saluda MEDICAL

Saluda Medical, Inc. and Subsidiaries

Consolidated Financial Statement
For the year ended June 30, 2025

Saluda Medical, Inc.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Saluda Medical, Inc.

Opinion
We have audited the consolidated financial statements of Saluda Medical, Inc. (a Delaware corporation) and its subsidiaries (the "Company"), which comprise the consolidated balance sheet as of June 30, 2025, and the related consolidated statements of operations and comprehensive loss, redeemable convertible preferred stock and stockholders' deficit, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2025, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion
We conducted our audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Substantial doubt about the Company's ability to continue as a going concern
The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company incurred a net loss of $149 million and had $118 million cash used in operations during the year ended June 30, 2025, and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other matter
The consolidated financial statements of Saluda Medical, Inc. as of and for the year ended June 30, 2024 were audited by other auditors in accordance with the standards of the Public Company Accounting Oversight Board (United States), who expressed an unmodified opinion on those financial statements in their report dated September 4, 2024.

Responsibilities of management for the financial statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the consolidated financial statements are issued.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

Grant Thornton

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

Cincinnati, Ohio September 5, 2025

SALUDA MEDICAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share and per share data)

	June 30, 2024	June 30, 2025
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 71,794	$ 54,500
Accounts receivable, net of allowance for credit losses of $0.6 million as of both June 30, 2024 and 2025	11,128	12,639
Current inventories	28,980	43,333
Prepaid expenses and other current assets	4,998	6,844
Total current assets	116,900	117,316
Non-current inventories	700	2,316
Property and equipment, net	5,454	4,859
Operating lease right-of-use asset	3,625	3,467
Other non-current assets	664	707
TOTAL ASSETS	$ 127,343	$ 128,665
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK, AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 20,897	$ 25,904
Convertible Notes, at fair value	—	129,836
Current operating lease liabilities	821	1,122
Total current liabilities	21,718	156,862
Term loan, net	67,712	71,392
Non-current operating lease liabilities	3,254	2,766
Warrant liabilities	2,900	1,300
Other non-current liabilities	1,704	1,888
TOTAL LIABILITIES	$ 97,288	$ 234,208
Commitments and contingencies (Note 15)		
Redeemable convertible preferred stock, $0.0001 par value; 43,516,137 and 71,894,066 shares authorized as of June 30, 2024 and 2025, respectively; 42,046,228 shares issued and outstanding as of June 30, 2024 and 2025; aggregate liquidation preference of $0.4 million as of both June 30, 2024 and 2025	386,398	385,656
STOCKHOLDERS' DEFICIT:		
Common stock, $0.0001 par value; 74,982,965 and 94,000,000 shares authorized as of June 30, 2024 and 2025, respectively; 16,728,222 and 16,761,057 shares issued and outstanding as of June 30, 2024 and 2025, respectively	2	2
Additional paid-in capital	72,419	86,542
Accumulated other comprehensive loss	(3,671)	(3,348)
Accumulated deficit	(425,093)	(574,395)
TOTAL STOCKHOLDERS' DEFICIT	(356,343)	(491,199)
TOTAL LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT	$ 127,343	$ 128,665

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

SALUDA MEDICAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Dollars in thousands, except share and per share data)

	Year Ended June 30, 2024	Year Ended June 30, 2025
Revenue	$ 51,682	$ 70,356
Cost of revenue	28,568	37,600
Gross profit	23,114	32,756
Operating expenses:		
Selling, general and administrative	93,046	115,352
Research and development	29,204	35,455
Total operating expenses	122,250	150,807
Loss from operations	(99,136)	(118,051)
Other income (expenses):		
Interest income	5,470	2,012
Interest expense	(5,002)	(6,627)
Foreign exchange gain	114	1,654
Loss on issuance of Convertible Notes	—	(20,612)
Change in fair value of financial instruments	1,000	(7,149)
Loss before income taxes	(97,554)	(148,773)
Provision for income taxes	273	529
Net loss	$ (97,827)	$ (149,302)
Other comprehensive income (loss):		
Changes in foreign currency translation adjustment	619	323
Comprehensive loss	$ (97,208)	$ (148,979)
Net loss per share, basic and diluted	$ (5.85)	$ (8.92)
Weighted-average number of common shares used to compute basic and diluted net loss per share	16,723,477	16,745,945

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

SALUDA MEDICAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT
(Dollars in thousands, except share data)

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
Balances as of June 30, 2023	42,046,228	$ 386,398	16,720,960	$ 2	$ 68,657	$ (4,290)	$ (327,266)	$ (262,897)
Exercise of stock options	—	—	7,262	—	26	—	—	26
Stock-based compensation	—	—	—	—	3,736	—	—	3,736
Foreign currency translation adjustment	—	—	—	—	—	619	—	619
Net loss	—	—	—	—	—	—	(97,827)	(97,827)
Balances as of June 30, 2024	42,046,228	386,398	16,728,222	2	72,419	(3,671)	(425,093)	(356,343)
Exercise of stock options	—	—	32,835	—	94	—	—	94
Preferred Stock Exchange associated with issuance of Convertible Notes (see Note 9)	—	(742)	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	14,029	—	—	14,029
Foreign currency translation adjustment	—	—	—	—	—	323	—	323
Net loss	—	—	—	—	—	—	(149,302)	(149,302)
Balances as of June 30, 2025	42,046,228	$ 385,656	16,761,057	$ 2	$ 86,542	$ (3,348)	$ (574,395)	$ (491,199)

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

SALUDA MEDICAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	Year Ended June 30, 2024	Year Ended June 30, 2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (97,827)	$ (149,302)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	1,885	1,648
Amortization of right-of-use asset	743	958
Loss on property and equipment disposal	64	25
Unrealized loss (gain) on foreign exchange rates	225	(439)
Inventory write-down	144	1,573
Stock-based compensation	3,736	14,029
Issuance costs on Convertible Notes expensed under the fair value option	—	287
Non-cash interest expense	5,002	162
(Gain) loss on remeasurement of financial instruments	(1,000)	7,149
Provision for credit losses	368	165
Loss on issuance of Convertible Notes	—	20,612
Changes in operating assets and liabilities:		
Accounts receivable	(5,737)	(1,683)
Inventories	(6,652)	(17,576)
Prepaid expenses and other current and non-current assets	(357)	(523)
Income taxes payable	(125)	347
Lease liabilities	(470)	(553)
Deferred revenue	—	554
Accounts payable, accrued liabilities, and accrued payroll	6,679	4,329
Net cash used in operating activities	(93,322)	(118,238)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,078)	(1,272)
Net cash used in investing activities	(1,078)	(1,272)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock to employees on exercise of options	26	94
Payments of issuance costs for preferred stock	(310)	(206)
Payment of deferred offering costs	—	(1,381)
Repayment of Covidien Term Loan	—	(71,453)
Proceeds from Perceptive Term Loan and Series E-1 Warrant, net of issuance costs to lender	—	73,680
Payment of issuance costs to third-parties on term loan	—	(1,949)
Proceeds from Convertible Notes, net of issuance costs	—	99,153
Net cash (used in) provided by financing activities	(284)	97,938
Effect of exchange rate changes on cash and cash equivalents	(263)	4,278
Net change in cash and cash equivalents	(94,947)	(17,294)
Cash and cash equivalents at beginning of period	166,741	71,794
Cash and cash equivalents at end of period	$ 71,794	$ 54,500
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for income taxes	$ 863	$ 103
Cash paid for interest	$ —	$ 26,453
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Right-of-use assets obtained in exchange for lease liabilities	$ —	$ 817
Deferred offering costs in accounts payable and accrued liabilities	$ —	$ 1,594

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

Note 1. Description of the Business

Business

Saluda Medical, Inc. (the “Company” or “Saluda US”) and its subsidiaries, including Saluda Medical Pty Limited (“Saluda AU”), is a commercial-stage medical device company focused on developing treatments for chronic neurological conditions using the Company’s novel neuromodulation platform. The Company’s closed-loop, dose-control platform is designed to sense and measure neural responses to stimulation and automatically adjust therapy based on real-time neurophysiological feedback. The Company’s first product, the Evoke System, is designed to treat chronic neuropathic pain. The Company began a limited commercial launch of the Evoke System in late 2019 in certain countries in Europe, including the United Kingdom, and in 2021 in Australia, and the Company initiated a commercial launch in the United States in early 2023.

