

COMPANY SUMMARY

Dear Investors,

I am happy to provide you with an update on the exciting progress TSSC has made over the past several months. We have been hard at work improving our technology and increasing awareness of fiber optic shape sensing for the medical market. Our efforts are clearly working, as [TSSC received the prestigious Luis Villalobos Award](#) in May, a great honor given by the Angel Capital Association for our disruptive technology. We've also seen increased traction with customers who are eager to utilize shape sensing in their medical devices. Our technical developments remain on schedule as laid out in our Series A fundraising roadmap, and we are poised for an eventful 2024. Please see below for updates on the various aspect of the business.

FINANCIAL SUMMARY

- Cash on hand is in line with forecasts for 2023, and burn rate remains consistent quarter over quarter.
- While revenues have been lower than anticipated, expenses have also been lower due to holding off on hiring additional engineers.
- Our cash runway projects us to be secure through March 2025.
- Due to difficulty of the current fundraising environment, we anticipate starting a Series B fundraising in March 2024.

PERSONNEL

- We hired Ryan DeBoer, Vice President of Strategic Partnerships, to lead our business development efforts. Ryan started with us in June, bringing nearly 20 years of experience in sales, marketing, and operations at major MedTech and healthcare startups. Feel free to contact Ryan by email (ryan.deboer@shapesensing.com) or phone (312-515-3315).
- After a successful summer internship program with two highly-skilled engineers from the University of Texas, we hired Giovanni Gutierrez, a final year Masters candidate. He is currently leading various projects at TSSC and making significant contributions to the advancement of our goals.
- We are currently hiring a mechanical engineer in Austin to lead a variety of development projects that will help us achieve our technical milestones.

TECHNOLOGY DEVELOPMENTS

- Identified and integrated a better, and more cost-effective laser in our Pathfinder system to reduce long-term COGS and improve performance.
- Demonstrated a technique to register the shape sensor coordinate system with another, imported coordinate system, making implementation easier for our customers.

- Created visualization software that pairs our shape sensor data with an anatomical geometry, demonstrating the capability of combining shape sensing with imaging modalities such as X-rays or MRI scans.
- Developed methodology to characterize the shape accuracy of our sensors in a medical application, allowing us to publish papers as we improve the technology.

PRODUCT ROADMAP

- We are on track to complete major projects by the end of this year that will improve our accuracy and create the framework for our next generation system.
- Our Series A technical milestones remain unchanged and we are on schedule to complete them by EOY 2024.
- We are also investigating the feasibility of implementing a shape sensor into a device internally. The exercise will show us what works and what doesn't, which will help us support our customers in development of their own shape-sensed devices.
- Our software platform will also be improved in 2024, incorporating more imaging modalities and making it easier for our customers to understand and use the data.

MARKETING & BUSINESS DEVELOPMENT

- Our interactions with medical device companies have expanded greatly over the past several months. We have held live demonstrations for nearly all major medical OEMs and dozens of MedTech startups. Many conversations are ongoing, and we have identified the technical requirements that would allow for integration into our customers' medical devices.
- We have developed a traveling tabletop demonstration that utilizes a torso and anatomy, showing the possibilities of shape sensing in medical devices. You can view the new demonstration video [on our website](#) or directly [on YouTube](#).
- We exhibited at the [Life Science Intelligence](#) conference in Barcelona and the [MD&M Minneapolis](#) tradeshow last month. The technology continues to have a "wow factor" that draws crowds of both MedTech industry personnel and healthcare providers who see the value of shape sensing in medical devices.
- While sales revenues are not on track to hit our 2023 target, we are diligently working to exceed our 2022 revenues of \$500K with a final system sale at the end of the year.

MD&M MINNEAPOLIS BOOTH



CHALLENGES

- Our biggest challenge over the next 18 months is the current fundraising environment and the need to raise future capital by March '25.
- We still have several technical developments required before it will be easy for our customers to integrate shape sensing into their devices. For now, we have a lot of hand-holding with our customers to help them understand the system and associated data output from a shape sensor.
- Engineering bandwidth remains an obstacle to hiring. We are balancing the need for our engineering team to focus on year-end projects and the need to hire and train new employees. We expect to have more bandwidth after the new year.

HOW CAN YOU HELP?

- Our biggest ask to our current investors is to help support our fundraising efforts. We have begun meeting with potential lead investors for introductory discussions and would appreciate any connections you can help us make. Please proactively connect us with any contacts you have that may be interested in investing.

- Secondly, we are still pursuing additional contacts within the medical device industry. While we have already connected with nearly all major MedTech OEMs, we certainly appreciate any further touchpoints within these organizations that could advance our collaboration efforts. Getting to the right person can make all the difference when navigating large companies.

SHOUT OUTS AND THANK YOUS

- We want to thank you all for your continued support in our journey to bring fiber optic shape sensing to the medical market.
- Special thanks go to Michael Wang at Sunmed Capital for his guidance on OEM integration and willingness to connect us with his contacts in the industry.
- More special thanks go to Frank Grillo at Noah Medical for his input on future opportunities with our shape sensing system and helping us shape the corporate strategy.
- And thank you to Dr. Brad Allen for taking the time for a lengthy discussion about opportunities in the medical market.

Kindest Regards,
Pierrick Vulliez
CEO
The Shape Sensing Company