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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2026

OR

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

For the transition period from ____ to ____

Commission File Number: 001-39130

TELA Bio, Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**45-5320061** (I.R.S. Employer Identification No.)
1 Great Valley Parkway, Suite 24 **Malvern, Pennsylvania** (Address of principal executive offices)	**19355** (Zip Code)

(484) 320-2930
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.001 par value per share	TELA	The Nasdaq Global Market

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

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

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

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

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

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

As of August 5, 2026, the registrant had 44,894,757 shares of Common Stock, $0.001 par value per share, outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Quarterly Report") and the documents incorporated by reference herein contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, we may, through our officers and other authorized representatives, make certain forward-looking statements in publicly released materials, both written and oral, including statements contained in filings with the Securities and Exchange Commission, press releases, and our communications with our stockholders.

Forward-looking statements are neither statements of historical facts nor assurances of future performance, but instead discuss the future of our business, operations, future financial performance, future financial condition, plans, anticipated growth strategies, anticipated or perceived trends in our business, the industry in which we operate or the broader economy, and other objectives of management. In some cases, you can identify forward-looking statements by terminology such as "aim," "anticipate," "assume," "believe," "contemplate," "continue," "could," "design," "due," "estimate," "expect," "goal," "intend," "may," "objective," "plan," "predict," "positioned," "potential," "seek," "should," "target," "will," "would," the negative of such terms, and other similar expressions although not all forward-looking statements contain these identifying words.

You should understand that the following important factors could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in our forward-looking statements:

- estimates regarding future results of operations, financial position, research and development costs, capital requirements and our needs for additional financing;
- our ability to maintain the listing of our common stock on the Nasdaq Global Market ("Nasdaq");
- the commercial success and degree of market acceptance of our products;
- the introduction of new products or product enhancements by us or others in our industry, including new products which may be perceived to negatively impact the demand for our products now or in the future;
- our ability to expand, manage and maintain our direct sales and marketing organization and to market and sell our products in the United States ("U.S.") and Europe;
- the performance of our exclusive contract manufacturer for our OviTex and OviTex PRS products, Aroa Biosurgery Ltd. ("Aroa"), in connection with the supply of product and in the development of additional products and product configurations within these products;
- our ability to maintain our supply chain integrity and expand our supply chain to manage increased demand for our products;
- our ability to compete successfully with larger competitors in our highly competitive industry;
- our ability to achieve and maintain adequate levels of coverage or reimbursement for our current products and any future products we may seek to commercialize;
- our ability to enhance our products, expand our indications and develop and commercialize additional products;
- the development, regulatory approval, efficacy and commercialization of competing products;
- our business model and strategic plans for our products, technologies and business, including our implementation thereof;
- the size of the markets for our current and future products;
- our ability to recruit and retain senior management and other highly qualified personnel;
- our ability to obtain additional capital to finance our planned operations;
- our ability to maintain regulatory approval for our products;
- our ability to commercialize or obtain regulatory approvals for our future products, or the effect of delays in commercializing or obtaining regulatory approvals;
- decreasing selling prices and pricing pressures;
- regulatory developments in the U.S., including regulatory developments due to current or future changes in the U.S. presidential administration and European markets;
- the potential impact of healthcare reform in the U.S., including the Inflation Reduction Act of 2022, and measures being taken worldwide designed to reduce healthcare costs;

- any decrease in frequency of surgical procedures using our products, whether through outbreak of illness or disease, cybersecurity events impacting hospital operations, potential hospital closures, labor and hospital;
- the occurrence of adverse safety events, restrictions on use with our products or product liability claims; and staffing shortages, supply chain disruptions to critical surgical and hospital supplies, and any applicable adverse healthcare economic factors;
- the volatility of capital markets and other adverse macroeconomic factors, including due to inflationary pressures, interest rate and currency rate fluctuations, economic slowdown or recession, banking instability, monetary policy changes, changes in trade policies (including tariffs and trade protection measures that have been or may in the future be imposed by the U.S. or other countries), geopolitical tensions or the outbreak of hostilities or war;
- our ability to develop and maintain our corporate infrastructure, including our internal controls;
- our ability to establish and maintain intellectual property protection for our products, as well as our ability to operate our business without infringing the intellectual property rights of others;
- our expectations regarding the use of proceeds from recent and any future financings, if any; and
- other risks and uncertainties, including those listed under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2025 (our "Annual Report"), our subsequent Quarterly Reports on Form 10-Q and the other documents we file with the Securities and Exchange Commission (the "SEC").

These forward-looking statements are based on management's current expectations, estimates, forecasts and projections about our business and the industry in which we operate, and management's beliefs and assumptions are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond our control. In light of the significant uncertainties in these forward-looking statements, you should not rely upon forward-looking statements as predictions of future events. Although we believe the expectations reflected in the forward-looking statements are reasonable, the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements may not be achieved or occur at all.

You should refer to the section titled "Risk Factors" in our Annual Report, this Quarterly Report and any subsequent Quarterly Reports for a discussion of important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. Except as required by law, we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

TELA Bio, Inc.
Consolidated Balance Sheets
(In thousands, except share and per share amounts)
(Unaudited)

	June 30, 2026	December 31, 2025
Assets		
Current assets:		
Cash and cash equivalents	$ 30,424	$ 50,845
Accounts receivable, net of allowances of $522 and $287	9,637	10,347
Inventory	11,059	11,016
Prepaid expenses and other current assets	3,371	3,373
Total current assets	54,491	75,581
Property and equipment, net	2,048	2,226
Intangible assets, net	1,169	1,359
Right-of-use assets	1,379	1,502
Other long-term assets	451	500
Restricted cash	200	250
Total assets	$ 59,738	$ 81,418
Liabilities and stockholders' (deficit) equity		
Current liabilities:		
Accounts payable	$ 2,883	$ 2,309
Accrued expenses and other current liabilities	15,335	15,666
Total current liabilities	18,218	17,975
Long-term debt	56,081	55,653
Other long-term liabilities	1,305	1,477
Total liabilities	75,604	75,105
Stockholders' (deficit) equity:		
Preferred stock; $0.001 par value: 10,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock; $0.001 par value: 200,000,000 shares authorized; 44,833,942 and 44,538,264 shares issued and outstanding at June 30, 2026 and December 31, 2025, respectively	45	44
Additional paid-in capital	405,101	403,739
Accumulated other comprehensive income	84	91
Accumulated deficit	(421,096)	(397,561)
Total stockholders' (deficit) equity	(15,866)	6,313
Total liabilities and stockholders' (deficit) equity	$ 59,738	$ 81,418

See accompanying notes to unaudited interim consolidated financial statements.

TELA Bio, Inc.
Consolidated Statements of Operations and Comprehensive Loss
(In thousands, except share and per share amounts)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	2026	2025
Revenue	$ 19,291	$ 20,197	$ 38,350	$ 38,717
Cost of revenue (excluding amortization of intangible assets)	5,253	5,997	11,697	11,910
Amortization of intangible assets	95	95	190	190
Gross profit	13,943	14,105	26,463	26,617
Operating expenses:				
Sales and marketing	16,442	16,857	32,979	33,465
General and administrative	4,061	4,126	8,227	7,962
Research and development	2,723	2,203	5,066	4,743
Total operating expenses	23,226	23,186	46,272	46,170
Loss from operations	(9,283)	(9,081)	(19,809)	(19,553)
Other (expense) income:				
Interest expense	(2,076)	(1,188)	(4,129)	(2,407)
Other income	157	379	523	858
Total other expense, net	(1,919)	(809)	(3,606)	(1,549)
Loss before income tax expense	(11,202)	(9,890)	(23,415)	(21,102)
Income tax expense	(60)	(33)	(120)	(85)
Net loss	$ (11,262)	$ (9,923)	$ (23,535)	$ (21,187)
Net loss per common share, basic and diluted	$ (0.20)	$ (0.22)	$ (0.41)	$ (0.47)
Weighted average common shares outstanding, basic and diluted	57,414,360	45,365,325	57,335,875	45,316,444
Comprehensive loss:				
Net loss	$ (11,262)	$ (9,923)	$ (23,535)	$ (21,187)
Foreign currency translation adjustment	(1)	2	(7)	3
Comprehensive loss	$ (11,263)	$ (9,921)	$ (23,542)	$ (21,184)

See accompanying notes to unaudited interim consolidated financial statements.

TELA Bio, Inc.
Consolidated Statements of Stockholders' (Deficit) Equity
Three and Six Months Ended June 30, 2026
(In thousands, except share amounts)
(Unaudited)

	Common stock		Additional paid-in capital	Accumulated other comprehensive income	Accumulated deficit	Total
	Shares	Amount				
Balance at April 1, 2026	44,765,928	$ 45	$ 404,503	$ 85	$ (409,834)	$ (5,201)
Vesting of restricted stock units	84,167	—	—	—	—	—
Shares withheld for employee taxes	(16,153)	—	(15)	—	—	(15)
Foreign currency translation adjustment	—	—	—	(1)	—	(1)
Stock-based compensation expense	—	—	613	—	—	613
Net loss	—	—	—	—	(11,262)	(11,262)
Balance at June 30, 2026	44,833,942	$ 45	$ 405,101	$ 84	$ (421,096)	$ (15,866)

	Common stock		Additional paid-in capital	Accumulated other comprehensive income	Accumulated deficit	Total
	Shares	Amount				
Balance at January 1, 2026	44,538,264	$ 44	$ 403,739	$ 91	$ (397,561)	$ 6,313
Vesting of restricted stock units	389,445	1	—	—	—	1
Issuance of common stock under the employee stock purchase plan	32,142	—	27	—	—	27
Shares withheld for employee taxes	(125,909)	—	(94)	—	—	(94)
Foreign currency translation adjustment	—	—	—	(7)	—	(7)
Stock-based compensation expense	—	—	1,429	—	—	1,429
Net loss	—	—	—	—	(23,535)	(23,535)
Balance at June 30, 2026	44,833,942	$ 45	$ 405,101	$ 84	$ (421,096)	$ (15,866)

See accompanying notes to unaudited interim consolidated financial statements.

