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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2023

OR

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

Commission File Number 001-37918

iRhythm Technologies, Inc.

(Exact name of Registrant as specified in its Charter)

Delaware	**20-8149544**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
699 8th Street, Suite 600 San Francisco, California	**94103**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (415) 632-5700

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, Par Value $.001 Per Share	**IRTC**	**The Nasdaq Stock Market**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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 and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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 definition of "large accelerated filer", "accelerated filer", "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the Registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the Registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of common stock on The Nasdaq Stock Market LLC on June 30, 2023, was approximately $3.2 billion.

The number of shares of Registrant's Common Stock outstanding as of February 15, 2024, was 30,978,772.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the information called for by Part III of this Form 10-K is hereby incorporated by reference from the definitive Proxy Statements for our annual meeting of stockholders, which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2023.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements contained in this Annual Report on Form 10-K other than statements of historical fact, including statements concerning our plans, objectives, and expectations for our business, operations, and financial performance and condition, are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "anticipate," "assume," "believe," "contemplate," "continue," "could," "due," "estimate," "expect," "goal," "intend," "may," "objective," "plan," "predict," "potential," "positioned," "seek," "should," "target," "will," "would," and other similar expressions that are predictions of or indicate future events and future trends, or the negative of these terms or other comparable terminology. These forward-looking statements include, but are not limited to, statements about:

- the expected impact of global business, political, and macroeconomic conditions, including inflation, interest rate volatility, cybersecurity events, uncertainty with respect to the federal budget and debt ceiling and potential government shutdowns related thereto, potential instability in the global banking system, and volatile market conditions, and global events, including public health crises, and ongoing geopolitical conflicts, such as the war in Ukraine and conflict in the Middle East, on our business, operations, and financial results;
- the impact of supply chain disruptions on our operations and financial results;
- the impact of inflationary costs on our operations and financial results;
- plans to conduct further clinical studies, including any clinical trials initiated by third parties;
- our plans to modify our current systems and services, or identify and develop, or acquire, new products or services, to address additional indications;
- the expected growth of our business and our organization;
- our expectations regarding government and third-party payor coverage and reimbursement or other regulatory actions or decisions;
- our compliance with all applicable laws, rules, and regulations, including those of the U.S. Food and Drug Administration;
- our expectations regarding the size of our sales organization and expansion of our sales and marketing efforts, including in international geographies;
- our expectations regarding revenue, cost of revenue, cost of service per device, operating expenses, including research and development expense, sales and marketing expense, and general and administrative expenses;
- our ability to retain and recruit key personnel, including the continued development of a sales and marketing infrastructure;
- our ability to obtain and maintain intellectual property protection for our systems and services;
- our estimates of our expenses, ongoing losses, future revenue, capital requirements, and our needs for, or ability to obtain, additional financing;
- our financial performance; and
- developments and projections relating to our competitors or our industry.

We believe that it is important to communicate our future expectations to our investors. However, there may be events in the future that we are not able to accurately predict or control and that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. 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 and 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. As a result, any or all of our forward-looking statements in this Annual Report on Form 10-K may turn out to be inaccurate. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under "Risk Factors" and elsewhere in this Annual Report on Form 10-K. Potential investors are urged to consider these factors carefully in evaluating the forward-looking statements. These forward-looking statements speak only as of the date of this Annual Report on Form 10-K. We assume no obligation to update or revise these forward-looking statements for any reason after the date of this Annual Report on Form 10-K to conform these statements to actual results or to changes in our expectations, even if new information becomes available in the future.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance, or events and circumstances reflected in the forward-looking statements will be achieved or occur.

You should read this Annual Report on Form 10-K and the documents that we reference in this Annual Report on Form 10-K and have filed with the Securities and Exchange Commission (the "SEC") as exhibits to the Annual Report on Form 10-K with the understanding that our actual future results, levels of activity, performance, and events and circumstances may be materially different from what we expect.

Summary of Risk Factors

Our business is subject to numerous risks and uncertainties, including those risks more fully described below. These risks include, among others, the following, which we consider our most material risks:

- Reimbursement by Medicare is highly regulated and subject to change, and our failure to comply with applicable regulations, including regulations not designed for remote diagnostic tests like our Zio Services, could prevent us from receiving reimbursement under the Medicare program and some commercial payors, subject us to penalties, and adversely affect our reputation, business, and results of operations.
- If reimbursement or other payment for our Zio Services is reduced or modified in the United States, including through cost containment measures or changes to policies with respect to coding, coverage, and pricing, our business could suffer.
- If we are unable to expand the number of third-party commercial payors with which we contract or expand coverage for existing third-party commercial payors, our commercial success could be impacted.
- Our revenue relies on our Zio Services, which are currently our only offerings. If our Zio Services or future service offerings fail to gain, or lose, market acceptance, our business will suffer.
- The market for remote cardiac monitoring solutions is highly competitive. If our competitors are able to develop or market monitoring devices and services that are more effective, or gain greater acceptance in the marketplace, than any services and related devices we develop, our commercial opportunities will be reduced or eliminated.
- Billing for our Zio Services is complex and highly regulated, and we must dedicate substantial time and resources to the billing process. Failure to comply with legal, regulatory, or contractual requirements applicable to our billing and collection activities could subject us to penalties, and adversely affect our reputation, business and results of operations.
- Audits or denials of our claims by government agencies or payors could expose us to recoupment, regulatory scrutiny, and penalties.
- Although our current Zio Systems are comprised of medical devices that have received FDA marketing authorization (510(k) clearance) as well as regulatory certifications in the European Union ("EU") and the United Kingdom ("UK"), we may regularly engage in product enhancements and in iterative changes to existing products, as well as seek to develop new technology or use of technology for new indications for use. These medical device developments may trigger further regulatory reviews and the results of those reviews are unpredictable.
- We are subject to extensive compliance requirements for the quality, design, safety, performance, and post-market surveillance of the medical devices we manufacture for use in our Zio Services, and for vigilance on complaint-handling, escalation, assessment, and reporting of adverse events and malfunctions. A wide range of quality, risk, regulatory, or safety matters could trigger the need for a recall, a hold on the distribution of the marketed product, or other corrective actions to marketed products.
- Because of the patient populations for which our services are provided and the complexity of the healthcare environment in which we operate, a high degree of medical and clinical input may be necessary to evaluate complaints and adverse events, and in some cases, there may be disagreement over whether our services or the medical devices used in our services may have caused or contributed to an event.
- International expansion of our business exposes us to market, regulatory, political, operational, financial, and economic risks associated with doing business outside of the United States.
- We may face risks associated with acquisitions of companies, products, and technologies and our business could be harmed if we are unable to address these risks.

- Our use of third-party service providers or company resources located outside the United States to support certain customer care, clinical, and other operations of our independent diagnostic testing facilities may present challenges, and if we are ineffective in limiting work performed by these service providers or company resources consistent with applicable regulations or our contractual agreements with commercial payors, we may be subject to penalties or experience loss of revenue.
- If we fail to comply with medical device, healthcare, and other governmental regulations, we could face substantial penalties and our business, results of operations, and financial condition could be adversely affected.
- Changes in applicable laws or regulations or the interpretation or enforcement policies of regulators governing our IDTFs and Zio Services may constrain or require us to restructure our operations or adapt certain business strategies, which may harm our revenue and operating results.
- Our business relies on orders from licensed healthcare providers, and the continuing clinical acceptance and adoption of our Zio Services depends upon strong working relationships with healthcare providers, including physicians. These relationships, interactions, and arrangements are subject to a high degree of scrutiny by government regulators and enforcement bodies.
- Our communications with healthcare stakeholders – physicians and other healthcare professionals, payors and similar entities, as well as patients and lay caregivers – are subject to a high degree of scrutiny for compliance with a wide range of laws and regulations. Continuing or increasing our sales and marketing and other external communication efforts may expose us to additional risk of being alleged or deemed to be non-compliant by regulators, enforcement authorities, or competitors.
- In the future we may identify additional material weaknesses or otherwise fail to maintain an effective system of internal controls, which may result in material misstatements of our consolidated financial statements or cause us to fail to meet our periodic reporting obligations.
- Our financial results may fluctuate significantly from quarter-to-quarter and may not fully reflect the underlying performance of our business.
- We are subject to legal proceedings and government investigations that could adversely affect our business, financial condition, and results of operations.
- We are subject to complex and evolving U.S. and foreign laws and regulations and other requirements regarding privacy, data protection, security, and other matters. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or declines in customer growth or engagement, or otherwise harm our business.
- If securities or industry analysts do not publish research or reports about our business, or if they issue an adverse or misleading opinion regarding our stock, our stock price and trading volume could decline.
- Our stock price is highly volatile and investing in our stock involves a high degree of risk, which could result in substantial losses for investors.
- Increasing our financial leverage could affect our operations and profitability.

PART I

ITEM 1: BUSINESS

Company Background

iRhythm Technologies Inc.[1] is a leading digital healthcare company that creates trusted solutions that detect, predict, and prevent disease. Our principal business is the design, development, and commercialization of device-based technology to provide ambulatory cardiac monitoring services that we believe allow clinicians to diagnose certain arrhythmias quicker and with greater efficiency than other services that rely on traditional technology.

Since first receiving clearance from the U.S. Food and Drug Administration ("FDA") for our technology in 2009, we have supported physician and patient use of our technology and provided ambulatory cardiac monitoring services from our Medicare-enrolled independent diagnostic testing facilities ("IDTFs") and with our qualified technicians. We have provided our Zio ambulatory cardiac monitoring services, including long-term continuous monitoring, short-term continuous monitoring, and mobile cardiac telemetry ("MCT") monitoring services (collectively, the "Zio Services"), using our Zio Systems (as defined below).

Each Zio System combines an FDA-cleared and CE-marked, wire-free, patch-based, 14-day wearable biosensor that continuously records electrocardiogram ("ECG") data with a proprietary, FDA-cleared, CE-marked cloud-based data analytic software to help physicians monitor patients and diagnose arrhythmias. Since receiving FDA clearance, we have provided the Zio Services to over six million patients and have collected over 1.8 billion hours of curated heartbeat data.

The Company was incorporated in the state of Delaware in September 2006. Our principal executive offices are located at 699 8th Street, Suite 600, San Francisco, California 94103, and our telephone number is (415) 632-5700. Our common stock is listed on The Nasdaq Global Select Market under the symbol "IRTC", and we employ approximately 2,000 regular full-time employees as of December 31, 2023.

Our website address is http://www.iRhythmtech.com, and our investor relations website is located at https://www.investors.irhythmtech.com. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Exchange Act are available free of charge on our investor relations website as soon as reasonably practicable after we file such material with the SEC.

iRhythm investors and others should note that we announce material information to the public about our company, products, and services, and other issues through a variety of means – including via our website, our investor relations website, press releases, SEC filings, and public conference calls – to achieve broad, non-exclusionary distribution of information to the public and to comply with our disclosure obligations under Regulation FD. We encourage our investors and others to review the information we make public in these locations as such information could be deemed material. Please note that this information may be updated from time to time.

Cardiac Arrhythmias and the Ambulatory Cardiac Monitoring Market

Cardiac Arrhythmias

Every year, millions of patients experience symptoms potentially associated with cardiac arrhythmias, a condition in which the electrical impulses that coordinate heartbeats do not occur properly, causing the heart to beat too quickly, too slowly, or irregularly. Early detection of heart rhythm disorders, such as atrial fibrillation ("Afib") and other clinically relevant arrhythmias, supports appropriate medical intervention and can help avoid more serious downstream medical events, including stroke.

[1] As used throughout the text of Items 1 to 7, on Form 10-K, the term "iRhythm,", "the Company," "we" or "us," refers to iRhythm Technologies, Inc., a Delaware corporation, or iRhythm Technologies Inc. and its consolidated subsidiaries, as the context requires.

As of 2008, it was estimated that the prevalence of a heart rhythm disorder, or arrhythmia, is between 1.5% and 5% in the general population in the United States. The most common sustained type of arrhythmia is Afib, a condition which causes the upper chambers of the heart to beat irregularly and blood not to flow properly to the lower chambers of the heart. The prevalence of atrial fibrillation in the United States is estimated to increase from approximately 5.2 million in 2010 to 12.1 million in 2030, and it is estimated that more than 50 million patients worldwide have Afib with at least one-third of these patients presenting as asymptomatic at the time of their diagnosis. More than 450,000 hospitalizations occur each year in the United States because of Afib, and the condition contributes to an estimated 350,000 deaths globally each year. Since Afib is more common among people over the age of 60, these numbers are expected to increase as the U.S. population ages.

Atrial Fibrillation and Stroke

In 2021, it was estimated that the age-adjusted US stroke death rate as an underlying cause of death was approximately 41.1 per 100,000, and there were approximately 7.4 million deaths attributable to stroke worldwide. Afib is the leading risk factor for stroke because Afib can cause blood to collect in the heart and potentially form a clot, which can then travel to the brain possibly resulting in an ischemic stroke. While individuals with Afib are approximately five times more likely to suffer a stroke, the American Stroke Association ("ASA") estimated in 2022 that up to 80% of second clot-related strokes may be preventable. According to the AHA, stroke costs the United States an estimated $34.5 billion each year in healthcare costs and lost productivity and is a leading cause of serious long-term disability. The AHA estimates that ischemic strokes represent approximately 85% of all strokes in the United States, with an estimated 690,000 ischemic strokes per year. Between 15% and 20% of people who have strokes also have Afib.

We believe early detection of Afib is critical to optimizing patient care, delivering earlier treatment to help avoid further adverse clinical events, managing symptoms caused by Afib, and reducing the total public health burden of treating stroke. The AHA and ASA have published treatment guidelines for patients diagnosed with Afib to manage heart rhythm and rate and to support stroke prevention. These early treatments include medications such as oral anticoagulants, treatment with anti-arrhythmic drugs, and interventions such as cardiac ablation therapy to help control heart rhythm and rate.

Afib burden, or the amount of time a patient spends in Afib during the period of time the patient is wearing a heart monitor, has been identified in the clinical community as an clinically relevant measure for helping to determine appropriate and effective therapeutic interventions to manage patients with Afib and for assessing stroke risk. We believe the calculated Afib burden is only as good as the data available for analysis during the monitoring period. Since the most common type of Afib occurs intermittently, we believe that long-term continuous monitoring with patch-based technology, such as with the Zio patch technology that is part of our Zio Systems, can more accurately measure Afib burden as it captures the patient's heartbeat data is captured continuously through the wear period.

Ambulatory Cardiac Monitoring Overview

The ambulatory cardiac monitoring market is well-established in the United States with an estimated 6.4 million diagnostic tests performed annually with meaningful expansion anticipated in the coming years due to an aging population, a rising number of heart-related disorders globally, and broader acceptance of innovative medical technologies. Traditional ambulatory cardiac monitoring devices used by physicians for diagnosing patients with suspected arrhythmias – such as traditional, 24-to-48-hour Holter and cardiac event monitors – are constrained by short-term monitoring times, non-continuous data collection and reporting, cumbersome equipment, and/or lower patient compliance. For example, patients often remove traditional monitors when sleeping, showering, or exercising, which can lead to a failure to capture critical data and result in incomplete diagnoses and repeat testing, which in turn can result in suboptimal patient care and higher costs to the health system.

Arrhythmia symptoms are generally monitored either in a physician's office or healthcare facility, or with the ambulatory cardiac monitoring services. Typically, physicians will administer a resting ECG test in their offices to record and analyze the electrical impulses of patients' hearts. If physicians determine that patients require monitoring for a longer wear period to generate a diagnosis, they have historically prescribed an ambulatory cardiac monitoring device such as a traditional Holter monitor, which is a non-invasive, battery powered device that typically records data continuously for 24 to 48 hours. For longer term (i.e., up to 30 days) event driven monitoring, physicians may prescribe ambulatory cardiac event monitoring services, including MCT services, which record ECG data upon auto-detection (i.e., asymptomatic events) and/or patient activation (i.e., symptomatic events) and may transmit such data wirelessly to a monitoring center like an IDTF. Physicians may also prescribe implantable loop recorders, which are implanted underneath the patient's skin in a minimally invasive, hospital-based procedure and record ECG data similar to cardiac event monitors but are intended for monitoring up to 3 years.

If the diagnosis is not definitive following the first monitoring period, physicians may prescribe a repeat traditional, 24-to-48-hour Holter monitoring test or, alternatively, event monitoring services, MCT, or implantable loop recorders. Physicians use frequency and acuity of symptoms to determine which monitoring device to prescribe. Some physicians own their own ambulatory cardiac monitoring devices and provide ambulatory monitoring services directly to their patients, while others outsource these services to third-party providers, including IDTFs.

Our Products and Services

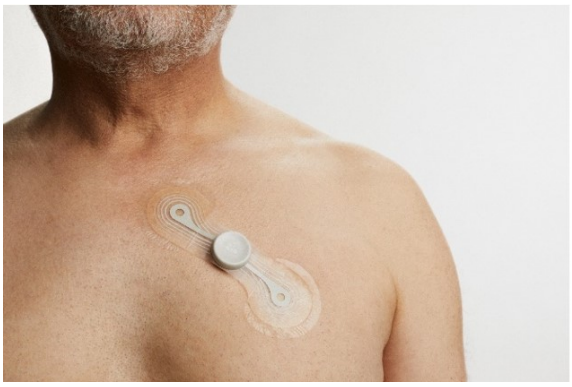
Zio Systems and Zio Services

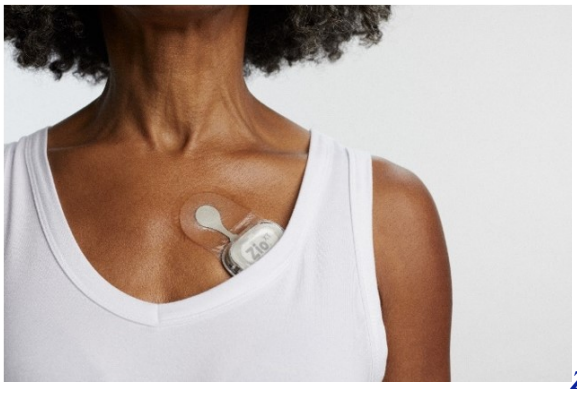
The Zio Systems and Zio Services deliver a patient-friendly design that enables between 98%-99% patient compliance with minimal ECG data noise or artifact, thereby potentially delivering superior clinical accuracy to physicians diagnosing arrhythmias and reducing the cost of care for healthcare systems by avoiding costly downstream adverse events. We have developed a proprietary system that combines an FDA-cleared and CE-marked wire-free, patch-based, 14-day wearable biosensor that continuously records ECG data, with a proprietary FDA-cleared and CE-marked cloud-based data analytic platform to help physicians monitor patients and diagnose arrhythmias (collectively, the "Zio System"). We currently offer three Zio System options — the Zio Monitor System, the Zio XT System, and the Zio AT System.

The Zio Service Monitoring Solutions

The Zio Monitor System is a prescription-only, remote ECG monitoring system that consists of a patch ECG monitor (the "Zio Monitor patch") that records the electric signal from the heart continuously for up to 14 days and the Zio ECG Utilization Software ("ZEUS") System, which supports the capture and analysis of ECG data recorded by the Zio Monitor patch at the end of the wear period, including specific arrhythmia events detected by the ZEUS System. The Zio XT System is the previous generation of the Zio Monitor System and is a prescription-only, remote ECG monitoring system that consists of a patch ECG monitor (the "Zio XT patch") that records the electric signal from the heart continuously for up to 14 days and the ZEUS System, which supports the capture and analysis of ECG data recorded by the Zio XT patch at the end of the wear period, including specific arrhythmia events detected by the ZEUS System.

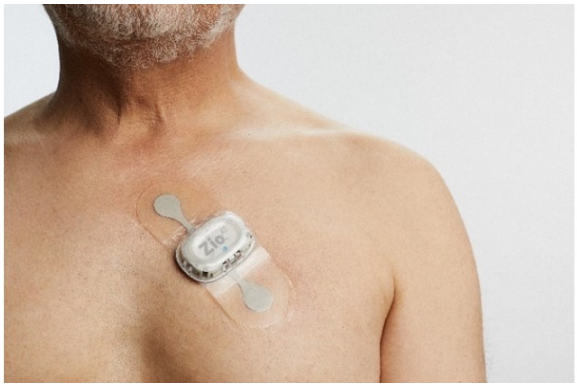
The Zio Monitor patch is 72% smaller, 62% lighter, and 23% thinner than our Zio XT patch, attributes which we believe will have a positive impact on patient experience, patient satisfaction, and associated improvement in device wear times. Furthermore, the Zio Monitor patch incorporates a breathable adhesive construct, which enhances the patient experience by removing moisture otherwise captured next to the patient's skin, as well as Bluetooth communication capabilities and improved processing efficiency.