Redomiciliation

On April 2, 2023, the Company, a newly formed Delaware corporation, acquired all of the issued share capital of Saluda Medical Pty Limited (“Saluda AU”), an Australian incorporated company, through a share exchange (collectively the “Redomiciliation”). Under the Redomiciliation, all of the issued and outstanding ordinary shares of Saluda AU were exchanged for newly issued shares of common stock of the Company and all of the issued and outstanding preference shares of Saluda AU were exchanged for newly issued shares of redeemable convertible preferred stock of the Company. Additionally, all outstanding and unexercised common stock options held in Saluda AU continued to remain in effect under the same terms and conditions with the exception that the shares issued upon exercise of any outstanding Saluda AU stock options will be common stock of the Company rather than ordinary shares of Saluda AU. Lastly, all warrants were amended so that the shares issuable upon exercise of the warrants will be redeemable convertible preferred stock in the Company rather than preference shares in Saluda AU.

Liquidity

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company has experienced ongoing net losses and cash outflows from operating activities. During the year ended June 30, 2025, the Company had a net loss of $149.3 million and had $118.2 million of cash used in operations. As of June 30, 2025, the Company had an accumulated deficit of $574.4 million.

The Company has financed operations to date primarily through borrowings under debt agreements, the issuance of common stock, and the issuance of redeemable convertible preferred stock. Given the Company’s projected operating requirements and its existing cash and cash equivalents, the Company is projecting insufficient liquidity to sustain its operations and meet its obligations through one year following the date that the financial statements are issued. These conditions and events raise substantial doubt about the Company’s ability to continue as a going concern.

In response to these conditions, management is currently evaluating different strategies to obtain the required funding of future operations. Financing strategies may include, but are not limited to, the public or private sale of equity, debt financing or funds from other capital sources, such as collaborations, strategic alliances, divestment of non-core assets, or licensing arrangements with third parties. There can be no assurances that the Company will be able to secure additional financing or, if available, that it will be sufficient to meet its needs or on favorable terms. Because management’s plans have not yet been finalized and are not within the Company’s control, the implementation of such plans cannot be considered probable. As a result, the Company has concluded that management’s plans do not alleviate substantial doubt about the Company’s ability to continue as a going concern.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The Company prepares its consolidated financial statements and related disclosures in conformity with generally accepted accounting principles in the United States ("U.S. GAAP"). The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The Company's fiscal year end is June 30.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the amounts of assets, liabilities, and expenses, and related disclosure of contingent assets and liabilities reported in the consolidated financial statements and accompanying notes. Significant accounting estimates and management judgments reflected in the consolidated financial statements include, but are not limited to, revenue recognition and the allocation of the transaction price, stock-based compensation and the valuation of the stock-based awards, valuation of warrants, valuation of Convertible Notes, inventory valuation, measurement of right-of-use assets and operating lease liabilities, and income taxes. Actual results could differ from those estimates, and such differences could be material to the Company's consolidated financial statements.

Reclassification

The Company has made certain reclassifications in the prior period consolidated financial statements to conform to the current year presentation.

Foreign Currency Translation

The financial statements of the Company's subsidiaries that have a functional currency other than the U.S. dollar are translated to U.S. dollars at the exchange rate in effect at the balance sheet dates, and revenues and expenses are translated at the average exchange rates during the year. Translation adjustments are recorded as foreign currency translation adjustment within accumulated other comprehensive loss, which is a separate component of stockholders' equity, and the effect of exchange rate changes on cash and cash equivalents are reflected on the consolidated statements of cash flows. Gains and losses for transactions denominated in a currency other than the functional currency of the entity are included in the consolidated statements of operations and comprehensive loss. The Company expects the foreign currency gain (loss) to continue to fluctuate as long as the Company continues to hold monetary assets and liabilities at its subsidiaries. Market uncertainty could potentially lead to significant volatility with foreign currency exchange rates, which could result in additional foreign currency gain (loss).

Deferred Offering Costs

The Company capitalizes certain legal, professional, accounting, and other third-party fees that are directly associated with in-process equity financings as deferred offering costs until such financings are consummated. After consummation of the equity financing, these costs are recorded in stockholders' equity (deficit) as a reduction of proceeds generated as a result of the offering. Should the in-process equity financing be abandoned, the deferred offering costs will be expensed immediately as a charge to operating expenses in the consolidated statements of operations and comprehensive loss. As of June 30, 2024 and June 30, 2025, there were $0.7 million and $2.8 million of deferred offering costs, respectively, which are included in prepaid expenses and other current assets in the consolidated balance sheets.

Fair Value of Financial Instruments

Assets and liabilities recorded at fair value in the financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. The fair value of the Company's financial assets and liabilities reflects management's estimate of amounts that the Company would have received in connection with the sale of the assets or paid in connection with the transfer of the liabilities in an orderly transaction between market participants at the measurement date. In connection with measuring the fair value of its assets and liabilities, the Company seeks to maximize the use of observable inputs (market data obtained from independent sources) and to minimize the use of unobservable inputs (internal assumptions about how market participants would price assets and liabilities).

Hierarchical levels which are directly related to the amount of subjectivity associated with the inputs to the valuation of these assets or liabilities are as follows:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.

Level 2—Inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.

Level 3—Unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to their fair value measurement. The Company's assessment of the significance of a specific input to the fair value measurement in its entirety requires management to make judgments and consider factors specific to the asset or liability.

The carrying amounts of cash and cash equivalents, including money market funds and term deposits, prepaid expenses and other current assets, and accounts payable and accrued liabilities approximate their fair value due to their short maturities.

The Company has determined that the carrying value of money market funds approximates their fair value due to their highly liquid nature and active trading, qualifying them as a Level 1 input (refer to Note 4). The Company uses Level 2 inputs (see Note 4) to derive the estimated fair value of its term deposits, which are measured on a recurring basis. The Company uses Level 3 inputs (see Note 4) to derive the estimated fair value of its warrant liabilities and Convertible Notes, which are measured on a recurring basis. As of June 30, 2024 and June 30, 2025, the Company had no other assets or liabilities measured using Level 3 inputs on a recurring or nonrecurring basis, and there were no transfers between levels during the years ended June 30, 2024 and 2025.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, money market funds, term deposits, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are valued at standard cost, which is evaluated at each reporting date to reflect current conditions so that standard costs approximate actual cost computed on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business less any applicable expenses.

The Company periodically evaluates the carrying value of inventory on hand for potential excess amount over demand using the same lower of cost or net realizable value approach. Additionally, the Company distinguishes between current and non-current inventory based on the anticipated time frame until sale. Materials procured significantly in advance, resulting in inventory on hand for periods exceeding 12 months, are managed as part of a strategic approach to ensure availability and cost-effectiveness. Such non-current inventory is not indicative of obsolescence but reflects the Company's procurement strategy to secure essential materials. The Company also periodically evaluates inventory quantities in consideration of actual loss experience. The Company's policy is to write down inventory that has become obsolete, inventory that has a cost basis in excess of its expected net realizable value, and inventory in excess of expected requirements. The estimate of excess quantities is judgmental and primarily dependent on the Company's estimates of future demand for a particular product. If the estimate of future demand is inaccurate based on actual sales, the Company may increase the write-down for excess inventory for that component and record a charge to the cost of goods sold in the accompanying consolidated statements of operations and comprehensive loss.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable are recorded at invoiced amounts, net of an allowance for credit losses. The Company assesses the allowance for credit losses on accounts receivable in accordance with ASC 326, which requires an expected loss model. The allowance for credit losses is estimated based on a range of factors, including historical credit loss experience, customer financial condition, current economic conditions, and reasonable and supportable forecasts of future economic conditions.

Account balances are written off against the allowance for credit losses when management determines that the receivable will not be collected. Recoveries of receivables previously written off are recorded when received. As of both June 30, 2024 and 2025, the allowance for credit losses was $0.6 million.

During the years ended June 30, 2024 and 2025, the Company recognized $0.4 million and $0.2 million, respectively, in provision for credit losses, which was recorded in selling, general and administrative expenses in the consolidated statements of operations and comprehensive loss.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk primarily consist of cash and cash equivalents, and accounts receivables. The Company's cash and cash equivalents held with large financial institutions in the United States and deposits exceed the Federal Deposit Insurance Corporation's insurance limit. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. The Company has not experienced any losses, but the Company cannot be assured that it will not experience losses on these deposits.

As of June 30, 2024 and June 30, 2025, the Company did not have any individual customers with an accounts receivable balance exceeding 10% of the total accounts receivable.

During the years ended June 30, 2024 and 2025, the Company did not derive more than 10% of its total revenue from any individual customer.

