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, 2022
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 001-33351

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

Delaware	**04-3308180**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4B Gill Street Woburn, Massachusetts	**01801**
(Address of principal executive offices)	(Zip Code)

(781) 890-9989
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, $0.0001 par value per share Preferred Stock Purchase Rights	NURO	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x 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 and post such files).

Yes x 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 definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

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

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 x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 7,130,487 shares of common stock, par value $0.0001 per share, were outstanding as of July 20, 2022.

NeuroMetrix, Inc.
Form 10-Q
Quarterly Period Ended June 30, 2022

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

NeuroMetrix, Inc.
Balance Sheets

	June 30, 2022 (Unaudited)	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 6,002,329	$ 22,572,104
Held-to-maturity securities	16,965,817	—
Accounts receivable, net	547,775	310,818
Inventories	869,378	706,553
Prepaid expenses and other current assets	241,651	598,384
Total current assets	24,626,950	24,187,859
Fixed assets, net	178,983	198,703
Right of use asset	424,720	475,230
Other long-term assets	26,400	26,400
Total assets	$ 25,257,053	$ 24,888,192
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 400,572	$ 284,036
Accrued expenses and compensation	1,030,607	814,155
Accrued product returns	8,000	39,000
Lease obligation, current	148,391	228,506
Total current liabilities	1,587,570	1,365,697
Lease obligation, net of current portion	258,912	306,709
Total liabilities	1,846,482	1,672,406
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	—	—
Convertible preferred stock	1	1
Common stock, $0.0001 par value; 25,000,000 shares authorized at June 30, 2022 and December 31, 2021; 7,133,724 and 6,694,296 shares issued and outstanding at June 30, 2022 and December 31, 2021, respectively	713	669
Additional paid-in capital	224,691,599	222,378,373
Accumulated deficit	(201,281,742)	(199,163,257)
Total stockholders' equity	23,410,571	23,215,786
Total liabilities and stockholders' equity	$ 25,257,053	$ 24,888,192

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

NeuroMetrix, Inc.
Statements of Operations
(Unaudited)

	Quarters Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Revenues	$ 2,138,301	$ 2,213,499	$ 4,440,692	$ 4,368,971
Cost of revenues	686,121	558,221	1,194,995	1,134,510
Gross profit	1,452,180	1,655,278	3,245,697	3,234,461
Operating expenses:				
Research and development	915,799	641,525	1,626,376	874,802
Sales and marketing	566,598	269,493	1,425,437	663,318
General and administrative	1,180,101	1,276,223	2,366,192	2,288,499
Total operating expenses	2,662,498	2,187,241	5,418,005	3,826,619
Loss from operations	(1,210,318)	(531,963)	(2,172,308)	(592,158)
Other income	50,395	379	53,823	791
Net loss	$ (1,159,923)	$ (531,584)	$ (2,118,485)	$ (591,367)
Net loss per common share applicable to common stockholders, basic and diluted	$ (0.17)	$ (0.13)	$ (0.30)	$ (0.15)

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

NeuroMetrix, Inc.
Statements of Changes in Stockholders' Equity
(Unaudited)

	Series B Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total
	Number of Shares	Amount	Number of Shares	Amount			
Balance at December 31, 2020	200	$ 1	3,807,555	$ 380	$ 202,129,194	$ (196,881,800)	$ 5,247,775
Stock-based compensation expense	—	—	—	—	68,863	—	68,863
Issuance of common stock under at the market offering	—	—	2,408	1	4,196	—	4,197
Net loss	—	—	—	—	—	(59,783)	(59,783)
Balance at March 31, 2021	200	1	3,809,963	381	202,202,253	(196,941,583)	5,261,052
Stock-based compensation expense	—	—	—	—	319,863	—	319,863
Issuance of common stock under at the market offering	—	—	1,207,681	121	3,766,727	—	3,766,848
Issuance of common stock under employee stock purchase plan	—	—	7,055	1	18,949	—	18,950
Vesting of restricted stock under equity plan	—	—	13,911	3	(3)	—	—
Net loss	—	—	—	—	—	(531,584)	(531,584)
Balance at June 30, 2021	**200**	**$ 1**	**5,038,610**	**$ 506**	**$ 206,307,789**	**$ (197,473,167)**	**$ 8,835,129**