Zio Monitor Patch and Zio XT Patch

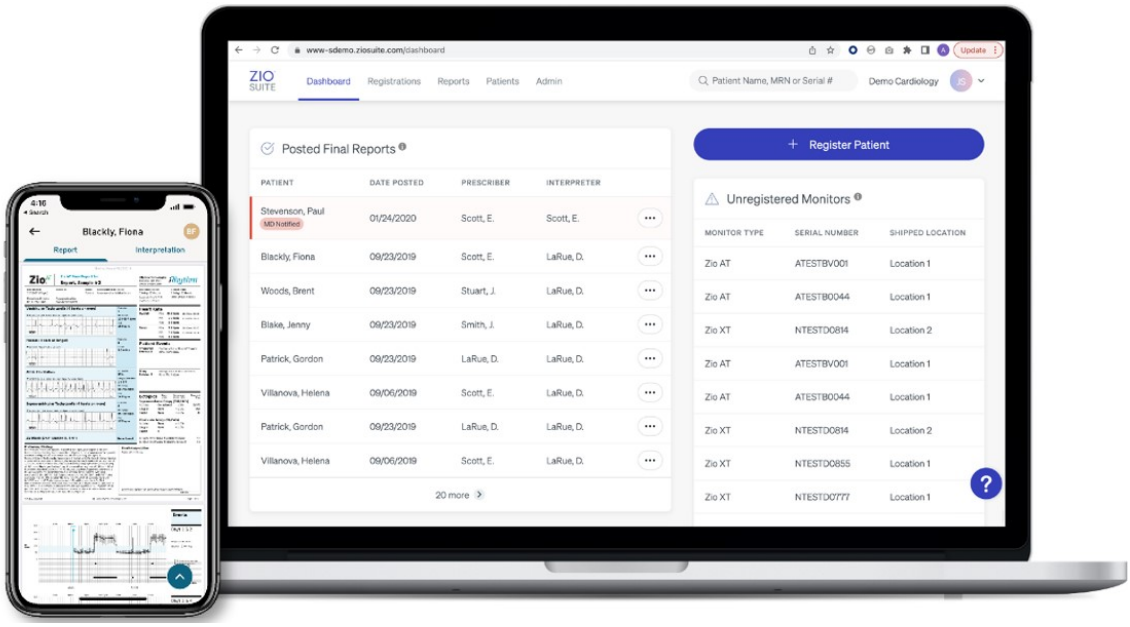
The Zio AT System is a prescription-only, remote ECG monitoring system that similarly consists of a patch ECG monitor (the "Zio AT patch") that records the electric signal from the heart continuously for up to 14 days and the ZEUS System, but which also incorporates the Zio AT wireless gateway that provides connectivity between the Zio AT patch and the ZEUS System during the patient wear period. The wireless gateway, slightly larger than a smart phone, is provided to the patient at the time of Zio AT patch application and collects and transmits data from the Zio AT patch to the cloud via a long-term evolution ("LTE") cellular protocol.



Zio AT Patch and Wireless Gateway

We support physician and patient use of our Zio Systems through our Medicare-enrolled IDTF and certified cardiographic technicians (“CCTs”), who perform the technical monitoring services associated with a physician’s order for long-term continuous monitoring or MCT monitoring services. Long-term continuous monitoring and MCT services are diagnostic medical procedures typically ordered by physicians for patients not suspected of having life-threatening arrhythmias, but who are suspected of having infrequent, difficult-to-detect, or asymptomatic arrhythmias. When physicians order long-term continuous monitoring services with our Zio System, our biosensor technology collects an uninterrupted, long-term continuous recording of ECG data for up to 14 days and delivers a comprehensive end-of-wear report, which includes specific arrhythmia events detected by the ZEUS algorithm upon return of the Zio Monitor patch or Zio XT patch (and with the Zio AT patch, each, a “Zio patch”) and analysis of the stored data by qualified technicians. A Zio patch typically collects approximately 1.5 million heartbeats of data for each patient during a single wear period of up to 14 consecutive days.

After we receive the Zio patch at our IDTF, the ECG data is uploaded to our secure cloud and preliminary findings are generated by our proprietary FDA-cleared deep learning algorithms. Each report is then validated by CCTs and sent to the patient’s prescribing physician who may access the Zio report on our proprietary, web-based portal, referred to as ZioSuite, and also through our Electronic Health Record ("EHR") connections or ZioSuite mobile apps. Our technicians also notify physicians of potential urgent arrhythmias according to the ordering physician’s specified notification criteria.



ZioSuite web portal via desktop or mobile application

For our MCT services, the Zio AT patch and wireless gateway also offer the additional capability of providing actionable transmissions during the wear period to assist physicians in diagnosing and treating patients in situations where their physician has determined that there is a medical need to receive more timely, clinically actionable information. For the MCT services, physicians will receive daily reports, routine reports, and notifications from CCTs if there are significant events that meet predetermined and physician-specified notification criteria.

While wearing a Zio patch, patients can mark when symptoms occur by pressing a trigger button on the device and separately recording contextual data like activities and circumstances in a written symptom diary or digitally via the myZio application. This allows physicians to match symptoms and activity with ECG-based findings. The Zio patches are not available for sale outside of use with our Zio Services. The Zio patches include the following features:

- patented clear, flexible, lightweight, wire-free design;
- unobtrusive and inconspicuous profile;
- proprietary adhesive backing designed to keep the Zio patch securely in place for the duration of the prescribed wear period;

- water-resistant functionality, allowing patients to shower, sleep, and perform normal daily activities, including moderate exercise;
- hydrogel electrodes and a compliant mechanical design to deliver a clear ECG with minimal artifact from movement;
- large symptom button, or patient trigger, that is easy to find and press;
- indicated single application wear period of up to 14 days (for longer prescribed wear periods for MCT services, additional Zio AT patches and gateways can be provided); and
- sufficient battery power for the entire wear period, without the need to recharge or replace batteries.

Zio Watch

We believe a clinical need and an opportunity exists to expand our Zio platform into clinical grade wrist-worn wearables to detect and characterize Afib while integrating with clinicians' workflows. As part of this expansion strategy, we partnered with Verily (see "Collaboration with Verily" below) to develop their Verily Study Watch wearable device into a clinical platform. We have since developed the Zio® Watch (Study Watch with Irregular Pulse Monitor) with our clinically integrated ZEUS System, a new health solution that is intended to be integrated into clinical care delivery and to assist healthcare providers in identifying and monitoring Afib. We have what is believed to be the world's largest repository of labelled ECG data, which we leveraged to develop our proprietary photoplethysmography (PPG) algorithms utilized in both the Zio Watch and the ZEUS System. In July 2022, we received FDA clearance on the clinically integrated ZEUS System, the AI algorithm and solution component of the Zio Watch. Also in July 2022, Verily received FDA clearance for the Zio Watch (Study Watch with Irregular Pulse Monitor). In addition to Zio Watch, we are evaluating potential opportunities to leverage our PPG algorithms and ZEUS System with other PPG based wrist-worn wearables and intend to initiate market evaluation or clinical studies with one or more wearables in 2024.

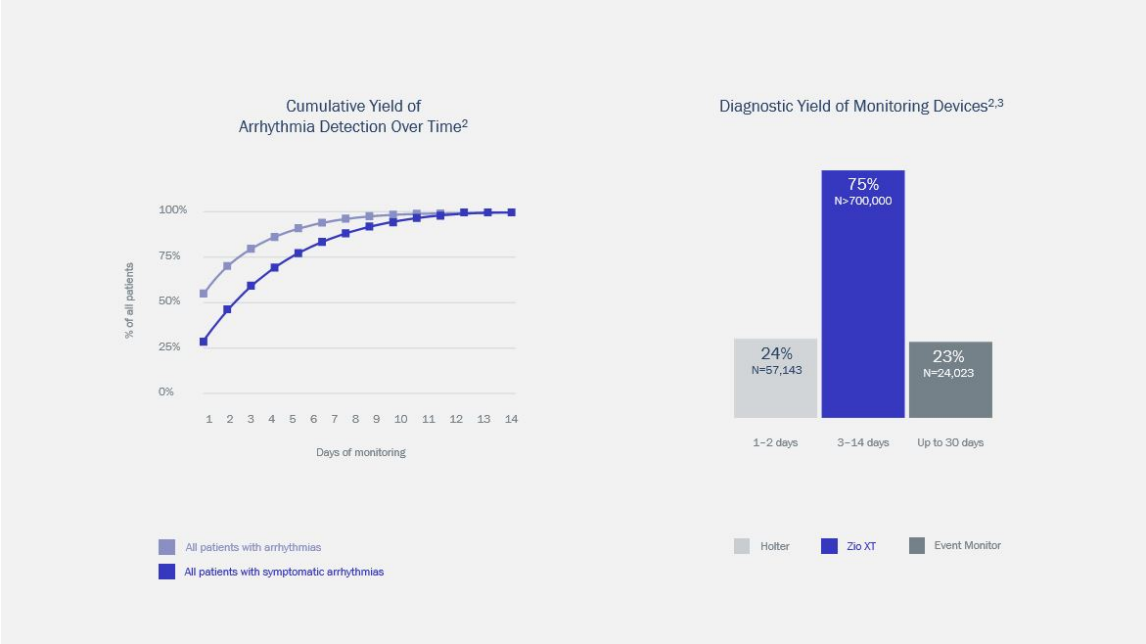
The iRhythm Difference

We believe there are strong benefits offered by our 14-day wear time, by the diagnostic yield possibly achieved through our technology, and by the clinical accuracy of our Zio report as enabled by our proprietary algorithm. This is supported by more than 100 original scientific research manuscripts and a robust, growing body of clinical evidence by third-party researchers.

A retrospective study by Turakhia et al, published in The American Journal of Cardiology in August 2013, analyzed data from 26,751 patients using the Zio XT System for the first time between January 1, 2011, and December 31, 2011. The study results showed that among the 16,142 patients with detected, clinically relevant arrhythmias, over 50% of the first-diagnosed symptomatic arrhythmias occurred after 48 hours of monitoring, suggesting that these arrhythmias could have been missed by traditional Holter monitoring during the typical maximum prescribed monitoring time. This data suggests that detection of infrequent arrhythmias requires longer monitoring times and ECG signal of consistent quality.

For the Zio XT System, other published clinical literature has routinely reflected a high level of compliance with 14-day wear time and a high percentage of analyzable time (i.e., the proportion of the ECG signal recording which is free from artifact and of sufficient fidelity to enable rhythm analysis). Mean or median patient wear times have ranged for the Zio XT patch reported in the literature, and Kaura et al. reported that the majority of 56 subjects randomized to the Zio XT System achieved the full 14-day wear time. Publications which include assessment of percentage analyzable time report rates between 94% and 99.6% (i.e., mean or median percent analyzable data across all subjects).

Our Zio Services utilize advanced FDA-cleared artificial intelligence ("AI") with a deep-learned algorithm to detect arrhythmias. As published in Nature Medicine in 2019, Hannun et al. used data from the Zio XT Service to develop a deep-neural network capable of diagnosing arrhythmias at a high diagnostic performance similar to that of expert cardiologists. The deep-neural network model met or exceeded the performance of cardiologists for 12 types of arrhythmia classes and recapitulated the misclassifications made by cardiologists. In clinical settings, this approach could reduce the amount of misdiagnosed computerized ECG interpretations and improve the efficiency of expert human ECG interpretation by accurately triaging or prioritizing the most urgent conditions.



Long-term, continuous monitoring maximizes diagnostic yield[2,3]

[2] Turakhia, M. et al. Diagnostic Utility of a Novel Leadless Arrhythmia Monitoring Device. The American Journal of Cardiology, 2013.
[3] Tsang, J.P. et al. Benefits of monitoring patients with mobile cardiac telemetry (MCT) compared with the Event or Holter monitors. Medical Devices: Evidence and Research, 2014.

Taken together, we believe that these elements are differentiators for the Zio Systems in the diagnosis and treatment of cardiac arrhythmias and can lead to improved clinical outcomes, enhanced patient experience, high physician and healthcare staff satisfaction, and reduced cost of care to healthcare systems. This was demonstrated by the results from the Cardiac Ambulatory Monitor EvaLuation of Outcomes and Time to Events (CAMELOT) study that were published in the American Heart Journal in December 2023. The largest ever real-world evidence study of ambulatory cardiac monitoring, it revealed that the Zio long-term continuous monitoring service (the "Zio LTCM service") using the Zio XT System was independently associated with the highest yield of clinical arrhythmia encounter diagnosis, lowest likelihood of retest, and the lowest incremental healthcare resource utilization of all strategies examined.

Using claims data from the full Medicare fee-for-service database (inclusive of part A, part B and part D claims), the authors performed a retrospective analysis of patients with first-time ambulatory cardiac monitoring between 2017 and 2018. Within long-term continuous monitoring, they identified use of the Zio LTCM service from National Provider Identifier codes. The authors evaluated 90-day diagnostic yield (arrhythmia diagnosis), 180-day retest (use of an additional ambulatory cardiac monitor) and 90-day health care utilization among a cohort of 287,789 patients. Patients with Zio LTCM service had the highest diagnostic yield (adjusted odds ratio of new diagnosis for Holter vs. Zio LTCM reference: 0.50 [0.47-0.53], $p < 0.001$) and lowest retest (adjusted odds ratio of retest for Holter vs. Zio LTCM reference 1.35 [1.20-1.52], $p < 0.001$), even when compared to other long-term continuous monitoring or MCT. As a category, long-term continuous monitoring was associated with the lowest one-year incremental health care expenditures (mean Δ$10,159), followed by Holter ($10,755), ambulatory event monitors ($11,462), and MCT ($12,532).

Results of the CAMELOT study[4]

[4] Reynolds, M. R., et al. Comparative effectiveness and healthcare utilization for ambulatory cardiac monitoring strategies in Medicare beneficiaries, American Heart Journal, 2023.

Opportunities in Monitoring for Asymptomatic Afib Patients

Currently, the Zio Services are generally ordered by physicians for patients that are experiencing symptoms, with limited provision of these services for the estimated one-third of the U.S. population that may be experiencing asymptomatic Afib, which is sometimes referred to as “silent Afib”. We see a future opportunity in supporting physicians in the proactive assessment of the approximately 12 million patients who are at high risk of asymptomatic Afib or other clinically-actionable arrhythmia to identify those with the illness. To that end, iRhythm has established the “Know Your Rhythm” program with the goal of increasing proactive screening of undiagnosed arrhythmias in the asymptomatic population. We are offer the Know Your Rhythm program with the Zio Monitor System to patients that meet specified risk criteria. We intend to initiate commercial pilots and gather additional data in 2024 for the Know Your Rhythm program with the aim to validate our belief that these screenings may be able to reduce certain healthcare costs over time.

We believe this opportunity is clinically appropriate and economically supported, as informed by our interpretation of several key studies:

- **SCREEN-AF:** Home-based Screening for Early Detection of Atrial Fibrillation (“SCREEN-AF”), a study examining early detection of Afib using the Zio XT System in high-risk patients, was published in the *Journal of the American Medical Association* (“JAMA”) *Cardiology* in February 2021. This randomized control trial recruited 856 participants 75 years or older with hypertension and no known Afib from 48 primary care clinics across Canada and Germany between 2015 and 2019. The intervention group included remote screening for Afib for two weeks with the Zio Service utilized at baseline and again at three months, in addition to standard care for six months. The results showed Afib was newly diagnosed in the screening group in 5.3% of subjects at six months compared to 0.5% in the standard of care control group. A secondary outcome showed oral anticoagulant therapy was prescribed for 75% of participants who had screen-detected Afib. We believe that proactive screening and monitoring using the Zio Services could increase Afib detection 10-fold over standard of care, potentially prompting oral anticoagulant use.

- **mSToPs:** The mHealth Screening to Prevent Strokes ("mSToPS") study, led by researchers at the Scripps Research Translational Institute in collaboration with Aetna Inc., Healthagen LLC, Janssen Research and Development, LLC, and Johnson & Johnson, utilized a web-based platform to remotely recruit 5,214 eligible patients from the Aetna Commercial Fully Insured and Medicare Advantage programs. Women over the age of 65 and men over 55 with certain risk factors were selected to participate based on information derived from claims data that placed them at a potentially increased risk of undiagnosed asymptomatic Afib. Four peer-reviewed articles were published on the mSToPS study between 2018 and 2023. The study design was published in the *JAMA* in July 2018 while the one-year results were published in *Heart Rhythm O2* in December 2020 and the three-year follow-up analysis was published in PLOS One in October 2021. Additionally, cost-effectiveness data of the study was published in *Circulation: Cardiovascular Quality and Outcomes* in November 2023.

  The results showed that, at one year, Afib was newly diagnosed in 6.6% of patients who were actively monitored by the Zio Service versus 2.4% in the observational control group receiving routine care. In addition to this primary endpoint to evaluate the difference in new Afib diagnoses, active monitoring in an asymptomatic, moderate-risk population with the Zio Service was associated with an increase in cardiology outpatient visits but also significantly lower rates of emergency department visits and hospitalizations over the one year following monitoring. At three years, screening for AFib was associated with a lower rate of clinical events and improved outcomes relative to the matched cohort. Over the three years following the initiation of screening, AFib was newly diagnosed in 11.4% of screened participants versus 7.7% of observational controls, and for individuals whose Afib was first diagnosed clinically, 6.6% experienced a stroke, 10.2% were newly diagnosed with heart failure, 9.2% had a myocardial infarction, and 1.5% had systemic emboli. For those diagnosed via screening, none experienced a stroke, myocardial infarction or systemic emboli in the period surrounding their AF diagnosis, and only 1 person (2.3%) had a new diagnosis of heart failure.

  Finally, as demonstrated in the cost-effectiveness analysis published in November 2023, assessing the health economic value over the lifetime of the patient showed that proactive monitoring for Afib in individuals prescribed Zio patch monitors over the three-year period was associated with high economic value based on willingness to pay thresholds.

- **GUARD-AF:** We also hope that additional informative data will be generated in the GUARD-AF study. In November 2019, we announced our participation in the "ReducinG stroke by screening for UndiAgnosed atRial fibrillation in elderly inDividuals" ("GUARD-AF") study, a randomized, controlled study sponsored by the Bristol-Myers Squibb-Pfizer Alliance. This ongoing study seeks to determine if earlier detection of Afib through screening in previously undiagnosed men and women ultimately impacts the rate of stroke compared to usual standard medical care. The GUARD-AF study population includes men and women at least 70 years of age visiting their primary care physician for usual follow-up care, and the screening arm utilizes the Zio XT Service. Though trial enrollment was limited to 11,931 participants due to the impact of the COVID-19 pandemic on enrollment, GUARD-AF is the largest randomized trial in Afib screening to use a long-term continuous patch ECG monitor. The primary outcome measures will be stroke and bleeding events leading to hospitalization. The trial is designed to identify outcome events using insurance claims from a healthcare claims database, which is subject to certain limitations, and is expected to provide evidence on health outcomes associated with Afib detection intervention that may help inform future clinical practice guidelines.

  Initial findings from the 5,713 patients who wore the Zio XT patch in the GUARD-AF study were presented at The American College of Cardiology's 71st Annual Scientific Session & Expo in April 2022 and the trial's design and rationale were published by Singer et al. in the *American Heart Journal* in July 2022. Initial findings demonstrated that in the older primary care population, 0.5% of screened participants had persistent Afib and 4% had paroxysmal Afib ("PAF") detected within two weeks of monitoring. In those with PAF, the average Afib burden was low but more than 25% had an episode of ≥4.6 hours of continuous Afib, suggesting increased stroke risk. In addition to the primary outcome measures, the study is designed to generate important information to inform clinical decisions regarding the need for stroke-preventive interventions – including anticoagulants – for screen-detected PAF.

Our Strategy

Our mission is to boldly innovate to create trusted solutions that detect, predict, and prevent disease. The key elements of our strategy include:

- **Further penetrating and expanding the U.S. ambulatory cardiac monitoring market**. Our goal is to be the leading provider of ambulatory cardiac monitoring for patients at risk for arrhythmias. We intend to expand our market penetration by targeting the large existing ambulatory cardiac monitoring market in the United States and driving broader awareness of its advantages. We plan to leverage our portfolio of products, including the Zio Monitor System and Zio AT System, and position the Zio Service as providing certainty in a single test due to high patient compliance and superior quality of uninterrupted data. The Zio Monitor System, which provides continuous long-term ECG monitoring, is designed to be appropriate for the majority of patients that require ambulatory cardiac monitoring while the Zio AT System, which includes near real-time monitoring, is intended for more acute patients that require timely notification. We estimate our current market penetration in the United States to be approximately 30%.

  Marketing and education throughout the medical community are key to bringing awareness and communicating the strong clinical evidence backing the Zio Service. In addition, we expect to continue developing and publishing clinical evidence to demonstrate the potential advantages of the Zio Service relative to legacy and competitive monitoring technologies. Within existing accounts, we expect to continue to introduce our Zio Service beyond cardiology and electrophysiology into other departments, including primary care, neurology, and emergency room. To enable this broader adoption within a hospital system, we have successfully interfaced the Zio ordering and report posting processes into a number of large health systems' electronic health record ("EHR") systems. This seamless integration of Zio workflow processes has proven to be a key factor in spurring growth within existing and new accounts and is an important part of our ongoing market penetration strategy.

  We believe there is potential to increase the core symptomatic total addressable market by moving further upstream in the care pathway to the primary care physician call point. We estimate that 15 million patients in the United States visit a primary care physician annually with palpitations due to suspected cardiac disease. By educating primary care physicians on the benefits of the Zio Service for this patient population, we believe we can expand the market and reach more patients that are candidates for ambulatory cardiac monitoring.