The Company is dependent on third-party contract manufacturers and suppliers, some of which are single source, to produce and package all elements comprising the Evoke System. If these suppliers and manufacturers fail to supply the Evoke System or its components or subcomponents in sufficient quantities, at acceptable prices, or at all, it could have a material adverse effect on the financial condition and results of operations of the Company.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is included in cost of revenue and operating expenses on the accompanying consolidated statements of operations and comprehensive loss. Depreciation is calculated using the straight-line method over the estimated economic useful life of the respective asset, which is determined on an asset-by-asset basis according to the classifications below:

	Useful Life
Office Equipment	3 – 12 Years
Leasehold Improvements	Shorter of 3 – 9 Years or remaining lease term
Manufacturing Equipment	3 – 8 Years
Laboratory Equipment	2 – 12 Years

Property and equipment are derecognized upon disposal or when there is no future economic benefit to the Company. Gains and losses between the net carrying amount and the disposal proceeds are reflected in operating expenses in the consolidated statements of operations and comprehensive loss.

Impairment of Long-Lived Assets

Long-lived assets consist primarily of property and equipment and operating lease right-of-use assets. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require that a long-lived asset be tested for possible impairment, recoverability is measured by comparing the carrying amount to the future net undiscounted cash flows expected to be generated by the long-lived asset (or group of assets). If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value. The Company has not recognized any material impairment charges during the years ended June 30, 2024 and 2025.

Leases

The Company determines if an arrangement is a lease at inception and determines the classification of the lease, as either operating or finance, at commencement. Material leases with a term greater than one year are recognized in right-of-use (“ROU”) assets and current and non-current lease liabilities, as applicable, in the Company’s consolidated balance sheets.

ROU assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Company’s leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Company estimates the incremental borrowing rate to reflect the profile of secured borrowing over the expected term of the leases based on the information available at the lease commencement date.

The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Company has elected the practical expedient to not separate lease and non-lease components. The Company’s non-lease components are primarily related to common area maintenance and real estate taxes, which varies based on future outcomes, and thus is recognized in selling, general and administrative expenses when incurred. The Company’s lease agreements do not contain any material restrictions, covenants, or any material residual value guarantees.

Term Loan Debt

The Company's term loans are carried at the principal amount borrowed less debt issuance costs. The costs incurred by the Company for issuing the term loans are capitalized and amortized as an increase to interest expense over the life of the term loans using the effective interest method.

Convertible Notes

On January 3, 2025, the Company entered into convertible note purchase agreements with various existing investors and one non-existing investor (the "Convertible Notes"). As permitted under ASC 825, the Company elected the fair value option for recognition of the Convertible Notes. In accordance with ASC 825, the Company records the Convertible Notes at fair value and remeasures the Convertible Notes at fair value each reporting period with changes in fair value recorded in the consolidated statements of operations and comprehensive loss. The estimated fair value adjustment is recognized as a component of other comprehensive loss with respect to the portion of the fair value adjustment attributed to a change in the instrument-specific credit risk, with the remaining amount of the fair value adjustment recognized within change in fair value of financial instruments in the consolidated statements of operations and comprehensive loss. As a result of applying the fair value option, direct costs and fees related to the Convertible Notes were recognized in earnings as incurred and not deferred. Accrued interest is included as part of the changes in fair value recognized in earnings.

Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the temporary differences between the financial statement and tax basis of assets and liabilities using the enacted tax rates in effect for the years in which the differences are expected to reverse. The effect on deferred taxes of a change in income tax rates is recognized in the consolidated statements of operations and comprehensive loss in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts the Company believes are more likely than not to be realized.

The Company operates in various tax jurisdictions and is subject to audit by various tax authorities. To date, taxes paid have been predominantly due to income taxes in foreign and state jurisdictions in which the Company conducts business. The Company provides for tax contingencies whenever it is deemed probable that a tax asset has been impaired, or a tax liability has been incurred for events such as tax claims or changes in tax laws. Tax contingencies are based upon their technical merits, relative tax law, and the specific facts and circumstances as of each reporting period. Changes in facts and circumstances could result in material changes to the amounts recorded for such tax contingencies.

The Company records uncertain tax positions on the basis of a two-step process whereby (1) a determination is made as to whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold the Company recognizes the largest amount of tax benefit that is greater than 50% likely to be realized upon ultimate settlement with the related tax authority. The Company's policy is to recognize interest and penalties related to income taxes as a component of income tax expense. No material interest or penalties related to income taxes have been recognized in the consolidated statements of operations and comprehensive loss for the years ended June 30, 2024 and 2025.

Warrant Liabilities

The Company has issued warrants to purchase redeemable convertible preferred stock in conjunction with certain equity and debt financings. The Company accounts for its issued warrants as liabilities in accordance with ASC 480. The liability-classified warrants are initially measured at fair value, resulting in an implied discount on the related financing arrangement (recognized as a partial offset to the principal balance of the financing). Changes in fair value of the warrant liabilities are recognized within change in fair value of financial instruments in the consolidated statements of operations and comprehensive loss.

Redeemable Convertible Preferred Stock

The Company recorded its redeemable convertible preferred stock at fair value on the dates of issuance, net of issuance costs. The redeemable convertible preferred stock is presented as mezzanine equity in the consolidated balance sheets due to the stock containing certain redemption features that are not solely within the Company's control. When it is probable that a redeemable convertible preferred stock will become redeemable, adjustments are recorded to adjust the carrying values to the redemption values. No adjustments have been recorded in the years ended June 30, 2024 and 2025 as the redeemable convertible preferred stock is not redeemable nor probable of being redeemable. Refer to Note 10 for more information on the rights, preferences, privileges, and restrictions associated with the redeemable convertible preferred stock.

Revenue Recognition

Revenue arises from the sale of medical devices. The Company determines revenue recognition through the following steps:

- Identify the contract with a customer;
- Identify the performance obligation(s);
- Determine the transaction price;
- Allocate the transaction price to the performance obligation(s); and
- Recognize revenue when/as performance obligation(s) are satisfied.

Sales of medical devices

Revenue from the sale of medical devices is recognized when obligations under the terms of contracts with customers are satisfied, which occurs when the Company transfers control of products to its customers. Revenue is measured as the amount of consideration expected to be received in exchange for transferring the products. Payment terms are typically 30 to 90 days.

For most sales, where a sales representative of the Company delivers product at the point of the implantation procedure at hospitals or medical facilities, revenue is recognized upon authorization from the customer which occurs upon completion of the procedure, including any necessary programming performed by a sales representative of the Company, which represents the point in time when control of the product transfers to the customers.

For the remaining sales, products are shipped directly from the Company's distribution centers to hospitals, medical facilities, and distributors who order in advance of a procedure. In these instances, the transfer of control of the products depends on whether the customer has the training and resources available to be capable of programming the products. In instances where the customer is capable of programming the products, the transfer of control of the products and recognition of revenue occurs at the time of shipment. In instances where the customer is not capable of programming the products, the transfer of control of the products and recognition of revenue occurs upon completion of the procedure, including any necessary programming performed by a sales representative of the Company. Customers that receive products in advance of a procedure are obligated to pay within specified terms regardless of when, or if, they ever sell or use the products. The Company does not offer rights of return or price protection.

Revenue is measured as the amount of consideration the Company expects to receive, adjusted for any applicable estimates of variable consideration and other factors affecting the transaction price, which is based on the invoiced price, in exchange for transferring products. Variable consideration related to certain customer sales incentives is estimated based on the amounts expected to be paid based on the agreement with the customer using probability assessments. Amounts recorded as revenue are net of sales returns, trade discounts and the amount of taxes.

The Company allocates the transaction price to each performance obligation based on a relative standalone selling price (“SSP”). SSP for the sale of medical devices is based off the list price of the spinal cord stimulation system.

The Company had no material unsatisfied performance obligations nor satisfied but unrecognized performance obligations related to revenue recognition as of June 30, 2025. The Company had no material contract assets as of June 30, 2024 or June 30, 2025. Deferred revenue arises when payments are received in advance of the satisfaction of performance obligations. Deferred revenue was less than $0.1 million as of June 30, 2024 and was $0.6 million as of June 30, 2025. Deferred revenue is presented within accounts payable and accrued liabilities on the Company’s consolidated balance sheets and is subsequently recognized as revenue when the performance obligation is satisfied in accordance with the Company’s revenue recognition policies.

Practical Expedients and Exemptions - The Company recognizes revenue upon the transfer of control of the product and there are no material future performance obligations beyond such transfer. As a result, the Company has elected not to disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which it recognizes revenue at the amount to which it has the right to invoice for services performed. The Company has elected to account for shipping and handling activities that occur after the customer has obtained control as a fulfillment activity, and not a separate performance obligation. Such shipping and handling costs are expensed as incurred and are included in cost of revenue. The Company does not capitalize incremental costs to obtain a contract when the amortization period of the asset is one year or less.

Cost of Revenue

Cost of revenue consists primarily of acquisition costs for the components of the spinal cord stimulation systems, overhead costs, scrap and inventory obsolescence, warranty replacement costs, as well as distribution related expenses such as logistics and shipping costs, net of shipping costs charged to customers. The overhead costs include the cost of material procurement, depreciation expense for production equipment, and operations supervision and management personnel, including employee compensation, supplies, and travel.