	Series B Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total
	Number of Shares	Amount	Number of Shares	Amount			
Balance at December 31, 2021	200	$ 1	6,664,296	$ 669	$ 222,378,373	$ (199,163,257)	$ 23,215,786
Stock-based compensation expense	—	—	—	—	37,632	—	37,632
Issuance of common stock under at the market offering	—	—	292,500	29	1,943,023	—	1,943,052
Vesting of restricted stock under equity plan	—	—	1,759	3	(3)	—	—
Net loss	—	—	—	—	—	(958,562)	(958,562)
Balance at March 31, 2022	200	1	6,958,555	701	224,359,025	(200,121,819)	24,237,908
Stock-based compensation expense	—	—	—	—	109,340	—	109,340
Issuance of common stock under employee stock purchase plan	—	—	2,503	—	7,829	—	7,829
Issuance of common stock to settle compensation obligation	—	—	50,213	5	215,412	—	215,417
Vesting of restricted stock under equity plan	—	—	3,120	7	(7)	—	—
Net loss	—	—	—	—	—	(1,159,923)	(1,159,923)
Balance at June 30, 2022	**200**	**$ 1**	**7,014,391**	**$ 713**	**$ 224,691,599**	**$ (201,281,742)**	**$ 23,410,571**

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

NeuroMetrix, Inc.
Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
	2022	**2021**
Cash flows from operating activities:		
Net loss	$ (2,118,485)	$ (591,367)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	26,277	79,511
Stock-based compensation	146,972	388,726
Issuance of common stock to settle compensation obligations	26,019	—
Impairment charge against right of use asset	—	126,748
Loss on disposal of fixed assets	6,875	—
Accretion of interest income on held-to-maturity securities	(37,275)	—
Changes in operating assets and liabilities:		
Accounts receivable	(236,957)	(122,736)
Inventories	(162,825)	22,128
Prepaid expenses and other current and long-term assets	219,331	28,823
Accounts payable	116,536	147,444
Accrued expenses and compensation	465,850	(148,015)
Accrued product returns	(31,000)	(500,000)
Net cash used in operating activities	(1,578,682)	(568,738)
Cash flows from investing activities:		
Purchases of held-to-maturity securities	(16,928,542)	—
Purchases of fixed assets	(13,432)	(83,273)
Net cash used in investing activities	(16,941,974)	(83,273)
Cash flows from financing activities:		
Net proceeds from issuance of stock	1,950,881	3,789,995
Net cash provided by financing activities	1,950,881	3,789,995
Net (decrease) increase in cash and cash equivalents	(16,569,775)	3,137,984
Cash and cash equivalents, beginning of period	22,572,104	5,226,213
Cash and cash equivalents, end of period	$ 6,002,329	$ 8,364,197
Supplemental disclosure of cash flow information:		
Issuance of common stock to settle compensation obligation	$ 189,398	$ —

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

NeuroMetrix, Inc.
Notes to Unaudited Financial Statements
June 30, 2022

1. Business and Basis of Presentation

Our Business-An Overview

NeuroMetrix, Inc. (the "Company" or "NeuroMetrix") develops and commercializes health care products that utilize non-invasive neurostimulation. Revenues are derived from the sale of medical devices and after-market consumable products and accessories. The Company's products are sold in the United States and select overseas markets. They are cleared by the U.S. Food and Drug Administration ("FDA") and regulators in foreign jurisdictions where appropriate. The Company has two primary products. DPNCheck® is a diagnostic device that provides rapid, point-of-care detection of peripheral neuropathies. Quell® is a wearable neuromodulation technology indicated for treatment of fibromyalgia symptoms and chronic lower extremity pain.

The Company held cash, cash equivalents and held-to-maturity securities totaling $23.0 million as of June 30, 2022. The Company has a history of operating losses and has financed its operations primarily from sales of equity, sales of its products and third party development collaboration payments. The Company believes that its present balance of cash and securities resources coupled with cash inflows from product sales will enable the Company to fund its operations for at least the next twelve months from the date of issuance of the financial statements. Actual cash requirements could differ from management's projections for many reasons. These include the effects of the Covid-19 pandemic on sales, procurement of production materials, and maintenance of critical staffing. They could also include changes the Company may make to its business strategy that affect operating expenses, regulatory developments, changes to research and development spending plans; and other items affecting the Company's projected uses of cash.