TELA Bio, Inc.
Consolidated Statements of Stockholders' (Deficit) Equity
Three and Six Months Ended June 30, 2025
(In thousands, except share amounts)
(Unaudited)

	Common stock		Additional paid-in capital	Accumulated other comprehensive income	Accumulated deficit	Total
	Shares	Amount				
Balance at April 1, 2025	39,554,771	$ 40	$ 387,986	$ 91	$ (369,994)	$ 18,123
Vesting of restricted stock units and exercise of stock options	32,731	—	—	—	—	—
Shares withheld for employee taxes	(3,324)	—	(3)	—	—	(3)
Foreign currency translation adjustment	—	—	—	2	—	2
Stock-based compensation expense	—	—	985	—	—	985
Net loss	—	—	—	—	(9,923)	(9,923)
Balance at June 30, 2025	39,584,178	$ 40	$ 388,968	$ 93	$ (379,917)	$ 9,184

	Common stock		Additional paid-in capital	Accumulated other comprehensive income	Accumulated deficit	Total
	Shares	Amount				
Balance at January 1, 2025	39,395,712	$ 39	$ 387,059	$ 90	$ (358,730)	$ 28,458
Vesting of restricted stock units and exercise of stock options	231,011	1	—	—	—	1
Issuance of common stock under the employee stock purchase plan	27,318	—	60	—	—	60
Shares withheld for employee taxes	(69,863)	—	(180)	—	—	(180)
Foreign currency translation adjustment	—	—	—	3	—	3
Stock-based compensation expense	—	—	2,029	—	—	2,029
Net loss	—	—	—	—	(21,187)	(21,187)
Balance at June 30, 2025	39,584,178	$ 40	$ 388,968	$ 93	$ (379,917)	$ 9,184

See accompanying notes to unaudited interim consolidated financial statements.

TELA Bio, Inc.
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Six months ended June 30,	
	2026	**2025**
Cash flows from operating activities:		
Net loss	$ (23,535)	$ (21,187)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	340	347
Noncash interest expense	478	260
Amortization of intangible assets	190	190
Net changes in operating lease ROU assets and liabilities	(43)	(52)
Inventory excess and obsolescence charge	1,233	910
Stock-based compensation expense	1,429	2,029
Income tax expense	120	85
Loss on disposal of fixed assets	18	—
Change in operating assets and liabilities:		
Accounts receivable, net	682	(935)
Inventory	(1,296)	610
Prepaid expenses and other current and long-term assets	(607)	14
Accounts payable	579	(448)
Accrued expenses and other current and long-term liabilities	(180)	464
Foreign currency transaction loss	41	83
Net cash used in operating activities	(20,551)	(17,630)
Cash flows from investing activities:		
Purchase of property and equipment	(178)	(146)
Proceeds from the sale of product line	607	488
Net cash provided by investing activities	429	342
Cash flows from financing activities:		
Payment of accrued offering costs	(247)	—
Vesting of restricted stock units	1	1
Payment of withholding taxes related to stock-based compensation to employees	(94)	(180)
Proceeds from issuance of common stock under the employee stock purchase plan	27	60
Net cash used in financing activities	(313)	(119)
Effect of exchange rate on cash and cash equivalents	(36)	(286)
Net decrease in cash and cash equivalents and restricted cash	(20,471)	(17,693)
Cash and cash equivalents and restricted cash, beginning of period	51,095	52,935
Cash and cash equivalents and restricted cash, end of period	$ 30,624	$ 35,242
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$ 3,651	$ 2,667
Supplemental disclosures of noncash investing and financing activities:		
Property and equipment in accounts payable and accrued expenses and other current liabilities	$ 2	$ 26

See accompanying notes to unaudited interim consolidated financial statements.

TELA Bio, Inc.

Notes to Unaudited Interim Consolidated Financial Statements

(1) Background

TELA Bio, Inc. (the "Company") was incorporated in the state of Delaware on April 17, 2012 and wholly owns TELA Bio Limited, a company incorporated in the United Kingdom and is the ultimate parent of TELA Bio GmbH, a company incorporated in Germany through TELA Bio Limited. The Company is a commercial-stage medical technology company focused on providing innovative soft-tissue reconstruction solutions that optimize clinical outcomes by prioritizing the preservation and restoration of the patient's own anatomy. OviTex Reinforced Tissue Matrix ("OviTex"), the Company's first portfolio of products, addresses unmet needs in hernia repair and abdominal wall reconstruction by combining the benefits of biologic matrices and polymer materials while minimizing their shortcomings, at a cost-effective price. OviTex PRS Reinforced Tissue Matrix ("OviTex PRS"), the Company's second portfolio of products, addresses unmet needs in plastic and reconstructive surgery. The Company's principal corporate office and research facility is located in Malvern, Pennsylvania.

(2) Risks and Liquidity

The operations of the Company are subject to certain risks and uncertainties including, among others, the uncertainty of product development, the impact of macroeconomic conditions, including, general economic uncertainty, inflationary pressures and the measures undertaken by various governments to address them, banking instability, monetary policy changes, changes in trade policies (including tariffs and trade protection measures that have been or may in the future be imposed by the U.S. or other countries), geopolitical tensions or the outbreak of hostilities or war, cybersecurity events affecting or disrupting normal hospital operations, constraints on the supply of critical surgical and hospital supplies necessary to facilitate the surgical procedures in which the Company's products are utilized, technological uncertainty, commercial acceptance of any developed products, alternative competing technologies, dependence on collaborative partners, uncertainty regarding patents and proprietary rights, comprehensive government regulations, and dependence on key personnel.

(3) Going Concern

The Company's operations to date have focused on commercializing products, developing and acquiring technology and assets, business planning, raising capital and organization and staffing. The Company has incurred recurring losses and negative cash flows from operations since inception and has an accumulated deficit of $421.1 million as of June 30, 2026. The Company anticipates incurring additional losses until such time, if ever, it can generate sufficient revenue from its products to cover its expenses.

Management has evaluated the Company's ability to continue as a going concern for the twelve-month period following the issuance date of these consolidated financial statements. The Company's Credit Agreement with Perceptive (see Note 6, "Long-Term Debt") requires compliance with certain financial covenants, including minimum revenue and liquidity thresholds. Although the Company was in compliance with these covenants as of June 30, 2026, management's current forecasts indicate it is probable that the Company will not achieve the minimum revenue threshold required under the Credit Agreement during the twelve-month period following the issuance of these consolidated financial statements. If the Company fails to satisfy the applicable covenant requirements and does not obtain a waiver or amendment from Perceptive, the lender could declare an event of default and accelerate repayment of all outstanding principal and accrued interest under the Credit Agreement. The Company does not expect to have sufficient liquidity to repay such obligations if repayment were accelerated.

In addition, projected compliance with the liquidity covenant is sensitive to changes in the assumptions of our operating forecast. The Company's ability to maintain compliance with the liquidity covenant is dependent on its ability to grow revenue and manage its costs. The Company's current operating plan includes measures to reduce our operating expenses. Inability to do so may result in an event of default in future periods.

These conditions and events raise substantial doubt about the Company's ability to continue as a going concern within one year after the date these consolidated financial statements are issued.

To address these conditions, management is evaluating and pursuing various actions, including seeking a waiver of, or amendment to, the applicable covenant requirements under the Credit Agreement, pursuing strategic initiatives intended to increase revenues, and implementing measures designed to reduce operating expenses. While management believes that such measures can be implemented, such actions would not eliminate the risk of noncompliance with the revenue covenant. In addition, the Company's ability to achieve the level of revenue growth necessary to comply with the covenant is dependent on future operating performance and other factors that are not entirely within management's control. Accordingly, management has concluded that substantial doubt exists about the Company's ability to continue as a going concern within one year after the date these consolidated financial statements are issued.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern and do not include any adjustments that might result from the outcome of this uncertainty.

(4) Summary of Significant Accounting Policies

The Company’s complete summary of significant accounting policies can be found in “Note 3, Summary of Significant Accounting Policies” in the consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2025. Any reference in these notes to applicable guidance is meant to refer to generally accepted accounting principles (“GAAP”) in the U.S. as found in the Accounting Standards Codification (“ASC”) and Accounting Standards Updates (“ASU”) promulgated by the Financial Accounting Standards Board (“FASB”).

Interim Financial Statements

The accompanying unaudited interim consolidated financial statements have been prepared from the books and records of the Company in accordance with GAAP for interim financial information and Rule 10-01 of Regulation S-X promulgated by the Securities and Exchange Commission (“SEC”), which permits reduced disclosures for interim periods. All adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the accompanying consolidated balance sheets and statements of operations and comprehensive loss, stockholders’(deficit) equity and cash flows have been made. Although these interim consolidated financial statements do not include all of the information and footnotes required for complete annual consolidated financial statements, management believes the disclosures are adequate to make the information presented not misleading. The unaudited interim results of operations and cash flows are not necessarily indicative of the results that may be expected for the full year. The unaudited interim consolidated financial statements and footnotes should be read in conjunction with the consolidated financial statements and footnotes included in the Annual Report on Form 10-K for the year ended December 31, 2025.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant judgments are employed in estimates used to determine the recoverability of the carrying value of the Company’s inventory. As future events and their effects cannot be determined with precision, actual results may differ significantly from these estimates.

Segments

Operating segments are defined as components of an enterprise about which separate discrete information is available for evaluation by the chief operating decision maker, or decision-making group, in deciding how to allocate resources in assessing performance. The Company has one reportable segment which is focused on providing innovative soft-tissue reconstruction solutions that optimize clinical outcomes by prioritizing the preservation and restoration of the patient’s own anatomy. The Company’s chief operating decision maker (“CODM”) is the chief executive officer.

The accounting policies of the Company’s segment are the same as those described in the summary of significant accounting policies. The CODM uses budget to actual forecasts and net income in assessing entity-wide operating results

and deciding how to invest in the Company. The CODM is regularly provided with net loss and consolidated assets, which are reported on the consolidated statement of operations and comprehensive loss and consolidated balance sheet, respectively.

The tables below summarizes the items included within net loss regularly provided to the CODM:

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	2026	2025
Revenue	$ 19,291	$ 20,197	$ 38,350	$ 38,717
Cost of revenue (excluding amortization of intangible assets)	5,253	5,997	11,697	11,910
Amortization of intangible assets	95	95	190	190
Gross profit	13,943	14,105	26,463	26,617
Sales and marketing:				
Sales and sales management	10,165	11,216	20,961	22,830
International	2,062	1,451	4,021	2,808
Other sales and marketing (a)	4,215	4,190	7,997	7,827
Total sales and marketing	16,442	16,857	32,979	33,465
General and Administrative:				
Finance and Legal	1,996	1,968	4,022	3,919
Other general and administrative (b)	2,065	2,158	4,205	4,043
Total general and administrative	4,061	4,126	8,227	7,962
Research and Development:				
Clinical	1,164	872	2,223	1,780
Regulatory and quality	547	427	1,087	867
Other research and development (c)	1,012	904	1,756	2,096
Total research and development	2,723	2,203	5,066	4,743
Other segment items (d)	(1,979)	(842)	(3,726)	(1,634)
Net loss	$ (11,262)	$ (9,923)	$ (23,535)	$ (21,187)

(a) Other sales and marketing includes strategy, analytics and allocated facility expenses.
(b) Other general and administrative includes executive, human resources, information technology and allocated facility expenses.
(c) Other research and development includes engineering and allocated facility expenses.
(d) Other segment items include other operating income and other expenses as disclosed in the consolidated statements of operations and comprehensive loss; interest expense, loss on extinguishment of debt, other income and income tax expense.