Research and Development

Research and development expenses, including new product development, regulatory compliance, and clinical research, are recognized as operating expenses in the consolidated statements of operations and comprehensive loss. Research and development costs are expensed as incurred. Such costs include personnel-related costs, including stock-based compensation, supplies, services, depreciation expense for lab equipment, information services, clinical trial and related clinical manufacturing expenses, fees paid to investigative sites, and other indirect costs.

Selling, General and Administrative

Selling, general and administrative expenses include personnel-related costs, including stock-based compensation, facility costs, bad debt costs, professional service fees, software license fees, advertising costs, patent related costs, travel costs and other general overhead costs, including depreciation expense for office and manufacturing equipment and leasehold improvements, which support the Company’s operations.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with ASC 718. The Company accounts for all stock-based awards granted to employees and non-employees as stock-based compensation expense based on the grant date fair value.

Stock-based compensation is classified in the accompanying consolidated statements of operations and comprehensive loss based on the function to which the related services are provided. The Company recognizes stock-based compensation expense for employees on a straight-line basis over the requisite service period. Forfeitures are accounted for as they occur.

The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option-pricing model, which requires inputs based on the following subjective assumptions:

Expected Term—The expected term of stock-based awards represents the period that the stock-based awards are expected to remain outstanding. The Company has elected to use the midpoint of the stock options' vesting term and contractual expiration period to compute the expected term, as the Company does not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior.

Volatility—The Company estimates volatility for option grants by evaluating the average historical volatility of a peer group of companies for the period immediately preceding the option grant for a term that approximates the options' expected term.

Risk-free Rate—The risk-free rate assumption is based on the U.S. Treasury zero coupon issues in effect at the time of grant for periods corresponding with the expected term of the option.

Dividends—The Company has never paid, and does not anticipate paying, dividends on its common stock. Therefore, the Company uses an expected dividend yield of zero.

Interest Income

Interest income consists of interest earned on the Company's investments in term deposits and money market funds.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) represents all changes in stockholders' equity except those resulting from distributions to stockholders and is excluded from the reported net loss presented in the consolidated statements of operations and comprehensive loss. The Company's unrealized gain (loss) on foreign currency translation adjustment is recognized as a component of other comprehensive income (loss). Additionally, any portion of the fair value adjustment of the Convertible Notes attributed to a change in the instrument-specific credit risk is recognized as a component of other comprehensive income (loss). However, for the periods presented, there was no change in fair value of the Convertible Notes attributed to the instrument-specific credit risk.

Earnings per Share

Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted-average shares outstanding during the period, without consideration for common stock equivalents. Diluted earnings (loss) per share is calculated by adjusting weighted-average shares outstanding for the dilutive effect of common stock equivalents outstanding for the period, determined using the treasury-stock and if-converted methods. Since the Company had a net loss in the years ended June 30, 2024 and 2025, basic and diluted net loss per common share is the same.

Recently Adopted Accounting Standards

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. This ASU updates reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. This ASU is effective for all entities for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendments should be applied retrospectively to all prior periods presented in the financial statements. The Company adopted the guidance in the fiscal year beginning July 1, 2024. There was no impact on the Company's reportable segments identified and additional required disclosures have been included in Note 16.

Recently Issued Accounting Standards Not Yet Adopted

In December 2023, the FASB issued ASU No. 2023-09, *Improvements to Income Tax Disclosures*, which requires expanded income tax disclosures primarily related to an entity's effective tax rate reconciliation and income taxes paid. This ASU is effective for fiscal years beginning after December 15, 2024 and should be adopted on a prospective basis. Early adoption is permitted. The Company is currently assessing the impact of the adoption of this update on its consolidated financial statements and related disclosures.

In November 2024, the FASB issued ASU No. 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses.* This ASU is intended to provide more detailed information about specified categories of expenses (purchases of inventory, employee compensation, depreciation and amortization) included in certain expense captions presented on the face of our consolidated statements of operations. This ASU is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted. The amendments may be applied either (1) prospectively to financial statements issued for periods after the effective date of this ASU or (2) retrospectively to all prior periods presented in the consolidated financial statements. The Company is currently assessing the impact of the adoption of this update on its consolidated financial statements and related disclosures.

Note 3. Revenue

Revenue from the sale of medical devices is recognized when the Company's performance obligation to transfer control of the goods to the customer is satisfied which occurs either at the point of the sale when delivery is completed by way of shipping the product to the location specified by the customer and the ownership risks have therefore passed to the customer pursuant to the contract, or when implantation of the medical device, including programming, has been completed.

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring the goods and is net of sales returns and trade discounts.

The following table presents revenue by geography, based on the billing address of the customer (in thousands):

	Year Ended June 30, 2024	Year Ended June 30, 2025
United States	$ 32,897	$ 49,878
Australia	7,045	5,285
Europe:		
Germany	4,174	5,362
Netherlands	2,835	3,940
United Kingdom	2,578	3,002
Other foreign countries	2,153	2,889
Total revenue	$ 51,682	$ 70,356

Note 4. Fair Value Measurements

Fair value accounting is applied for all financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. The following tables provide the financial instruments measured at fair value on a recurring basis (amounts in thousands):

	As of June 30, 2024 Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total
Term deposits	—	$ 62,481	—	$ 62,481
Total financial assets	—	$ 62,481	—	$ 62,481
Warrant liabilities	—	—	$ 2,900	$ 2,900
Total financial liabilities	—	—	$ 2,900	$ 2,900

	As of June 30, 2025 Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 40,761	—	—	$ 40,761
Total financial assets	$ 40,761	—	—	$ 40,761
Warrant liabilities	—	—	$ 1,300	$ 1,300
Convertible Notes	—	—	129,836	129,836
Total financial liabilities	—	—	$ 131,136	$ 131,136

Term Deposits and Money Market Funds

The Company has short-term, highly liquid investments classified as cash equivalents, which are invested in short-term deposits and money market funds with original maturities of three months or less. The Company records cash equivalents at their original purchase prices plus interest that has accrued at the stated rate.

Warrants

Series D Warrants

In connection with the Series D preference shares issuance, Saluda AU issued warrants that were exercisable into 2,939,816 shares of Series D preference shares of Saluda AU or, upon an initial public offering (“IPO”), the warrants were exercisable into ordinary shares of Saluda AU at the conversion price per share of the Series D preference shares at the time of IPO. The warrants were exercisable after the exercise commencement date, which was the earliest to occur of: (i) January 1, 2023; (ii) in the event certain agreed commercialization milestones were achieved, then on the date of that achievement; or (iii) a liquidation event. If the earliest event was the date the agreed commercial milestones were achieved, the options were subject to the following forfeitures:

a. If the milestones were achieved by September 1, 2022, then 100% of the warrants would be forfeited.

b. If the milestones were achieved between September 1, 2022 and December 31, 2022 then 50% of the warrants would be forfeited.

c. If the milestones were achieved after December 31, 2022 then no warrants would be forfeited.

The warrants became exercisable on December 13, 2022, upon an FDA approval milestone being met and, as a result, 50% of the warrants were forfeited leaving 1,469,904 warrants outstanding.

As a result of the Redomiciliation, all warrants were amended so that the shares issuable upon exercise of the warrants will be redeemable convertible preferred stock in the Company rather than preference shares in Saluda AU or, upon an IPO, the warrant will be exercisable into common stock of the Company rather than ordinary shares of Saluda AU. The warrants have an exercise price per share of $12.76 and expire on January 20, 2027.

The warrants are recognized as liabilities in the consolidated balance sheets and are subject to re-measurement at each balance sheet date from issuance. Any change in fair value is recognized as a component of the consolidated statements of operations and comprehensive loss. As of June 30, 2025, the warrants outstanding are all currently exercisable into 1,469,904 shares of Series D redeemable convertible preferred stock, or, upon an IPO, exercisable into 1,617,768 shares of common stock based on the conversion price per share of the Series D redeemable convertible preferred stock (see Note 10).

The fair value of the warrant liabilities was determined based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. The fair value of the warrant liabilities uses the hybrid method. The hybrid method is often used when a company is expecting a liquidity event in the near future and is a combination of the option-pricing and probability-weighted expected return methods. Estimates and assumptions impacting the fair value measurement include the fair value per share of the underlying shares of redeemable convertible preferred stock, risk-free interest rate, expected dividend yield, expected volatility of the price of the underlying redeemable convertible preferred stock, and the remaining contractual term of the warrants. The most significant assumption in the model impacting the fair value of the warrants is the fair value of the Company’s redeemable convertible preferred stock as of each remeasurement date.