Unaudited Interim Financial Statements

The accompanying unaudited balance sheet as of June 30, 2022, unaudited statements of operations, changes in stockholders' equity for the quarters and six months ended June 30, 2022 and 2021 and cash flows for the six months ended June 30, 2022 and 2021 have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. The accompanying balance sheet as of December 31, 2021 does not include all disclosures required by accounting principles generally accepted in the United States of America. In the opinion of management, the financial statements include all normal and recurring adjustments considered necessary for a fair presentation of the Company's financial position and operating results. Operating results for the six months ended June 30, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022 or any other period. These financial statements and notes should be read in conjunction with the financial statements for the year ended December 31, 2021 included in the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, or the SEC, on January 28, 2022 (File No. 001-33351).

Revenues

Revenues include product sales, net of estimated returns. Revenue is measured as the amount of consideration the Company expects to receive in exchange for product transferred. Revenue is recognized when contractual performance obligations have been satisfied and control of the product has been transferred to the customer. In most cases, the Company has a single product delivery performance obligation. Accrued product returns are estimated based on historical data and evaluation of current information.

Accounts receivable are recorded at the amount the Company expects to collect, net of the allowance for doubtful accounts receivable. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses based on customer past payment history, product usage activity, and recent communications with the customer. Individual customer balances which are over 90 days past due are reviewed individually for collectability and written-off when recovery is not probable. Allowance for doubtful accounts was $25,000 as of June 30, 2022 and December 31, 2021.

One customer accounted for 34% and 39% of total revenues in the quarter and six months ended June 30, 2022, respectively. One customer accounted for 26% and 31% of total revenues in the quarter and six months ended June 30, 2021,

respectively. One customer accounted for 40% and two customers accounted for 35% of accounts receivable as of June 30, 2022 and December 31, 2021, respectively.

Held-To-Maturity Securities

The Company's investments in held-to-maturity securities consist of investment grade U.S. Treasury obligations, commercial paper and corporate bonds with maturity dates of less than 365 days. The Company has the ability and intention to hold these securities until maturity. Accordingly, these securities are recorded in the Company's balance sheet at amortized cost and interest is recorded within other income on the Company's statement of operations. The market value of the held-to-maturity securities at June 30, 2022 was $16,796,840.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during reporting periods. Actual results could differ from those estimates.

2. Comprehensive Loss

For the quarters and six months ended June 30, 2022 and 2021, the Company had no components of other comprehensive loss other than net loss itself.

3. Net Loss Per Common Share

Basic and dilutive net loss per common share were as follows:

	Quarters Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net loss applicable to common stockholders	$ (1,159,923)	$ (531,584)	$ (2,118,485)	$ (591,367)
Weighted average number of common shares outstanding, basic and dilutive	7,009,775	4,169,764	6,951,792	3,990,844
Net loss per common share applicable to common stockholders, basic and diluted	$ (0.17)	$ (0.13)	$ (0.30)	$ (0.15)

Shares underlying the following potentially dilutive weighted average number of common stock equivalents were excluded from the calculation of diluted net loss per common share because their effect was anti-dilutive for each of the periods presented:

	June 30,	
	2022	2021
Options	523,505	554,045
Unvested restricted stock awards	119,333	21,404
Unvested restricted stock units	161,764	—
Convertible preferred stock	62	62
Total	804,664	575,511

4. Inventories

Inventories consist of the following:

	June 30, 2022	December 31, 2021
Purchased components	$ 453,610	$ 422,093
Finished goods	415,768	284,460
	$ 869,378	$ 706,553

5. Accrued Expenses and Compensation

Accrued expenses and compensation consist of the following:

	June 30, 2022	December 31, 2021
Professional services	$ 224,000	$ 109,000
Compensation	543,075	440,474
Warranty	21,700	28,400
Leasehold	—	60,000
Sales tax	127,828	108,788
Other	114,004	67,493
	$ 1,030,607	$ 814,155

6. Operating Leases

The Company's lease on its Woburn, Massachusetts corporate office and manufacturing facility extends through September 2025 with a monthly base rent of $13,846 and a 5-year extension option.

Future minimum lease payments under this non-cancellable operating lease as of June 30, 2022 are as follows:

2022	$ 82,892
2023	165,785
2024	165,785
2025	117,431
Total minimum lease payments	$ 531,893
Discount rate, 15%	$ 124,590
Lease obligation, current portion	148,391
Lease obligation, net of current portion	258,912
	$ 531,893

The Company's lease on its former corporate office in Waltham, Massachusetts expired in February 2022. During the first quarter of 2021, the Company recorded an impairment charge of $126,748 on that idle facility which was being offered for sublet. In the first quarter of 2022, a $60,000 reduction in rent expense was recorded upon return of the facility to the lessor. The letter of credit issued by a bank in favor of the Waltham facility was released. For the six months ended June 30, 2022, the Company recorded sublet income totaling $22,795 within operating expenses on the Company's statement of operations.