Restricted Cash

Restricted cash represents an amount held in an escrow deposit account, collateralizing a letter of credit for the Company's office lease.

The following table presents a reconciliation of all captions of cash and cash equivalents and restricted cash reported on the balance sheets that sum to the total of those same amounts shown in the statements of cash flows.

	June 30,	
	2026	2025
Cash and cash equivalents	$ 30,424	$ 34,977
Restricted cash	200	265
Total cash and cash equivalents and restricted cash shown in statements of cash flows	$ 30,624	$ 35,242

Revenue Recognition

Under ASC Topic 606, *Revenue from Contracts with Customers*, ("ASC 606"), an entity recognizes revenue when its customer obtains control of the promised good, in an amount that reflects the consideration that the entity expects to be entitled in exchange for those goods. The Company performs the following five steps to recognize revenue under ASC 606: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Company only recognizes revenue when it is probable that it will collect the consideration to which it is entitled in exchange for the goods or services that will be transferred to the customer.

A significant portion of the Company's revenue is generated from product shipped to a customer or from consigned inventory maintained at hospitals or other surgical facilities. Revenue from the sale of consigned products is recognized when control is transferred to the customer, which occurs at the time the product is used in a surgical procedure. For product that is not held on consignment, the Company recognizes revenue when control transfers to the customer which occurs at the time the product is shipped or delivered. For all of the Company's customer contracts, the only identified performance obligation is providing the product to the customer.

Revenue is recognized at the estimated net sales price, which includes estimates of variable consideration. The Company enters into contracts with certain third-party payors for the payment of rebates with respect to the utilization of its products. These rebates are primarily based on contractual percentages. The Company estimates and records these rebates in the same period the related revenue is recognized, resulting in a reduction of product revenue.

Payment terms with customers do not exceed one year and, therefore, the Company does not account for a financing component in these arrangements. There are no incremental costs of obtaining a contract that would rise to or enhance an asset other than product costs, which are a component of inventory. The Company expenses incremental costs of obtaining a contract with a customer (e.g., sales commissions) when incurred as the period of benefit is less than one year. Fees charged to customers for shipping are recognized as revenue.

The following table presents revenue disaggregated by the Company's portfolio of products (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	2026	2025
OviTex	$ 13,308	$ 12,487	$ 25,927	$ 24,596
OviTex PRS	5,460	7,333	11,341	13,377
Other	523	377	1,082	744
Total revenue	$ 19,291	$ 20,197	$ 38,350	$ 38,717

Sales outside of the U.S. were $3.8 million and $3.0 million, respectively, for the three months ended June 30, 2026 and 2025 and $7.5 million and $5.6 million, respectively, for the six months ended June 30, 2026 and 2025. Sales within the U.S. were $15.5 million and $17.2 million, respectively, for the three months ended June 30, 2026 and 2025 and $30.8 million and $33.1 million, respectively, for the six months ended June 30, 2026 and 2025.

Fair Value of Financial Instruments

Fair value is the price that could be received to sell an asset or paid to transfer a liability in an orderly transaction among market participants. Fair value determination in accordance with applicable accounting guidance requires that several significant judgments be made. Additionally, fair value is used on a nonrecurring basis to evaluate assets for impairment or as required for disclosure purposes by applicable accounting guidance on disclosures about fair value of financial

instruments. Depending on the nature of the assets and liabilities, various valuation techniques and assumptions are used when estimating fair value. The carrying amounts of certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, other assets, and accounts payable are shown at cost, which approximates fair value due to the short-term nature of these instruments. The carrying amounts of the Perceptive Term Loan Facility (as later defined) approximates fair value due to its variable interest rate.

The Company follows the provisions of ASC Topic 820, *Fair Value Measurement*, for financial assets and liabilities measured on a recurring basis. The guidance requires fair value measurements be classified and disclosed in one of the following three categories:

- *Level 1:* Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- *Level 2:* Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liabilities.
- *Level 3:* Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

The following fair value hierarchy table presents information about each major category of the Company's financial assets and liabilities measured at fair value on a recurring basis (in thousands):

	Fair value measurement at reporting date using		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
June 30, 2026:			
Cash equivalents – money market fund	$ 29,279	$ —	$ —
December 31, 2025:			
Cash equivalents – money market fund	$ 47,068	$ —	$ —

Net Loss per Common Share

Basic and diluted net loss per common share is determined by dividing net loss by the weighted-average shares of common stock outstanding during the reporting period. In periods in which the Company reports a net loss, diluted net loss per share is the same as basic net loss per share since dilutive shares are not assumed to have been issued if their effect is antidilutive. Therefore, the weighted-average shares used to calculate both basic and diluted net loss per share are the same.

The following potentially dilutive securities have been excluded from the computation of diluted weighted-average shares outstanding for the periods presented, as they would be antidilutive.

	Six months ended June 30,	
	2026	2025
Stock options	3,485,351	2,817,979
Unvested restricted stock units	2,015,615	1,359,116
Common stock warrants	88,556	88,556
Common stock warrants issued with credit agreement	2,000,000	—
Total	7,589,522	4,265,651

Due to their nominal exercise price of $0.0001 per share, all outstanding pre-funded warrants are considered common stock equivalents and are included in the calculation of weighted-average shares of common stock outstanding from the respective closing dates.

Recently Issued Accounting Pronouncements

In November 2024, the FASB issued ASU 2024-03, *Disaggregation of Income Statement Expenses*. ASU 2024-03 requires additional disclosure of specific types of expenses included in the expense captions presented on the face of the income statement as well as disclosures about selling expenses. ASU 2024-03 is effective for fiscal years beginning after December 15, 2026, and interim periods beginning after December 15, 2027, with early adoption permitted. The requirements will be applied prospectively with the option for retrospective application. The Company is currently evaluating the impact that the adoption of ASU 2024-03 will have on its consolidated financial statements and disclosures.

In September 2025, the FASB issued ASU 2025-06, *Targeted Improvements to the Accounting for Internal-use Software*. The new guidance eliminates project stages and requires capitalizing software costs to begin when (1) management has authorized and committed to funding the software project and (2) it is probable that the project will be completed and the software will be used to perform the function intended. When evaluating if a project is probable to be completed, significant development uncertainty must be assessed. Additionally, disclosures for property, plant and equipment will be required for all capitalized software costs. The guidance is effective in the first quarter of 2028 with early adoption permitted as of the beginning of an annual reporting period. Upon adoption, the guidance may be applied prospectively, retrospectively or using a modified transition approach. The Company is currently evaluating the expected impact that the standard could have on its consolidated financial statements and related disclosures.

(5) Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following (in thousands):

	June 30, 2026	December 31, 2025
Compensation and related benefits	$ 7,164	$ 7,096
Third-party and professional fees	3,643	3,525
Amounts due to contract manufacturer	2,678	3,058
Current portion of operating lease liabilities	530	524
Research and development expenses	95	27
Income/sales tax payable	862	725
Other	363	711
Total accrued expenses and other current liabilities	$ 15,335	$ 15,666

TELA Bio, Inc.

Notes to Unaudited Interim Consolidated Financial Statements (Continued)

(6) Long-term Debt

Long-term debt consisted of the following (in thousands):

	June 30, 2026	December 31, 2025
Perceptive term loan	$ 60,000	$ 60,000
Unamortized issuance costs	(3,919)	(4,347)
Long-term debt	$ 56,081	$ 55,653

Perceptive Term Loan

On November 13, 2025, the Company entered into a Credit Agreement and Guaranty (the "Credit Agreement") with Perceptive Credit Holdings V, LP, as lender and administrative agent ("Perceptive"), which provides for a senior secured term loan facility in an aggregate principal amount of up to $70.0 million (the "Perceptive Term Loan Facility"). An initial loan in an aggregate principal amount of $60.0 million (the "Initial Loan") was funded under the Perceptive Term Loan Facility on November 14, 2025 (the "Closing Date"). In addition to the Initial Loan, the Perceptive Term Loan Facility includes an additional delayed draw loan in an aggregate principal amount of $10.0 million to be available in a single drawing after the Closing Date on or prior to the Delayed Draw Commitment Termination Date (as defined in the Credit Agreement but not later than April 30, 2027) (the "Delayed Draw Loan," together with the Initial Loan, the "Loans"), which will be accessible by the Company contingent on it achieving specified net revenue thresholds and satisfying certain customary conditions precedent. The Perceptive Term Loan Facility has a maturity date of November 14, 2030 (the "Maturity Date").

The Perceptive Term Loan Facility will accrue interest at an annual rate equal to the sum of (a) an applicable margin of 7.85% (the "Applicable Margin") plus (b) the greater of (i) the Reference Rate (as defined in the Credit Agreement) and (ii) four and one quarter percent (4.25%). Accrued interest on the Term Loans is payable monthly in arrears. Upon an Event of Default (as defined in the Credit Agreement), the Applicable Margin will automatically increase by an additional 3.00% per annum.

Prior to the Maturity Date, there will be no scheduled principal payments under the Perceptive Term Loan Facility. On the Maturity Date, the Company is required to pay Perceptive the aggregate outstanding principal amount of the Loans and all accrued and unpaid interest thereon. The Term Loans may be prepaid at any time, subject to a prepayment premium equal to 2% to 10% of the aggregate outstanding principal amount being prepaid, depending on the date of prepayment.

In connection with the Credit Agreement, the Company also entered into a Security Agreement (the "Security Agreement"), dated as of the Signing Date, with Perceptive, pursuant to which all of its obligations under the Credit Agreement are secured by a first lien perfected security interest on substantially all of its existing and after-acquired assets, subject to customary exceptions.

In addition, on the Closing Date, as consideration for the Credit Agreement, the Company issued to Perceptive warrants to purchase up to 2,000,000 shares (the "Warrant Shares") of the Company's common stock, par value $0.001 per share (the "Common Stock"), with an exercise price of $1.11 (the "Initial Loan Warrants"). Additionally, if the Delayed Draw Loan is drawn upon, the Company will be required to issue to Perceptive additional warrants to purchase up to 333,333 shares of its Common Stock, with an exercise price of $1.11 (the "DDL Warrants" and, together with the Initial Loan Warrants, the "Warrants").

The Warrants have an expiration date of November 14, 2035 and may be exercised on a cashless or "net" basis. The Warrants are freely transferable and will be automatically exercised, on a cashless basis, prior to their expiration if the value of the underlying shares is greater than the then-applicable exercise price. The exercise price described herein is subject to adjustment for certain recapitalization events, as further described in the Warrants. Pursuant to the Warrants,

the Company has granted Perceptive certain resale registration rights in respect of the Warrant Shares. The Company determined that the Warrants were equity classified and therefore allocated the proceeds received between the debt and warrants based on their relative fair values. The amount allocated to the Warrants, or $1.4 million, was treated as an additional debt issuance cost. None of the Warrants have been exercised as of June 30, 2026.