Series E-1 Warrants

In connection with the Perceptive Term Loan in March 2025 (see Note 9), the Company also entered into a warrant agreement with the lender, issuing a warrant to purchase 555,000 shares of the Company’s Series E-1 redeemable convertible preferred stock (“Series E-1 Warrant”). Upon the borrowing of each of the second and third tranche under the Perceptive Term Loan, the Company will issue to the lender a warrant to purchase 185,000 shares of the Company’s Series E-1 redeemable convertible preferred stock (370,000 shares assuming both tranches are issued). As of June 30, 2025, the additional tranches under the Perceptive Term Loan were not drawn and therefore the associated additional warrants have not been issued to the lender. Accordingly, there is a Series E-1 Warrant outstanding that is exercisable into 555,000 shares of the Company’s Series E-1 redeemable convertible preferred stock as of June 30, 2025.

The per share exercise price of the Series E-1 Warrant is $8.0738, however, if the per share price to the public in an IPO is less than the conversion price of the Series E-1 redeemable convertible preferred stock (see Note 10), the exercise price of the Series E-1 Warrant will be reduced to a price per share equal to 75% of the IPO price. The Series E-1 Warrant expires on March 14, 2035. The warrant is recognized as liabilities in the consolidated balance sheets and is subject to re-measurement at each balance sheet date from issuance. Any change in fair value is recognized within change in fair value of financial instruments in the consolidated statements of operations and comprehensive loss.

The fair value of the warrant liabilities was determined based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. The fair value of the warrant liabilities uses the hybrid method. The hybrid method is often used when a company is expecting a liquidity event in the near future and is a combination of the option-pricing and probability-weighted expected return methods. Estimates and assumptions impacting the fair value measurement include the fair value per share of the underlying shares of redeemable convertible preferred stock, risk-free interest rate, expected dividend yield, expected volatility of the price of the underlying redeemable convertible preferred stock, and the remaining contractual term of the warrants. The most significant assumption in the model impacting the fair value of the warrants is the fair value of the Company's redeemable convertible preferred stock as of each remeasurement date.

A summary of the changes in the fair value of the warrant liabilities for the years ended June 30, 2024 and 2025 is as follows (amounts in thousands):

	Warrant Liabilities
Fair value of warrant liabilities, June 30, 2023	$ 3,900
Change in fair value of warrant liabilities	(1,000)
Fair value of warrant liabilities, June 30, 2024	$ 2,900
Issuance of Series E-1 Warrants	500
Change in fair value of warrant liabilities	(2,100)
Fair value of warrant liabilities, June 30, 2025	$ 1,300

Convertible Notes

On January 3, 2025, the Company issued Convertible Notes (see Note 9) to investors and elected to account for them at fair value under ASC 825, with changes in fair value and related costs recognized in earnings or other comprehensive loss, as applicable, each reporting period.

The fair value of the Convertible Notes was determined based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. The fair value of the Convertible Notes uses a probability-weighted model based on outcomes of a Qualified IPO, a Qualified Financing, and a Change of Control, as each is defined in the Convertible Note agreements. The measurement is also based on the Company's own assumptions of expected timing and probabilities of future cash flows and discounting the future cash flows using a debt yield.

A summary of the changes in the fair value of the Convertible Notes is as follows (amounts in thousands):

	Convertible Notes
Fair value as of June 30, 2024	$ —
Issuance of Convertible Notes	120,587
Change in fair value of Convertible Notes	9,249
Fair value as of June 30, 2025	$ 129,836

None of the change in fair value for the year ended June 30, 2025 is attributed to a change in the instrument-specific credit risk and accordingly none is recognized as a component of other comprehensive income (loss). The entire change in fair value for the year ended June 30, 2025 is recorded within change in fair value of financial instruments in the consolidated statements of operations and comprehensive loss.

Note 5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following (in thousands):

	As of June 30, 2024	As of June 30, 2025
Accrued expenses	$ 9,011	$ 12,316
Payroll liabilities	8,805	10,740
Accounts payable	2,609	1,499
Deferred revenue	26	627
Current tax payable	446	722
Total accounts payable and accrued liabilities	$ 20,897	$ 25,904

Note 6. Inventories

Inventories consist of the following (in thousands):

Current	As of June 30, 2024	As of June 30, 2025
Raw materials	$ 4,724	$ 7,007
Work in progress	7,365	2,410
Finished goods	16,891	33,916
Total current inventories	$ 28,980	$ 43,333

Non-current	As of June 30, 2024	As of June 30, 2025
Raw materials	$ 558	$ 319
Finished goods	142	1,997
Total non-current inventories	$ 700	$ 2,316

During the years ended June 30, 2024 and 2025, the Company had inventory write-downs of $0.1 million and $1.6 million, respectively.

Note 7. Property and Equipment, net

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

	As of June 30, 2024	As of June 30, 2025
Office equipment	$ 3,972	$ 4,898
Leasehold improvements	3,275	3,144
Manufacturing equipment	2,070	2,050
Laboratory equipment	818	853
Total	10,135	10,945
Less: accumulated depreciation	(4,681)	(6,086)
Property and equipment, net	$ 5,454	$ 4,859

Depreciation expense for the years ended June 30, 2024 and 2025 was $1.9 million and $1.6 million, respectively, with $1.1 million and $1.0 million, respectively, included in selling, general and administrative expenses and $0.1 million and $0.1 million, respectively, included in research and development expenses, and $0.7 million and $0.5 million , respectively included in cost of revenue in the consolidated statements of operations and comprehensive loss.

Note 8. Leases

The Company has operating leases for office space, manufacturing facilities, warehousing and research and development activities. Leases with terms of 12 months or less are not recorded on the consolidated balance sheets, as the related lease expenses are recognized on a straight-line basis over the term of the lease. The Company has no finance leases.

As of June 30, 2025, the Company had leases with remaining terms of 1 year to 4 years, with certain leases that contain options to extend the lease term for up to an additional 5 years, which are not included in the initial lease terms as they are not reasonably certain to be exercised. Lease expense was $1.3 million and $1.9 million for the years ended June 30, 2024 and 2025, respectively. This includes variable lease expense of $0.3 million and $0.6 million for the years ended June 30, 2024 and 2025, which is included in selling, general and administrative expenses on the accompanying consolidated statements of operations and comprehensive loss.

The weighted-average lease terms and discount rates are as follows:

	As of June 30, 2024	As of June 30, 2025
Weighted-average remaining lease term	4.65 years	3.62 years
Weighted-average discount rate	6.06%	8.67%

As of June 30, 2025, the undiscounted maturity of lease liabilities are as follows (in thousands):

Year Ending June 30,	Operating Leases
2026	$ 1,414
2027	1,101
2028	999
2029	1,038
Total lease payments	4,552
Less: interest	(664)
Present value of future lease payments	3,888
Less: current portion of operating lease liabilities	1,122
Non-current operating lease liabilities	$ 2,766

The operating cash outflows included in the measurement of the operating lease liabilities was $0.8 million and $1.3 million for the years ended June 30, 2024 and 2025, respectively.

Note 9. Debt

Covidien Term Loan

On March 11, 2019, the Company entered into a non-convertible subordinated term loan agreement with Covidien Group S.a.r.l, which initially provided for borrowings up to $90.0 million under a term loan (“the Covidien Term Loan”), which was set to mature on September 11, 2025. The Company drew $45.0 million under the Covidien Term Loan. The Covidien Term Loan bore a fixed interest rate of 8.0% per annum. The Covidien Term Loan was not issued at a discount or premium. The principal of the Covidien Term Loan and accrued interest was repaid in full during the year ended June 30, 2025 with proceeds from the Perceptive Term Loan.

Perceptive Term Loan

On March 14, 2025, the Company entered into a Credit Agreement and Guaranty with Perceptive Credit Holdings IV, LP, which provides for a senior secured delayed draw term loan facility in an aggregate principal amount of up to $125.0 million (“the Perceptive Term Loan”). The funding of the Perceptive Term Loan is available in up to three tranches. The first tranche of $75.0 million was funded in March 2025 upon closing the Perceptive Term Loan. The second tranche of $25.0 million is available through June 30, 2026, subject to certain conditions, and has not been drawn as of June 30, 2025. The third tranche of $25.0 million is available through December 31, 2026, subject to certain conditions, and has not been drawn as of June 30, 2025. The proceeds from the first tranche of the Perceptive Term Loan were used to repay the Covidien Term Loan and for general operating purposes.

The Perceptive Term Loan bears interest on outstanding balances of 7.5% plus the greater of (x) one-month Term SOFR and (y) 3.5%. All interest is due and payable on the first day of each calendar month. The Perceptive Term Loan will mature on March 14, 2030. The Perceptive Term Loan is not subject to amortization and is guaranteed by certain of our subsidiaries and secured by substantially all of our assets and the guarantors, subject to certain customary exceptions and limitations.