Total recorded rent expense was $46,102 and $57,453, for the quarters ended June 30, 2022 and 2021, respectively. Total recorded rent expense was $70,856 and $224,357 for the six months ended June 30, 2022 and 2021, respectively. The Company records rent expense on its facility lease on a straight-line basis over the lease term. The remaining operating lease term was 3.2 years as of June 30, 2022.

7. Fair Value Measurements

Assets and liabilities that are measured at fair value are presented below. All Company assets and liabilities measured at fair value utilize Level 1 inputs (i.e. quoted prices (unadjusted) in active markets for identical assets or liabilities).

		Fair Value Measurements at June 30, 2022 Using		
	June 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	$ 5,030,666	$ 5,030,666	$ —	$ —
Total	$ 5,030,666	$ 5,030,666	$ —	$ —

		Fair Value Measurements at December 31, 2021 Using		
	December 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	$ 20,317,736	$ 20,317,736	$ —	$ —
Total	$ 20,317,736	$ 20,317,736	$ —	$ —

The Company's cash equivalents consist of money market accounts.

8. Stockholders' Equity

Preferred stock and convertible preferred stock consist of the following:

	June 30, 2022	December 31, 2021
Preferred stock, $0.001 par value; 5,000,000 shares authorized at June 30, 2022 and December 31, 2021; no shares issued and outstanding at June 30, 2022 and December 31, 2021	$ —	$ —
Series B convertible preferred stock, $0.001 par value; 147,000 shares designated at June 30, 2022 and December 31, 2021; 200 shares issued and outstanding at June 30, 2022 and December 31, 2021	$ 1	$ 1

2022 equity activity

In January 2022, the Company issued 292,500 shares of common stock under an at-the-market (ATM) equity offering program with net proceeds of $1,943,052 and issued 20,000 restricted stock awards under its 2004 Stock Option Plan with a value of $104,200. In April 2022, the Company issued 76,000 shares of restricted common stock under its 2022 Equity Incentive Plan with a value of $326,000 to employees as long term incentives (LTI) and issued 50,213 shares of fully vested common stock with a value of $215,417 in settlement of management incentive compensation. In May 2022, the Company issued 161,764 restricted stock units with a value of $550,000 as LTI to its management and directors under its 2022 Equity Incentive Plan. In June 2022, the Company issued 2,503 shares of fully vested common stock with a value of $7,829 pursuant to the Company's Employee Stock Purchase Plan. As of June 30, 2022, the Company had issued 119,333 shares of restricted common stock and 161,764 restricted stock units that remain unvested. At December 31, 2021 the Company had issued 30,000 shares of restricted common stock that were unvested. Total compensation cost related to non-vested awards not yet recognized at June 30, 2022 was $1,183,449. These unrecognized costs are expected to be recognized over a weighted-average period of 2.5 years.

2021 equity activity

In January 2021, the Company issued 2,408 shares of fully vested common stock with a value of $4,197 pursuant to the Company's Employee Stock Purchase Plan. In May 2021, the Company issued 42,808 shares of restricted common stock with a value of $125,000 under its 2004 Stock Option Plan. As of June 30, 2021, 13,911 of these shares were vested, 7,493 shares were forfeited to settle withholding taxes on the vesting and 21,404 remain restricted. In June 2021, the Company issued 7,055 shares of fully vested common stock with a value of $18,950 pursuant to the Company's Employee Stock Purchase Plan. During the six months ended June 30, 2021, the Company issued 1,207,681 shares of its common stock, under the ATM for net proceeds of $3,766,848.

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

You should read the following discussion of our financial condition and results of operations in conjunction with our financial statements and the accompanying notes to those financial statements included elsewhere in this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements that involve risks and uncertainties. For a description of factors that may cause our actual results to differ materially from those anticipated in these forward-looking statements, please refer to the below section of this Quarterly Report on Form 10-Q titled "Cautionary Note Regarding Forward-Looking Statements." Unless the context otherwise requires, all references to "we", "us", the "Company", or "NeuroMetrix" in this Quarterly Report on Form 10-Q refer to NeuroMetrix, Inc.

Our Business

Our mission is to reduce the impact of neurological disorders and pain syndromes on individuals and on population health through innovative non-invasive medical devices.