The Credit Agreement contains certain representations and warranties, affirmative covenants, negative covenants, financial covenants, and conditions that are customarily required for similar financings. The affirmative covenants, among other things, require the Company to undertake various reporting and notice requirements, maintain insurance and maintain in full force and effect all Regulatory Approvals, Material Agreements, Intellectual Property (each as defined in the Credit Agreement) and other rights, interests or assets (whether tangible or intangible) reasonably necessary for the operations of its business. The negative covenants restrict or limit the Company's ability to, among other things and subject to certain exceptions contained in the Credit Agreement, incur new indebtedness; create liens on assets; engage in certain fundamental corporate changes, such as mergers or acquisitions, or changes to the Company's business activities; make certain Investments or Restricted Payments (each as defined in the Credit Agreement); change the Company's fiscal year; pay dividends; repay other certain indebtedness; engage in certain affiliate transactions; or enter into, amend or terminate any other agreements that has the impact of restricting the Company's ability to make loan repayments under the Credit Agreement. In addition, the Company must (i) at all times prior to the Maturity Date, maintain minimum Liquidity (as defined in the Credit Agreement) of $5.0 million and (ii) as of each quarterly calculation date set forth in the Credit Agreement, maintain revenue that is not less than the amounts specified in the Credit Agreement. The Credit Agreement also contains certain customary Events of Default which include, among others, non-payment of principal, interest, or fees, violation of covenants, inaccuracy of representations and warranties, bankruptcy and insolvency events, material judgments, cross-defaults to material contracts, certain regulatory-related events and events constituting a change of control. The occurrence of an Event of Default could result in, among other things, the declaration that all outstanding principal and interest under the Perceptive Term Loan Facility are immediately due and payable in whole or in part.

Interest expense associated with the Perceptive Credit Agreement recorded for the three months ended June 30, 2026 was $2.1 million, of which $0.2 million was related to the amortization of debt issuance costs. Interest expense for the six months ended June 30, 2026 was $4.1 million, of which $0.5 million was related to the amortization of debt issuance costs.

MidCap Term Loan

On May 26, 2022, the Company entered into the Credit and Security Agreement (the "MidCap Credit Agreement") with MidCap Financial Trust ("MidCap"), as agent, and certain lender parties thereto. The MidCap Credit Agreement consisted of $40.0 million in a term loan. On November 14, 2025, the Company closed on a credit facility from Perceptive and upon closing used a portion of the proceeds to repay all borrowings under the MidCap Credit Agreement.

The MidCap term loan bore interest at a rate equal to 6.25% plus the greater of one-month Term SOFR (as defined in the MidCap Credit Agreement) or 1.0%. Interest expense associated with the MidCap Credit Facility recorded for the three months ended June 30, 2025 was $1.2 million, of which $0.1 million, was related to the amortization of debt issuance costs. Interest expense for the six months ended June 30, 2025 was $2.4 million, of which $0.3 million was related to the amortization of debt issuance costs.

(7) Stockholders' Equity

In November 2023, the Company entered into an Equity Distribution Agreement (the "Equity Agreement") with Piper Sandler & Co, ("Piper") in connection with the establishment of an at-the-market offering program under which the Company may sell shares of its common stock, from time to time through Piper as sales agent, in an initial amount of up to $50.0 million. No sales have been made under the Equity Agreement since its inception.

TELA Bio, Inc.

Notes to Unaudited Interim Consolidated Financial Statements (Continued)

Warrants

The Company had the following warrants outstanding to purchase common stock at June 30, 2026:

	Outstanding	Exercise price	Expiration dates
Common stock warrants	8,379	$ 28.65	2028
Common stock warrants	80,177	28.65	2027
Common stock warrants issued with credit agreement	2,000,000	1.11	2035
Pre-funded common stock warrants	12,623,000	0.0001	NA
	14,711,556		

The following table summarizes warrant activity:

	Number of warrants
Outstanding at January 1, 2026	14,711,556
Granted	—
Exercised	—
Canceled/forfeited	—
Outstanding at June 30, 2026	14,711,556

(8) Sale of Product Line

In March 2024, the Company entered into an Asset Purchase Agreement ("APA") with MiMedx Group, Inc. ("MDXG") to sell certain assets (the "Transaction") related to NIVIS Fibrillar Collagen Pack Device ("NIVIS"). These assets mainly included the Company's existing inventory of NIVIS, with a net carrying value of $0.8 million, and certain intellectual property rights to sell NIVIS, with no carrying value. MDXG assumed the Company's existing supply agreements, including the minimum obligations for NIVIS that the Company entered into in 2022 ahead of the initial sales of NIVIS. In exchange for entering into the Transaction, the Company received an initial $5.0 million upfront payment and is entitled to receive future revenue-sharing payments based on the net sales of NIVIS (now marketed as HELIOGEN) during the first two years following its launch by MDXG, which revenue-sharing payments would range from a minimum of $3.0 million to a maximum of $7.0 million in the aggregate. In addition, $0.4 million of consideration was received for existing NIVIS inventory on-hand. Any consideration in excess of $3.0 million up to $7.0 million is considered variable consideration that is fully constrained.

The Company accounted for the Transaction as a sale of a nonfinancial asset group in accordance with ASC 610-20 and followed the principles of ASC 606 to determine the consideration of $8.4 million related to the Transaction which includes the consideration for the existing inventory. The Company transferred control of the nonfinancial asset group in March 2024 and upon closing recognized a gain of $7.6 million in the consolidated statement of operations and comprehensive loss during the three months ended March 31, 2024. The $8.4 million transaction price included the minimum revenue-share payment of $3.0 million, which was recorded as a receivable when the deal closed. Revenue-share payments commenced after the third quarter of 2024 and $2.0 million of this amount had been collected as of June 30, 2026. The remaining receivable of $1.0 million is recorded in prepaid expenses and other assets in the consolidated balance sheet at June 30, 2026. At each reporting date, the Company assesses the constraint of variable consideration and records increases in the transaction price in the period that the estimate of variable consideration changes. For the three and six months ended June 30, 2026 and 2025, no changes were made to the variable consideration.

(9) Stock-Based Compensation

The Company has two equity incentive plans: the 2012 Stock Incentive Plan and the Amended and Restated 2019 Equity Incentive Plan (the "Plan"). On April 8, 2026, the Company's board of directors approved an amendment to the Plan to increase the number of authorized shares issuable under the Plan by 3,500,000 shares. This amendment was approved by the Company's stockholders on June 9, 2026 at the 2026 Annual Meeting. New awards can only be granted under the Plan. At June 30, 2026, 5,294,404 shares of common stock were available for future issuances under the Plan. The Plan provides for the grant of incentive stock options, nonqualified stock options, restricted stock awards, restricted stock units and/or stock appreciation rights to employees, directors, and other persons, as determined by the Company's board of directors. The Company estimates forfeitures that it expects will occur and adjusts expense for actual forfeitures in the periods they occur.

The Company measures employee and nonemployee stock-based awards at grant-date fair value and records compensation expense ratably over the vesting period of the award. The Company recorded stock-based compensation

expense in the following expense categories of the accompanying consolidated statements of operations and comprehensive loss (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	2026	2025
Sales and marketing	$ 147	$ 296	$ 431	$ 580
General and administrative	397	596	853	1,207
Research and development	69	93	145	242
Total stock-based compensation	$ 613	$ 985	$ 1,429	$ 2,029

Stock Options

The Company's stock options vest based on the terms in each award agreement and generally vest over four years and have a term of 10 years.

The following table summarizes stock option activity:

	Number of shares	Weighted average exercise price per share	Weighted average remaining contractual term (years)
Outstanding at January 1, 2026	2,672,859	$ 8.62	
Granted	1,134,960	0.81	
Exercised	—	—	
Canceled/forfeited	(322,468)	4.96	
Outstanding at June 30, 2026	3,485,351	$ 6.41	6.55
Vested and expected to vest at June 30, 2026	3,367,113	$ 6.59	6.46
Exercisable at June 30, 2026	1,916,863	$ 10.30	4.33

Included in outstanding options at June 30, 2026 were 317,553 stock options granted outside of the Plan. These grants were made pursuant to the Nasdaq inducement grant exception in accordance with Nasdaq listing rule 5635(c)(4). At June 30, 2026, the aggregate intrinsic value of outstanding options was $16,740 and exercisable options was $0.

The weighted average grant-date fair value per share of options granted was $0.52 during the six months ended June 30, 2026. The aggregate intrinsic value of options exercised was $0 for the six months ended June 30, 2026. At June 30, 2026, the total unrecognized compensation expense related to unvested employee and nonemployee stock option awards was $1.6 million, which is expected to be recognized in expense over a weighted-average period of approximately 2.8 years.

The fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model and the weighted average assumptions in the table below:

	Six months ended June 30, 2026
Expected dividend yield	—
Expected volatility	69.2 %
Risk-free interest rate	3.89 %
Expected term (in years)	5.96

TELA Bio, Inc.

Notes to Unaudited Interim Consolidated Financial Statements (Continued)

Restricted Stock Units

The Company has issued service-based and performance-based restricted stock units ("RSUs"). Vesting of the service-based RSUs is based on the terms in each award agreement and is generally over four years. Vesting of the performance-based RSUs is subject to continued service through 2026 and the achievement of certain performance milestones for fiscal year 2026. The amount of performance-based RSUs that will vest can range from 0% to 110% of the original number of RSUs granted. Expense for the performance-based RSUs is not recognized until the performance conditions are deemed probable of achievement. The Company has not recorded any expense related to the performance-based RSUs.