- **Pursuing international expansion opportunities.** While our initial commercial focus is the U.S. market, we have initiated efforts that will allow for future expansion into international geographies. We have a presence in the UK with efforts underway to pursue national reimbursement. In September 2020, we were named a winner of the Artificial Intelligence in Health and Care Award run by the Accelerated Access Collaborate as part of the National Health Service ("NHS") AI Lab. This funding will bring the Zio Service to selected NHS sites over a three-year program measuring clinical, pathway, and economic outcomes. We also received positive guidance from the National Institute for Health and Care Excellence ("NICE") in December 2020 for the adoption of the Zio XT Service which may facilitate future support of the Zio Service through the MedTech Funding Mandate.

  We are also conducting diligence and prioritizing other geographies based on market size, regulatory pathway, and reimbursement opportunity. We are initiating market development and market access initiatives in multiple European countries in 2024 and pursuing regulatory clearance in Japan. We estimate the total addressable market in our initial selected countries of the UK, Japan, and prioritized European countries to be at least 5 million existing ambulatory monitoring tests annually.

- **Exploring adjacent market opportunities.** We intend to continue assessing the potential pathways for expanding indications and clinical use cases for our Zio Services and developing new systems for patient populations with unmet needs. Leading with clinical and economical evidence, we are pursuing commercialization opportunities for our Know Your Rhythm by Zio program that is focused on patients at risk for undiagnosed arrhythmias. With at least 12 million individuals in the United States estimated to be at risk for undiagnosed cardiac arrhythmias, we believe this could be a significant market opportunity. Initial efforts to proactively monitor this population with the Zio Monitor System, including end-to-end care pathway pilots, are planned for 2024.

  In addition, we are actively exploring opportunities in adjacent markets beyond ambulatory cardiac monitoring. We have research and development efforts focused on exploring the use of our Zio Services or other new systems and services for the following patient populations:

- Obstructive sleep apnea patients, with an estimated prevalence of approximately 30 million in the United States. Approximately 50% to 80% of patients with Afib may also have sleep apnea compared with 30% to 60% in control groups, and there is a large prevalence of patients with undiagnosed sleep apnea.
- Heart failure patients, with an estimated prevalence of over 8 million in the United States by the year 2030. Atrial fibrillation and heart failure share many antecedent risk factors, and approximately 40% of people with either Afib or heart failure will develop the other condition. Total cost for heart failure in the U.S. are expected to reach $70 billion by 2030.
- Patients with hypertension, with an estimated prevalence of over 120 million in the United States. Up to 90% of patients with Afib may also have hypertension.

- **Advancing our system portfolio and core technology offering**. We continue to invest in building a unique, innovative system portfolio and digital platform that addresses unmet needs in the ambulatory cardiac monitoring market and adjacent markets. We will continue to invest in research and development efforts to further differentiate our biosensor, data analytics, and reporting, our information system, and our digital platform.

Sales and Marketing

We directly market our Zio Services in the United States to healthcare professional through our internal organization comprised of sales representatives, field billing specialists, and customer experience representatives. Our sales team focuses on initial introduction of the Zio Services to those participants that are instrumental to the decision-making process for ambulatory cardiac monitoring, which include physician practices and healthcare systems. We also focus on continuing efforts to ensure healthcare professionals are knowledgeable about the clinical benefits and economic value of the Zio Services. We continue to invest in our sales force and focus on ensuring we optimize the structure of our U.S. sales organization to expand the current customer account base and support adoption of the Zio Services.

We market our Zio Services to a variety of physician specialties including general cardiologists, electrophysiologists, primary care physicians, neurologists, and other physician specialists who diagnose and manage care for patients with arrhythmias. We have found success focusing on integrated delivery networks (“IDNs”), in which large networks of facilities and providers work together to offer a continuum of care to a specific geographic area or market. Focusing on sales to IDNs gives us the opportunity to conduct a holistic sale for health systems interested in making value-based purchasing decisions.

In January 2021, we established a small direct sales and clinical infrastructure in Bagshot, Surrey in England to service the UK market. We have since focused efforts on the introduction of the Zio Services using the Zio XT System into new accounts and market access efforts, in particular through orders made by NHS Trusts and Hospitals. In addition, we are exploring sales opportunities and market access in Japan, Switzerland, the Netherlands, and Spain.

We typically experience reduced revenue during the third quarter, as well as during the year-end holiday season. We believe this is the result of physicians and patients taking vacations and patients electing to delay our monitoring services during the summer months or holidays.

Competition

The market for remote cardiac monitoring is competitive, characterized by rapid change resulting from technological advances, scientific discoveries, and other market activities of industry participants.

In providing our Zio Services, we compete with BioTelemetry, Inc. (acquired by Royal Philips), Preventice Solutions, Inc. (acquired by Boston Scientific, Inc.), and Bardy Diagnostics, Inc. (acquired by Baxter International, Inc.) to offer remote cardiac monitoring technology and also function as diagnostic service providers. We also compete with companies that sell traditional, 24-to-48-hour Holter monitors, including GE Healthcare, Philips Healthcare, Mortara Instrument, Inc., Spacelabs Healthcare Inc., and Welch Allyn Holdings, Inc. (acquired by Hill-Rom Holdings, Inc. which was acquired by Baxter International, Inc.).

Many of our competitors have substantially greater financial, manufacturing, marketing, and technical resources than we do. Furthermore, many of our competitors have well-established brands, widespread distribution channels, broader product offerings, and an established customer base.

These competitors have also developed patch-based cardiac monitors that have received FDA and foreign regulatory clearances. We are also aware of some small start-up companies entering the patch-based cardiac monitoring market. Large medical device companies may continue to acquire or form alliances with these smaller companies to diversify their product offering and participate in the digital health space. These competitors and potential competitors may introduce new products and services that more directly compete with our Zio Services and Zio Systems.

Future competition may also come from manufacturers of wearable fitness products or large information technology companies focused on general health and wellness. For example, in 2021 and 2022, Apple Inc. and Fitbit each respectively added capabilities on their watch platform to measure non-continuous ECG and to alert users to the potential presence of irregular heartbeats suggestive of asymptomatic Afib.

We believe the principal competitive factors in our market include:

- ease of use, comfort, and unobtrusiveness of the device for the patient;
- quality and clinical validation of the deep-learned algorithms used to detect arrhythmias;
- concise and comprehensive reports supporting efficient physician interpretation;
- ease of use of service workflow for physicians and supporting clinicians;
- digital tools for data management, including the myZio mobile app, website tools, and EHR integration;
- contracted rates with third-party payors;
- government reimbursement rates associated with our Zio Services and supporting Zio Systems;
- quality of clinical data and publications in peer-reviewed journals;
- size, experience, knowledge, and training of sales and marketing teams;
- availability and reliability of sales representatives and customer support services;
- workflow protocols for solution implementation in existing care pathways;
- reputation of existing device manufacturers and diagnostic service providers; and
- relationships with physicians, hospitals, administrators, and other third-party payors.

Manufacturing and Quality Assurance

We currently manufacture our Zio Systems, including the Zio Monitor System and Zio AT System, in our leased facility in Cypress, California. This manufacturing facility is approximately 34,000 square feet and provides space for our manufacturing and production operations, including inspection, assembly, testing, packaging, labeling, storage, and shipping. We believe this manufacturing facility has the capacity to meet our manufacturing needs for at least the next five years.

Outside suppliers are the source for components and sub-assemblies in the production of the Zio Systems. Any significant supplier of a critical component, such as the circuit boards for the Zio Systems provided by contract electronic manufacturers, is managed through our manufacturing team that is focused on reducing supply chain risk. These suppliers are evaluated, approved, and monitored by our quality team to ensure conformity with the specifications, policies, and procedures applicable to our devices.

Our manufacturing operations are subject to regulatory requirements of FDA's Quality System Regulation ("QSR") for medical devices authorized for manufacturing and sale in the United States (set forth under 21 CFR Part 820), the Medical Devices Directive 93/42/EEC ("MDD") and the Medical Devices Regulation 2017/745 of the European Parliament and of the Council ("EU MDR"), which is required for doing business in the EU, and the UK Medical Device Regulations 2002 (as amended) ("UK MDR"). We are also subject to applicable requirements relating to the environment, waste management, and health and safety matters, including measures relating to the release, use, storage, treatment, transportation, discharge, disposal, sale, labeling, collection, recycling, treatment, and remediation of hazardous substances. See "Regulation" below for further information.

We purchase certain components and materials used in manufacturing from single sources due to quality considerations, costs, or constraints resulting from regulatory or other requirements. As of December 31, 2023, those single sources include suppliers of application-specific integrated circuits used in our transmitters, seals used for the applicators, and certain polymers used to synthesize polymeric membranes for our sensors.

Our manufacturing facilities are also ISO certified (EN ISO 13485:2016). We have registered our device establishments with FDA and with the UK's Medicines & Healthcare products Regulatory Agency ("MHRA"). Additional EU registrations may be sought in 2024 in EU member states by our EU authorized representative as appropriate.

Third-Party Reimbursement

We receive revenue for the Zio Services primarily from third-party payors, which include commercial payors and government agencies, such as the Centers for Medicare & Medicaid Services ("CMS"). Third-party payors require us to identify the service for which we are seeking reimbursement by using a Current Procedural Terminology ("CPT") code set maintained by the American Medical Association ("AMA"). These CPT codes are subject to periodic change and update, which will impact the reimbursement rates for our Zio Services.

For the year ended December 31, 2023, we received approximately 86% of our revenue through third-party payors, which includes approximately 25% of our total revenue from the Medicare program. As we continue to contract with more commercial payors and the patient population ages into eligibility for the Medicare Advantage program, we believe more of our revenue will convert to commercial payer billing.

Our clinical centers are enrolled in the Medicare program as IDTFs, which allows us to bill CMS directly for our Zio Services. To maintain enrollment, we must meet the CMS IDTF supplier standards, including having an independent medical director for oversight and qualified technicians who support the analysis of ECG data captured by the Zio patches as part of our Zio Services.

For additional information on third-party reimbursement, please see our Risk Factor titled "If reimbursement or other payment for our Zio Services is reduced or modified in the United States, including through cost containment measures or changes to policies with respect to coding, coverage, and pricing, our business could suffer."

Research and Development

We focus our research and development efforts on improvement of our Zio System and Zio Services in alignment with our strategy. We employ engineering and research and development staff to focus on delivering future innovations and sustaining improvements. Our research and development activities are focused on:

- **Continuous improvement and extensions to existing products and services.** We are continuously working to improve the Zio Services to increase patient comfort, product quality, operational scalability, and security.
- **International expansion.** We are working on building our infrastructure and ensuring global compliance as we identify appropriate opportunities for international growth.
- **Advancing our technology offering.** Our product portfolio includes patch-based solutions (utilized in the Zio Monitor System, Zio AT System, and Zio XT System) and the FDA-cleared Zio Watch that combine continuous monitoring for extended periods with accelerated notification of significant events through mobile transmission capabilities.
- **Customer workflow optimization.** We have initiatives that aim to increase customer productivity by optimizing workflow through easier patient enrollment, report access, and interpretation, in addition to integrating the reports from our Zio Services directly into EHRs.
- **Data analytics.** We are focused on improving and enhancing our back-end, deep-learning analytic platform, building on our core competency in data analytics.
- **Developing clinical evidence**. We frequently provide support to third parties conducting clinical studies that further support the benefits of the Zio System, including clinical research in areas such as obstructive sleep apnea, hypertension, predictive features, and patient wearables.
- **Continuing to solidify our footprint in digital healthcare.** Using our repository of ambulatory ECG patient data, we will continue to look for ways to create value-driving opportunities in digital healthcare, such as expansion of indications for the Zio System, new therapeutic discoveries, development of an analytical engine for ambulatory consumers, other medical data and payor and provider decision support, and the potential for more complete system integration with large health systems.

We have supported clinical studies conducted by leading physicians and clinicians to explore and develop new techniques and applications for our Zio Systems, the clinically-integrated version of ZEUS for the Zio Watch, and other clinical and research activities, including healthcare economic outcomes research.

Our research and development activities consist of software development, algorithm and product development, regulatory affairs, and clinical research. Our research and development expenses were $60.2 million, $46.6 million, and $38.7 million for the years ended December 31, 2023, 2022, and 2021, respectively.

Collaboration with Verily

On September 3, 2019, we entered into a Development Collaboration Agreement with Verily Life Sciences LLC, an Alphabet Company ("VLS") and Verity Ireland Limited ("VIL," and together with VLS, "Verily") (such Development Collaboration Agreement, as amended by Amendment No.1 dated April 26, 2021 and Amendment No.2 dated January 24, 2022, the "Development Agreement"). The Development Agreement involves collaboration development and production of intellectual property between us and Verily. Each party has primary responsibility for certain aspects of development and approval, with all processes to be performed at each respective party's own cost.

The parties agreed to develop certain next-generation Afib screening, detection, or monitoring products pursuant to the Development Agreement, which products will involve combining Verily's and our technology platforms and capabilities. Under the terms of the Development Agreement, we paid Verily an upfront fee of $5.0 million in 2019. In addition, we agreed to make additional milestone payments to Verily up to an aggregate of $12.75 million upon achievement of various development and regulatory milestones over the term of the Development Agreement. We have achieved milestones tied to payments totaling $11.0 million to date and expect to make additional payments over the term of the Development Agreement of $1.75 million, subject to the achievement of specified milestones.

The Development Agreement provides each party with licenses to use certain intellectual property of the other party for development activities in the field of Afib screening, detection, or monitoring, together with perpetual non-exclusive licenses to certain shared know-how (which licensed shared know-how excludes certain technology or intellectual property, such as patent rights). Ownership of developed intellectual property is allocated to us or Verily depending on the subject matter of the underlying developed intellectual property, and, for certain subject matter, is jointly owned.

Intellectual Property

To establish and protect our proprietary and other intellectual property rights, we rely on a combination of trademark, copyright, patent, trade secret, and other intellectual property laws, and employment, non-disclosure and invention assignment agreements, and other protective contractual provisions with our employees, contractors, consultants, suppliers, partners, outside scientific collaborators, and advisors, and other third parties. In addition, we have entered into licenses in the ordinary course of business relating to a wide array of technologies or other intellectual property rights or assets.

We hold patents and pending patent applications in the United States and other parts of the world which, in aggregate, we believe to be of importance in the operation of our business. As of December 31, 2023, we owned, or retained an exclusive license to, forty-two issued patents from the U.S. Patent Office ("USPTO"), ten issued patents from the Japanese Patent Office, three issued patents from the Australian Patent Office, four issued patents from the Canadian Patent Office, six issued patents from the European Patent Offices, five issued patents from the Korean Patent Office, and two issued patents from the Chinese Patent Office. Our U.S. issued patents as of December 31, 2023 are set to expire over a range of years, from November 2028 to August 2041, subject to any extensions. As of December 31, 2023, we had forty-eight pending patent applications globally, including eleven in the United States, seven in the European Patent Office, seven in Japan, two Patent Cooperation Treaty ("PCT") international applications, six in Australia, four in each of Korea, China, and India, and three in Canada.

Our patents and patent applications seek to protect aspects of our core technologies and our product concepts for ambulatory cardiac monitoring. We believe that our patent position provides us with sufficient rights to protect our current and proposed commercial products and services. However, our patent applications may not result in issued patents, and any patents that have been issued or might be issued may not protect our intellectual property rights. We also rely on trade secrets, technical know-how, and continuing innovation to develop and maintain our competitive position.

As of December 31, 2023, our trademark portfolio contained U.S. trademark registrations for the marks MyZIO, ZIO, ZIO SUITE, ZIO AT, and IRHYTHM and pending U.S. trademark applications for the marks KNOW YOUR RHYTHM BY ZIO, KNOW YOUR RHYTHM, ZIO and ZIO MCT. It also contained registered trademarks for the mark IRHYTHM in Australia, the EU, Austria, Canada, China, Denmark, Finland, France, Germany, Japan, Italy, Norway, Sweden, Switzerland, and the UK. It further contained trademark registrations for the mark ZIO in Australia, Canada, China, the EU, Japan, Norway, and Switzerland. It also contained trademark registrations for the mark MYZIO in Canada, the UK, and the EU, trademark registrations for the mark ZIO MCT in the UK and the EU, and trademark registrations for the mark ZIOSUITE in the UK and the EU.

Regulation

Based on the nature of the services we provide, the medical devices used to deliver our services, and the ways in which payment is available for our services, we are subject to a complex spectrum of intersecting laws and regulatory frameworks.

Our facilities in Illinois, California, and Texas are enrolled in the Medicare program as IDTFs, defined by CMS as entities independent of a hospital or physician's office in which diagnostic tests are performed by licensed or certified non-physician personnel under appropriate physician supervision. CMS has set certain performance standards that every IDTF must meet in order to obtain or maintain its billing privileges.

We are also regulated as a medical device manufacturer because of our role in the design, development, and manufacturing of the Zio Systems used in our Zio Services.

The United States has historically been the primary focus of the delivery of our services, but based on our operations we are subject to a range of laws and regulations outside the United States, and we expect the complexity of the global regulatory landscape to which we are subject to continue to increase.

U.S. Fraud and Abuse Laws and Other Healthcare Compliance Requirements

Medicare is a federal healthcare program administered by CMS that is available to individuals age 65 or over, and certain other individuals. The Medicare program provides, among other things, healthcare benefits that cover most medically necessary care for such individuals, subject to certain deductibles and co-payments. CMS has established guidelines for the coverage and reimbursement of certain products, supplies, and services, including ambulatory cardiac monitoring services. In general, Medicare will only reimburse ambulatory cardiac monitoring services, such as our Zio Services, that are reasonable and necessary for the diagnosis or treatment of patients. CMS also administers the Medicaid program, a cooperative federal/state program that provides medical assistance benefits to qualifying low income and medically needy persons. State participation in Medicaid is optional, and each state is given discretion in developing and administering its own Medicaid program, subject to certain federal requirements. All CMS programs are subject to statutory and regulatory changes, retroactive and prospective rate adjustments, administrative rulings, interpretations of policy, intermediary determinations, and government funding restrictions, all of which may materially increase or decrease the rate of program payments to healthcare facilities and other healthcare providers, including those paid for our Zio Services.

Because of the significant federal funding involved, the government actively enforces a number of laws and regulations to eliminate fraud and abuse in federal healthcare programs. Our business is subject to compliance with these laws. The most significant of these laws for our business include the federal Anti-Kickback Statute (the "AKS") and the federal False Claims Act (the "FCA").

Anti-Kickback Laws

Under the AKS, it is a criminal offense to knowingly and willfully offer, pay, solicit, or receive any remuneration to induce, or in return for purchasing, ordering, or recommending, or arranging for, the purchase or order of items or services (or referrals of the same) reimbursable by a federal healthcare program. The AKS imposes criminal liability for both the party that provides or offers such remuneration and the party that receives or solicits such remuneration. Courts and enforcement agencies interpret the AKS broadly, such that it may be implicated whenever anything of value is provided to a party in a position to generate federal healthcare program business where any one purpose of an arrangement involving remuneration is to induce referrals. Penalties for violations include criminal penalties and civil sanctions such as fines, imprisonment, and possible exclusion from Medicare, Medicaid, and other federal healthcare programs. Many states have adopted laws similar to the AKS. Some of these state prohibitions apply to referral of recipients for healthcare products or services reimbursed by any source, not only CMS programs. The Physician Payments Sunshine Act requires transparency around certain transfers of value and ownership interests that may raise parallel scrutiny of the appropriateness of financial relationships. Notably, some kickback allegations are also interpreted as violations of the FCA.

False Claims Act

The FCA prohibits: (i) knowingly presenting, or causing to be presented, a false or fraudulent claim for payment or approval and (ii) knowingly making, using, or causing to be made or used a false record or statement material to a false or fraudulent claim. Importantly, the FCA provides for "whistleblower" or qui tam actions, which allow a private individual to bring actions on behalf of the federal government alleging that the defendant has violated the FCA and to share in any monetary recovery. The federal government has used the FCA to assert liability on the basis of inadequate care, kickbacks, and other improper referrals, and improper use of CMS billing numbers, as well as allegations of off-label promotion of products, and activities relating to the reporting of discount and rebate information. The FCA is the federal government's preferred enforcement vehicle for addressing a variety of alleged misconduct and provides for treble damages and civil money penalties ranging from $13,508 to approximately $27,018 per claim, as well as exclusion from participation in federal healthcare programs and potential criminal penalties, including imprisonment and criminal fines. Additionally, as part of any settlement, the government will often require the entity to enter into a corporate integrity agreement, which imposes certain ongoing compliance, certification, and reporting obligations. In addition, various states have enacted false claims laws analogous to the FCA, and many of these state laws apply where a claim is submitted to any third-party payor and not only a federal healthcare program.

Healthcare Reform

Changes in healthcare policy could increase our costs and subject us to additional regulatory requirements that may interrupt commercialization of our current and future solutions. The Affordable Care Act ("ACA") substantially changed the way healthcare is financed by both governmental and private insurers, and significantly impacts our industry. Any changes to, or repeal of, the ACA may have a material adverse effect on our results of operations.