The Perceptive Term Loan may be prepaid in whole or in part at any time for any reason at our option and is required to be mandatorily prepaid upon certain casualty events, an asset sale or upon any acceleration of the Perceptive Term Loan. Voluntary prepayment of the Perceptive Term Loan, mandatory prepayment of the Perceptive Term Loan and acceleration of the Perceptive Term Loan are subject to a scaled prepayment premium. The prepayment premium is 10.0% on or prior to March 14, 2025, which declines to 9.0%, 8.0%, 6.0% and 4.0% every 12 months thereafter.

The Perceptive Term Loan contains events of default, including, without limitation, events of default upon: (i) failure to make a payment pursuant to the terms of the agreement; (ii) violation of certain covenants; (iii) payment or other defaults on other indebtedness; (iv) material adverse change in the business or change in control; (v) insolvency; (vi) significant judgments; (vii) incorrectness of representations and warranties; (viii) regulatory matters; and (ix) failure by us to maintain a valid and perfected lien on the collateral securing the borrowing. In the event of an event of default, the lender may terminate its commitments and declare all amounts outstanding under the Perceptive Term Loan immediately due and payable, together with accrued interest and all fees and other obligations. The amount of such repayment will include payment of any prepayment premium applicable due to the time of such payment. In addition, upon the occurrence and during the continuance of any event of default, the applicable margin will increase by 4.00% per annum.

The Perceptive Term Loan includes a number of negative covenants imposing certain restrictions on the Company's business, including, among other things, restrictions on our ability to incur indebtedness, prepay certain indebtedness, incur liens, make certain fundamental changes including mergers or dissolutions, pay dividends and make other payments, repurchases and redemptions in respect of capital stock, make loans and investments, sell assets, change the Company's lines of business, enter into transactions with affiliates and certain other corporate actions. Such negative covenants are subject to customary and other agreed-upon exceptions. The Perceptive Term Loan also includes customary affirmative covenants. The Perceptive Term Loan contains certain financial covenants relating to minimum liquidity and minimum revenue. Additionally, there are certain non-financial covenants.

The Perceptive Term Loan includes financial covenants that requires the Company to (i) maintain, at all times, a minimum aggregate balance of $5.0 million in cash in one or more controlled accounts, and (ii) satisfy certain minimum revenue thresholds, measured for the twelve consecutive month period on each calendar quarter-end until December 31, 2029. Failure to satisfy these financial covenants would constitute an event of default under the Perceptive Term Loan.

As of June 30, 2025, the Company was in compliance with all these covenants under the Perceptive Term Loan.

The Perceptive Term Loan was issued at a discount due to the issuance of Series E-1 Warrants with an issuance fair value of $0.5 million (see Note 4) and associated issuance costs of $3.3 million. As of June 30, 2025, the Perceptive Term Loan has an effective interest rate of 13.21%.

Interest expense on the Company's term loans for the years ended June 30, 2024 and 2025 totaled $5.0 million and $6.6 million, respectively.

The following table summarizes the Company's stated debt maturities and scheduled principal repayments for the Perceptive Term Loan as of June 30, 2025 (in thousands):

Year Ending June 30,		
2026	$	—
2027		—
2028		—
2029		—
2030		75,000
Total future principal payments		75,000
Unamortized issuance costs and debt discount		(3,608)
Total term loan, net	$	71,392

Convertible Notes

On January 3, 2025 the Company entered into convertible note purchase agreements with various existing investors and one non-existing investor for $99.4 million ("the Convertible Notes"). The Convertible Notes bear interest at a rate of 8% per annum and are due and payable on demand by the noteholders at any time after January 3, 2026. Under the terms of the agreements, the Convertible Notes are subordinated to the Perceptive Term Loan, meaning no payments of principal or interest may be made on the Convertible Notes until the Perceptive Term Loan has been paid in full.

The Convertible Notes contain automatic conversion features, triggered by a Qualified Financing or a Qualified IPO, as each is defined in the Convertible Note agreements. Upon a Qualified Financing or a Qualified IPO, the total outstanding principal and accrued interest will automatically convert into preferred stock or common stock, respectively, at a conversion price equal to 75% of the price per share paid by other purchasers of the respective Qualified Financing or Qualified IPO. If the Convertible Notes have not been converted before their maturity date, the Company must pay 1.25x the outstanding amount upon demand by the noteholders.

The Company elected to apply the fair value option, as per ASC 825, to the outstanding Convertible Notes. As such, the Convertible Notes were recognized at fair value with changes in fair value recognized in the statements of operations and comprehensive loss within the change in fair value of financial instruments. Contractual interest expense for the Convertible Notes is recorded as a component of the change in fair value within change in fair value of financial instruments on the statements of operations and comprehensive loss. The fair value of the Convertible Notes was $120.6 million and $129.8 million as of January 3, 2025 and June 30, 2025, respectively. The excess of the fair value of the Convertible Notes over the proceeds received was recorded as a loss on issuance of Convertible Notes in the statements of operations and comprehensive loss.

In connection with the Convertible Notes, the Company executed an Exchange Agreement, which facilitated the exchange of certain of the Company's Series D and Series E redeemable convertible preferred stock for Series D-1 and Series E-1 redeemable convertible preferred stock, respectively, on a one-for-one basis ("Preferred Stock Exchange"). All rights, preferences, and privileges of the Series D-1 and Series E-1 redeemable convertible preferred stock are the same as the Series D and Series E redeemable convertible preferred stock, respectively, with the exception that if the per share price to the public in an IPO is less than the conversion price of the Series D-1 and Series E-1 redeemable convertible preferred stock, the conversion price will be reduced to a price per share equal to 75% of the IPO price. The Company accounted for the Preferred Stock Exchange as an extinguishment of the Series D and Series E redeemable convertible preferred stock and the issuance of new Series D-1 and Series E-1 redeemable convertible preferred stock. The Company recognized the Series D-1 and Series E-1 redeemable convertible preferred stock at their fair value and derecognized the carrying value of the Series D and Series E redeemable convertible preferred stock with the difference of $0.7 million being recorded as a reduction of the loss on issuance of Convertible Notes in the statements of operations and comprehensive loss.

Note 10. Redeemable Convertible Preferred Stock

Redeemable convertible preferred stock consisted of the following (in thousands, except share data):

	As of June 30, 2024				
	Issuance Date*	**Shares Authorized**	**Shares Issued and Outstanding**	**Original Issue Price per Share**	**Aggregate Liquidation Preference**
Series A	6/1/2016	2,735,801	2,735,801	$ 6.25	$ 17,107
Series B	5/24/2017 and 7/25/2018	6,048,234	6,048,234	$6.52 – 6.60	39,732
Series C	6/28/2019	4,884,264	4,884,264	$ 15.39	75,152
Series D	1/20/2022	11,269,306	9,799,397	$ 12.76	125,000
Series E	4/6/2023	18,578,532	18,578,532	$ 8.07	149,999
		43,516,137	42,046,228		$ 406,990

As of June 30, 2025

	Issuance Date*	Shares Authorized	Shares Issued and Outstanding	Original Issue Price per Share	Aggregate Liquidation Preference
Series A	6/1/2016	2,735,801	2,735,801	$ 6.25	$ 17,107
Series B	5/24/2017 and 7/25/2018	6,048,234	6,048,234	$6.52 – 6.60	39,732
Series C	6/28/2019	4,884,264	4,884,264	$ 15.39	75,152
Series D	1/20/2022	11,269,306	7,057,762	$ 12.76	90,028
Series E	4/6/2023	18,578,532	11,937,547	$ 8.07	96,381
Series D-1	1/3/2025	9,799,397	2,741,635	$ 12.76	34,972
Series E-1	1/3/2025	18,578,532	6,640,985	$ 8.07	53,618
		71,894,066	42,046,228		$ 406,990

* *The issuance date for Series A, B, C, and D represents the original issuance date of the respective preference shares of Saluda AU that were subsequently exchanged for redeemable convertible preferred stock of the Company as a part of the Redomiciliation. The issuance date for Series E, D-1, and E-1 represents the issuance date of the respective redeemable convertible preferred stock of the Company subsequent to the Redomiciliation.*

The various rights and preferences of the redeemable convertible preferred stock are as follows:

Voting Rights—On any matter presented to shareholders, preferred shareholders are entitled to the number of votes equal to the number of shares of common shares into which these preferred shares could be converted.

Dividends—At a date determined by the Board, each preferred stockholder has a right to receive a dividend of 8% of the original issue price of the relevant preferred share subject to the Board resolving to pay a distribution and the Company having sufficient funds and reserves to pay such distribution as at distribution entitlement date and distribution payment date.