The following table summarizes the service-based RSUs for the Plan:

	Number of shares
Outstanding at January 1, 2026	1,104,662
Granted	1,262,585
Vested	(389,445)
Canceled/forfeited	(153,746)
Outstanding at June 30, 2026	1,824,056

The following table summarizes the performance-based RSUs for the Plan:

	Number of shares
Outstanding at January 1, 2026	216,500
Granted	—
Vested	—
Canceled/forfeited	(24,941)
Outstanding at June 30, 2026	191,559

Included in outstanding RSUs at June 30, 2026 were 200,445 RSUs granted outside of the Plan. These grants were made pursuant to the Nasdaq inducement grant exception in accordance with Nasdaq listing rule 5635(c)(4). The weighted average grant-date fair value per RSU granted was $0.82 during the six months ended June 30, 2026. The aggregate intrinsic value of RSUs outstanding was $1.5 million at June 30, 2026. The total unrecognized compensation expense at June 30, 2026 related to RSUs was $2.7 million, excluding unrecognized compensation expense associated with performance-based RSUs that are not deemed probable of achievement, which is expected to be recognized in expense over a weighted-average period of approximately 2.8 years.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations, as well as other sections in this Quarterly Report, should be read in conjunction with our unaudited interim consolidated financial statements and related notes thereto included elsewhere herein and the consolidated financial statements and notes thereto for the year ended December 31, 2025 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Annual Report filed with the SEC on March 25, 2026. In addition to historical financial information, some of the information contained in the following discussion and analysis contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical facts, including statements regarding our future results of operations and financial position, business strategy, current and prospective products, product approvals, research and development costs, current and prospective collaborations, timing and likelihood of success, plans and objectives of management for future operations and future results of current and anticipated products, are forward-looking statements. These statements involve known and unknown risks, uncertainties, assumptions and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Overview

We are a commercial-stage medical technology company focused on providing innovative soft-tissue reconstruction solutions that optimize clinical outcomes by prioritizing the preservation and restoration of the patient's own anatomy. Our growing product portfolio is purposefully designed to leverage the patient's natural healing response while minimizing long-term exposure to permanent synthetic materials. We are committed to delivering our advanced technologies with a strong economic value proposition to assist surgeons and institutions in providing next-generation soft-tissue repair solutions to more patients worldwide.

We are dedicated to building true partnerships with surgeons and healthcare providers to deliver solutions that provide both clinical and economic improvements. We believe that genuine collaboration with surgeons and healthcare providers results in the development of new solutions that empower patient care and addresses unmet needs within the soft tissue reconstruction market.

Our first portfolio of products, the OviTex Reinforced Tissue Matrix ("OviTex") which we first commercialized in the U.S. in July 2016 and in Europe in February 2019, addresses unmet needs in hernia repair and abdominal wall reconstruction by combining the benefits of biologic matrices and polymer materials while minimizing their shortcomings, at a cost-effective price.

Hernia repair is one of the most common surgeries performed in the U.S., representing approximately 1.2 million procedures annually. Based on the volume weighted average selling price of our OviTex products, we estimate the annual U.S. total addressable market opportunity for our OviTex products to be approximately $1.8 billion.

Our OviTex portfolio consists of multiple product configurations intended to address various surgical procedures within hernia repair and abdominal wall reconstruction, including ventral, inguinal, and hiatal hernia repair. In addition, we have also designed an OviTex product specifically for use in laparoscopic and robotic-assisted hernia repair, which we market as OviTex LPR and began commercializing in November 2018. In February 2023, we launched two larger configurations of OviTex LPR, designed for ventral and incisional hernias. In April 2024, we launched OviTex IHR Reinforced Tissue Matrix ("RTM"), a new OviTex configuration specifically designed to address inguinal hernia procedures performed robotically and laparoscopically in the U.S., followed by a launch in the European markets in June 2025. In April 2026, we launched OviTex RTM with Long-Term Resorbable Reinforcement (PLGA).

We have also focused on evaluating and publishing clinical data on the effectiveness and safety of our OviTex products. To date, there have been over sixty-five published or presented works relating to these clinical findings, either by us or a third-party evaluating one or more product configurations in our OviTex portfolio. In October 2022, the 24-

month results of our single arm, multicenter post-market clinical study, which we refer to as our BRAVO study, were published in the *Annals of Medicine and Surgery*. The BRAVO study was designed to evaluate the clinical performance of OviTex for primary or recurrent ventral hernias using open, laparoscopic, or robotic techniques in 92 enrolled patients. The recurrence rate at the 24-month time point was 2.6%, and surgical site occurrences ("SSOs"), were observed in 38% of the study population. Of the enrolled patients, 78% were characterized as high risk for experiencing an SSO based on at least one known risk factor, which included obesity, active smoking, chronic obstructive pulmonary disease ("COPD"), diabetes mellitus, coronary artery disease, or advanced age (≥75 years). The results also indicated that BRAVO patients experienced statistically significant and clinically meaningful improvements in their quality of life and perceived health based on patient responses to the EuroQol-5 Dimension (EQ-5D) health assessment and the validated 12-question Hernia-Related Quality of Life survey (HerQLes). In addition to the BRAVO study, we have also initiated other clinical data collection initiatives evaluating the use of OviTex across a variety of hernia and abdominal wall reconstruction procedures. Among these other initiatives, we continue to enroll patients for our BRAVO II study, a prospective study evaluating the use of OviTex in robot-assisted ventral and inguinal hernia repairs.

Our second portfolio of products, the OviTex PRS Reinforced Tissue Matrix, ("OviTex PRS") which we first commercialized in the U.S. in May 2019, addresses unmet needs in plastic and reconstructive surgery. OviTex PRS is indicated for use in implantation to reinforce soft-tissue where weakness exists in patients requiring soft-tissue repair or reinforcement in plastic and reconstructive surgery. Our OviTex PRS portfolio consists of three product configurations with two or three layers of high-quality tissue derived from ovine rumen, which is reinforced with either permanent or resorbable polymer for added strength, stabilization, and controlled stretch. These products are designed to improve outcomes by facilitating functional tissue remodeling while controlling the degree and direction of stretch. OviTex PRS Long-Term Resorbable, our most recent product configuration, launched in August 2023, and was designed to enhance the OviTex PRS portfolio with specific design features including bi-directional stretch and a fully resorbable, long-term polymer for reinforcement. In March 2025, we announced the U.S. launch of larger sizes of OviTex PRS, which we believe may reduce the need for multiple smaller pieces and have the potential to simplify more complex plastic and reconstructive procedures.

Our OviTex PRS portfolio is supported by non-human primate data that demonstrated more rapid tissue integration and tissue remodeling compared to the market leading biologic matrix used in this indication. In addition, there have been a growing number of published or presented works evaluating the use of OviTex PRS in plastic and reconstruction applications. We also continue to collect patient data in our OPERA study, a retrospective-prospective trial evaluating the safety profile of OviTex PRS in previous pre-pectoral and sub-pectoral implant-based breast reconstructions. Based on the current sales of biologic matrices in the U.S., we estimate the annual U.S. current addressable market opportunity for our OviTex PRS products to be approximately $800 million.

Our OviTex products have received 510(k) clearances from the U.S. Food and Drug Administration, ("FDA") which clearances were obtained and are currently held by our exclusive contract manufacturer of these products, Aroa. In April 2019, our first OviTex PRS products received 510(k) clearance from the FDA, which clearance was initially obtained by Aroa and is currently held by us. In March 2023, we received an additional 510(k) clearance for our OviTex PRS Long-Term Resorbable device, which is currently held by us. In May 2024, we received clearance of a Special 510(k) related to minor changes to our OviTex PRS Permanent and Short-Term Resorbable devices. In October 2024, we received approval from the FDA for our investigational device exemption application relating to the study of the safety and effectiveness of our OviTex PRS product in implant-based breast reconstruction. We continue to evaluate and finalize the clinical study protocol and anticipate additional FDA interactions related to such to support a pre-market application to obtain approval for an indication for OviTex PRS for use in breast reconstruction. In December 2024, we received clearance of a Special 510(k) related to two new additional large size product offerings in our OviTex PRS portfolio.

Historically, we have sought to expand our service offerings beyond our OviTex and OviTex PRS products through commercial partnerships to distribute complimentary soft tissue preservation and restoration solutions. Some additional product offerings include or have included atraumatic mesh fixation devices or surgical wound management and infection control solutions. In September 2023, we entered into a distribution agreement with Advanced Medical Solutions Limited, a company registered in England, to distribute their LIQUIFIX Hernia Mesh Fixation Devices (LIQUIFIX FIX8™ and LIQUIFIX Precision™). In March 2024, we announced the full commercial launch of LIQUIFIX in the U.S. We previously co-developed and commercialized the NIVIS Fibrillar Collagen Pack, ("NIVIS")

an absorbent matrix of Type I and Type III bovine collagen designed to manage moderately to heavily exudating wounds and to control minor bleeding, in partnership with Regenity Biosciences. In March 2024, we sold our distribution rights to MiMedx Group, Inc. in exchange for an initial $5.0 million payment and additional future payments aggregating between a minimum of $3.0 million and a maximum of $7.0 million based on net sales of NIVIS (now marketed as HELIOGEN) during the first two years following its launch by MiMedx Group, Inc. We may assess additional strategic partnerships with medical device companies whereby we may enter into distribution, product development and/or licensing agreements for additional products complimentary to, or related to, existing and future products in our distribution channel, which could result in the payment by us of single digit percentage royalties or other product acquisition costs.

We have a broad portfolio of intellectual property protecting our products that we believe, when combined with the proprietary manufacturing processes associated with our products and our know-how, provides significant barriers to entry. Our intellectual property applies to our differentiated product construction and materials. In addition, we believe our exclusive manufacturing and long-term supply and license agreement with Aroa (the "Aroa License") creates a competitive advantage by allowing us to secure an exclusive supply of ovine rumen at a low cost. Ovine rumen, the forestomach of a sheep, is the source of the biologic material used in both of our OviTex and OviTex PRS products. We use biologic material from ovine rumen because of its plentiful supply, optimal biomechanical profile and open collagen architecture that allows for rapid cellular infiltration. Our OviTex and OviTex PRS products are manufactured by Aroa at their FDA registered and ISO 13485 compliant facility in Auckland, New Zealand. We purchase product from Aroa at a fixed transfer cost as a percentage of Aroa's cost of goods sold, and subject to a true-up adjustment, resulting in an amount equal to 27% of our net sales of our OviTex and OviTex PRS products, with the exception of OviTex IHR product configurations, for which we pay the greater of the initial fixed transfer cost or 27% of our net sales of OviTex IHR. This revenue sharing arrangement allows us to competitively price our products and pass along cost-savings to our customers.

We primarily market our products through a single direct sales force, predominantly in the U.S., with a small number of sales representatives in the United Kingdom and European Union, and also utilize a smaller number of independent contractors and distributors in the United States and certain European countries. We have invested in our direct sales and marketing infrastructure to expand our presence and to promote awareness and adoption of our products. We believe we can enhance the productivity of our sales force by improving customer segmentation and targeting, implementing and further refining our proprietary training programs, leveraging support from our medical education and medical affairs functions to drive physician awareness, education and clinical understanding of our products, and utilizing engagement analytics to support further product development and enhancement opportunities. Additionally, we have contracted with three national group purchasing organizations ("GPOs") in the United States covering our OviTex and OviTex PRS products and plan to continue to contract with additional GPOs and other integrated delivery networks ("IDNs") to increase access to and penetration of hospital accounts for all products we commercialize.