Additionally, for out-of-network or cash pay patients, we may be subject to state and federal surprise billing laws that impose limits on amounts that can be charged to such patients and/or the amount we can receive for out-of-network services from commercial payors. One such law, the federal No Surprises Act, requires covered providers to provide "good faith estimates" to patients and establishes a detailed and potentially costly independent dispute resolution process governing fee disputes with those patients. These laws and regulations may change, and additional implementation regulations are expected for the No Surprises Act, and we anticipate these requirements may apply to our business in the future.

We are subject to risks related to the U.S. fraud and abuse laws and other healthcare compliance requirements described above, as well as others that are or may be adopted in future. For further details on these risks, see "Risk Factors," below.

U.S. Food and Drug Administration

Because we develop and manufacture the medical device technology used in the Zio Services (the hardware and software elements that FDA regulates as "devices"), we are subject to extensive and ongoing regulation by FDA under the Federal Food, Drug, and Cosmetic Act ("FD&C Act") and its implementing regulations, as well as other federal and state regulatory bodies in the United States. The laws and regulations govern, among other things, product design and development, preclinical and clinical testing, manufacturing, packaging, labeling, storage, recordkeeping and reporting, clearance or approval, marketing, distribution, promotion, import and export, and post-marketing surveillance and associated regulatory reporting.

Most Class II devices, including the Zio patches and the ZEUS System, require 510(k) clearance from FDA in order to be marketed in the United States. A 510(k) submission must demonstrate that the device is substantially equivalent to a device legally in commercial distribution in the United States. After clearance, changes made to devices must be evaluated on an ongoing basis and may trigger the need for additional 510(k) clearances or – depending on the nature of the change – might require a higher level of FDA review (through the de novo premarket approval or ("PMA") process). To date, our product changes have been managed within the 510(k) framework and we have not been required to provide clinical data to support these 510(k) submissions and clearances.

After a device is placed on the market, numerous regulatory requirements continue to apply. These include:

- the FDA's QSR, which requires manufacturers, including their suppliers, to follow stringent design, testing, control, documentation, and other quality assurance procedures during all aspects of the product lifecycle, including the manufacturing process;
- labeling regulations and FDA prohibitions against the promotion of products for uncleared, unapproved, or off-label uses, including parameters around manufacturer communications with payors and healthcare professionals;
- medical device reporting regulations, which require that manufacturers report to FDA if their device may have caused or contributed to a death or serious injury or malfunctioned in a way that would likely cause or contribute to a death or serious injury if the malfunction were to recur;
- medical device recalls, which require that manufacturers report to FDA any recall of a medical device, provided the recall was initiated to either reduce a risk to health posed by the device, or to remedy a violation of the FD&C Act caused by the device that may present a risk to health; and
- post-market surveillance regulations, which apply when necessary to protect the public health or to provide additional safety and effectiveness data for the device.

After a device receives 510(k) clearance or PMA, any modification that could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use, performance, or functionality may require a new clearance or approval. FDA requires each manufacturer to make this determination initially, but FDA can review any such decision and can disagree with a manufacturer's determination. If FDA disagrees with the determination not to seek a new 510(k) clearance or PMA approval, the FDA may retroactively require a new 510(k) clearance or PMA approval. FDA could also require a manufacturer to cease marketing and distribution and/or recall the modified device until 510(k) clearance or PMA approval is obtained. Also, in these circumstances, the manufacturer may be subject to significant regulatory fines, penalties, and other enforcement actions, such as warning letters.

We have registered appropriate facilities with FDA as a medical device specification developer, manufacturer, or designated complaint handling unit. We have also obtained a manufacturing license from the California Department of Public Health ("CDPH"). FDA and the CDPH have broad post-market and regulatory enforcement powers. We are subject to unannounced inspections by FDA and the Food and Drug Branch of CDPH to determine our compliance with the QSR and other regulations, and these inspections may include the manufacturing facilities of our suppliers.

Failure to comply with applicable regulatory requirements can result in enforcement action by FDA, which may include any of the following sanctions:

- warning letters, fines, injunctions, consent decrees, and civil penalties;
- repair, replacement, refunds, recall, or seizure of our products;
- operating restrictions, partial suspension, or total shutdown of production;
- refusing our requests for 510(k) clearance or PMA approval of new products, new intended uses, or modifications to existing products;
- withdrawing 510(k) clearance or PMA approvals that have already been granted; and
- criminal prosecution.

Privacy and Security Regulation

Our business is subject to foreign, federal, and state privacy and security laws concerning the collection, use, analysis, retention, storage, protection, transfer, disclosure, and/or disposal of individually identifiable information including, without limitation, the General Data Protection Regulation ("GDPR"), the Health Insurance Portability and Accountability Act of 1996, as amended by the final regulations promulgated pursuant to the Health Information Technology for Economic and Clinical Health Act ("HITECH"), found in the American Recovery and Reinvestment Act of 2009 (collectively, "HIPAA"), the Telephone Consumer Protection Act, the CAN-SPAM Act, and state privacy, consumer protection, and breach notification laws.

We are subject to risks related to privacy and security regulation. For further details on these risks, see "Risk Factors," below.

European Union and United Kingdom

The Zio XT patch is currently regulated in the EU as a Class IIa medical device pursuant to the MDD. The MDD sets out the basic regulatory framework for medical devices in the EU. In May 2021, the EU MDR, a more comprehensive regulatory framework, replaced the MDD.

The system of regulating medical devices operates by way of a certification for each medical device. Each certified device is marked with the CE mark which shows that the device has a certificate of conformance under the MDD or EU MDR. National competent authorities (the "Competent Authorities") in each member state oversee the implementation of the MDD and EU MDR within their jurisdiction, typically through so-called notified bodies which are certification organizations designated by a member state to conduct third-party conformity assessments (the "Notified Bodies"). The means for achieving the requirements for the CE mark vary according to the nature of the device. Devices are classified in accordance with their perceived risks, similarly to the U.S. system. The class of a product determines the conformity assessment required before the CE mark can be placed on a product. Conformity assessments for our products are carried out as required by Notified Bodies. If a Notified Body of one member state has issued a CE mark, the device can be distributed throughout the EU without further conformance tests being required in other member states, although certain member states may require in-country device registrations after the issuance of the CE mark. The CE mark is contingent upon continued compliance with the applicable regulations and the quality system requirements of the ISO 13485 standard. Our CE mark for the Zio XT System was issued by the National Standards Authority of Ireland under the MDD and is replaced by our new CE mark under the EU MDR issued by the British Standards Institution ("BSI") on December 15, 2023 for the Zio Monitor System and the Zeus System.

Due to UK's departure from the EU, the MHRA has issued new requirements associated with the UK Conformity Assessed ("UKCA") mark. The UKCA marking is a new UK product marking that is used for goods being placed on the market in Great Britain. It covers most goods which previously required the CE marking, including medical devices. The UKCA requirement became effective on January 1, 2021 and we have obtained a UKCA mark with the BSI, which also serves as our UK Approved Body, for the Zio XT System and the Zeus System. We are also registered with the UK's Care Quality Commission ("CQC") to carry out diagnostic and screening procedures.

Additionally, the EU Notified Body and UK Approved Body regularly audit our manufacturing, design, and operational facilities to ensure ongoing ISO 13485 and EU MDR compliance and periodically audit technical design files in accordance with the EU MDR in order to maintain our CE mark or issue a CE mark or UKCA mark for new or updated devices.

Anti-Bribery and Anti-Corruption Laws

The U.S. Foreign Corrupt Practices Act ("FCPA") and similar laws in foreign jurisdictions generally prohibit any U.S. corporations and their representatives from offering, promising, authorizing, or making payments, gifts, or transfers of value, directly or indirectly, to any foreign official, political party, or candidate for the purpose of influencing any act or decision of the foreign entity in order to obtain or retain business. The scope of the FCPA includes interactions with certain healthcare professionals and hospital administrators in many countries.

In addition, in Europe, various countries have adopted anti-bribery laws providing for severe consequences in the form of criminal penalties and significant fines for individuals or companies committing a bribery offense. Violations of these anti-bribery laws, or allegations of such violations, could have a negative impact on our business, results of operations, and reputation. For instance, in the UK, under the U.K. Bribery Act 2010, a bribery occurs when a person offers, gives, or promises to give a financial or other advantage to induce or reward another individual to improperly perform certain functions or activities, including any function of a public nature. Bribery of foreign public officials also falls within the scope of the U.K. Bribery Act 2010. An individual found in violation of the U.K. Bribery Act 2010 faces imprisonment of up to 10 years. In addition, the individual can be subject to an unlimited fine, as can commercial organizations for failure to prevent bribery.

Sustainability

To best serve our various stakeholders – including patients, caregivers, employees, investors, and communities – we believe in operating in a sustainable manner according to five core values. These principles guide how we accomplish our mission to drive the success of our business and enable long-term value creation.

- **Lead with integrity.** We believe that building trust, holding ourselves to the highest standards of ethics, acting with transparency, and being accountable forms the foundation of who we are as a company.
- **Solve for the patient.** Improving the lives of patients is our passion, so with everything we do, we put patients first, aim to deliver high-quality results, and consider customer needs.
- **Think big, go fast.** Achieving our vision requires bold action without compromising quality. This is why we strive to be open to new ideas, take intelligent risks, act with a sense of urgency, and learn from failure.
- **Collaborate to win.** Prioritizing collective success delivers astounding results, so we aim to think holistically and strategically, develop relationships proactively, and work as one team.
- **Strive for better.** We believe that immense possibility exists at iRhythm, so we are open to embracing change and pursuing opportunities for growth, and we seek diverse perspectives in that pursuit.

In accordance with these values, we believe that effectively managing environmental, social, and corporate governance ("ESG") risks and opportunities drives business success, and that when fully integrated into the business, ESG can provide a competitive advantage. In 2022, we set out on a journey to develop iRhythm's approach to ESG by conducting an ESG Priority Assessment to identify the ESG priority topics that are important to internal and external stakeholders and operationalizing ESG within the organization by forming an ESG Steering Committee and multiple ESG Working Groups, which focus on specific ESG substantive areas or workstreams. Additionally, in 2023, we established formal board oversight of ESG by revising the charters of two committees of our Board of Directors – the Nominating and Corporate Governance Committee and the Compensation and Human Capital Management Committee. Our 2022 ESG report, issued in 2023 (available on our website), outlines these efforts and we continue to work within our organization to advance our strategic ESG roadmap by pursuing ESG workstreams. We intend to update our ESG report in 2025.

Human Capital

As of December 31, 2023, we had approximately 2,000 employees globally. While the COVID-19 pandemic initially disrupted how and where we work, our employees demonstrated resilience, flexibility, and camaraderie and we transitioned to a hybrid work model. In our hybrid work model, our positive company culture has ensured that we performed well financially, long-term productivity was maintained, and employee engagement remained high.

The Compensation and Human Capital Management Committee of our Board of Directors has oversight of our culture and human capital management, including diversity, equity, and inclusion with respect to our employees.

Diversity, Equity, and Inclusion

We believe in the richness and quality of a working environment that is informed by people from all walks of life and strive to create a genuinely inclusive environment. As of December 31, 2023, our workforce was comprised of more than 55% female employees and more than 44% of employees identified as ethnically diverse.

To further build on our commitment to diversity, equity, and inclusion (“DEI”), we have formed a DEI Counsel that is led by our Chief Risk Officer to support strategic initiatives, partnerships, advocacy, and educational programs to foster a more diverse, equitable, and inclusive culture. We value our differences, recognizing that from those differences comes our strengths, and we are committed to continuing to build a culture of diversity, equity, and inclusion. Over the course of 2023, we also launched three new Employee Resource Groups (“ERGs”). These employee-led ERGs are reflective of employee demographics and interests and continue to cultivate a sense of inclusion and belonging.

Board and Management Oversight

The Compensation and Human Capital Management Committee of our Board of Directors has oversight of human capital management, including our approach to talent recruiting, development, progression and retention, culture, human health and safety, and total rewards. We are committed to nurturing our workforce and have also established a Global Leadership Forum that is led by our Executive Leadership Team to ensure broader alignment across our organization's leadership on key corporate initiatives, company culture, and transformation objectives.

Health and Safety

We believe that to date we have materially complied with applicable health, safety, and environmental laws as well as related company policies and procedures and provide necessary training as appropriate by role and location. During 2023, we published internally our Environmental, Health, and Safety Policy Statement demonstrating our ongoing commitment to the highest standards of environmental, health, and safety performance. We consistently track and evaluate recordable incident rates associated with our various facilities locations. We believe that by integrating sound environmental, health, and safety management practices into all elements of our business and operations, we will consistently deliver innovative and trusted solutions for the patients that we serve, as well as sustain higher standards of employee safety.

Total Rewards

We believe that we employ a fair and merit-based total compensation system, and we evaluate our compensation programs regularly to help ensure that our employees are compensated fairly for their work while fostering a pay-for-performance culture that is aligned with the interests of our stockholders.

We believe that we offer our employees competitive benefits that follow industry standards and support physical, mental, and financial wellness. We offer health benefits, a 401(k) plan with company match, paid time off and family leave, an Employee Stock Purchase Plan for employees in the United States, which allows them to purchase our stock at a discount, and an employee wellness program that is generally available to employees and their families globally with a variety of support services.

Workforce Development

The growth and success of our employees is one of our top priorities as it impacts our overall company performance. We are investing heavily to build in-house tools and resources to support managers and employees. Our core competencies are the foundation for programs and tools being developed to identify top talent, prepare future managers and leaders, and provide equal access to growth opportunities.

We offer a variety of training opportunities, whether focused on building vocational, management, or leadership skills. We facilitate sessions around our core competencies, interview skills, and coaching practices, and we offer a toolbox on our intranet with resources for employees and managers across the employee lifecycle.

ITEM 1A. RISK FACTORS

Our short and long-term success is subject to numerous risks and uncertainties, many of which involve factors that are difficult to predict or beyond our control. Before making a decision to invest in, hold, or sell our common stock, stockholders and potential stockholders should carefully consider the risks and uncertainties described below, in addition to the other information contained in or incorporated by reference into this Annual Report on Form 10-K, as well as the other information we file with the SEC. If any of the following risks are realized, our business, financial condition, results of operations, and prospects could be materially and adversely affected. In that case, the value of our common stock could decline and stockholders may lose all or part of their investment. Furthermore, additional risks and uncertainties of which we are currently unaware, or which we currently consider to be immaterial, could have a material adverse effect on our business, financial condition, and results of operations. Refer to our disclaimer regarding forward-looking statements at the beginning of "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of this Annual Report on Form 10-K.

Risks Related to Our Industry, Business and Operations

Reimbursement by Medicare is highly regulated and subject to change, and our failure to comply with applicable regulations, including regulations not designed for remote diagnostic tests like our Zio Services, could prevent us from receiving reimbursement under the Medicare program and some commercial payors, subject us to penalties, and adversely affect our reputation, business, and results of operations.

During the twelve months ended December 31, 2023, we received approximately 25% of our total revenue from the Medicare program (inclusive of Medicare Advantage). The Medicare program is administered by CMS, which imposes extensive and detailed requirements on diagnostic services providers, including IDTFs. These requirements include, but are not limited to, rules that govern how we structure our relationships with physicians, how we operate our IDTFs and market our Zio Services, when we may perform diagnostic tests, and how and when we submit reimbursement claims. Our failure to comply with the applicable Medicare rules and requirements could result in discontinuation of our reimbursement under the Medicare payment program, a requirement to return funds already paid to us, civil monetary penalties, criminal penalties, and/or exclusion from the Medicare program, which would have a material adverse impact on our reputation, business, and results of operations.

CMS has acknowledged that the IDTF regulations were designed for "traditional" IDTFs that administer tests to patients in-person, at a single point in time, and from a single location, and only recently has CMS initiated changes to the regulations to address IDTFs like iRhythm that furnish "indirect tests" that do not require in-person interaction and involve technicians performing computer analyses offsite or at another location. The changes, however, do not address all gaps identified by CMS relating to IDTF operations and the Medicare billing requirements. For example, CMS has not addressed billing for remote diagnostic tests that are performed from one or more IDTF or other remote locations. Our failure to comply with the applicable Medicare regulations, or regulators' disagreement with our interpretation of the regulations as applied to indirect tests, such as the Zio Services, could result in the discontinuation of our reimbursement under the Medicare program, a requirement to return funds already paid to us, civil monetary penalties, criminal penalties, and/or exclusion from the Medicare program.

In addition, many commercial payors require our IDTFs to maintain enrollment with the Medicare program as well as accreditation and certification with the Joint Commission. If we fail to obtain and maintain IDTF enrollment or accreditation and certification, our Zio Services may no longer be reimbursed by those commercial payors, which could have a material adverse impact on our reputation, business, and results of operations.

If reimbursement or other payment for our Zio Services is reduced or modified in the United States, including through cost containment measures or changes to policies with respect to coding, coverage, and pricing, our business could suffer.

We receive a substantial portion of our revenue from Medicare and third-party commercial payors with which we contract, and we cannot predict whether and to what extent existing reimbursement rates will continue to be available. If CMS or any of our key commercial payors reduce reimbursement rates for our Zio Services, our business, operating results, and prospects would be adversely affected.

CMS updates the reimbursement rates for diagnostic tests performed by IDTFs annually via the Medicare Physician Fee Schedule. Effective January 1, 2023, CMS established national payment rates for the CPT codes we use to report the long-term continuous monitoring services we perform with our Zio XT System and our Zio Monitor System: CPT codes 93247 (for wear-time of greater than 7 days and up to 15 days) and 93243 (for wear-time of greater than 48 hours and up to 7 days). Based on the relative value units CMS assigned to CPT codes 93247 and 93243, the national reimbursement rates for these services in 2024 are $230.52 and $219.71, respectively, and range from $231.34 to $326.79 and $220.51 to $311.46 for our Medicare-enrolled IDTF locations in Deerfield, Illinois, Houston, Texas, and San Francisco, California, when considering the geographic practice cost index for these locations. On average, the 2024 national payment rates are approximately 5% lower than 2023 rates for services, when excluding impacts for the geographic practice cost index for our IDTF locations noted above. Because remote cardiac monitoring technology, including the Zio System, is rapidly evolving, there is a continuing risk that relative value units assigned, and reimbursement rates set, by CMS may not adequately reflect the value and expense of this technology and associated monitoring services, and CMS may reduce these rates in the future, which would adversely affect our financial results.

Additionally, commercial payors with which we contract may seek to reduce our reimbursement rate through further contract negotiations. For example, the recent actions taken by CMS to finalize national reimbursement rates for CPT Codes 93247 and 93243 reduced the Medicare reimbursement rates for these services performed at our Deerfield, Illinois location. Accordingly, we may observe certain commercial payors in this region seeking to adjust their reimbursement rates for these services as well.

In addition, our agreements with commercial payors typically allow either party to terminate the contract at any time by providing prior written notice, in accordance with the agreement, to the other party, which means our commercial payors may elect to terminate their contracts with us for any reason. A commercial payor who terminates or does not renew their contract with us may, or may not, alter their coverage for the type of services we provide. In the event any of our key commercial payors terminate their agreements with us, elect not to renew or enter into new agreements with us upon expiration of their current agreements, or do not renew or establish new agreements on terms as favorable as are currently contracted, our business, operating results, and prospects would be adversely affected.

Finally, government and commercial payors have and may, in the future, consider healthcare policies and proposals intended to limit or reduce perceived increases in healthcare costs, including those that could significantly affect reimbursement for healthcare products such as our systems and services. These policies have included, and may in the future include: basing reimbursement policies and rates on clinical outcomes, the comparative effectiveness, and costs, of different treatment technologies and services; and other measures. Future significant changes in the healthcare systems in the United States or elsewhere could also have a negative impact on the demand for our current and future products and services. These include changes that may reduce reimbursement rates for our products and changes that may be proposed or implemented by the current or future laws or regulations.

If we are unable to expand the number of third-party commercial payors with which we contract or expand coverage for existing third-party commercial payors, our commercial success could be impacted.

There is significant uncertainty concerning third-party reimbursement of any new service until a contracted rate is established for that service with the commercial payor. Reimbursement by a commercial payor may depend on several factors, including, but not limited to, a payor's determination that the ordered service is not experimental or investigational, medically necessary and appropriate for the specific patient, cost effective, supported by peer-reviewed publications, and accepted and used by physicians and other clinicians within their provider network.

Since each payor decides whether to establish a policy concerning reimbursement or to contract with us to set the price of reimbursement, seeking reimbursement on a payor-by-payor basis is a time-consuming and costly process to which we dedicate substantial resources. If we do not dedicate sufficient resources to establishing contracts with commercial payors and supporting payors' reimbursement determinations by demonstrating the clinical value of our Zio Services through studies and physician adoption, we may encounter several adverse consequences that could compromise the commercial success of our business. Such adverse consequences may include an inability to secure additional contracts with commercial payors, reluctance by physicians to order our Zio Services due to concerns that patients may face significant out-of-pocket expenses associated with an out-of-network IDTF, a decline in the amount that we are reimbursed for our services, less predictable revenue, and an increase in the efforts and resources necessary to obtain reimbursement for our services on a claim-by-claim basis.

Additionally, for our out-of-network or cash pay patients, we may be subject to state and federal surprise billing laws that impose limits on amounts that can be charged to such patients and/or the amount we can receive for out-of-network services from commercial payors. One such law, the federal No Surprises Act, requires covered providers to provide "good faith estimates" to patients and establishes a detailed and potentially costly independent dispute resolution process governing fee disputes with those patients. These laws and regulations may change, and additional implementation regulations are expected for the No Surprises Act, and we anticipate these requirements may apply to our business in the future.