The distribution of preferred shares is non-cumulative in nature. The Company cannot pay distribution to a particular series of preferred shareholders or common shareholders in respect of a period for which no distribution is paid to the holders of preferred shares which ranks in priority to them or if any unpaid distribution remains outstanding (unless waived by such series' preferred shareholders). Through June 30, 2025, there were no dividends declared, paid, or set aside.

Conversion—Series A, B, C, D, E, D-1, and E-1 redeemable convertible preferred stock can be converted into fully paid common shares at the holders discretion. The number of common shares received upon conversion is determined by dividing the original issuance price by the conversion price, then multiplying by the number of preferred shares being converted. The initial conversion price per share for Series A, Series B, Series E, and Series E-1 redeemable convertible preferred stock is equal to the respective original issuance prices per share. The initial conversion price per share for Series C redeemable convertible preferred stock is $12.64. The initial conversion price per share for Series D and Series D-1 redeemable convertible preferred stock is $11.59. The respective initial conversion prices per share for all series of redeemable convertible preferred stock are subject to adjustment in the event of share splits and consolidations, dividends and distributions, subdivisions or similar distributions, and other capital reconstructions. If the per share price to the public in an IPO is less than the conversion price of the Series D-1 and Series E-1 redeemable convertible preferred stock, the conversion price will be reduced to a price per share equal to 75% of the IPO price.

All outstanding preferred shares will automatically convert into common shares under certain conditions. This includes a Qualifying IPO, characterized as an IPO that is firmly underwritten and brings aggregate gross proceeds to the Company of at least $75 million, excluding underwriting discounts, commissions, and fees. For Series E and Series E-1 redeemable convertible preferred stock, conversion is contingent upon obtaining approval from the requisite Series E and Series E-1 holders. Additionally, an affirmative vote for conversion by the respective class of preferred shareholders triggers the mandatory conversion.

Liquidation Rights—In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of Series E, E-1, D, D-1, and C redeemable convertible preferred stock then outstanding shall be entitled to be paid out of the assets of the Company available for distribution to its stockholders or, in the case of a Deemed Liquidation Event defined as a sale of 50% or more of the share capital of the Company or a sale of substantially all of the Company's assets, out of the consideration payable to stockholders in such Deemed Liquidation Event or available proceeds, before any payment shall be made to the holders of Series B redeemable convertible preferred stock, Series A redeemable convertible preferred stock, and common stock. Following payment to the holders of Series E, E-1, D, D-1, and C redeemable convertible preferred stock, the remaining assets of the Company available for distribution to stockholders or, in the case of a Deemed Liquidation Event, the remaining consideration payable to stockholders, will be distributed first to holders of Series B redeemable convertible preferred stock, then to holders of Series A redeemable convertible preferred stock, and lastly to holders of common stock.

Redemption—In the event of insolvency or a Deemed Liquidation Event, each holder of redeemable convertible preferred stock (with written consent of the preferred shareholders of that particular class) shall have the option to require the Company to purchase any or all its shares at redemption price. Redemption price is defined as the original issuance price plus any declared but unpaid distribution.

Note 11. Stockholders' Equity

Certificate of Incorporation

In connection with the Exchange Agreement (see Note 9), on January 3, 2025, the Company filed an Amended and Restated Certificate of Incorporation with the State of Delaware. Under the Amended and Restated Certificate of Incorporation, the Company is authorized to issue two classes of stock, common stock and redeemable convertible preferred stock. The Company shall have authority to issue 94,000,000 shares of common stock with par value of $0.0001 per share and 71,894,066 shares of redeemable convertible preferred stock with par value of $0.0001 per share. The various rights and preferences of the redeemable convertible preferred stock and common stock remained materially the same with the only exception being if the per share price to the public in an IPO is less than the conversion price of the Series D-1 and Series E-1 redeemable convertible preferred stock, the conversion price of the Series D-1 and Series E-1 redeemable convertible preferred stock will be reduced to a price per share equal to 75% of the IPO price.

Common Stock

Each share of common stock holds economic rights and entitles its holder to one vote per share on all matters submitted to a vote of the stockholders. The shares authorized are available to issue for purposes of satisfying conversion of redeemable convertible preferred stock, the exercise of common stock options, and for purposes of any future transactions.

The Company had reserved shares of common stock for issuance as of June 30, 2025 as follows:

	As of June 30, 2025
Common stock equivalent of redeemable convertible preferred stock issued and outstanding	43,670,078
Options issued and outstanding	24,944,556
Additional shares available for grant under the equity plan	5,322,578
Common stock equivalent of Series D warrants outstanding and exercisable	1,617,768
Common stock equivalent of Series E-1 warrants outstanding and exercisable	555,000
Total	76,109,980

Note 12. Net Loss Per Share

Basic earnings per share is calculated by dividing net loss by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share is calculated by dividing the net loss by the weighted-average number of common shares outstanding, adjusted for the effects of potentially dilutive common stock, which are comprised of stock options and stock warrants, using the treasury-stock method, and redeemable convertible preferred stock, using the if-converted method. Because the Company reported net losses for the period presented, all potentially dilutive common stock is antidilutive for this period. The redeemable convertible preferred stock are considered participating securities; however, they were excluded from the computation of basic loss per share in the periods of net loss as there is no contractual obligation or terms for the holders to share in the losses of the Company.

The following table presents the number of antidilutive shares excluded from the calculation of diluted net loss per share:

	Year Ended June 30, 2024	Year Ended June 30, 2025
Common stock equivalent of redeemable convertible preferred stock issued and outstanding	43,668,579	43,670,078
Stock options outstanding	11,531,685	24,944,556
Common stock equivalent of Series D warrants outstanding and exercisable	1,617,547	1,617,768
Common stock equivalent of Series E-1 warrants outstanding and exercisable	—	555,000
Total	56,817,811	70,787,402

Note 13. Stock-Based Compensation

2023 Incentive Award Plan

During the year ended June 30, 2023, the Company adopted the 2023 Incentive Award Plan pursuant to which the Board of Directors may grant stock options, stock appreciation rights, restricted stock, restricted stock units, other awards to individuals who are then employees, officers, non-employee directors or consultants of the Company. Stock options must be granted with an exercise price equal to the stock's fair market value at the date of grant. Stock options generally have 10-year terms and service based vesting conditions over a three or four-year period starting from the date specified in each agreement. On January 2, 2025, the number of shares authorized to issue under the 2023 Incentive Award Plan was increased by 18,000,000 shares. Accordingly, as of June 30, 2025, the Company is authorized to issue up to 24,403,791 shares under the 2023 Incentive Award Plan.

As part of the Redomiciliation, the Company adjusted the terms of all previously issued stock options outstanding under the Saluda Medical Pty Ltd Employee Option Plan ("Saluda AU Plan"). Following this adjustment, upon vesting, option holders under the Saluda AU Plan are now entitled to acquire one common share of the Company rather than one ordinary share of Saluda AU. The exercise price for these options was adjusted based on the Australian Dollar to U.S. Dollar exchange rate effective on their respective original issuance dates. All other conditions and terms associated with these outstanding options remain unaffected. On the date of the Redomiciliation, the Company had 7,105,042 options outstanding under the Saluda AU Plan. Any options forfeited under the Saluda AU Plan rollover to the 2023 Incentive Award Plan.

Repricing of Stock Options

On August 14, 2024, the Company's Board of Directors approved a repricing of certain outstanding and unexercised stock options held by employees and directors of the Company (the "August 2024 Repricing"). The August 2024 Repricing was effective as of August 14, 2024, whereby 4,529,689 options were repriced on a one-for-one basis with the exercise price of each option being lowered to $3.58 per share (the determined fair market value per share on the date of the August 2024 Repricing). The new exercise price of $3.58 per share was to go into effect two years after the board approval of the Repricing (i.e. August 14, 2026), or earlier in the event of a change of control of the Company or qualifying termination of the option holder's employment or service to the Company. Prior to the new exercise price becoming effective, holders of the underlying options were able to exercise the awards at the original, higher exercise price per share that was in effect prior to the August 2024 Repricing. The vesting and all other provisions of the options impacted by the August 2024 Repricing remained the same.

On March 19, 2025, the Company's Board of Directors approved another repricing of certain outstanding and unexercised stock options held by employees and directors of the Company (the "March 2025 Repricing"). The March 2025 Repricing was effective as of March 19, 2025, whereby 10,693,983 options were repriced on a one-for-one basis with the exercise price of each option being lowered to $1.64 per share (the determined fair market value per share on the date of the March 2025 Repricing). The new exercise price was effective immediately. The vesting and all other provisions of the options impacted by the March 2025 Repricing remained the same. Any outstanding options as of the March 2025 Repricing date that were previously repriced from the August 2024 Repricing were superseded by the March 2025 Repricing.