Our business is fully integrated with in-house capabilities spanning research and development, manufacturing, regulatory affairs and compliance, sales and marketing, product fulfillment and customer support. We derive revenues from the sale of medical devices and after-market consumable products and accessories. Our products are proprietary and encompass point-of-care neuropathy diagnostic tests and wearable neurotherapeutic devices.

DPNCheck is our testing technology for peripheral neuropathies. It is designed to address unmet physician needs in the assessment of peripheral neuropathy risk, particularly in value-based care models such as Medicare Advantage. The technology is well-suited to this task given its ease of use, rapid testing, quantitative results, and overall high sensitivity and specificity. DPNCheck has been evaluated in numerous clinical studies. It contributes attractive gross margins and has posted average revenue growth exceeding 20% over the past five years through December 31, 2021. We believe there is significant, accessible opportunity to expand DPNCheck usage. Towards that goal, we are investing in commercial resources and in the technology itself. Our next generation DPNCheck technology, targeted for commercial launch in late 2022, will further enhance the user experience and improve our manufacturing efficiency.

Quell is our wearable neuromodulation technology for chronic pain and associated syndromes. Patients control and personalize the technology via a mobile phone app and their utilization and certain clinical metrics may be tracked in the Quell Health Cloud. Quell is currently sold over-the-counter (OTC) for the management of lower extremity chronic pain. Its technological sophistication, combined with our extensive consumer experience and the compelling results of recent clinical studies provide the opportunity to leverage the technology platform into a portfolio of Quell-based prescription (Rx) wearable neurotherapeutics. The first product in that portfolio will be a Quell fibromyalgia indication which was recently approved for marketing by the FDA under a De Novo regulatory filing.

ADVANCE is our legacy neurodiagnostic technology primarily used for the diagnosis and screening of Carpal Tunnel Syndrome (CTS). The technology has been marketed since 2008. While we no longer market ADVANCE devices, we continue to provide disposable electrodes to a loyal base of hand surgeons and manufacturers for industrial health use.

Recent Developments

Breakthrough Device Designation for Quell fibromyalgia indication - In 2021, Quell received Breakthrough Device Designation (BDD) from the FDA for a fibromyalgia indication. A pivotal clinical study of Quell for fibromyalgia was completed, and the indication was authorized for marketing by the FDA under a De Novo regulatory filing. We are planning a limited commercial launch in late 2022 to guide our marketing approach. We plan a similar approach with other disease indications involving chronic pain and associated syndromes. These include chemotherapy induced peripheral neuropathy (CIPN) and, potentially, chronic overlapping pain conditions (COPC) and restless leg syndrome (RLS). We intend to end sales of the current OTC version of Quell in advance of the launch of the Quell fibromyalgia indication. Our focus would then be on the development of a Quell prescription portfolio for disease-specific indications where we would have unique product offerings without direct, non-pharmaceutical competition.

Breakthrough Device Designation for Chronic Chemotherapy CIPN indication - In January 2022, Quell received BDD from the FDA for reducing moderate to severe symptoms of chemotherapy induced peripheral neuropathy that have persisted for at least six months following the end of chemotherapy. A National Cancer Institute (NCI) funded, multi-center, double

blind, randomized, sham-controlled trial of Quell in CIPN is currently ongoing. The study is expected to complete by the end of 2022. Depending on the outcome of the trial, we hope to be positioned for an FDA filing in 2023.

Equity sales – We secured $1.95 million in net proceeds from equity sales in the first half of 2022. We maintain a debt-free, primarily common stock equity capital structure, and adequate funding resources to support operations and our growth initiatives.

COVID-19 - The ongoing COVID-19 pandemic continues to adversely affect our business. It is difficult to quantify the disruption to our markets and customers; however, we believe the effects have been more pronounced in the diagnostic testing markets for DPNCheck and ADVANCE, and less pronounced in the consumer retail markets for Quell. Generally, we see continued purchases of testing consumables by existing customers but with less predictability than in the past. Also, our growth via new customer acquisition has been lower due to the marketing challenges resulting from COVID-19 restrictions.

We have been able to maintain our business operations during the past two years while prioritizing employee safety. On-premises staffing in production and fulfillment has successfully met our business requirements. Other functional areas including R&D, sales and marketing, and administration have been a blend of on-premises and remote work. These functional areas have been disadvantaged to a degree by the pandemic.