We report to third party payors the technical components of the remote cardiac monitoring services that are performed with our Zio Monitor, Zio XT, and Zio AT Systems using CPT codes established by the American Medical Association. These CPT codes are manufacturer- and technology-agnostic but describe general technical features required to support the diagnostic medical procedures represented by these billing codes. Given the nature of CPT codes, there is always some degree of risk for an entity that bills for its services that regulators or other third parties could assert that the CPT codes utilized were not appropriate, and recent events have the potential to increase the risk of questions or inquiry regarding our use of a specific CPT code.

The CPT codes used to report remote cardiac monitoring services, including those used to report our Zio Services, were drafted by the American Medical Association ("AMA") in a manufacturer- and specific technology-agnostic manner. Regulators or other third parties could assert that our technology does not support certain diagnostic procedures described by the CPT codes that we currently use to report our Zio Services. For example, a regulator or other third party could assert that the Zio AT System cannot support MCT services, which could jeopardize our ability to submit claims for reimbursement for services utilizing our Zio AT System and may require us to evaluate whether we have received any overpayments that must be reported and returned to third-party payors. Certain language in a warning letter we received from FDA on May 25, 2023 could increase the risk of inquiries regarding our historical or current use of CPT code 93229. Consistent with the AMA's definition of MCT, the Zio AT System's indications for use under our 510(k) clearance include uninterrupted ECG recording during normal day-to-day activities to capture, analyze, and report diagnostic information regarding asymptomatic arrhythmias, as well as other transient, non-critical symptoms (e.g., palpitations, pre-syncope, syncope, shortness of breath, or dizziness) for review by our IDTFs and escalation to the patient's treating healthcare professional, consistent with the healthcare professional's prescribed notification criteria, during the monitoring period.

Our revenue relies on our Zio Services, which are currently our only offerings. If our Zio Services or future service offerings fail to gain, or lose, market acceptance, our business will suffer.

Our current revenue is dependent on orders for our Zio Services, and we expect that reimbursement for our Zio Services will account for substantially all our revenue for the foreseeable future. We are in various stages of research and development for other diagnostic screening solutions and new indications for our technology and our Zio Services; however, there can be no assurance that we will be able to successfully develop and commercialize any new services and related devices. Any new services may not be accepted by physicians or may merely replace revenue generated by our Zio Services and not generate additional revenue. If we have difficulty launching new services, our reputation may be harmed and our financial results adversely affected. In order to substantially increase our revenue, we will need to target physicians other than cardiologists, such as emergency room doctors, primary care physicians, and other physicians with whom we have had little contact and who may require a different type of marketing effort. If we are unable to increase orders for our Zio Services, expand reimbursement for our Zio Services, or successfully develop and commercialize new services and related devices, our revenue and our ability to achieve and sustain profitability would be impaired.

The market for remote cardiac monitoring solutions is highly competitive. If our competitors are able to develop or market monitoring devices and services that are more effective, or gain greater acceptance in the marketplace, than any services and related devices we develop, our commercial opportunities will be reduced or eliminated.

The market for remote cardiac monitoring products and services is competitive, characterized by rapid change resulting from technological advances, scientific discoveries, and other market activities of industry participants. Our Zio Services compete with a variety of products and services that provide alternatives for remote cardiac monitoring, including traditional, short-term Holter monitors and event monitors. Our industry is highly fragmented and characterized by a small number of large manufacturers and a large number of smaller regional service providers. These third parties compete with us in marketing to payors and ordering physicians, recruiting and retaining qualified personnel, acquiring technology, and developing products and services that compete with our Zio Services and related devices. Our ability to compete effectively depends on our ability to distinguish our company and our Zio Services from our competitors and their products and services, and includes such factors as safety and effectiveness; acute and long-term outcomes; ease of use; price; physician, hospital, and clinic acceptance; and third-party reimbursement.

Our industry is subject to rapid change and is significantly affected by new product introductions, results of clinical research, corporate combinations, and other factors. Large competitors in the remote cardiac market include companies that sell standard Holter monitors including GE Healthcare, Philips Healthcare, Mortara Instrument, Inc., Spacelabs Healthcare Inc. and Welch Allyn Holdings, Inc. (acquired by Hill-Rom Holdings, Inc. which was acquired by Baxter International, Inc.). Additional competitors, such as BioTelemetry, Inc. (acquired by Royal Philips), Preventice Solutions, Inc. (acquired by Boston Scientific, Inc.), and Bardy Diagnostics, Inc. (acquired by Hill-Rom Holdings, Inc. which was acquired by Baxter International, Inc.) manufacture remote cardiac monitoring devices and also offer monitoring services. These companies have also developed other patch-based cardiac monitors that have received FDA and foreign regulatory clearances. There are also several small start-up companies trying to compete in the patch-based cardiac monitoring space, as well as several entering the patch-based cardiac monitoring market.

We have also seen a trend in the market for large medical device companies to acquire, invest in, or form alliances with these smaller companies in order to diversify their product offerings and participate in the digital health space. Future competition could come from makers of wearable fitness products or large information technology companies focused on improving healthcare. For example, Apple Inc., Fitbit and Samsung, among others, have added capabilities on their platforms to measure non-continuous ECG and to alert customers to the potential presence of irregular heartbeats suggestive of asymptomatic Afib. These competitors and potential competitors may introduce new products and services that more directly compete with our Zio Services and related devices.

Billing for our Zio Services is complex and highly regulated, and we must dedicate substantial time and resources to the billing process. Failure to comply with legal, regulatory, or contractual requirements applicable to our billing and collection activities could subject us to penalties, and adversely affect our reputation, business and results of operations.

Billing for diagnostic services is complex, highly regulated, time-consuming, and expensive, and failure to comply with legal or contractual requirements applicable to our billing and collection activities could subject us to penalties, and adversely affect our reputation, business and results of operations. Depending on the billing arrangement and applicable law, we bill several types of entities and payors, including federal healthcare programs, third-party commercial payors, healthcare providers, and healthcare institutions, which may have different billing requirements, coverage criteria, procedures, or expectations. We also bill insured patients for co-payments, co-insurance, and deductible amounts, as well as bill self-pay patients directly.

Several factors make the billing and collection process uncertain, including differences between the submitted claim price for our Zio Services and the reimbursement rates of payors; compliance with complex federal and state regulations related to billing the Medicare and Medicaid programs and collecting co-payments, co-insurance, and deductible amounts from patients and other guarantors; the effect of patient co-payments, co-insurance, and deductible amounts, which may vary depending on the timing of the claim relative to the insured's annual policy year; differences in coverage policies, criteria, and billing requirements among payors; and incorrect or missing patient history, indications, or billing information and delays in verifying and resolving the same. We also face risk in our collection efforts, including potential write-offs of doubtful accounts and long collection cycles, which could adversely affect our business, financial condition, and results of operations. We may also be adversely affected by the growth in patient responsibility accounts, as a result of increases in the adoption of plan structures, due to evolving health care policy and insurance landscapes, that shift greater responsibility for care to individuals through greater exclusions, prior authorizations, and co-payment and deductible amounts.

Additionally, our billing activities require us to implement compliance procedures and oversight, train and monitor our employees, subcontractors, and agents, and undertake internal review procedures to evaluate compliance with applicable laws, regulations, and internal policies. These activities require a tremendous dedication of resources and, as a result, we have engaged third-party vendors, such as XIFIN, Inc. ("XIFIN") and OMH HealthEdge Holdings, Inc. ("Omega"), to undertake certain components of our billing and collections operations. We are in the process of transitioning the overall processing of claims to Omega from XIFIN. The transition of this engagement is a time-consuming and costly process to which we are dedicating substantial resources. If our transition plans are ineffective or we are ineffective in executing the transition, we may experience delays or errors in our claims submission process, increased denials, and lost revenue, which would materially impact our operating results.

The complexities we face related to billing for our Zio Services, and the related uncertainty in obtaining payment for our Zio Services, could negatively affect our revenue and cash flow, our ability to achieve profitability, and the consistency and comparability of our results of operations.

Audits or denials of our claims by government agencies or payors could expose us to recoupment, regulatory scrutiny, and penalties.

As an IDTF, we submit claims directly to, and receive reimbursement from, federal healthcare programs, including Medicare, as well as other third-party commercial payors for tests ordered by unaffiliated healthcare providers. These programs and payors, including contractors on their behalf, may conduct pre- and post-payment audits and reviews of claims submitted for reimbursement, including audits and reviews focused on the appropriateness of unaffiliated healthcare providers' decisions to order a particular test furnished by our IDTF, which impact our claims. Further, the federal healthcare programs may impose suspensions on both payment and participation in response to allegations of fraud or other noncompliance.

Other controls imposed by CMS and commercial payors designed to reduce costs, commonly referred to as "utilization review," may also affect our operations. Federal law contains numerous provisions designed to ensure that services rendered to CMS patients meet professionally recognized standards and are medically necessary, appropriate for the specific patient, and cost-effective. These provisions include a requirement that a quality improvement organization review a sampling of claims for Medicare beneficiaries to assess the quality of care and appropriateness of the services provided. These quality improvement organizations may deny payment for services or assess fines and have the authority to recommend to CMS that a provider in substantial noncompliance with applicable Medicare requirements and quality standards be excluded from participation in the Medicare program. The Affordable Care Act also expands the use of prepayment review by Medicare Administrative Contractors by eliminating statutory restrictions on their use and, as a result, we except efforts to impose more stringent cost controls to continue. As a provider enrolled in federal healthcare programs, we expect to be subject to such audits and claims reviews in the future, which may result in suspensions or other restrictions on our ability to submit claims for our services, payment delays, overpayment recoupments, and claims denials, which would negatively impact our business, financial condition, and results of operations, and may jeopardize our participation in these federal healthcare programs.

We are currently undertaking a transformation of our revenue cycle management function and we may fail to realize the anticipated benefits of these efforts. These activities involve significant time and resources, and our failure to execute these activities efficiently and effectively may cause our revenue and accounts receivable to be delayed or reduced and could have an adverse effect on our business and cause reputational harm.

We are undertaking a transformation of our revenue cycle management function, which plan contemplates the engagement of service providers to support certain activities. The success of this plan depends on our ability to integrate these service providers in a timely manner to scale our operations to facilitate growth opportunities, without adversely affecting current revenues and accounts receivable. If we are not able to successfully achieve these objectives, the anticipated benefits of this transformation may not be realized fully or at all or may take longer to realize than expected. In addition, there is a significant degree of difficulty and management distraction inherent in the process of integrating with service providers. These difficulties include challenges supporting certain operations and activities with more than one service provider, integrating technologies (including IT systems and processes, procedures, policies and operations, and retaining key personnel). These activities may be complex and time-consuming and involve delays or additional and unforeseen expenses. The process of transitioning to these service providers, the integration process, and other disruptions may also disrupt our ongoing businesses or cause inconsistencies in standards, controls, procedures, and policies that could adversely affect our relationships with payors, patients, employees, and others. Any failure to execute these activities effectively and efficiently may cause our revenue and accounts receivable to be delayed or reduced and could have an adverse effect on our business and cause reputational harm.

Although our current Zio Systems are comprised of medical devices that have received FDA marketing authorization (510(k) clearance) as well as regulatory certifications in the EU and the UK, we may regularly engage in product enhancements and in iterative changes to existing products, as well as seek to develop new technology or use of technology for new indications for use. These medical device developments may trigger further regulatory reviews and the results of those reviews are unpredictable.

Before a new medical device or a new intended use for a medical device can be marketed in the United States, a company must first submit an application and receive either 510(k) clearance, De Novo marketing rights, or premarket approval from FDA, unless an exemption applies. All of these processes can be expensive, lengthy, and unpredictable. We may not be able to obtain the clearances or approvals we seek or may be unduly delayed in doing so, which could harm our business. Even if we are granted regulatory clearances or approvals, they may include significant limitations on the indicated uses for the product, which may limit the market for the product. Although we have obtained 510(k) clearances to market our Zio Systems, our clearances can be revoked if safety, efficacy, or significant regulatory compliance problems develop. Even planned changes and improvements to devices and their uses can trigger the need for a new submission. FDA requirements dictate that we must evaluate potential changes and document our decision-making regarding the need for additional submissions and clearances or approvals. Unless effectively planned for in advance, our desired commercial timeline may be impacted.

Significant changes or modifications in design, components, method of manufacture, or the intended use or technological characteristics of our Zio Systems may require new or modified FDA marketing authorization, CE Mark certification (EU), or UKCA Mark certification (UK). In some instances, we have identified a need for, and sought and obtained new, 510(k) clearances from FDA for these changes or modifications.

As permitted by applicable law, FDA allows device manufacturers to internally analyze and document a decision that a new clearance or approval is viewed by the manufacturer as unnecessary. Accordingly, we have made certain changes and modifications to our Zio Systems in the past that we believe did not require additional clearances or approvals by FDA.

Such internal decisions are, however, subject to review by FDA, and may require additional action in the event FDA questions earlier internal decision-making. For example, FDA raised questions in the warning letter issued on May 25, 2023 regarding certain changes and modifications to the Zio AT System for which we did not make 510(k) submissions, and rather documented our analysis in letters to file. We have recently (following, and in alignment with, discussion with FDA) submitted an updated 510(k) to address Zio AT Device modifications that were, prior to our receipt of the warning letter, previously documented in letters to file.

In instances where FDA or an EU/UK Notified/Approved Body disagrees with our internal analysis and decision that a new or additional approval or marketing authorization or certification is not needed for any such modifications, we may be required to recall and/or stop the distribution of the impacted Zio System and/or correct the labeling for such Zio System. We may be required to submit a new marketing application or certification, which could require additional testing or other supporting data, a redesign of a product, or otherwise impact the provision of services. In these circumstances, the process may require engagement with regulators to resolve concerns and reach a resolution for a product, and we may be subject to significant enforcement actions.

We may not be able to obtain additional marketing authorizations in a timely fashion, or at all, which could harm our ability to introduce new or enhanced products in a timely manner and to meet market expectations for the provision of the services, which in turn could harm our future growth.

We are subject to extensive compliance requirements for the quality, design, safety, performance, and post-market surveillance of the medical devices we manufacture for use in our Zio Services, and for vigilance on complaint-handling, escalation, assessment, and reporting of adverse events and malfunctions. A wide range of quality, risk, regulatory, or safety matters could trigger the need for a recall, a hold on the distribution of the marketed product, or other corrective actions to marketed products.

Our design and manufacturing facilities and processes and those of certain third-party suppliers are subject to FDA, state, and Notified/Approved Body regulatory inspections for compliance with various medical device regulations and standards, including the Quality System Regulation (“QSR”), also known as 21 CFR Part 820, European Union Medical Device Directive (“EU MDD”), New European Union's Medical Device Regulations (“EU MDR”), and UK Medical Device Regulations (“UK MDR”) requirements. Developing and maintaining a compliant quality system is time consuming and investment intensive. Requirements and standards may change and evolve over time, and we will need to adapt. Failure to maintain compliance with, or not fully complying with, the requirements of FDA and state regulators could result in enforcement actions, which could include the issuance of warning letters, adverse publicity, seizures, prohibitions on product sales, recalls, and civil and criminal penalties, any one of which could significantly impact our manufacturing supply and provision of services and impair our financial results. Failure to maintain full compliance with the requirements of EU MDD, EU MDR, and UK MDR could result in similar disruptions in these markets.

We are required to file various reports with FDA, and EU or UK regulators, including reports required by each jurisdiction's adverse event, certain malfunctions, and field action reporting regulations. These reports are often required if our Zio System may have caused or contributed to a death or serious injury or malfunctioned in a way that would likely cause or contribute to a death or serious injury if the malfunction were to recur. They may also be reasonable, necessary, or prudent for a range of other reasons relating to the importance of gathering information in the post marketing setting and managing risk throughout the product lifecycle, or to address requests from regulators to increase or expand the scope of reporting. For example, in the fourth quarter of 2023, as part of our commitments following the FDA Form 483 observations and FDA warning letter issued on May 25, 2023, we retrospectively submitted certain Medical Device Reports ("MDRs") to FDA. An increase in the reporting of events associated with the use of our products and services from us or others and any delays to the filing of reports may increase regulator and public scrutiny. Regulators may impose sanctions and we may be subject to product liability or regulatory enforcement actions, all of which could harm our business. These reports are typically publicly available information in most jurisdictions, including the United States. If we initiate a field action (whether a "correction" made relative to a device that remains in the field, which could be through a labeling or software update, or "removal" or "recall" and return of that device to us, or field advisory notices) to reduce a risk to health posed by our Zio System, we would be required to report the Correction or Removal to FDA and, in many cases, similar reports to other regulatory agencies.

For example, on September 28, 2022, we initiated a Customer Advisory Notice to Zio AT customers regarding a Zio AT labeling correction; the labeling changes involve additions and modifications to the Zio AT labeling precautions relating to the device's maximum transmission limits during wear, and also to the need for healthcare providers to complete registration to initiate monitoring services. We reported this Customer Advisory Notice and related information to FDA under 21 C.F.R., Part 806 and FDA classified this field action as a Class II Recall following our initial 806 report. We have completed the distribution of the Advisory Notice to our identified impacted customers; and although the status remains open in FDA recall database, we requested the closure of this field action on March 31, 2023. This labeling correction followed our assessment of topics raised in the August 2022 FDA inspection focused on Zio AT. We were in dialogue with FDA in relation to the inspection process, and in connection with our Customer Advisory Notice and 806 report. FDA observation responses, field action or corrections and the 806 process can be unpredictable and can present regulatory and commercial risks and uncertainties relating to matters including product labeling, the scope and approach of the correction, and/or customer and patient perception of our technologies and services.

Additionally, on May 25, 2023, we received a warning letter from FDA, which alleged non-conformities to regulations for medical devices, including medical device reporting requirements, relating to our Zio AT System and medical device quality system requirements. We submitted a timely response to FDA on June 16, 2023 and are continuing to work with the agency to address the issues outlined in the warning letter. Although our belief based on the dialogue with FDA to date following our warning letter response is that we will be able to work through FDA's matters of concern relating to our Zio AT System, we cannot give any assurances that FDA will be satisfied with our response, the actions taken to resolve the concerns raised in the warning letter, or the expected date for the resolution of such matters. Until the issues identified in the warning letter are resolved to FDA's satisfaction, additional legal or regulatory action may be taken with or without further notice. The warning letter is publicly available on FDA's website and has been the subject of a high degree of media and industry attention, which subjects us to additional scrutiny. We have been providing FDA with updates on our progress on commitments made in the warning letter, and we are in continued dialogue with FDA on key topics and our planned path forward.

Depending on the reason for the correction or removal and the potential severity of the impact to patient safety or the effectiveness of the device, FDA may require differing degrees of communication to alert those who may be in possession of an impacted device. We would generally be subject to similar requirements in jurisdictions outside the United States where the Zio products are used. Furthermore, even if we adhere to regulatory standards and expectations in our corrective actions, the public nature of such actions can result in broader negative publicity and perceptions, which could harm our reputation.

If we assess a potential quality issue or complaint or product enhancement as not requiring either field action or notification, respectively, regulators may review documentation of that decision during a subsequent audit. If regulators disagree with our decision, or take issue with either our investigation process or the resulting documentation or course of action, we may be subject to a range of potential regulatory enforcement actions or required to take corrective actions, which depending on their nature and scope could harm our business.

Because of the patient populations for which our services are provided and the complexity of the healthcare environment in which we operate, a high degree of medical and clinical input may be necessary to evaluate complaints and adverse events, and in some cases, there may be disagreement over whether our services or the medical devices used in our services may have caused or contributed to an event.

Our Zio Systems and Zio Services are not intended to be prescribed or ordered for use as an emergency system. They are not intended for critical care patients or patients suspected of life-threatening arrhythmias who require inpatient or emergency ECG monitoring. Given the nature of arrhythmias and the patient population for which our Zio Services are ordered by physicians, in which there may be several health conditions present, there are instances in which a patient may experience a medical event during the wear period of a Zio System. In some cases, it may be medically and logistically challenging to obtain information sufficient to definitively determine all contributing factors to an event. In some instances, we may receive initial reports of complaints from the certified cardiographic technicians ("CCTs") or through our customer service representatives. The initial reports of these non-physicians are likely to contain information that requires verification and further investigation.

In addition, even though our services and their associated devices are not intended to recognize, detect, or initiate response to terminal end-of-life events (for example, cardiac arrest), a patient may nevertheless be wearing a Zio device when they experience such an event (for example, as was the case with the patients involved in COMP-2021-6388 and COMP-2021-6385 which were referenced by FDA in the May 25, 2023 warning letter). Given the functionality of our technology and our services, we may become aware of data reflecting a non-survivable, end-of-life cardiac event. We (going forward and in light of recent feedback from FDA regarding its reporting expectations) or others (such as healthcare professionals, patients, or family members) may report such events even where it does not appear to us that our device caused or could have prevented an end-of-life event. Given the structure of such reporting to FDA the full medical context is not generally available to the public, which may cause additional scrutiny, questions, or concerns regarding our products and services. For example, in the fourth quarter of 2023, as part of our commitments following the FDA Form 483 observations and warning letter issued on May 25, 2023, we retrospectively submitted certain MDRs to FDA, and the publicly available information in these reports may receive additional scrutiny.