We are currently devoting research and development resources to develop additional variations of our OviTex and OviTex PRS products, including the development of OviTex configurations with longer-acting resorbable polymers and other potential product and packaging enhancements to extend the shelf life of our products. In addition, we also continue to explore the development of lower-cost, higher-margin resorbable polymer-based devices targeting our current indications. We are also exploring additional technologies that may complement our existing products, or expand the number of our products, in each case within the hernia, plastic and reconstruction, and broader soft-tissue reconstruction market. We intend to continue to make investments in research and development efforts to develop improvements and enhancements to our product portfolio.

The vast majority of our revenue to date has been generated by the sale of our OviTex products. Our revenue decreased by $0.9 million, or 4%, from $20.2 million for the three months ended June 30, 2025 to $19.3 million for the three months ended June 30, 2026 and by $0.4 million, or 1%, from $38.7 million for the six months ended June 30, 2025 to $38.4 million for the six months ended June 30, 2026. Our net loss increased by $1.3 million, or 13%, from $9.9 million for the three months ended June 30, 2025 to $11.3 million for the three months ended June 30, 2026 and increased by $2.3 million, or 11% from $21.2 million for the six months ended June 30, 2025 to $23.5 million for the six months ended June 30, 2026. We have not been profitable since inception and as of June 30, 2026, we had an accumulated deficit of $421.1 million. We expect to incur losses for the foreseeable future.

Business Update Regarding Macroeconomic Conditions

Our business, results of operations and commercial operations have been, and may continue to be impacted by macroeconomic conditions outside of our control, including general economic uncertainty, external cybersecurity events impacting our customers, disruptions in supply of critical surgical supplies for procedures utilizing our products, inflationary pressures, tariffs, regulatory changes in the market in which we operate, fluctuations in foreign currency in the jurisdictions in which we operate, banking instability, monetary policy changes and geopolitical conflicts. These factors have and may continue to impact us in the following ways:

General Economic Uncertainty: Continued concerns about the systemic impact of a potential economic downturn or recession, changes in interest rates, further economic downturn or banking instability, monetary policy, changes in trade policies (including the imposition of tariffs and trade protection measures), geopolitical tensions or the outbreak of hostilities or war, have contributed to increased market volatility and diminished expectations for economic growth in the world. Due to this uncertainty and other factors, we have experienced high volatility in our stock price over the prior year. Continued uncertainty, perception of worsening market conditions and the introduction of new products which may, or may be perceived to, negatively impact the demand for our products now or in the future could result in a decline in our stock price, high inflation, an increase in our cost of capital and an adverse effect on our ability to access the capital markets in the future on terms acceptable to us or at all.

Imposition of Tariffs on Import of Product: Our OviTex and OviTex PRS products are manufactured by Aroa at their FDA registered and ISO 13485 compliant facility in Auckland, New Zealand. As of the date of this report, the U.S. has imposed a 12.5% tariff on imports from New Zealand, including on the import of medical devices. While the terms of our agreement with Aroa provide that each of Aroa and our company will share equally the cost of the tariffs, the cost to cover such tariffs could lead us to increase the price of certain of our products, which may adversely impact demand for our products and competitive positioning.

External Supply Constraints for Critical Surgical Supplies: Any disruptions to the supply of critical surgical supplies, including, for example, IV fluids, could lead to deferrals of elective surgical procedures, including those utilizing our products. To the extent that our current and prospective hospital customers experience significant shortages of these critical supplies, whether due to extreme weather events, labor or work stoppages, or other supply chain disruptions, we may experience reductions in procedural volumes that lead to lower sales volume for our products.

Financial Strain: Market acceptance of our medical products in the U.S. and other countries is dependent upon the procurement practices of our customers, patient need for our products and procedures and the reimbursement of patients' medical expenses by government healthcare programs and third-party payors. The continuing uncertainty surrounding macroeconomic conditions and financial markets, including the financial strain suffered by hospital customers first arising in response to the COVID-19 pandemic, may adversely affect demand for our products and procedures and result in lower reimbursement rates or coverage for our products, resulting in lower sales volume and downward pricing pressure on our products and slower adoption of new products.

Components of Our Results of Operations

Revenue

The majority of our revenue consists of direct sales of our products to hospital accounts in the U.S. Depending on the terms of our agreements with our customers, we recognize revenue related to product sales when control transfers, which generally occurs when the product is shipped to the customer, or when the product is utilized in a surgical procedure in the case of consignment agreements. Fees charged to customers for shipping are recognized as revenue. The recent revenue decline has been driven by decreasing OviTex PRS sales and price mix headwinds in the U.S. related to growth of smaller sized units.

Cost of Revenue

Cost of revenue primarily consists of the costs of licensed products, charges related to excess and obsolete inventory adjustments, royalties and costs related to shipping. We purchase product from Aroa at a fixed transfer cost as a percentage of Aroa's cost of goods, which, subject to a true-up adjustment, results in an amount equal to 27% of our net sales of our OviTex and OviTex PRS products, with the exception of OviTex IHR product configurations, for which we pay the greater of the initial fixed transfer cost or 27% of our net sales of OviTex IHR. The initial term of our Aroa License terminates on the expiration of the last patent covering bovine and ovine products, with an option to extend for an additional ten-year period. We expect our cost of revenue to increase in absolute dollars as, and to the extent, our sales volume grows. Any delay in volume growth, whether due to macroeconomic pressures or otherwise, could lead to additional charges to excess and obsolete inventory.

Amortization of Intangible Assets

Amortization of intangible assets relates to the amortization of capitalized milestone amounts paid to Aroa related to license fees or commercialization rights after future economic benefit has been established for a product. These capitalized milestone amounts relate to regulatory clearances, the receipt of certain supply quantities of product, and amounts based upon aggregate net sales thresholds within a specified territory, and are amortized over the remaining useful life of the intellectual property.

Gross Profit and Gross Margin

Our gross profit is calculated by subtracting our cost of revenue and amortization of intangible assets from our revenue. We calculate our gross margin percentage as our gross profit divided by our revenue. Our gross margin has been, and we expect it will continue to be, affected by a variety of factors, including sales volume, royalties and inventory excess and obsolescence costs. Our gross profit may increase to the extent our revenue grows.

Sales and Marketing Expenses

Sales and marketing expenses consist of commercial activities related to the sale of our products, along with the salaries and related benefits, including sales commissions and stock-based compensation for employees focused on these efforts. Other significant sales and marketing expenses include costs incurred with post-market clinical studies, conferences and trade shows, promotional and marketing activities, market research, as well as travel and training expenses.

We expect future sales and marketing expenses will primarily depend on our ability to drive operational leverage and efficiencies from our commercial organization. We expect our sales and marketing expenses to continue to decrease as a percentage of revenue, as and to the extent, our revenue grows.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and related benefits, including stock-based compensation for personnel in executive, finance, information technology and administrative functions. General and administrative expenses also include professional service fees for legal, accounting, consulting, investor and public relations, insurance costs and direct and allocated facility-related costs.

We expect future general and administrative expenses will primarily depend on our ability to efficiently execute on our growth initiatives. We expect our general and administrative expenses to decrease as a percentage of revenue primarily as, and to the extent, our revenue grows.

Research and Development Expenses

Research and development expenses consist primarily of product research, engineering, product development, regulatory compliance and clinical development. These expenses include salaries and related benefits including stock-based compensation, for employees focused on these efforts, consulting services, costs associated with our preclinical studies and clinical studies undertaken to obtain regulatory clearance for new or expanded product indications, costs incurred

with our manufacturing partner under development agreements related to technology transfer, costs incurred from license agreements with no alternative future uses, laboratory materials and supplies and an allocation of related facilities costs. We expense research and development costs as they are incurred.

We expect future research and development expenses will primarily depend on our ability to efficiently develop new products, enhance existing products and conduct research to generate clinical data in support of new or expanded indications for our products. We expect research and development expenses as a percentage of revenue to vary over time depending on the level and timing of new product development and clinical trial initiatives.

Interest Expense

Interest expense consists of cash interest under our credit facilities and non-cash interest attributable to the amortization of deferred financing costs related to our indebtedness.

Other Income

Other income consists primarily of income earned on our cash and cash equivalents offset by miscellaneous tax expenses and foreign currency exchange gains and losses.

Results of Operations

Comparison of the Three Months Ended June 30, 2026 and 2025

	Three months ended June 30,		Change	
	2026	2025	Dollar	Percentage
	(in thousands, except percentages)			
Revenue	$ 19,291	$ 20,197	$ (906)	(4)%
Cost of revenue (excluding amortization of intangible assets)	5,253	5,997	(744)	(12)
Amortization of intangible assets	95	95	—	—
Gross profit	13,943	14,105	(162)	(1)
Gross margin	72 %	70 %		
Operating expenses:				
Sales and marketing	16,442	16,857	(415)	(2)
General and administrative	4,061	4,126	(65)	(2)
Research and development	2,723	2,203	520	24
Total operating expenses	23,226	23,186	40	0
Loss from operations	(9,283)	(9,081)	(202)	2
Other (expense) income:				
Interest expense	(2,076)	(1,188)	(888)	75
Other income	157	379	(222)	(59)
Total other expense, net	(1,919)	(809)	(1,110)	137
Loss before income tax expense	(11,202)	(9,890)	(1,312)	13
Income tax expense	(60)	(33)	(27)	82
Net loss	$ (11,262)	$ (9,923)	$ (1,339)	13 %

Revenue

Revenue decreased by $0.9 million, or 4%, to $19.3 million for the three months ended June 30, 2026, from $20.2 million for the three months ended June 30, 2025. The decrease in revenue was primarily driven by a decline in OviTex PRS sales and price mix headwinds in the U.S. related to growth of smaller sized units and partially offset by growing international sales. During the three months ended June 30, 2026, we sold 5,776 units of OviTex as compared to 5,178 units of OviTex during the three months ended June 30, 2025, a 12% increase in unit sales volume. Additionally, we sold 1,050 units of OviTex PRS during the three months ended June 30, 2026 as compared to 1,362 units during the three months ended June 30, 2025, a 23% decline in unit sales volume.

Cost of Revenue

Cost of revenue (excluding amortization of intangible assets) decreased by $0.7 million, or 12%, to $5.3 million for the three months ended June 30, 2026 from $6.0 million for the three months ended June 30, 2025. The decrease in cost of revenue was primarily due to the decline in revenue and a refund of tariffs paid in 2025 of $0.6 million

Amortization of Intangible Assets

Amortization of intangible assets was $95,000 for both the three months ended June 30, 2026 and 2025.

Gross Profit

Gross profit decreased by $0.2 million, or 1%, to $13.9 million for the three months ended June 30,2026, from $14.1 million for the three months ended June 30, 2025. The decrease was primarily the result of the decline in revenue which offset the refund of tariffs paid.