We plan to continue with our present blend of staff activity until we have greater clarity on the opportunities and risks of a more personally interactive business model. The extent to which COVID-19 affects future operations will depend on new developments which are uncertain and cannot be predicted with confidence, including the pandemic duration, severity, vaccination effectiveness, and treatments available to those with severe COVID-19 symptoms. Also uncertain are the potential effects on our business of the economic impacts from the pandemic including inflation, electronic parts and components availability, labor availability and costs, and other issues.

Results of Operations

Comparison of Quarters Ended June 30, 2022 and 2021

	Quarter ended June 30,		Increase (Decrease)	
	2022	2021	Amount	Percent
Revenues	$ 2,138,301	$ 2,213,499	$ (75,198)	(3.4)%
Gross profit	$ 1,452,180	$ 1,655,278	$ (203,098)	(12.3)%
– % of revenues	67.9 %	74.8 %		(6.9)%
Operating expenses	$ 2,662,498	$ 2,187,241	$ 475,257	21.7 %
Other income, net	$ 50,395	$ 379	$ 50,016	13,196.8 %
Net loss	$ (1,159,923)	$ (531,584)	$ 628,339	118.2 %
Net loss per common share	$ (0.17)	$ (0.13)	$ 0.04	30.8 %

Revenues

Revenues for the second quarter of 2022 decreased by $75 thousand or 3.4% from the second quarter of 2021. DPNCheck contributed the majority of revenues in both quarters. It posted revenue growth of 13.6% in the second quarter of 2022, attributable to increased device placements both domestic and international, as well as increased biosensor shipments. Quell revenue declined in the second quarter of 2022 with lower advertising spending and an emphasis on product line profitability. Our legacy ADVANCE revenues also declined due to continuing erosion of the customer base.

Gross Profit

Gross profit for the second quarter of 2022 decreased by $203 thousand or 12.3% from the second quarter of 2021. The decrease reflected the decline in revenues exacerbated by increases in cost of goods sold to secure essential electronic components for the manufacture of our devices.

Operating Expenses

Operating expenses increased in the second quarter of 2022 by $475 thousand or 21.7% from the second quarter of 2021. The increase reflects investment in our DPNCheck initiatives to drive future growth, including the expansion of our commercial capabilities and bringing to market our next generation testing technology. The increase also includes regulatory and development costs related to the Quell disease-specific indications portfolio.

Research and development spending in the second quarter of 2022 of $916 thousand was $274 thousand higher than the second quarter of 2021 attributable to expanded outside engineering services. Sales and marketing spending of $567 thousand increased by $297 thousand over the second quarter of 2021. The increase was attributable to personnel costs of $259 thousand greater than the prior year quarter reflecting costs of the new commercial team supporting DPNCheck. General and administrative costs of $1.2 million in the second quarter of 2022 decreased by $96 thousand primarily due to lower personnel costs.

Net loss

The net loss in the second quarter of 2022 increased by $628 thousand from the second quarter of 2021. Similarly, net loss per common share increased to ($0.17) per common share in the second quarter of 2022 from ($0.13) per common share in the second quarter of 2021. The increase in the number of our common shares outstanding in the second quarter of 2022 partially offset the per share effect of a greater net loss in that period.

Comparison of Six Months Ended June 30, 2022 and 2021

	Six months ended June 30,		Increase (Decrease)	
	2022	2021	Amount	Percent
Revenues	$ 4,440,692	$ 4,368,971	$ 71,721	1.6 %
Gross profit	$ 3,245,697	$ 3,234,461	$ 11,236	0.3 %
– % of revenues	73.1 %	74.0 %		(0.9)%
Operating expenses	$ 5,418,005	$ 3,826,619	$ 1,591,386	41.6 %
Other income, net	$ 53,823	$ 791	$ 53,032	6,704.4 %
Net loss	$ (2,118,485)	$ (591,367)	$ 1,527,118	258.2 %
Net loss per common share	$ (0.30)	$ (0.15)	$ 0.15	100.0 %

Revenues

Revenues for the first half of 2022 increased by $72 thousand or 1.6% from the first half of 2021. DPNCheck contributed the majority of revenues in both quarters. It posted revenue growth of 14.6% in the first half of 2022, primarily attributable to increased biosensor shipments both domestic and international. Quell revenue declined in the first half of 2022 with lower advertising spending and an emphasis on product line profitability. Our legacy ADVANCE revenues also declined with the continuing erosion of the customer base.

Gross Profit

Gross profit for the first half of 2022 increased slightly by $11 thousand or 0.3% from the first half of 2021. Gross profit as a percent of revenue was approximately flat between the comparable periods.