We are subject to FDA requirements to investigate complaints about our Zio Systems. If we do not effectively manage and monitor our complaint-handling procedures, we may be subject to regulatory enforcement action, litigation risks, and risk of negative publicity.

If we are unable to keep up with demand for our Zio Services, our revenue could be impaired, market acceptance for our Zio Services could be harmed, and physicians may instead order our competitors' services.

As demand for our Zio Services increases, we may encounter production or service delays or shortfalls. Such production or service delays or shortfalls may be caused by many factors, including the following:

- while we intend to continue to expand our manufacturing capacity, our production processes may have to change to accommodate this growth, potentially involving significant capital expenditures;
- we may experience technical challenges to increasing manufacturing capacity, including in connection with equipment design, automation, validation and installation, contractor issues and delays, licensing and permitting delays or rejections, materials procurement, manufacturing site expansion, problems with production yields, and quality control and assurance;
- key components of our Zio Systems are provided by a sole or single supplier or limited number of suppliers, and we do not maintain large inventory levels of these components; if we experience a shortage or quality issues in any of these components, we would need to identify and qualify new supply sources, which could increase our expenses and result in manufacturing delays;
- global demand and supply factors concerning commodity components common to all electronic circuits, including Zio Systems, could result in shortages that manifest as extended lead times for circuit boards, which could limit our ability to sustain and/or grow our business;
- we may experience a delay in completing validation and verification testing for new production processes and/or equipment at our manufacturing facilities;
- to increase our manufacturing output significantly and scale our services, we will have to attract and retain qualified employees for our operations; and
- in response to unexpectedly rapid growth of our business, clinical operations capacity may not meet demand while new resources are being recruited and trained, which could negatively impact our volume capacity for our Zio Services.

If we were unable to successfully manufacture our Zio Systems in sufficient quantities, or to maintain sufficient capacity to provide our Zio Services, it would materially harm our business.

We depend on third-party vendors for the supply and manufacture of certain components of our Zio Systems, as well as for other aspects of our operations.

We rely on third-party vendors for components and sub-assemblies used in our Zio Systems and in connection with certain logistical aspects of our Zio Services. Our reliance on third-party vendors subjects us to a number of risks, including:

- inability to obtain adequate supply in a timely manner or on commercially reasonable terms, including due to our reliance on a single supplier for certain critical components and materials for which, in some cases, there are relatively few alternative sources of supply;
- modifications to, or discontinuation of, a vendor's operations due to natural disasters, labor disruptions, human error, infrastructure failure, pandemics, military conflicts, or political or economic disruption, which may adversely impact our operations or otherwise lead to interruption of or shortage or delays in supply, including shortages impacting our printed circuit board assembly;
- production delays related to the evaluation and testing of products from alternative suppliers and corresponding regulatory qualifications;
- inability of the manufacturer or supplier to comply with our quality criteria and specifications and, where applicable, the QSR, state regulatory authorities, and, in some cases, the Notified Body audits;
- miscommunication of design specifications due to errors/omissions by either the vendor or our company, resulting in delayed delivery of acceptable materials or components for incorporation into our devices or recall of finished products;
- delays in device shipments resulting from quality issues or defects, reliability issues, or a supplier's failure to consistently produce quality components;
- price fluctuations due to a lack of long-term supply arrangements with our suppliers for key components;
- inability to control the quality of products manufactured by third parties;
- delays in delivery by our suppliers due to changes in demand from us or their other customers; and
- delays in obtaining required materials and components that are in short supply within the time frames we require, at an affordable cost, or at all.

Further, we rely on single suppliers for the supply of components related to our adhesive sub-assembly, disposable plastic housings, instruments, and other materials that we use to manufacture and label our Zio patches. We have not qualified additional suppliers for some of these components and materials and we do not carry a significant inventory of these items. While we believe that alternative sources of supply may be available, we cannot be certain whether they will be available if and when we need them and that any alternative suppliers would be able to provide the quantity and quality of components and materials that we would need to manufacture our Zio patches if our existing suppliers were unable to satisfy our supply requirements.

Any significant delay or interruption in the supply of components or sub-assemblies, such as those that we experienced during the COVID-19 pandemic, or our inability to obtain substitute components, sub-assemblies, or materials from alternate sources at acceptable prices and in a timely manner, could impair our ability to meet the demand for our Zio Services, significantly affect our future revenue, and harm our relations and reputation with physicians, hospitals, clinics, and patients.

We also rely on certain third-party vendors in connection with the analysis we perform to create diagnostic reports for our Zio Services, which is dependent upon a recording made by each Zio System. For long-term continuous monitoring utilizing our Zio XT System, for example, requires the physical return of the Zio XT patch to one of our clinical centers and we predominantly rely on the U.S. Postal Service ("USPS") to perform this delivery service. Delivery of the Zio XT patch to one of our clinical centers may be subject to disruption to the USPS delivery infrastructure. Further, for the MCT monitoring services utilizing our Zio AT System, we rely on the provision of cellular communication services for the timely transmission of patient information and reportable events. The reliability of the electronic communication and cloud services required for these operations are subject to natural disasters, labor disruptions, human error, and infrastructure failure. Any of these disruptions may render it difficult or temporarily impossible for us to provide some or all our Zio Services and bill for those services, adversely affecting our operating results, causing significant distraction for management, and negatively impacting our business reputation. We also expect that our reliance on third-party vendors will increase as our business grows, exposing us to increased harm if such disruptions occur.

We have incorporated and continue to work to further incorporate AI into our products, services, and internal operations. Implementation of artificial intelligence and machine learning technologies may result in legal and regulatory risks, reputational harm. or other adverse consequences to our business.

We have and are continuing to incorporate AI, including machine learning and independent algorithms, in certain of our products, services and internal operations, including in our MCT services with our Zio AT System, which is intended to enhance their operation and effectiveness internally and for physicians and patients. Our research and development of such technology remains ongoing. AI innovation presents risks and challenges that could impact our business. AI algorithms may be flawed or datasets may be insufficient or contain biased information resulting in perceived or actual negative outcomes. Additionally, many countries and regions, including the EU, have proposed new and evolving regulations related to the use of AI and machine learning technologies. The regulations may impose onerous obligations and may require us to unexpectedly rework or reevaluate improvements to be compliant. Use of AI technologies may expose us to an increased risk of regulatory enforcement and litigation. Moreover, some of the AI features involve the processing of personal data and may be subject to laws, policies, legal obligations, and codes of conduct related to privacy and data protection. AI development and deployment practices could subject us to competitive harm, regulatory enforcement, increased cyber risks, reputational harm, and legal liability.

Our ability to compete depends on our ability to innovate successfully.

The market for medical devices, including the remote cardiac monitoring segment, is competitive, dynamic, and marked by rapid and substantial technological development and product innovation. While there are barriers that would challenge new entrants or existing competitors from developing products that compete directly with the devices used in our Zio Services, these barriers can be overcome. Demand for our Zio Services and future related devices or services could be diminished by equivalent or superior products and technologies offered by competitors. If we are unable to innovate successfully, our services and related devices could become obsolete and our revenue would decline as our customers prescribe or purchase our competitors' services.

In order to remain competitive, we must continue to develop new product offerings and enhancements to our Zio Services. We can provide no assurance that we will be successful in fully recognizing the strategic value of our ECG database, expanding the indications for our Zio Services, developing new services and related devices, or commercializing them in ways that achieve market acceptance. In addition, if we develop new services, sales of those services may reduce revenue generated from our existing services. Maintaining adequate research and development personnel and resources to meet the demands of the market is essential. If we are unable to develop new services and related devices, applications, or features, or improve our algorithms due to constraints, such as insufficient cash resources, high employee turnover, inability to hire personnel with sufficient technical skills, inability or delay to obtain FDA marketing authorization or regulatory clearances in the EU and the UK, or a lack of other research and development resources, we may not be able to maintain our competitive position compared to other companies. Furthermore, many of our competitors devote a considerably greater amount of funds to their research and development programs than we do, and those that do not may be acquired by larger companies that would allocate greater resources to research and development programs. Our failure or inability to devote adequate research and development resources or compete effectively with the research and development programs of our competitors could harm our business.

We have entered into a development agreement with a third party, and we may explore or enter into other development or collaboration agreements with other third parties in the future. These development and collaboration agreements may not result in the development of commercially viable devices or the generation of significant future revenues.

We have entered into the Development Agreement with Verily to develop certain next-generation Afib screening, detection, or monitoring devices to enhance our Zio Services, which involves combining our technology platforms and capabilities with those of Verily. As part of the Development Agreement, we paid Verily an up-front fee of $5.0 million in cash, and through December 31, 2023, we have achieved milestones and additional related payment obligations totaling $11.0 million. We have agreed to make additional payments over the term of the Development Agreement up to an aggregate of $1.75 million, subject to achievement of certain specified milestones. The success of our collaboration with Verily is highly dependent on the efforts provided to the collaboration by Verily and us and the skill sets of our respective employees. Support of these efforts requires significant resources, including research and development, manufacturing, quality assurance, and clinical and regulatory personnel. Even with FDA's clearance of our clinically-integrated ZEUS System for the Zio Watch, continued product testing, market research, and related activities may result in a delay to device launch and additional expense associated with any commercialization efforts. Even if and when launched, the developed devices may also not be accepted in the marketplace, and there is no assurance that adequate coverage or reimbursement would be available, or that an alternative payment model can be developed.

After the initial term and scope of the Development Agreement, and in order to commercialize any services in connection with the developed devices with Verily, we will need to enter into a commercialization agreement. There is no guarantee that we will be able to enter into such an agreement on commercially reasonable terms or at all. If we are unable to reach agreement with Verily on terms, the up-front fee and regulatory and development milestone payments and our internal development costs would not be recovered and the licenses to use Verily's technology will expire.

This collaboration may not result in the development of devices, and ultimately services, that achieve commercial success and could be terminated prior to developing any devices. In the event of any termination or expiration of the Development Agreement, we may be required to devote additional resources to device development and we may face increased competition, including from Verily. Verily may use the experience and insights it develops in the course of the collaboration with us to initiate or accelerate their development of products that compete with our devices and services, which may create competitive disadvantages for us. Accordingly, we cannot provide assurance that our collaboration with Verily or any other third party will result in the successful development of commercially viable devices and services or result in significant additional future revenues for our company.

We generally intend to continue assessing the potential pathways for expanding indications and use cases for our Zio Services, and developing potential new products and services, for patient populations with unmet needs in the remote cardiac monitoring market and adjacent markets. We intend to continue to invest in research and development efforts to further differentiate our biosensor, data analytics and reporting, information system, and digital platform and we may explore or enter into development or collaboration agreements with third parties to further these efforts. We cannot predict whether such efforts will be viable from a regulatory and commercial standpoint, and development or collaboration agreements may not result in the development of commercially viable products or services or the generation of significant future revenues. For example, enforcement action such as that conveyed through the May 25, 2023 warning letter we received, as well as other digital health industry regulatory developments, may also impact the availability or viability of potential opportunities.

International expansion of our business exposes us to market, regulatory, political, operational, financial, and economic risks associated with doing business outside of the United States.

While we currently derive substantially all of our revenue and maintain substantially all of our assets in the United States, we intend to continue to pursue growth opportunities outside of the United States, especially in the Philippines, the EU, the UK and Japan, and we may increase our use of administrative and support functions from locations outside the United States, which could expose us to risks associated with international sales and operations. Additionally, our international expansion efforts may not be successful, we may experience difficulties in scaling these functions from locations outside the United States, and we may not experience the expected cost efficiencies.

Our international operations are, and will continue to be, subject to a number of risks, including:

- multiple, conflicting, and changing laws and regulations such as tax laws, privacy laws, export and import restrictions, employment laws, regulatory requirements, and other governmental approvals, permits, and licenses;
- obtaining and sustaining regulatory approvals, certifications, and regulatory compliance where required for the sale of our Zio Services in various countries;

- requirements to maintain data and the processing of that data on servers located within such countries, which requirements that may be subject to change;
- complexities associated with managing multiple payor reimbursement regimes, government payors, or patient self-pay systems, as well as with participating in public tenders or procurement processes run by national healthcare systems;
- logistics and regulations associated with shipping and returning our Zio patches following use;
- limits on our ability to penetrate international markets if we are required to process our Zio Services locally;
- financial risks, such as longer payment cycles, difficulty collecting accounts receivable, the effect of local and regional financial pressures on demand and payment for our services, fluctuations in trade policy and tariff regulations, changes in international tax regulations applicable to our business, and exposure to foreign currency exchange rate fluctuations, which may reduce the reported value of our foreign currency denominated revenues, expenses, and cash flows;
- decreased emphasis or enforcement of intellectual property protections in some countries outside the United States in comparison to that in the United States;
- increased risk of litigation or administrative proceedings in connection with our relationships with international business partners, including litigation against persons whom we believe have infringed on our intellectual property, infringement litigation filed against us, litigation against a competitor, or litigation filed against us by distributors or service providers resulting from a breach of contract or other claim, as well as disputes regarding government and public tenders, any of which may result in substantial costs to us, adverse judgments, settlements, and diversion of our management's attention;
- natural disasters, political and economic instability, including wars and other geopolitical conflicts, terrorism, political unrest, outbreak of disease, boycotts, curtailment of trade, and other market restrictions;
- regulatory and compliance risks that relate to maintaining accurate information and control over activities subject to regulation under the Foreign Corrupt Practices Act of 1977, as amended (the "FCPA"), UK Bribery Act of 2010, and comparable laws and regulations in other countries;
- compliance risks associated with the General Data Protection Regulation (the "GDPR") (including as it applies in the UK by virtue of the Data Protection Act 2018), enacted to protect the privacy of all individuals in the EU and the UK, and which places certain restrictions on the export of personally identifiable data outside of the EU or the UK, as applicable;
- compliance risks associated with the revised regulations in the EU MDR that outline the requirements for medical device CE marking;
- compliance risks associated with the UK MDR, which replaces the CE marking requirements for medical devices marketed and sold in the UK with a UKCA mark following the UK's withdrawal from the EU, and the UK government's announcement to amend the UK MDR, in particular to create a new access pathway to support innovation and create an innovative framework for regulating software and AI as medical devices;
- compliance risks associated with new or upcoming regulations associated with AI applicable to Software as a Medical Device; and
- compliance risks associated with new or upcoming requirements and expectations associated with medical device cybersecurity.

Any of these factors may require significant resources to address and could significantly harm our future international expansion and operations and, consequently, our revenue and results of operations.

Exposure to UK political developments, including the outcome of its withdrawal from membership in the EU, could be costly and difficult to comply with and could seriously harm our business.

Our operations in the UK account for approximately 1% of our revenue for the twelve months ended December 31, 2023 and we intend to continue to pursue growth opportunities in the UK. There are still a number of areas of uncertainty in connection with the future of the UK and its relationship with the EU following the UK's exit from the EU in 2020 (commonly referred to as "Brexit"), including the application and interpretation of the UK-EU trade agreement (the "Trade and Cooperation Agreement"), which went into force in May 2021. For example, because a significant proportion of the regulatory framework in the UK is currently derived from EU directives and regulations, Brexit could result in material changes to the regulatory regime applicable to many of our current operations. The UK government and the MHRA began undertaking public consultations on the future regulation of medical devices in 2022 and plan to introduce the new regulatory system from July 2025 onwards, subject to appropriate transitional arrangements. The consultation indicated that the MHRA will publish guidance in relation to the changes to the regulatory framework and may rely more heavily on guidance to add flexibility to the regime. Although the Trade and Cooperation Agreement offers UK and EU companies preferential access to each other's markets, ensuring imported goods will be free of tariffs and quotas, economic relations between the UK and the EU are on more restricted terms than existed previously. Therefore, at this time, we cannot predict the impact that the Trade and Cooperation Agreement and any future agreements contemplated under the terms of the Trade and Cooperation Agreement will have on our future business efforts to commercialize our Zio Services in the UK and the EU. Accordingly, it is possible that the Trade and Cooperation Agreement may adversely affect our operations and financial results.

Our success depends on our ability to attract and retain senior management and key personnel.

Our success depends on our ability to retain our senior management and to attract and retain qualified personnel in the future. Competition for senior management personnel, as well as salespersons, scientists, clinicians, and engineers, is intense and we may not be able to retain our personnel. The loss of key personnel, including key members of our senior management team or members of our board of directors, as well as certain of our key finance, legal, regulatory, research and development, quality, and clinical personnel, could disrupt our operations and have a material and adverse effect on our ability to grow our business. Each of our officers may terminate their employment at any time without notice and without cause or good reason. The loss of a member of our senior management team or our professional staff would require the remaining executive officers to divert immediate and substantial attention to seeking a replacement.

We have recently experienced significant changes in our executive leadership, including the appointment of Quentin S. Blackford as our President and Chief Executive Officer in October 2021 following the resignation of our prior President and Chief Executive Officer, Kevin King, in January 2021. Douglas Devine, our former Chief Operating Officer, and Michael Coyle served as Chief Executive Officer from June 2021 to October 2021 and January 2021 to June 2021, respectively, before Mr. Blackford's appointment. We have had additional executive officer positions changes recently (including the March 2023 resignation of Douglas Devine as Chief Operating Officer) and may experience further changes in executive leadership in the future.

Changes to strategic or operating goals, which can often times occur with the appointment of new executives, can create uncertainty, may negatively impact our ability to execute quickly and effectively, and may ultimately be unsuccessful. If we do not integrate new executives successfully, we may be unable to manage and grow our business, and our financial condition and profitability may suffer as a result. In addition, to the extent we experience additional management turnover, competition for top management is high and it may take months to find a candidate that meets our requirements. If we are unable to attract and retain qualified management personnel, our business could suffer.

Further, we may undertake reorganizations of our workforce from time to time, which may result in a temporary reduction in the number of employees in certain locations. We would undertake a reorganization to reduce operating expenses or achieve other business objectives, though we cannot guarantee any specific amount of long-term cost savings. Further, the turnover in our employee base could result in operational and administrative inefficiencies, which could adversely impact the results of our operations, stock price, and customer relationships, could complicate our efforts to retain other valuable employees, and could make recruiting for future management and other positions more difficult.

Our continued rapid growth could strain our personnel resources and infrastructure, and if we are unable to manage the anticipated growth of our business, our future revenue and operating results may be harmed.

We have experienced rapid growth in our headcount and in our operations. Any growth that we experience in the future will provide challenges to our organization, requiring us to expand our sales personnel, manufacturing, clinical, customer care, and billing operations and general and administrative infrastructure. In addition to the need to scale our operational and service capacity, future growth will impose significant added responsibilities on management, including the need to identify, recruit, train, and integrate additional employees. Rapid expansion in personnel could impact our capacity to manufacture our Zio patches, market, sell, and support our Zio Services, and analyze the data to produce Zio reports, which could result in inefficiencies and unanticipated costs, impacts to our Zio Services, including our Zio patches, and disruptions to our service operations. Additionally, rapid expansion could require us to rely on overtime to increase capacity that could, in turn, result in greater employee attrition and/or a loss in productivity during the process of recruiting and training additional resources and add to our operating expenses. Further, a move toward automation to address, for example, staffing or scalability needs, could result in unintended consequences, such as increased scrap rate negatively impacting profitability.

As we seek to gain greater efficiency, we may look for ways to expand the automated portion of our Zio Services and require productivity improvements from our CCTs, within the framework of our wide-ranging regulatory obligations. Such improvements could impact the content of our Zio reports. In addition, rapid and significant growth may strain our administrative and operational infrastructure. Our ability to manage our business and growth will require us to continue to improve our operational, financial, and management controls, reporting systems, and procedures. If we are unable to manage our growth effectively, it may be difficult for us to execute our business strategy and our business could be harmed.

Failure to receive the Zio System patches used for the provision of the Zio Services we provide may result in a loss of capital as well as revenue where the receipt of returned devices and processing of data retrieved from returned devices is required to provide our Zio Services.

Our Zio System patches and gateways are provided to patients either (1) during in-office visits with a healthcare provider or (2) remotely via at-home hookup. We have also seen hybrid situations where accounts, in response to staffing shortages, provide in-clinic Zio device packages to patients for application at home. Although in all three scenarios there is the potential that a patient will not return the device(s) at the conclusion of the wear period, home hookups historically result in a higher likelihood that the patient will fail to return his or her device, which negatively impacts our financial condition when we are unable to provide the Zio Services. For example, when the patient returns the Zio Monitor patch to us at the end of the patient wear period, we provide the Zio Monitor Services, which include the end of service report based on the data stored on the Zio Monitor patch, after which we submit a claim to the relevant payor or to the patient for the services rendered. If a patient fails to return a device, we experience financial losses, which include the cost of the device as well as the loss of potential revenue for the service that is contingent on the returned device for the submission of the associated claim.

Our strategic plans include a high degree of focus on the mSToPs criteria for Afib screening. There are risks that the clinical or payor community will not fully accept these criteria as a basis for selection of patients suitable for screening.

