted if the underlying financial institutions fail or become subject to other adverse conditions in the financial markets. To date, we have experienced no loss or lack of access to cash in our operating accounts.

***Our operations are vulnerable to interruption or loss because of climate change, natural disasters, global or regional health pandemics or epidemics, terrorist acts and other events beyond our control, which has impacted and could in the future adversely affect our business.***

Unexpected events beyond our control, including as a result of responses to epidemics or pandemics; fires or explosions; natural disasters, such as hurricanes, floods, tornadoes and earthquakes; war or terrorist activities (including the conflicts between Russia and Ukraine and Israel and Hamas); unplanned outages; supply disruptions; and failures of equipment or systems, including telecommunications systems, or the failure to take adequate steps to mitigate the likelihood or potential impact of such events, could significantly disrupt our operations, delay or prevent product manufacturing and shipment for the time required to repair, rebuild or replace our manufacturing facilities, which could be lengthy, result in large expenses to repair or replace the facilities, and adversely affect our business, financial condition and results of operation.

Moreover, global climate change could result in certain types of natural disasters occurring more frequently or with more intense effects. The impacts of climate change may include physical risks (such as frequency and severity of extreme weather conditions), social and human effects (such as population dislocations or harm to health and well-being), compliance costs, transition risks, shifts in market trends, and other adverse effects. Such impacts may disrupt parties in our supply chain, our customers, and our operations. We have facilities in countries around the world, including two manufacturing facilities in Madison, Wisconsin and Chengdu, China, each of which is equipped to manufacture unique components of our products. We do not maintain backup manufacturing facilities for any of our manufacturing facilities or for our IT facilities, so we depend on each of our current facilities for the continued operation of our business. In addition, we conduct a significant portion of other activities, including administration and data processing, at facilities located in California, which has experienced major earthquakes and fires in the past, as well as other natural disasters. Chengdu, China, where one of our manufacturing facilities is located, has also experienced major earthquakes in the past. We do not carry earthquake insurance. Further, concerns about terrorism, the effects of a terrorist attack, political turmoil or an epidemic outbreak could have a negative effect on our operations and the operations of our suppliers and customers and the ability to travel, which could harm our business, financial condition and results of operations. For example, China has suffered health epidemics including more recently, COVID-19, which could adversely affect our operations in China, including our manufacturing operations in Chengdu, as well as the operations of the JV and those of our customers.

In addition, risks associated with climate change are subject to increasing societal, regulatory and political focus in the U.S. and globally. While the effects of climate change in the near-and long-term are difficult to predict, shifts in weather patterns caused by climate change are expected to increase the frequency, severity, or duration of certain adverse weather conditions and natural disasters, such as hurricanes, tornadoes, earthquakes, wildfires, droughts, extreme temperatures, or flooding, which could cause more significant business and supply chain interruptions, damage to our products and facilities as well as the infrastructure of hospitals, medical care facilities, and other customers, reduced workforce availability, increased costs of raw materials and components, increased liabilities, and decreased revenues than what we have experienced in the past from such events. In addition, increased public concern over climate change has and could result in new legal or regulatory requirements designed to mitigate the effects of climate change, including regulating greenhouse gas emissions, alternative energy policies, and sustainability initiatives. There have also been substantial legislative and regulatory developments on climate-related issues, including proposed, issued and implemented legislation and rulemakings that would require companies to assess and/or disclose climate metrics, risks, opportunities, policies and practices by both the Securities and Exchange Commission and California. These initiatives could result in the adoption of more stringent environmental laws and regulations or stricter enforcement of existing laws and regulations, which could result in increased compliance burden and costs to meet such regulatory obligations and could also impact how we source raw materials from suppliers, our manufacturing operations, and how we distribute our products. There also may be increasing scrutiny and changing expectations from the market and other stakeholders with respect to Environmental, Social, and Governance practices. Any such developments could have a significant effect on our operating and financial decisions, including those involving capital expenditures to comply with new regulatory requirements or stakeholder expectations, which could harm our business, financial condition and results of operations.

***Changes in interpretation or application of generally accepted accounting principles may adversely affect our operating results.***

We prepare our financial statements to conform to U.S. GAAP. These principles are subject to interpretation by the Financial Accounting Standards Board, American Institute of Certified Public Accountants, the Public Company Accounting Oversight Board, the Securities and Exchange Commission and various other regulatory or accounting bodies. A change in interpretations of, or our application of, these principles can have a significant effect on our reported results and may even affect our reporting of transactions completed before a change is announced. Additionally, as we are required to adopt new accounting standards, our methods of accounting for certain items may change, which could cause our results of operations to fluctuate from period to period. Under the previous accounting guidance, we recognized system revenue upon acceptance when and if we have installation responsibilities. If circumstances change over time or interpretation of the revenue recognition rules change, we could be required to adjust the timing of recognizing revenue and our financial results could suffer.

***We have not paid dividends in the past and do not expect to pay dividends in the foreseeable future.***

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all future earnings for the operation and expansion of our business and, therefore, do not anticipate declaring or paying cash dividends in the foreseeable future. The payment of dividends will be at the discretion of our board of directors and will depend on our results of operations, capital requirements, financial condition, prospects, contractual arrangements, and other factors our board of directors may deem relevant. If we do not pay dividends, a return on a stockholders' investment will only occur if our stock price appreciates.

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

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

**Securities Trading Plans of Directors and Executive Officers**

During the second quarter of fiscal 2024, no director or officer, as defined in Rule 16a-1(f), adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," each as defined in Regulation S-K Item 408.

**Item 6. Exhibits**

| Exhibit No. | Exhibit Description | Incorporated by Reference | | | | Filed Herewith |
|---|---|---|---|---|---|---|
| | | Form | File No. | Exhibit | Filing Date | |
| 10.1 | Accuray Incorporated Amended and Restated 2016 Equity Incentive Plan and forms of award agreements thereunder | 8-K | 001-33301 | 10.1 | 11/15/2023 | |
| 31.1 | Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended. | — | — | — | — | X |
| 31.2 | Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended. | — | — | — | — | X |
| 32.1* | Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. 1350. | — | — | — | — | X |
| 101.INS | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. | | | | | X |
| 101.SCH | Inline XBRL | | | | | X |
| 104 | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101) | | | | | |

± Management contract or compensatory plan or arrangement.

* The certification attached as Exhibit 32.1 that accompanies this Quarterly Report on Form 10-Q is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Accuray Incorporated under the Securities Act or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

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

ACCURAY INCORPORATED

Date: February 7, 2024

By: /s/ SUZANNE WINTER
Suzanne Winter
President & Chief Executive Officer

By: /s/ ALI PERVAIZ
Ali Pervaiz
Senior Vice President & Chief Financial Officer

**Exhibit 31.1**

**Certification**

I, Suzanne Winter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Accuray Incorporated, a Delaware corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 7, 2024

/s/ SUZANNE WINTER

Suzanne Winter
President and Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

**Certification**

I, Ali Pervaiz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Accuray Incorporated, a Delaware corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 7, 2024

/s/ ALI PERVAIZ

Ali Pervaiz
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

**Exhibit 32.1**

**Certification of Chief Executive Officer and Chief Financial Officer**

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of Accuray Incorporated, a Delaware corporation (the "*Company*") hereby certify, to such officers' knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarter ended December 31, 2023 (the "*Report*") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 7, 2024

/s/ SUZANNE WINTER

Suzanne Winter
President and Chief Executive Officer
(Principal Executive Officer)

/s/ ALI PERVAIZ

Ali Pervaiz
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)