Operating Expenses

Operating expenses increased in the first half of 2022 by $1.6 million or 41.6% from the first half of 2021. The increase includes a research and development benefit in 2021 of $450 thousand from reversal of previously accrued technology fees upon the expiry of the relevant statute of limitations. Excluding the one-time research and development benefit in 2021, the increase in operating expenses between the periods was $1.1 million or 27%. The increase in spending reflects investment in DPNCheck initiatives to drive future growth, including the expansion of DPNCheck commercial capabilities and product initiatives for the Medicare Advantage market. The increase also reflects regulatory and product development investments related to the emerging Quell portfolio for disease-specific indications.

Research and development spending in the first half of 2022 of $1.6 million was $752 thousand higher than the first half of 2021. Adjusting for the one-time technology credit in 2021, the research and development spending increase of $301 thousand or 23% encompasses product development efforts for both DPNCheck and Quell. Sales and marketing spending of $1.4 million increased by $762 thousand due to the addition of a new commercial team for DPNCheck. General and administrative costs of $2.4 million increased by $78 thousand or 3.4% primarily due to inflation

Net loss

The net loss for the first half of 2022 increased by $1.5 million from 2021. Similarly, net loss per common share increased to ($0.30) per common share in the first half of 2022 from ($0.15) per common share in the first half of 2021. The increase in the number of common shares outstanding in the first half of 2022 partially offset the effect of a greater net loss in that period.

Liquidity and Capital Resources

The following table contains certain key performance indicators we believe depict our liquidity and cash flow position:

	June 30,		December 31,
	2022	2021	2021
Cash, cash equivalents and securities	$ 22,968,146	$ 8,364,197	$ 22,572,104
Working capital	$ 23,039,380	$ 8,448,353	$ 22,822,162
Current ratio	15.5	6.3	17.7
Days sales outstanding	25.9	19.0	14.1
Inventory turnover	3.5	2.2	2.2

Our primary sources of liquidity are cash, cash equivalents, held-to-maturity securities, revenues from the sales of our products, and net proceeds from equity sales. Our expected cash outlays relate to funding operations. We believe that our resources are sufficient to fund our cash requirements over at least the next twelve months from the date of issuance of the financial statements.

As of June 30, 2022, we held $23.0 million in cash, cash equivalents, and held-to-maturity securities. Working capital was $23.0 million, and the current ratio was 15.5. The Company had no term debt or borrowings.

Days sales outstanding (DSO) reflect our customer payment terms which vary from payment on order to 60 days from shipment date. The increase in DSO at June 30, 2022 in comparison with December 31, 2021 reflects the timing of shipments during the first half of 2022. The inventory turnover rate reflects reduced stocking levels relative to the prior year quarter and prior year end.

Cash Flows

	Six months ended June 30,		
	2022	2021	Change
Net cash provided by (used in):			
Operating activities	$ (1,578,682)	$ (568,738)	$ (1,009,944)
Investing activities	(16,941,974)	(83,273)	(16,858,701)
Financing activities	1,950,881	3,789,995	(1,839,114)
Net change in cash and cash equivalents	$ (16,569,775)	$ 3,137,984	

Operating activities
Operations cash usage in the first half of 2022 increased by $1.0 million from the comparable period in 2021. This reflects the increased net loss and non-cash adjustments in the components of working capital.

Investing activities

Investing activities in the first half of 2022 primarily reflect the deployment of cash to purchase investment grade, held-to-maturity securities in the amount of $16.9 million. The cash deployed is invested short term, and while it is not forecasted to be essential to the Company’s near-term operations requirements, provides a cushion if necessary.

Financing activities

Equity sales in the first half of 2022 contributed $1.95 million. Common shares were sold to investors utilizing the Company's at-the-market (ATM) facility.

We maintain a shelf registration statement covering the sales of shares of our common stock and other securities, and giving us the opportunity to raise funding when needed or otherwise considered appropriate at prices and on terms to be determined at the time of any such offerings. Pursuant to the instructions to Form S-3, we have the ability to sell shares under the shelf registration statement, during any 12-month period, in an amount less than or equal to one-third of the aggregate market value of our common stock held by non-affiliates. If we raise additional funds by issuing equity or debt securities, either through the sale of securities pursuant to a registration statement or by other means, our existing stockholders may experience dilution, and the new equity or debt securities may have rights, preferences and privileges senior to those of our existing stockholders.