In January 2022, the U.S. Preventive Services Task Force (“USPSTF”) published a recommendation statement on the screening criteria for Afib screening, stating that the current evidence (including the mSToPs study) is insufficient to assess the balance of benefits and harm of Afib screening, and thus found that it could neither recommend for or against screening of adults 50 years or older without a diagnosis or symptoms of Afib and without a history of transient ischemic attack or stroke. In its recommendation, the USPSTF also identified research needs and gaps, including for example assurance that future research involves randomized trials of diverse patient populations and conducting research to optimize the accuracy of screening for Afib. This USPSTF recommendation statement may deter some clinicians or payors from accepting the mSToPs study inclusion and exclusion criteria as a standard for selecting patients for screening for Afib. We cannot predict whether or when the USPSTF’s recommendation on Afib screening will change or be modified based on findings from additional randomized trials, other research, or through the continued use of our products and services or other similarly situated products and services designed for remote cardiac monitoring.

We may face risks associated with acquisitions of companies, products, and technologies and our business could be harmed if we are unable to address these risks.

If we are presented with appropriate opportunities, we could acquire or make other investments in complementary companies, products, or technologies. We may not realize the anticipated benefit of our acquisitions, or the realization of the anticipated benefits may require greater expenditures than anticipated by us. We will likely face risks, uncertainties, and disruptions associated with the integration process, including difficulties in the integration of the operations and services of any acquired company, integration of acquired technology with our Zio Services, including our Zio Systems, diversion of our management's attention from other business concerns, the potential loss of key employees or suppliers of the acquired businesses, and impairment charges if future acquisitions are not as successful as we originally anticipated. If we fail to successfully integrate other companies, products, or technologies that we acquire, our business could be harmed. Furthermore, we may have to incur debt or issue equity or equity-linked securities to pay for any future acquisitions or investments, the issuance of which could be dilutive to our existing stockholders. In addition, our operating results may suffer because of acquisition-related costs, amortization expenses, investment required to address risks associated with the acquisition, or charges relating to acquired intangible assets.

Risks Related to Healthcare Regulatory Matters

Our use of third-party service providers or company resources located outside the United States to support certain customer care, clinical, and other operations of our IDTFs may present challenges, and if we are ineffective in limiting work performed by these service providers or company resources consistent with applicable regulations or our contractual agreements with commercial payors, we may be subject to penalties or experience loss of revenue.

Beginning in the third quarter of 2022, we engaged Sutherland Healthcare Solutions, Inc. and Techindia Infoway Private Limited to support certain customer care and clinical operations of our IDTFs. We have developed operational and technical controls to limit the work performed by these vendors consistent with our interpretation of the Medicare coverage exclusion of services furnished outside the United States, other applicable laws and regulations, and any requirements imposed pursuant to our contracts with commercial payors. If these controls do not work as intended, or if regulators or commercial payors disagree with our interpretation of these requirements and their application to our operations, we may be subject to a requirement to return funds already paid to us, civil monetary penalties, other government enforcement, as highlighted by a recent enforcement action against our competitor, BioTelemetry, Inc., with respect to the support of certain clinical operations by vendors performing work outside the United States, and termination of contracts with commercial payors, as well as the loss of revenue associated with those contracts.

In addition, we are currently engaging with other third-party service providers that have resources located outside the United States, and we have established company resources in the Philippines to provide services in support our IDTFs. These services include benefits verification, billing, collections, and customer service, which require complex oversight and monitoring for appropriate capture and escalation of complaint information that may be relevant to the quality, performance, and safety of our medical devices or the quality of our clinical services. If we are unable to effectively manage this oversight and monitoring, we may be subject to regulatory enforcement action or inquiries which may be expensive and time consuming to resolve. In addition, certain contracts with commercial payors include restrictions related to accessing patient data outside the United States and we have implemented reasonable controls intended to prohibit unauthorized use of patient data by service providers and company resources located outside the United States for these commercial payors, as appropriate. If these controls do not work as intended, or if the payor information we receive from ordering healthcare providers is delayed or inaccurate, we may encounter the suspension or termination of contracts with commercial payors, as well as any contractual remedies such payors might pursue. The suspension or loss of any of our key commercial payor agreements would have an adverse impact on our revenue and our results of operations.

If we fail to comply with medical device, healthcare, and other governmental regulations, we could face substantial penalties and our business, results of operations, and financial condition could be adversely affected.

The services and related devices we offer are highly regulated, and the regulatory environment in which we operate may change significantly and adversely in the future. Our arrangements with physicians, hospitals, clinics, and other stakeholders in the healthcare industry may expose us to broadly applicable medical device laws and healthcare fraud and abuse and other laws and regulations that may restrict the financial arrangements and relationships through which we market, sell, distribute, and provide our services and related devices. Our employees, consultants, and commercial partners and collaborators may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements. Federal and state healthcare laws and regulations that may affect our ability to conduct business, include, without limitation:

- federal and state laws and regulations regarding billing and claims payment;
- the federal Anti-Kickback Statute, which prohibits, among other things, any person from knowingly and willfully offering, soliciting, receiving, or providing remuneration, directly or indirectly, in exchange for or to induce either the referral of an individual for, or the purchase, order or recommendation of, any good or service for which payment may be made under federal healthcare programs, such as the Medicare and Medicaid programs;
- the federal False Claims Act (the "FCA"), which prohibits, among other things, individuals or entities from knowingly presenting, or causing to be presented, false claims, or knowingly using false statements, to obtain payment from the federal government;
- federal criminal laws that prohibit executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters;
- the FCPA, the UK Bribery Act of 2010, and other local anti-corruption, anti-kickback, and transparency laws that apply to our international activities;
- the federal Physician Payment Sunshine Act, or Open Payments, and its implementing regulations, which requires us to report payments or other transfers of value made to licensed physicians and certain mid-level health practitioners and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members;
- Health Insurance Portability and Accountability Act ("HIPAA"), as amended by the Health Information Technology for Economic and Clinical Health Act, and its implementing regulations, which impose certain requirements relating to the privacy, security, and transmission of individually identifiable health information; HIPAA also created criminal liability for knowingly and willfully falsifying or concealing a material fact or making a materially false statement in connection with the delivery of or payment for healthcare benefits, items, or services;
- the GDPR and the UK Data Protection Act 2018, which each provide legal requirements for the handling and disclosure (including across borders) of personal data collected in the EU and the UK, respectively;
- the FDA's Code of Federal Regulations, including but not limited to, 21 CFR Parts 820, 803, 806, and 801, that outlines requirements for medical device design, testing, marketing authorization, manufacturing, labeling, distribution, and post-market surveillance requirements;
- the EU MDD and EU MDR that outline requirements for medical device CE marking;
- the UK MDR, which, post the UK's withdrawal from the EU, replaces the CE marking requirement for medical devices sold in the UK with a UKCA mark; and
- state law equivalents of each of the above U.S. federal laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payor, including commercial insurers, and state and foreign laws governing the privacy and security of individually identifiable information in certain circumstances (e.g., the Telephone Consumer Protection Act, the CAN-SPAM Act, and state privacy, consumer protection, and breach notification laws), many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

These laws are broad in scope and available exceptions and exemptions are narrow; it is possible that some of our activities could be subject to challenge under one or more of such laws. Any action brought against us for violations of these laws or regulations, even if successfully defended, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business. We may be subject to private "qui tam" actions brought by individual whistleblowers on behalf of the federal or state governments, with potential liability under the federal FCA including mandatory treble damages and significant per-claim penalties, which were increased from $13,508 to $27,018 per false claim for violations assessed after January 30, 2023. For example, our industry has experienced recent FCA enforcement, including a December 2023 settlement by BioTelemetry, Inc. and its subsidiary LifeWatch Services Inc. involving allegations that these companies submitted claims to federal programs for a higher level of remote cardiac monitoring than physicians had intended to order or that was medically necessary, thus inflating the level of reimbursement paid, which highlights the importance of compliance with the rules and regulations governing claims submitted to federal healthcare programs. The U.S. Department of Justice is expected to publish revised per-claim penalty amounts for 2024.

Although we have adopted policies and procedures designed to comply with these laws and regulations and conduct internal reviews of our compliance with these laws, our compliance is also subject to governmental review. The growth of our business and sales organization and our expansion outside of the United States may increase the potential of violating these laws or our internal policies and procedures. The risk of our being found in violation of these or other laws and regulations is further increased by the fact that many have not been fully interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of interpretations. Any action brought against us for violation of these or other laws or regulations, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business. If our operations are found to be in violation of any of the federal, state, or foreign laws described above or any other current or future fraud and abuse or other healthcare laws and regulations that apply to us, we may be subject to penalties, including significant criminal, civil, and administrative penalties, damages, fines, imprisonment for individuals, exclusion from participation in government programs, such as Medicare, and we could be required to curtail or cease our operations. Any of the foregoing consequences could seriously harm our business and our financial results.

Changes in applicable laws or regulations or the interpretation or enforcement policies of regulators governing our IDTFs and Zio Services may constrain or require us to restructure our operations or adapt certain business strategies which may harm our revenue and operating results.

Healthcare laws and regulations, and interpretations of the same, change frequently and may change significantly in the future. We may not be able to adapt our operations to address every new regulation or interpretation, and new regulations or interpretations may adversely affect our business. We also cannot assure that a review of our business by courts or regulatory authorities would not result in a determination that adversely affects our revenue and operating results.

Our business relies on orders from licensed healthcare providers, and the continuing clinical acceptance and adoption of our Zio Services depends upon strong working relationships with healthcare providers, including physicians. These relationships, interactions, and arrangements are subject to a high degree of scrutiny by government regulators and enforcement bodies.

As a CMS-enrolled IDTF, we may only provide our Zio Services upon receipt of a valid order from a licensed healthcare provider for use in the diagnosis and treatment of a patient's medical condition. Accordingly, our revenue and the success of our business rely on the continued clinical acceptance and adoption of our Zio Services by healthcare providers whose patients require remote cardiac monitoring services. In addition to continuing to demonstrate the clinical value of our Zio Services, we also must support widespread clinical acceptance and adoption of our Zio Services by maintaining strong working relationships with these healthcare providers, including physicians. However, as we work to establish and maintain these relationships, we face significant scrutiny of these relationships, interactions, and arrangements by government regulators and enforcement agencies. Failure to maintain these relationships, interactions, and arrangements in compliance with applicable laws and regulations, including those targeted at fraud and abuse like the federal Anti-Kickback Statute and the FCA, could expose us to significant legal and financial repercussions, including government civil and criminal investigations, civil monetary penalties, criminal penalties, and/or exclusion from federal healthcare programs.

Our communications with healthcare stakeholders – physicians and other healthcare professionals, payors, and similar entities, as well as patients and lay caregivers – are subject to a high degree of scrutiny for compliance with a wide range of laws and regulations. Continuing or increasing our sales and marketing and other external communication efforts may expose us to additional risk of being alleged or deemed to be non-compliant by regulators, enforcement authorities, or competitors.

Our sales and marketing efforts and initiatives, as well as other communications with HCPs, may subject us to additional scrutiny of our practices of effective communication of risk information, benefits, or claims under the oversight of FDA and the Federal Trade Commission ("FTC"). For example, FDA applies a heightened level of scrutiny to comparative claims when applying its statutory standards for advertising and promotion, including with regard to its requirement that promotional labeling be truthful and not misleading. There is potential for differing interpretations of whether certain communications are consistent with a product's FDA-required labeling, and FDA will evaluate communications on a fact-specific basis. This is a continued area of focus for regulators. In the fourth quarter of 2023, FDA issued final guidance focused on the presentation of quantitative risk and efficacy information to the consumer audience, with heightened focus on presenting such information in a manner that is accurate, understandable, and consumer-friendly. The FTC has also released updated guidance on health claims, with a high expectation for clinical data to support these claims.

In addition, making comparative claims may draw scrutiny from our competitors. Where a company makes a claim in advertising or promotion that its product is superior to the product of a competitor (or that the competitor's product is inferior), this creates a risk of a lawsuit by the competitor under federal and state false advertising or unfair and deceptive trade practices law, and possibly also state libel law. Such a suit may seek injunctive relief against further advertising, a court order directing corrective advertising, and compensatory and punitive damages where permitted by law. If our compliance program and training and monitoring do not effectively keep pace with our sales and marketing growth, we may encounter increased risk in execution of activities by our personnel, potential enforcement and other exposure.

We may also seek to communicate certain information with physicians and scientists or with payors and similar entities, and may rely on a range of laws, regulations, regulatory guidance governing topics, including scientific exchange, and communication of healthcare economic information and product information under the Preapproval Information Exchange Act. Recent FDA draft guidance on communication of scientific information on unapproved uses of cleared/approved medical products with HCPs further illustrates the agency's focus on ensuring that such communications to those in a position to order or prescribe products are consistent with available scientific data and subject to organizational controls maintaining separation and distinction from promotional marketing.

Changes in laws and regulations governing our communications with patients or the interpretation or enforcement policies of regulators could subject us to regulatory scrutiny, damage awards, or fines.

As a Medicare-enrolled IDTF, we are prohibited from directly soliciting patients for diagnostic medical procedures. While we can engage in general marketing initiatives, consistent with applicable law, we cannot make telephone, computer, and in-person contacts for the purpose of soliciting business for our IDTF.

Regarding patients for whom we have received a valid order for our Zio Services, we may send or make text messages, emails, phone calls, and other communications for various informational, business purposes, including to confirm accurate demographic and payor information or to assist a patient via a home hookup. Communication-related laws require consent prior to certain communications and provide a specified monetary damage award or fine for each violation could result in particularly significant damage awards or fines. For example, under the Telephone Consumer Protection Act ("TCPA"), plaintiffs may seek actual monetary loss or statutory damages of $500 per violation, whichever is greater, and courts may treble the damage award for willful or knowing violations. In the wake of a 2021 decision by the U.S. Supreme Court that limited the applicability of the TCPA, several states have enacted or introduced legislation that would regulate text messages and certain telephone calls to individuals. We may be subject to lawsuits (including class-action lawsuits) containing allegations that our business violated the TCPA or other communications laws. These lawsuits may seek damages (including statutory damages) and injunctive relief, among other remedies. A determination that there have been violations of the TCPA or other statutes regulating communications with patients could expose us to significant damage awards that could, individually or in the aggregate, materially harm our business.

While most of our revenue results from claims submitted to payors for diagnostic medical procedures, we offer, and are looking to expand, alternative payment and service delivery models. Piloting, evaluating, and implementing these alternative payment and service delivery models requires interactions with commercial payors, physicians, and patients; these interactions are subject to laws and regulations aimed at preventing healthcare fraud and abuse. If these models are unsuccessful, or if we are unable to fully comply with such laws as we pursue these strategies, our commercial success could be compromised and we could face substantial penalties.

Our operations may be directly or indirectly affected by various broad state and federal healthcare fraud and abuse laws, including the federal Anti-Kickback Statute, the FCA, the Anti-Mark Up Rule, and the Medicare Beneficiary Inducement Statute. For some of our services, we directly bill physicians or other healthcare entities, that, in turn, bill payors, and the amounts we bill may include a risk-based pricing component. We are also developing alternative service delivery models that include using our Zio Monitoring System or Zio XT System to screen at-risk patient populations as part of a value-added service offered by managed care organizations, including Medicare Advantage Organizations, to qualifying participants. Although we believe these billing and service models and our program development efforts are properly designed to comply with laws and regulations, these types of initiatives may draw a high degree of scrutiny and may subject us to assertions of non-compliance. If our past, present, or future operations are found to be in violation of fraud and abuse laws, we or our officers may be subject to civil or criminal penalties, including large monetary penalties, damages, fines, imprisonment, and exclusion from Medicare program participation. Furthermore, if we knowingly file, or "cause" the filing of, false claims for reimbursement with government programs such as Medicare, we may be subject to substantial civil penalties, including treble damages.

Risks Related to Financial and Accounting Matters

In the future we may identify additional material weaknesses or otherwise fail to maintain an effective system of internal controls, which may result in material misstatements of our consolidated financial statements or cause us to fail to meet our periodic reporting obligations.

We previously identified material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis. As previously disclosed, in preparing our consolidated financial statements as of and for the years ended December 31, 2021 and 2020, our management concluded that our disclosure controls and procedures and our internal control over financial reporting were not effective at the reasonable assurance level due to a failure to maintain a sufficient number of professionals with an appropriate level of accounting and internal control knowledge, training, and experience to timely and accurately analyze, record, and disclose accounting matters. This material weakness contributed to additional material weaknesses, which have been previously disclosed and remediated. In aggregate, these material weaknesses (including the previously remediated material weaknesses) contributed to the misstatement of our revenues, revenue reserves, bad debt expense, property and equipment, research and development expense, and related financial disclosures, and in the revision of our consolidated financial statements for the years ended December 31, 2017, December 31, 2018, and each interim period therein as well as the quarters ended March 31, 2019, June 30, 2019, and September 30, 2019. Additionally, this material weakness could result in a misstatement of account balances or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

To address this material weakness, we took actions designed to improve our internal control over financial reporting and remediate the control deficiencies that led to the material weakness, including hiring additional accounting and finance personnel with an appropriate level of expertise, providing for additional management oversight over financial reporting including through the establishment of a SOX Steering Committee within our internal audit function, and implementing new controls and processes. As of the year ended December 31, 2022, we concluded that our remediation efforts have been successful and that the previously identified material weakness in internal control over financial reporting has been remediated. However, while the material weakness has been remediated, we continue to seek improvements to enhance our control environment and to strengthen our internal controls to provide reasonable assurance that our financial statements continue to be fairly stated in all material respects.

If we discover additional weaknesses in our system of internal financial and accounting controls and procedures, our consolidated financial statements may contain material misstatements, and we could be required to restate our financial results. Our internal control over financial reporting will not prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected.

Any failure to implement and maintain effective internal control over financial reporting could cause investors to lose confidence in our reported financial and other information, adversely impact our stock price, cause us to incur increased costs to remediate any deficiencies, and attract regulatory scrutiny or lawsuits that could be costly to resolve and distract management's attention, limit our ability to access the capital markets, or cause our stock to be delisted from The Nasdaq Global Select Market or any other securities exchange on which it is then listed. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

Our financial results may fluctuate significantly from quarter-to-quarter and may not fully reflect the underlying performance of our business.

Our revenue and operating results may fluctuate significantly from quarter to quarter as a result of a variety of factors, a number of which are outside our control, and may therefore not fully reflect the underlying performance of our business. Such factors may include, for example, seasonal variations in prescription rates. We typically experience reduced revenue during the third quarter, as well as during the year-end holiday season. We believe this is the result of physicians and patients taking vacations, and patients electing to delay our monitoring services during the summer months and holidays. We believe that period-to-period comparisons of our operating results may not be meaningful and should not be relied on as an indication of our future performance. If quarterly revenues or operating results fall below the expectations of investors or public market analysts, the trading price of our common stock could decline substantially. Factors that might cause quarterly fluctuations in our operating results include:

- our inability to manufacture an adequate supply of our Zio Systems to support demand for our Zio Services at appropriate quality levels and acceptable costs;
- possible delays in our research and development programs or in the completion of any third-party clinical trials relating to our Zio Services;
- a lack of acceptance of our Zio Services, including our Zio Systems, by physicians and potential patients;
- the inability of patients to receive reimbursements from third-party payors;
- the purchasing patterns of physicians and patients, including as a result of seasonality;
- failures to comply with regulatory requirements, which could lead to withdrawal of our Zio Services, including our Zio Systems, from the market;
- our failure to continue the commercialization of our Zio Services;
- competition;
- inadequate financial and other resources; and
- global business, political, and economic conditions, including inflation, increasing interest rates, cybersecurity events, uncertainty with respect to the federal debt ceiling and budget and potential government shutdowns related thereto, potential instability in the global banking system, political instability, and military hostilities, including ongoing geopolitical conflicts, such as the war in Ukraine and conflict in the Middle East.

Further, we recognize a portion of our revenue from non-contracted third-party commercial payors. For example, during the year ended December 31, 2023, revenue from non-contracted third-party commercial payors accounted for approximately 7% of our total revenue. We have limited visibility as to when we will receive payment for our Zio Services with non-contracted payors and we, XIFIN, or Omega must appeal any negative payment decisions, which often delays collections further. Additionally, a portion of the revenue from non-contracted payors is received from patient co-pays, which we may not receive for several months following delivery of service or may not receive at all. For revenue related to non-contracted payors, we estimate an average collection rate based on factors including historical cash collections. Subsequent adjustments, if applicable, are recorded as an adjustment to revenue. Fluctuations in revenue may make it difficult for us, research analysts, and investors to accurately forecast our revenue and operating results or to assess our actual performance. If our revenue or operating results fall below expectations, the price of our common stock would likely decline.

We have a history of operating losses and may not achieve or sustain profitability in the future.

We have incurred net losses since our inception in September 2006. We generated net losses of $123.4 million and $116.2 million during fiscal 2023 and 2022, respectively. As of December 31, 2023, we had an accumulated deficit of $645.6 million. We have financed our operations to date primarily through private and public offerings of equity securities and revenue generated by prescriptions of our Zio Services. We have and expect to continue to incur significant research and development, sales and marketing, regulatory, and other expenses as we expand our marketing efforts to increase the prescription of our Zio Services, expand existing relationships with physicians, obtain regulatory clearances or approvals for our current or future services and related devices, conduct clinical trials on our existing and future services, and develop new services or add new features to our existing Zio Services. We also expect that our general and administrative expenses will continue to increase due to, among other things, the operational and regulatory burdens applicable to medical service providers that are public companies. As a result, we expect to continue to incur operating losses in the future. These losses, among other things, may have an adverse effect on our stockholders' equity and the value of our common stock.