The Company accounted for both the August 2024 Repricing and March 2025 Repricing as modifications of the original awards with incremental stock-based compensation expenses calculated as the excess of the fair value of the modified awards over the fair value of the original awards on the modification date. As of the date of the August 2024 Repricing and March 2025 Repricing, the amount of incremental stock-based compensation expense that the Company expects to recognize for these modified awards is $3.6 million and $2.9 million, respectively, and will be recognized on a straight-line basis over the remaining requisite service periods applicable to each award. As a result of the repricings, the Company recognized additional stock-based compensation expense of $4.8 million for the year ended June 30, 2025.

The following tables summarizes stock option activity under the Company's stock-based compensation plans during the year ended June 30, 2025 (in thousands, except option and share data):

	Number of options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value
Outstanding as of June 30, 2024	11,531,685	$ 5.14	7.30	$ 3,639
Options exercised	(32,835)	2.84	—	
Options granted	14,640,115	1.74	—	
Options forfeited or cancelled	(1,194,409)	2.76	—	
Outstanding as of June 30, 2025	24,944,556	$ 1.87	8.23	$ —
Options vested and exercisable as of June 30, 2025	10,057,388	$ 2.21	6.40	$ —

The weighted-average grant-date fair value of options granted during the years ended June 30, 2024 and 2025 was $1.93 and $0.88 per share, respectively. The total fair value of options vested during the years ended June 30, 2024 and 2025 was $5.5 million and $6.7 million, respectively, based on the grant date fair value.

The aggregate intrinsic values of options outstanding and vested and exercisable were calculated as the difference between the exercise price of the options and the determined fair value of the Company's common stock as of June 30, 2025. The aggregate intrinsic value of stock options exercised in the years ended June 30, 2024 and 2025 was immaterial.

The Company records stock-based compensation of stock options granted by estimating the fair value of stock-based awards using the Black-Scholes option pricing model. The fair value is amortized on a straight-line basis over the requisite service period of the awards. The following assumptions were used in estimating the fair value:

	Year Ended June 30, 2024	Year Ended June 30, 2025
Stock Options:		
Expected term (in years)	5.00 – 6.08	5.00 – 6.08
Expected volatility	56.30 – 57.76%	45.49 – 57.52%
Risk-free interest rate	3.81 – 4.65%	3.63 – 4.19%
Dividend yield	—	—
Fair value of common stock	$2.62 – $3.54	$1.64 – $3.72

A summary of stock-based compensation expense by line item in the consolidated statements of operations and comprehensive loss is as follows (in thousands):

	Year Ended June 30, 2024	Year Ended June 30, 2025
Selling, general and administrative	$ 2,966	$ 11,479
Research and development	770	2,550
Total stock-based compensation	$ 3,736	$ 14,029

As of June 30, 2025, the total unrecognized compensation expense related to unvested options was $10.7 million, which the Company expects to recognize over an estimated weighted-average period of 2.0 years.

Note 14. Income Tax

Loss before income taxes was comprised of the following (in thousands):

	Year Ended June 30, 2024		Year Ended June 30, 2025	
Domestic	$	(36,457)	$	(64,182)
Foreign		(61,097)		(84,591)
Total loss before income taxes	$	(97,554)	$	(148,773)

The provision for income taxes consisted of the following (in thousands):

	Year Ended June 30, 2024		Year Ended June 30, 2025	
Current tax provision:				
Federal	$	10	$	329
State		37		17
Foreign		226		183
Total current income tax provision	$	273	$	529
Deferred tax provision:				
Federal	$	—	$	—
State		—		—
Foreign		—		—
Total deferred income tax provision	$	—	$	—
Total income tax provision	$	273	$	529

The following is a reconciliation of the federal tax calculated at the statutory rate to the actual income tax provision:

	Year Ended June 30, 2024		Year Ended June 30, 2025	
	(in thousands)	(as %)	(in thousands)	(as %)
Income tax expense at federal statutory rate	(20,486)	21.0%	(31,244)	21.0%
Research & development tax credit	(3,337)	3.4%	(2,287)	1.5%
Foreign tax rate differences	(4,780)	4.9%	(6,987)	4.7%
Nondeductible expenses	2,536	(2.6)%	8,306	(5.6)%
Change in valuation allowance	26,730	(27.4)%	32,699	(22.0)%
Other, net	(390)	0.4%	42	—
Total	273	(0.3)%	529	(0.4)%

Deferred income taxes are provided for the effects of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and the amounts recognized for income tax purposes. Significant components of deferred tax assets and deferred tax liabilities consisted of the following (in thousands):

	As of June 30, 2024	As of June 30, 2025
Employment related accruals	5,385	7,440
Capitalized research	2,006	3,960
Interest expense limitation	—	1,090
Other	4,930	4,938
Net operating loss carryovers	93,503	117,658
Research & development credit carryovers	6,982	7,948
Total gross deferred tax asset	112,806	143,034
Valuation allowance	(110,523)	(141,018)
Deferred tax assets	2,283	2,016
Other	(2,283)	(2,016)
Deferred tax liabilities	(2,283)	(2,016)
Net deferred income tax assets (liabilities)	—	—

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. Based on the level of historical losses and projections of losses in future periods, the Company provided a valuation allowance at June 30, 2025 of $141.0 million.

As of June 30, 2025, the Company has gross federal and foreign operating loss carryforwards of approximately $32.4 million and $364.9 respectively, that may be carried over indefinitely. As of June 30, 2025, the Company has US federal, US state, and foreign tax credit carryforwards of $2.4 million, $0.5 million, and $5.1 million, respectively. The federal tax credit carryforwards expire between 2041 and 2044. The foreign tax credits may be carried forward indefinitely. Additionally, the Company has gross state net operating loss carryforwards of approximately $1.7 million and state credit carryforwards of approximately $0.5 million with various expiration periods.

The Company files income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With a few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2022.

There were no unrecognized tax benefits as of June 30, 2025. The Company recognizes interest and penalties related to unrecognized tax benefits in its provision for income taxes. The Company makes adjustments to these reserves when facts and circumstances change, such as the closing of tax audits or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made.

U.S. income tax has not been recognized on the excess of the amount for financial reporting over the tax basis of investments in foreign subsidiaries that is indefinitely reinvested outside the United States. This amount becomes taxable upon a repatriation of assets from the subsidiary or a sale or liquidation of the subsidiary. Determination of the amount of any unrecognized deferred income tax liability on this temporary difference is not practicable because of the complexities of the hypothetical calculation.

Note 15. Commitments and Contingencies

Litigation

From time to time, the Company may become involved in various legal claims and litigation in the ordinary course of its business. Management believes that any liability of the Company that may arise out of or with respect to these matters, both individually and in the aggregate, will not materially adversely affect the financial position, results of operations, or cash flows of the Company.

Note 16. Segment Reporting

The Company has one business activity and there are no segment managers who are held accountable for operations, operating results or plans for levels or components below the consolidated unit level, other than revenue. Accordingly, the Company has determined that it has a single operating and reportable segment structure.

The "Chief Operating Decision Maker (the "CODM") for the Company is the Chief Executive Officer. The CODM uses net loss reported on the consolidated statements of operations and comprehensive loss to assess performance and allocate resources and evaluating financial performance for the reportable segment.

The following table provides the operating financial results of the Company's single reportable segment. It includes the significant expense categories regularly provided to the CODM, computed under GAAP and reconciled to the Company's total "net loss" as presented in the consolidated statements of operations and comprehensive loss (in thousands):

	Year Ended June 30, 2024	Year Ended June 30, 2025
Revenue	$ 51,682	$ 70,356
Less:		
Cost of revenue	28,568	37,600
Selling and marketing expenses	68,469	75,761
General and administrative expenses	21,611	28,112
Research and development expenses	28,434	32,905
Stock-based compensation expense	3,736	14,029
Interest income	(5,470)	(2,012)
Interest expense	5,002	6,627
Foreign exchange gain	(114)	(1,654)
Loss on issuance of Convertible Notes	—	20,612
Change in fair value of financial instruments	(1,000)	7,149
Provision for income taxes	273	529
Net loss	$ (97,827)	$ (149,302)

The following table presents the Company's property and equipment, net by geography (in thousands):

	As of June 30, 2024	As of June 30, 2025
Australia	$ 4,332	$ 3,120
United States	970	1,641
Europe	152	98
Total	$ 5,454	$ 4,859

Note 17. Subsequent Events

The Company has evaluated its consolidated financial statements for subsequent events through September 5, 2025, the date the consolidated financial statements were issued.