Cautionary Note Regarding Forward-Looking Statements

The statements contained in this Quarterly Report on Form 10-Q, including under the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other sections of this Quarterly Report, include 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, or the Exchange Act, including, without limitation, statements regarding our or our management's expectations, hopes, beliefs, intentions or strategies regarding the future, such as our estimates regarding anticipated operating losses, future revenues and projected expenses, the effect of the COVID-19 pandemic on our operating capabilities, our future liquidity and our expectations regarding our needs for and ability to raise additional capital; our ability to manage our expenses effectively and raise the funds needed to continue our business; our belief that there are unmet needs for the management of chronic pain and in the diagnosis and treatment of diabetic neuropathy; our expectations surrounding our commercialized neurostimulation and neuropathy diagnostic products; our expected timing and our plans to develop and commercialize our products; our ability to meet our proposed timelines for the commercial availability of our products; our ability to obtain and maintain regulatory approval of our existing products and any future products we may develop; regulatory and legislative developments in the United States and foreign countries; the performance of our third-party manufacturers; our ability to obtain and maintain intellectual property protection for our products; the successful development of our sales and marketing capabilities; the size and growth of the potential markets for our products and our ability to serve those markets; our estimate of our customer returns of our products; the rate and degree of market acceptance of any future products; our reliance on key scientific management or personnel; the payment and reimbursement methods used by private or government third party payers; and other factors discussed elsewhere in this Quarterly Report on Form 10-Q. The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "plan" and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. The forward-looking statements contained in this quarterly report are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described in the section titled "Risk Factors" in our Annual Report on Form 10-K. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We do not use derivative financial instruments in our investment portfolio and have no foreign exchange contracts. Our financial instruments consist of cash and cash equivalents. We consider investments that, when purchased, have a remaining maturity of 90 days or less to be cash equivalents. The primary objectives of our investment strategy are to preserve principal, maintain proper liquidity to meet operating needs, and maximize yields. To minimize our exposure to an adverse shift in interest rates, we invest mainly in cash equivalents and short-term investments with a maturity of twelve months or less and maintain an average maturity of twelve months or less. We do not believe that a notional or hypothetical 10% change in interest rate percentages would have a material impact on the fair value of our investment portfolio or our interest income.

Item 4. Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures*. Our principal executive officer and principal financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of June 30, 2022, have concluded that, based on such evaluation, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(b) *Changes in Internal Controls*. There were no changes in our internal control over financial reporting, identified in connection with the evaluation of such internal control that occurred during the quarter ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

While we are not currently a party to any material legal proceedings, we could become subject to legal proceedings in the ordinary course of business. We do not expect any such potential items to have a significant impact on our financial position.

Item 1A. Risk Factors

There have been no material changes in the risk factors described in "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2021.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
31.1	Certification of Principal Executive Officer Under Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, and pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002. Filed herewith.
31.2	Certification of Principal Financial Officer Required Under Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.
32	Certification of Principal Executive Officer and Principal Financial Officer Required Under Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350. Furnished herewith.
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document). 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). Filed herewith.

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.

NEUROMETRIX, INC.

July 21, 2022 /s/ SHAI N. GOZANI, M.D., PH. D.
Shai N. Gozani, M.D., Ph. D.
Chairman, President and Chief Executive Officer

July 21, 2022 /s/ THOMAS T. HIGGINS
Thomas T. Higgins
Senior Vice President, Chief Financial Officer and Treasurer

EXHIBIT 31.1

CERTIFICATION

I, Shai N. Gozani, M.D., Ph.D., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of NeuroMetrix, 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(s) 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(s) 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: July 21, 2022

/s/ SHAI N. GOZANI, M.D., PH. D.

Shai N. Gozani, M.D., Ph.D.

Chairman, President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Thomas T. Higgins, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of NeuroMetrix, 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(s) 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(s) 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: July 21, 2022

/s/ THOMAS T. HIGGINS

Thomas T. Higgins

Senior Vice President, Chief Financial Officer and Treasurer

EXHIBIT 32

CERTIFICATION

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of NeuroMetrix, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report for the quarter ended June 30, 2022 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ SHAI N. GOZANI, M.D., PH. D.

Shai N. Gozani, M.D., Ph.D.
Chairman, President and Chief Executive Officer

/s/ THOMAS T. HIGGINS

Thomas T. Higgins
Senior Vice President, Chief Financial Officer and Treasurer

July 21, 2022

This certification is being furnished and not filed, and shall not be incorporated into any document for any purpose, under the Securities Exchange Act of 1934 or the Securities Act of 1933.