Gross Margin

Gross margin increased to 72% for the three months ended June 30, 2026, from 70% for the three months ended June 30, 2025. The increase was primarily due to a lower charge for excess and obsolete inventory as a percentage of revenue and the tariff refund.

Sales and Marketing

Sales and marketing expenses decreased by $0.4 million, or 2%, to $16.4 million for the three months ended June 30, 2026, from $16.9 million for the three months ended June 30, 2025. The decrease was due to lower compensation and benefits primarily from a decrease in headcount which offset higher meeting and training costs.

General and Administrative

General and administrative expenses decreased by $65,000, or 2%, to $4.1 million for the three months ended June 30, 2026, from $4.1 million for the three months ended June 30, 2025. The slight decrease was primarily due to lower compensation costs from a decrease in headcount partially offset by higher professional fees.

Research and Development

Research and development expenses increased by $0.5 million, or 24%, to $2.7 million for the three months ended June 30, 2026 from $2.2 million for the three months ended June 30, 2025. The increase was primarily due to higher compensation and benefits from additional headcount and increased study costs.

Interest Expense

Interest expense increased by $0.9 million, or 75% to $2.1 million for the three months ended June 30, 2026, from $1.2 million for the three months ended June 30, 2025 due to an increase in the borrowing base and the interest rate from our new credit facility.

Other Income

Other income decreased by $0.2 million, or 59%, to $0.2 million for the three months ended June 30, 2026, from $0.4 million for the three months ended June 30, 2025 primarily due to lower interest income from lower cash balances and lower interest rates.

Income Tax Expense

We recorded tax expense of $60,000 and $33,000 related to our foreign jurisdiction for the three months ended June 30, 2026 and 2025, respectively.

Comparison of the Six Months Ended June 30, 2026 and 2025

	Six Months Ended June 30,		Change	
	2026	2025	Dollar	Percentage
	(in thousands, except percentages)			
Revenue	$ 38,350	$ 38,717	$ (367)	(1)%
Cost of revenue (excluding amortization of intangible assets)	11,697	11,910	(213)	(2)
Amortization of intangible assets	190	190	—	—
Gross profit	26,463	26,617	(154)	(1)
Gross margin	69 %	69 %		
Operating expenses:				
Sales and marketing	32,979	33,465	(486)	(1)
General and administrative	8,227	7,962	265	3
Research and development	5,066	4,743	323	7
Total operating expenses	46,272	46,170	102	0
Loss from operations	(19,809)	(19,553)	(256)	1
Other (expense) income:				
Interest expense	(4,129)	(2,407)	(1,722)	72
Other income	523	858	(335)	(39)
Total other expense, net	(3,606)	(1,549)	(2,057)	133
Loss before income tax expense	(23,415)	(21,102)	(2,313)	11
Income tax expense	(120)	(85)	(35)	41
Net loss	$ (23,535)	$ (21,187)	$ (2,348)	11 %

Revenue

Revenue decreased by $0.4 million, or 1%, to $38.4 million for the six months ended June 30, 2026 from $38.7 million for the six months ended June 30, 2025. The decrease in revenue was primarily driven by a decline in OviTex PRS sales and price mix headwinds in the U.S. related to growth of smaller sized units partially offset by growing international sales. During the six months ended June 30, 2026, we sold 11,555 units of OviTex as compared to 10,170 units of OviTex during the six months ended June 30, 2025, a 14% increase in unit sales volume. Additionally, we sold 2,183 units of OviTex PRS during the six months ended June 30, 2026 as compared to 2,532 units during the six months ended June 30, 2025, a 14% decline in unit sales volume.

Cost of Revenue

Cost of revenue (excluding amortization of intangible assets) decreased by $0.2 million, or 2%, to $11.7 million for the six months ended June 30, 2026, from $11.9 million for the six months ended June 30, 2025. The decrease in cost of revenue was primarily due to the decline in revenue and a refund of tariffs paid in 2025.

Amortization of Intangible Assets

Amortization of intangible assets was $0.2 million for both the six months ended June 30, 2026 and 2025.

Gross Profit

Gross profit decreased by $0.2 million, or 1%, to $26.5 million for the six months ended June 30, 2026, from $26.6 million for the six months ended June 30, 2025. The decrease was primarily the result of the decrease in revenue.

Gross Margin

Gross margin was 69% for both the six months ended June 30, 2026 and 2025.

Sales and Marketing

Sales and marketing expenses decreased by $0.5 million, or 1%, to $33.0 million for the six months ended June 30, 2026, from $33.5 million for the six months ended June 30, 2025. The decrease was primarily due to lower compensation costs primarily from a decrease in headcount and lower travel expenses which offset higher meeting and training costs.

General and Administrative

General and administrative expenses increased by $0.3 million, or 3%, to $8.2 million for the six months ended June 30, 2026, from $8.0 million for the six months ended June 30, 2025. The increase was primarily due to increased professional fees and bad debt expense which offset lower compensation costs primarily from a decrease in headcount.

Research and Development

Research and development expenses increased by $0.3 million, or 7%, to $5.1 million for the six months ended June 30, 2026, from $4.7 million for the six months ended June 30, 2025 primarily due to increased compensation costs from an increase in headcount and higher study and development costs.

Interest Expense

Interest expense increased by $1.7 million or 72% to $4.1 million for the six months ended June 30, 2026, from $2.4 million for the six months ended June 30, 2025 due to an increase in the borrowing base and the interest rate from our new credit facility.

Other Income

Other income decreased by $0.3 million, or 39%, to $0.5 million for the six months ended June 30, 2026, from $0.9 million for the six months ended June 30, 2025 primarily due to lower interest income from lower cash balances and lower interest rates.

Income Tax Expense

We recorded tax expense of $0.1 million and $85,000 related to our foreign jurisdiction for the six months ended June 30, 2026 and 2025, respectively.

Liquidity and Capital Resources

Overview

As of June 30, 2026, we had cash and cash equivalents of $30.4 million, working capital of $36.3 million and an accumulated deficit of $421.1 million. As of December 31, 2025, we had cash and cash equivalents of $50.8 million, working capital of $57.6 million and an accumulated deficit of $397.6 million.

We have incurred operating losses since our inception, and we anticipate that our operating losses will continue in the near term as we seek to invest in our sales and marketing initiatives to support our growth in existing and new markets and in additional research and development activities. As of June 30, 2026, we had $60.0 million of borrowings outstanding under our credit facility (the “Perceptive Credit Agreement”) with Perceptive Credit Holdings V, LP (“Perceptive”). The Perceptive Credit Agreement matures in November 2030.

Based on our current business plan, we believe that our existing cash resources will be sufficient to meet our capital requirements and fund our operations for at least the next 12 months from the issuance of this Quarterly Report. If these sources are insufficient to satisfy our liquidity requirements, we may seek to sell common or preferred equity or debt securities or enter into a new credit facility. In November 2023, we entered into a new Equity Distribution Agreement

(the "Equity Agreement") with Piper Sandler & Co, ("Piper") in connection with the establishment of an at-the-market offering program under which we may sell shares of our common stock, from time to time through Piper as sales agent, in an initial amount of up to $50 million. No sales have ever been made under the Equity Agreement. If we raise additional funds by issuing equity or equity-linked securities, our stockholders would experience dilution and any new equity securities could have rights, preferences and privileges superior to those of holders of our common stock. Debt financing, if available, may involve covenants restricting our operations or our ability to incur additional debt. We cannot be assured that additional equity, equity-linked or debt financing will be available on terms favorable to us or our stockholders, or at all, including as a result of market volatility stemming from macroeconomic conditions, including those related to banking instability, changes in trade policies, changes in interest rates or other factors. If we are unable to obtain adequate financing, we may be required to delay or reduce the current development, commercialization and marketing plans for our products.

Cash Flows

The following table summarizes our sources and uses of cash for each of the periods presented:

	Six Months Ended June 30,	
(in thousands)	2026	2025
Cash used in operating activities	$ (20,551)	$ (17,630)
Cash provided by investing activities	429	342
Cash used by financing activities	(313)	(119)
Effect of exchange rate changes on cash and cash equivalents	(36)	(286)
Net decrease in cash and cash equivalents and restricted cash	$ (20,471)	$ (17,693)

Operating Activities

During the six months ended June 30, 2026, we used $20.6 million of cash in operating activities, resulting from our net loss of $23.5 million and changes in operating assets and liabilities of $0.8 million, partially offset by our non-cash items of $3.8 million. Our non-cash items were primarily comprised of stock-based compensation expense of $1.4 million, our excess and obsolete inventory charge of $1.2 million, depreciation and amortization expense of $0.5 million and noncash interest expense of $0.5 million. The change in our operating assets and liabilities was primarily related to an increase in inventory offset by an increase in accounts payable. Consistent with historical trends, cash used in operations in each of the remaining quarters of the fiscal year ending December 31, 2026 is expected to be lower than the amount reported for the six months ended June 30, 2026.

During the six months ended June 30, 2025, we used $17.6 million of cash in operating activities, resulting from our net loss of $21.2 million, changes in operating assets and liabilities of $0.2 million partially offset by our non-cash items of $3.8 million. Our non-cash items were primarily comprised of stock-based compensation expense of $2.0 million, our excess and obsolete inventory charge of $0.9 million, depreciation and amortization expense of $0.5 million and noncash interest expense of $0.3 million. The change in our operating assets and liabilities was primarily related to an increase in accounts receivable partially offset by a decrease in inventory.

Investing Activities

During the six months ended June 30, 2026, cash provided by investing activities was $0.4 million consisting of proceeds received from the sale of NIVIS of $0.6 million offset by $0.2 million in purchases of property and equipment.

During the six months ended June 30, 2025, cash provided by investing activities was $0.3 million consisting of proceeds received from the sale of NIVIS of $0.5 million offset by $0.1 million in purchases of property and equipment.

Financing Activities

During the six months ended June 30, 2026, cash used in financing activities was $0.3 million, consisting primarily of payments of accrued offering costs and payments of withholding taxes related to stock-based compensation to

employees partially offset by proceeds received from the issuance of common stock under the employee stock purchase plan.

During the six months ended June 30, 2025, cash used in financing activities was $0.1 million, consisting primarily of payments of withholding taxes related to stock-based compensation to employees partially offset by proceeds received from the issuance of common stock under the employee stock purchase plan.

Indebtedness

On November 13, 2025, the Company entered into a Credit Agreement and Guaranty (the "Credit Agreement") with Perceptive, which provides for a senior secured term loan facility in an aggregate principal amount of up to $70.0 million. An initial loan in an aggregate principal amount of $60.0 million (the "Initial Loan") was funded under the Perceptive Term Loan Facility on November 14, 2025 (the "Closing Date"). In addition to the Initial Loan, the Perceptive Term Loan Facility includes an additional delayed draw loan in an aggregate principal amount of $10.0 million to be available in a single drawing after the Closing Date on or prior to the Delayed Draw Commitment Termination Date (as defined in the Credit Agreement but not later than April 30, 2027) (the "Delayed Draw Loan," together with the Initial Loan, the "Loans"), which will be accessible by the Company contingent on it achieving net revenue thresholds and satisfying certain customary conditions precedent. The Perceptive Term Loan Facility has a maturity date of November 14, 2030.

The Perceptive Term Loan Facility accrues interest at an annual rate equal to the sum of (a) an applicable margin of 7.85% (the "Applicable Margin") plus (b) the greater of (i) the Reference Rate (as defined in the Credit Agreement) and (ii) four and one quarter percent (4.25%). Accrued interest on the Term Loans is payable monthly in arrears. Upon an Event of Default (as defined in the Credit Agreement), the Applicable Margin will automatically increase by an additional 3.00% per annum.

Prior to the Maturity Date, there will be no scheduled principal payments under the Perceptive Term Loan Facility. On the Maturity Date, the Company is required to pay Perceptive the aggregate outstanding principal amount of the Loans and all accrued and unpaid interest thereon. The Term Loans may be prepaid at any time, subject to a prepayment premium equal to 2% to 10% of the aggregate outstanding principal amount being prepaid, depending on the date of prepayment.

In connection with the Credit Agreement, the Company also entered into a Security Agreement (the "Security Agreement"), dated as of the Signing Date, with Perceptive, pursuant to which all of its obligations under the Credit Agreement are secured by a first lien perfected security interest on substantially all of its existing and after-acquired assets, subject to customary exceptions.

The Credit Agreement contains certain representations and warranties, affirmative covenants, negative covenants, financial covenants, and conditions that are customarily required for similar financings. The affirmative covenants, among other things, require the Company to undertake various reporting and notice requirements, maintain insurance and maintain in full force and effect all Regulatory Approvals, Material Agreements, Intellectual Property (each as defined in the Credit Agreement) and other rights, interests or assets (whether tangible or intangible) reasonably necessary for the operations of its business. The negative covenants restrict or limit the Company's ability to, among other things and subject to certain exceptions contained in the Credit Agreement, incur new indebtedness; create liens on assets; engage in certain fundamental corporate changes, such as mergers or acquisitions, or changes to the Company's business activities; make certain Investments or Restricted Payments (each as defined in the Credit Agreement); change the Company's fiscal year; pay dividends; repay other certain indebtedness; engage in certain affiliate transactions; or enter into, amend or terminate any other agreements that has the impact of restricting the Company's ability to make loan repayments under the Credit Agreement. In addition, the Company must (i) at all times prior to the Maturity Date, maintain minimum Liquidity (as defined in the Credit Agreement) of $5.0 million and (ii) as of each calculation date set forth in the Credit Agreement, maintain Revenue that is not less than the amounts specified in the Credit Agreement. The Credit Agreement also contains certain customary Events of Default which include, among others, non-payment of principal, interest, or fees, violation of covenants, inaccuracy of representations and warranties, bankruptcy and insolvency events, material judgments, cross-defaults to material contracts, certain regulatory-related events and events constituting a change of control. The occurrence of an Event of Default could result in, among other things, the declaration that all outstanding principal and interest under the Perceptive Term Loan Facility are immediately due and payable in whole or in part.

Contractual Obligations and Commitments

As of June 30, 2026, there were no significant changes to our commitments and future minimum contractual obligations as set forth in our Annual Report.

Critical Accounting Policies and Significant Judgments and Estimates

The Critical Accounting Policies and Significant Judgments and Estimates included in our Annual Report have not materially changed.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our cash is held on deposit in demand accounts at high-credit-quality financial institutions in amounts in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance coverage limit of $250,000 per depositor, per FDIC-insured bank, per ownership category. Following the events relating to Silicon Valley Bank in 2023, we established a redundant account at a high-credit-quality financial institution to mitigate liquidity risk to our cash and cash equivalents from any further instability in the financial industry. We have reviewed the consolidated financial statements of these financial institutions and believe they have sufficient assets and liquidity to conduct their operations in the ordinary course of business with little or no credit risk to us.

Financial instruments that potentially subject us to concentrations of credit risk principally consist of cash equivalents and accounts receivable. We limit our credit risk associated with cash equivalents by placing investments in highly-rated money market funds. We limit our credit risk with respect to accounts receivable by performing credit evaluations when deemed necessary, but we do not require collateral to secure amounts owed to us by our customers.

As discussed above in the section of this Quarterly Report entitled "Liquidity and Capital Resources — Indebtedness," the Perceptive Credit Agreement bears interest at a floating rate of interest, which resets monthly and is equal to 7.85% plus the greater of one-month Term SOFR or 4.25%. As a result, we are exposed to risks from changes in interest rates. A 1% increase in interest rates would have resulted in a $0.3 million increase to our interest expense for the six months ended June 30, 2026.

Inflationary factors, such as increases in our cost of revenue and operating expenses, may adversely affect our operating results. Although we do not believe inflation has had a material impact on our financial condition, results of operations or cash flows to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain and increase our gross margin or decrease our operating expenses as a percentage of our revenue if our selling prices of our products do not increase as much or more than our costs increase.

We do not currently have any material exposure to foreign currency fluctuations and do not engage in any hedging activities as part of our normal course of business.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation and supervision of our Chief Executive Officer and our Chief Operating Officer and Chief Financial Officer, have evaluated our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report. Based on that evaluation, our Chief Executive Officer and Chief Operating Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this Quarterly Report, our disclosure controls and procedures are effective to provide

reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Operating Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

We are not currently subject to any material legal proceedings.

Item 1A. Risk Factors.

You should carefully consider the risk factors described in our Annual Report, under the caption "Item 1A. Risk Factors." Except as described below, there have been no material changes in our risk factors disclosed in our Annual Report.

Our current cash position, losses, negative cash flows from operations and covenant requirements under our Credit Agreement with Perceptive raise substantial doubt about our ability to continue as a going concern.

To date, we have incurred significant operating losses in each year since our inception and we anticipate that losses may continue for the next several years or until such time as we can generate substantial revenues and achieve profitability. Our Credit Agreement with Perceptive requires compliance with certain financial covenants, including minimum revenue and liquidity thresholds. Our ability to manage our future covenant compliance is dependent in part upon our ability to grow revenue and manage expenses. In connection with the preparation of this Quarterly Report on Form 10-Q for the period ended June 30, 2026, although we were in compliance with these covenants as of June 30, 2026 and we had cash and cash equivalents of $30.4 million, our current forecasts indicate that it is probable that we will not achieve the minimum revenue threshold required under the Credit Agreement for certain future quarterly periods within the twelve month period after June 30, 2026. If we fail to satisfy the minimum revenue covenant, or any other covenant, and do not obtain a waiver or amendment from Perceptive, Perceptive could declare an event of default and accelerate repayment of all outstanding principal and accrued interest under the Credit Agreement, terminate any commitment to extend further credit and foreclose on the collateral granted to it to collateralize such indebtedness. We do not expect to have sufficient liquidity to repay such obligations if repayment were accelerated and therefore there is substantial doubt as to whether we can continue as a going concern for the twelve months from the period ended June 30, 2026.

To address these conditions, we are evaluating and pursuing various actions, including seeking a waiver of, or amendment to, the applicable minimum revenue covenant requirements under the Credit Agreement, pursuing strategic initiatives intended to increase revenues, and implementing measures designed to reduce operating expenses. There can be no assurances that we will successfully negotiate such a waiver or amendment on acceptable terms, or at all, or that we will successfully implement adequate strategic initiatives resulting in an increase revenue to or reduction of expenses. Furthermore, our ability to achieve the level of revenue growth necessary to comply with the minimum revenue covenant is dependent on future operating performance and other factors that are not entirely within our control. In addition, the perception that we may not be able to continue as a going concern may impede our ability to pursue strategic opportunities or operate our business due to concerns about our ability to meet our contractual obligations.

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

Recent Sales of Unregistered Securities

None.

Purchase of Equity Securities

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Rule 10b5-1 and Non-Rule 10b5-1 Trading Arrangements

During the three months ended June 30, 2026, none of our directors or officers adopted, terminated or modified a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as defined in Item 408(a) of Regulation S-K of the Exchange Act.

Item 6. Exhibits.

The following exhibits are being filed herewith:

EXHIBIT INDEX

Exhibit No.	Exhibit
31.1	Certification of Chief Executive Officer pursuant to Rules 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Chief Financial Officer pursuant to Rules 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101 INS	Inline XBRL Instance Document (filed herewith).
101 SCH	Inline XBRL Taxonomy Extension Schema Document (filed herewith).
101 CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith).
101 DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document (filed herewith).
101 LAB	Inline XBRL Taxonomy Extension Label Linkbase Document (filed herewith).
101 PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document (filed herewith).
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

SIGNATURES

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

TELA BIO, INC.

Date: August 11, 2026

By: /s/ HEATHER GETZ
Heather Getz
Chief Executive Officer
(Principal executive officer)

Date: August 11, 2026

By: /s/ ROBERTO CUCA
Roberto Cuca
Chief Operating Officer, Chief Financial Officer and Corporate Secretary
(Principal financial officer)

Date: August 11, 2026

By: /s/ MEGAN SMEYKAL
Megan Smeykal
Chief Accounting Officer and Controller
(Principal accounting officer)

EXHIBIT 31.1

CERTIFICATION

Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934,
as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Heather Getz, certify that:

1. I have reviewed this Form 10-Q of TELA Bio, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: August 11, 2026

/s/ Heather Getz
Heather Getz
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934,
as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Roberto Cuca, certify that:

1. I have reviewed this Form 10-Q of TELA Bio, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: August 11, 2026

/s/ Roberto Cuca
Roberto Cuca
Chief Operating Officer, Chief Financial Officer and Corporate Secretary
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350,
as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), that: Heather Getz, Chief Executive Officer of TELA Bio, Inc. (the "Company"), hereby certifies that, to the best of his knowledge:

(1) The Company's Quarterly Report on Form 10-Q for the period ended June 30, 2026, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

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

Date: August 11, 2026

/s/ Heather Getz
Heather Getz
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350,
as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), that: Roberto Cuca, Chief Operating Officer and Chief Financial Officer of TELA Bio, Inc. (the "Company"), hereby certifies that, to the best of his knowledge:

(1) The Company's Quarterly Report on Form 10-Q for the period ended June 30, 2026, to which this Certification is attached as Exhibit 32.2 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

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

Date: August 11, 2026

/s/ Roberto Cuca
Roberto Cuca
Chief Operating Officer, Chief Financial Officer and Corporate Secretary
(Principal Financial Officer)