We may require additional capital to support the growth of our business, and this capital might not be available on acceptable terms, if at all.

Our operations have consumed substantial amounts of cash since inception. We intend to continue to make investments to support our business, which may require us to engage in equity or debt financings to secure additional funds. Additional financing may not be available on a timely basis on terms acceptable to us, or at all. Any additional financing may be dilutive to stockholders or may require us to grant a lender a security interest in our assets. The amount of funding we may need will depend on many factors, including:

- the revenue generated by our Zio Services;
- the costs, timing, and risks of delay of additional regulatory approvals;
- the expenses we incur in manufacturing, developing, selling, and marketing our Zio Services;
- our ability to scale our manufacturing operations to meet demand for the Zio Systems used in our current and any future Zio Services or other offerings;
- the costs of filing, prosecuting, defending, and enforcing any patent claims and other intellectual property rights;
- the rate of progress and cost of our clinical trials and other development activities;
- the success of our research and development efforts;
- the emergence of competing or complementary technologies;
- the terms and timing of any collaborative, licensing, and other arrangements that we may establish;
- the cost of ongoing compliance with legal and regulatory requirements, and third-party payors' policies;
- the cost of obtaining and maintaining regulatory or payor clearance or approval for our current or future offerings including those integrated with other companies' products; and
- the acquisition of business, products, and technologies.

If adequate funds are not available, we may not be able to commercialize our Zio Services at the rate we desire and/or we may have to delay the development or commercialization of our Zio Services or license to third parties the rights to commercialize services or technologies that we would otherwise seek to commercialize. We also may have to reduce sales, marketing, customer support, or other resources devoted to our Zio Services. Any of these factors could harm our business and financial condition.

Our ability to use our net operating losses to offset future taxable income may be subject to certain limitations which could subject our business to higher tax liability.

Our ability to use our net operating losses ("NOLs") to offset future taxable income may be subject to certain limitations which could subject our business to higher tax liability. We may be limited in the portion of NOL carryforwards that we can use in the future to offset taxable income for U.S. federal and state income tax purposes, and federal tax credits to offset federal tax liabilities. Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, and similar state law provisions, limit the use of NOLs and tax credits after a cumulative change in corporate ownership of more than 50% occurs within a three-year period. The statutes place a formula limit on how much NOLs and tax credits a corporation can use in a tax year after a change in ownership. Avoiding an ownership change is generally beyond our control. We could experience an ownership change that might limit our use of NOLs and tax credits in the future. In addition, realization of deferred tax assets, including NOL carryforwards, depends upon our future earnings in applicable tax jurisdictions. If we have insufficient future taxable income in the applicable tax jurisdiction for any reason, including any future corporate reorganization or restructuring activities, we may be limited in our ability to utilize some or all of our net operating losses to offset such income and reduce our tax liability in that jurisdiction. See Note 10, Income Taxes to the consolidated financial statements included herein for additional information.

There is also a risk that due to regulatory changes or changes to federal or state law, such as suspensions on the use of NOLs, or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable either in whole or in part to offset future income tax liabilities. For example, under the Coronavirus Aid, Relief, and Economic Security Act of 2020, which amended certain provisions of the Tax Cuts and Jobs Act ("TCJA"), NOLs arising in taxable years beginning after December 31, 2017 may offset no more than 80% of current taxable income annually for taxable years beginning after December 31, 2020. Therefore, we may be required to pay U.S. federal income taxes in future years despite the NOL carryforwards we have accumulated.

Risks Related to Other Legal and Regulatory Matters

We are subject to legal proceedings and government investigations that could adversely affect our business, financial condition, and results of operations.

We are involved in legal proceedings related to securities litigation and other matters and may become involved in other legal proceedings that arise from time to time in the future. For example, as discussed further in Note 8, Commitments and Contingencies, to the consolidated financial statements included herein, a putative securities class action lawsuit has been filed against the company and certain current officers or former officers of the company alleging violations of Sections 10(b) and 20(a) of the Exchange Act and SEC Rule 10b-5 promulgated thereunder.

Any claims against us, whether meritorious or not, can be time-consuming, result in costly litigation, be harmful to our reputation, require significant management attention, and divert significant resources. In addition, the expense of litigation and the timing of this expense from period to period are difficult to estimate and subject to change. Litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. Given the uncertain nature of legal proceedings generally, we are not able in all cases to estimate the amount or range of loss that could result from an unfavorable outcome. We could incur judgments or enter into settlements of claims that could have a material adverse effect on our results of operations in any particular period.

In addition, healthcare companies are subject to numerous investigations and inquiries by various governmental agencies. For example, as discussed further in Note 8, Commitments and Contingencies, to the consolidated financial statements included herein, in March 2021, we received a grand jury subpoena from the U.S. Attorney's Office for the Northern District of California requesting information related to communications with FDA and our Zio Systems, and, in September 2021, received a subpoena requesting additional information. More recently, on April 4, 2023, we received a Subpoena Duces Tecum from the Consumer Protection Branch, Civil Division of the U.S. Department of Justice, requesting production of various documents regarding our products and services. In addition, on May 25, 2023, we received a warning letter from FDA, which resulted from the inspection of our facility located in Cypress, California that concluded in August 2022. The warning letter alleges non-conformities to regulations for medical devices, including medical device reporting requirements, relating to our Zio AT System and medical device quality system requirements. We are cooperating fully in connection with these matters. Any future investigations of our executives, our managers, or our company could result in significant liabilities or penalties to us, as well as adverse publicity. Even if we are found to have complied with applicable law, the investigation or litigation may pose a considerable expense and would divert management's attention, and have a potentially negative impact on the public's perception of us, all of which could negatively impact our financial position and results of operations. Further, should we be found out of compliance with any of these laws, regulations, or programs, depending on the nature of the findings, our business, our financial position, and our results of operations could be negatively impacted.

Compliance with requirements of being a public company may strain our resources and divert management's attention.

As a public company, we are subject to laws and regulations relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the rules and regulations implemented by the SEC, and The Nasdaq Stock Market listing rules. Compliance with these laws and regulations, including new laws and regulations or revisions to existing laws and regulations, has required and will continue to require, substantial management time and oversight and the incurrence of significant accounting and legal costs. These laws, regulations, and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to continue to invest resources to comply with evolving laws, regulations, and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations, and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and our business may be adversely affected.

We could be subject to changes in our tax rates, new U.S. or international tax legislation, or additional tax liabilities.

We are subject to taxes in the United States and numerous foreign jurisdictions, where certain of our subsidiaries are organized. The tax laws in the United States and in other countries in which we and our subsidiaries do business could change on a prospective or retroactive basis, and any such changes could adversely affect our business and financial condition. Our effective tax rates could be affected by numerous factors, including changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, and changes in tax laws or their interpretation, both in and outside the United States.

For example, in 2017, the U.S. government enacted the TCJA, which made significant changes to the taxation of business entities, including the requirement to capitalize research and development expenditures and amortize such expenditures over five years for domestic expenditures and fifteen years for foreign expenditures. While it is possible that Congress may modify or repeal this provision, we have no assurance that this provision will be modified or repealed and even if Congress makes any such decision, it may not be retroactive, and could still therefore result in an impact on cash from operating activities and on the balance of our deferred taxes. In addition, we have a presence in the UK, as well as sales in the UK, such that any changes in tax laws in the UK will impact our business. The overall impact of these changes is uncertain, and our business and financial condition could be adversely affected.

In addition, our tax obligations and effective tax rates could be adversely affected by changes in the relevant tax, accounting and other laws, regulations, principles and interpretations, including those relating to income tax nexus, by recognizing tax losses or lower than anticipated earnings in jurisdictions where we have lower statutory rates and higher than anticipated earnings in jurisdictions where we have higher statutory rates, by changes in foreign currency exchange rates, or by changes in the valuation of our deferred tax assets and liabilities. The TCJA of 2017 introduced a Base Erosion and Anti-Abuse Tax ("BEAT") which imposes a minimum tax on adjusted income of corporations with average applicable gross receipt of at least $500 million for the prior three tax years and that make certain payments to related foreign persons. In addition, the Organization for Economic Cooperation and Development has proposed a global minimum tax of 15% of reported profits ("Pillar 2") that has been agreed upon in principle by over 140 countries. During 2023, many countries took steps to incorporate Pillar 2 into their domestic tax laws. While neither BEAT nor Pillar 2 impact our results of operations currently, if applicable in the future, they could have an impact on our financial results, the extent of which is uncertain.

Our tax returns and other tax matters also are subject to examination by the U.S. Internal Revenue Service and other tax authorities and governmental bodies. We regularly assess the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of our provision for taxes. We cannot guarantee the outcome of these examinations. If our effective tax rates were to increase, particularly in the United States, or in other jurisdictions implementing legislation to reform existing tax legislation, including the UK, or if the ultimate determination of our taxes owed is for an amount in excess of amounts previously accrued, our financial condition, operating results, and cash flows could be adversely affected.

We may be liable for contamination or other harm caused by materials that we handle, and changes in environmental regulations could cause us to incur additional expense.

Our research and development and manufacturing operations may involve the use or handling of hazardous materials. We are subject to a variety of federal, state, local, and international laws, rules, and regulations governing the use, handling, storage, disposal and remediation of hazardous and biological materials, as well as the sale, labeling, collection, recycling, treatment, and disposal, of products containing such hazardous substances, and we incur expenses relating to compliance with these laws and regulations. If we violate environmental, health, and safety laws, including as a result of human error, equipment failure, or other cases, we could face substantial liabilities, fines, and penalties, personal injury and third-party property damage claims, and substantial investigation and remediation costs. These expenses or this liability could have a significant negative impact on our financial condition. Environmental laws could become more stringent over time, imposing greater compliance costs and increasing risks and penalties associated with violations. We are subject to potentially conflicting and changing regulatory agendas of political, business, and environmental groups. Changes to or restrictions on the procedures for hazardous or biological material storage or handling might require unplanned capital investment or relocation of our facilities. Failure to comply, or the cost of complying, with new or existing laws or regulations could harm our business, financial condition, and results of operations.

Risks Related to Intellectual Property

We are subject to claims of infringement or misappropriation of the intellectual property rights of others, which could prohibit us from shipping affected devices, require us to obtain licenses from third parties or to develop non-infringing alternatives, and subject us to substantial monetary damages and injunctive relief.

We rely on a combination of patents, copyrights, trademarks, trade secret laws, and confidentiality and invention assignment agreements with employees and third parties to protect our intellectual property rights. Our patents and patent applications are directed to covering key aspects of the design, manufacture, and use of our Zio Services, including our Zio Systems.

Third parties may assert infringement or misappropriation claims against us with respect to our current or future Zio Services, including our Zio Systems. We are aware of numerous patents issued to third parties that may relate to aspects of our business, including the design and manufacture of the Zio Systems used in connection with our Zio Services. Whether a product infringes a patent involves complex legal and factual issues, the determination of which is often uncertain. Therefore, we cannot be certain that we have not infringed the intellectual property rights of such third parties or others. Our competitors may assert that our Zio Systems or the methods we employ to deliver our Zio Services are covered by U.S. or foreign patents held by them and we may be required to settle such allegations in the future. This risk is exacerbated by the fact that there are numerous issued patents and pending patent applications relating to remote cardiac monitoring services and the associated devices. There may be existing patents or patent applications now pending of which we are unaware that may later result in issued patents that our Zio Services, including our Zio Systems, inadvertently infringe. As the number of competitors in the remote cardiac monitoring market grows, the possibility of patent infringement by us or a patent infringement claim against us increases. If we are unable to successfully defend any such claims as they may arise or enter into or extend settlement and license agreements on acceptable terms or at all, our business operations may be harmed.

Any infringement or misappropriation claim could cause us to incur significant costs, place significant strain on our financial resources, divert management's attention from our business, and harm our reputation. In addition, if the relevant patents are upheld as valid and enforceable and we are found to infringe such patents, we could be prohibited from using any portion of our Zio Services, including our Zio Systems, that is found to infringe such patent unless we could obtain licenses to use the technology covered by the patent or are able to design around the patent. We may be unable to obtain a license on terms acceptable to us, if at all, and we may not be able to redesign our Zio Services, including our Zio Systems, to avoid infringement. We may be unable to maintain or renew licenses on terms acceptable to us, if at all, and we may be prohibited from selling any portion of our Zio Services, including our Zio Systems, that required the technology covered by the relevant licensed patents. Although patent and intellectual property disputes in the healthcare and medical devices area have often been settled through licensing or similar arrangements, costs associated with such arrangements may be substantial and would likely include ongoing royalties. Even if we are able to redesign our Zio Services, including our Zio Systems, to avoid an infringement claim, we may not receive FDA approval for such changes in a timely manner or at all.

Further, if we are found to infringe third-party patents, a court could order us to pay damages to compensate the patent owner for the infringement, such as a reasonable royalty amount and/or profits lost by the patent owners, along with prejudgment and/or post-judgment interest. Furthermore, if we are found to willfully infringe third-party patents, we could, in addition to other penalties, be required to pay treble damages; and if the court finds the case to be exceptional, we may be required to pay attorneys' fees for the prevailing party. If we are found to infringe third-party copyrights or trademarks or misappropriate third-party trade secrets, based on the intellectual property at issue, a court could order us to pay statutory damages, actual damages, or profits, such as reasonable royalty or lost profits of the owners, unjust enrichment, disgorgement of profits, and/or a reasonable royalty, and the court could potentially award attorneys' fees or exemplary or enhanced damages. If litigation were to be initiated by intellectual property owners, there could significant legal fees and costs incurred in defending litigation (which may include filing administrative actions to attack the intellectual property) as well as a potential monetary settlement payment to the owners, even if the matter is resolved before going to trial. Moreover, the owners may take an overly aggressive approach and/or include multiple allegations in a single litigation.

Our inability to adequately protect our intellectual property could allow our competitors and others to produce devices and offer services based on our technology, which could substantially impair our ability to compete.

Our success and our ability to compete depend, in part, upon our ability to maintain the proprietary nature of our technologies. We rely on a combination of patent, copyright, and trademark law, and trade secrets and nondisclosure agreements to protect our intellectual property. However, such methods may not be adequate to protect us or permit us to gain or maintain a competitive advantage.

For example, our patent applications may not issue as patents in a form that will be advantageous to us, or at all. Our issued patents, and those that may issue in the future, may be challenged, invalidated, or circumvented, which could limit our ability to stop competitors from marketing related devices and services. In addition, there are numerous recent changes to the patent laws and proposed changes to the rules of the U.S. Patent and Trademark Office ("USPTO"), which may have a significant impact on our ability to protect our technology and enforce our intellectual property rights. We also may not be able to prevent the unauthorized disclosure or use of our technical knowledge or other trade secrets by consultants, vendors, or former or current employees, despite the existence generally of invention assignment and confidentiality agreements and other contractual restrictions we include in contracts with such parties. These agreements may not provide meaningful protection for our trade secrets, know-how, or other proprietary information in the event of any unauthorized use, misappropriation, or disclosure of such trade secrets, know-how, or other proprietary information. There can be no assurance that employees, consultants, vendors, and clients have executed such agreements or have not breached or will not breach their agreements with us, that we will have adequate remedies for any breach, or that our trade secrets will not otherwise become known or independently developed by competitors. In addition, we rely on trademarks, service marks, trade names, and brand names, such as our registered trademark "ZIO," to distinguish our products from the products of our competitors, and have registered or applied to register these trademarks. We cannot assure you that our trademark applications will be approved. Further, during trademark registration proceedings, we may receive rejections. Although we are given an opportunity to respond to those rejections, we may be unable to overcome such rejections. In addition, in proceedings before the USPTO and in proceedings before comparable agencies in many foreign jurisdictions, third parties are given an opportunity to oppose pending trademark applications and to seek to cancel registered trademarks. Opposition or cancellation proceedings may be filed against our trademarks, and our trademarks may not survive such proceedings. Additionally, we are aware of at least one third party that has registered the "IRHYTHM" mark in the EU in connection with computer software for controlling and managing patient medical information, heart rate monitors, and heart rate monitors to be worn during moderate exercise, among other uses. We and the third party are involved in adversary proceedings before the Trademark Office in the EU, and those proceedings could impact our ability to obtain a EU trade mark registration for the "IRHYTHM" mark, although we already own many national registrations for IRHYTHM in Europe.

To protect our proprietary rights, we may in the future need to assert claims of infringement against third parties. The outcome of litigation to enforce our intellectual property rights in patents, copyrights, trade secrets, or trademarks is highly unpredictable, could result in substantial costs and diversion of resources, and could have a material adverse effect on our business, financial condition, and results of operations regardless of the final outcome of such litigation. In the event of an adverse judgment, a court could hold that some or all of our asserted intellectual property rights are not infringed, or are invalid or unenforceable, and could award attorneys' fees.

Despite our efforts to safeguard our unpatented and unregistered intellectual property rights, we may not succeed in doing so or the steps taken by us in this regard may not be adequate to detect or deter misappropriation of our technology or to prevent an unauthorized third party from copying or otherwise obtaining and using our devices, technology, or other information that we regard as proprietary. In addition, third parties may be able to design around our patents. Furthermore, the laws of foreign countries may not protect our proprietary rights to the same extent as the laws of the United States.

Risks Related to Privacy and Security

Cybersecurity risks, including those involving network security breaches, services interruptions and other incidents affecting the confidentiality, integrity or availability of our data and systems, could result in the compromise of confidential data or critical data systems and give rise to potential harm to our patients, remediation and other expenses, expose us to liability under HIPAA, breach notification laws, consumer protection laws, or other common law theories, subject us to litigation and federal and state governmental inquiries, damage our reputation, and otherwise be disruptive to our business and operations.

Cybersecurity threats can come from a variety of sources, ranging in sophistication from an individual hacker to malfeasance by employees, consultants or other service providers to criminal or other unauthorized threat actors, including state-sponsored attacks. Unauthorized parties may also attempt to gain access to our systems or facilities through fraud, trickery or other forms of deceiving our employees, contractors and temporary staff. Cyber threats may be generic, or they may be custom-crafted against our information systems. Cyber incidents can result from deliberate attacks or unintentional events. Over the past several years, cyber-attacks and other cyber incidents have become more prevalent and much harder to detect and defend against. These cyber attacks and other incidents include unauthorized access to our network, information technology and data, and that our of contractors; compromise of employee credentials and accounts; transmission of computer viruses and other malware; phishing and spamming attacks; ransomware attacks and other acts of cyber extortion; and malicious actions by persons inside our organization and other insider threats. The increasing use of mobile devices for remote access to our systems and data also increases these vulnerabilities and risks. Our internal technology systems and infrastructure, and those of our contractors, are also vulnerable to damage from natural disasters, acts of terrorism, war and other acts of foreign governments and failures of telecommunication, electrical and other critical systems. In addition, hardware, software or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security or other problems that unexpectedly could interfere with our business operations. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may not immediately produce signs of intrusion, we may be unable to anticipate these incidents or techniques, timely discover them, or implement adequate preventative measures.

We have in the past been subject to cyber-attacks and data breaches and expect that we will be subject to additional cyber-attacks in the future and may experience future data breaches. Such incidents may impact the integrity, availability or confidentiality of the sensitive data we maintain or disrupt our information systems, devices or business, including our ability to deliver our services. As a result, cybersecurity, physical security and the continued development and enhancement of our controls, processes and practices designed to protect our enterprise, information systems and data from attack, damage or unauthorized access remain a priority for us. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any cybersecurity vulnerabilities.

We are subject to complex and evolving U.S. and foreign laws and regulations and other requirements regarding privacy, data protection, security, and other matters. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or declines in customer growth or engagement, or otherwise harm our business.

In the ordinary course of our business, we collect, use and store, and transmit sensitive data, such as our proprietary business information and that of our suppliers, contractors, customers, vendors and others, as well as personal information, including health information, of these parties and of our patients. As a result, we are subject to several foreign, federal and state laws and regulations protecting the use, disclosure and confidentiality of certain personal information, namely individually identifiable information (e.g., names, social security numbers, addresses, birth dates), and restricting the use and disclosure of that information. These laws include foreign, federal and state healthcare privacy laws, telehealth laws, breach notification laws and consumer protection laws. These frameworks impose stringent privacy and security standards and potentially significant non-compliance penalties and liability. Foreign data protection, privacy, and related laws and regulations can be more restrictive than those in the United States. For example, data localization laws in some countries generally mandate that certain types of data collected in a particular country be stored and/or processed solely within that country. In addition, both foreign and U.S. legislators and regulators may make legal and regulatory changes, or interpret and apply existing laws, in ways that require us to incur substantial costs, expose us to unanticipated civil or criminal liability, or cause us to change our business practices. Further, the SEC recently adopted new cybersecurity disclosure rules for public companies that require disclosure regarding cybersecurity risk management (including the board's role in overseeing cybersecurity risks, management's role and expertise in assessing and managing cybersecurity risks, and processes for assessing, identifying, and managing cybersecurity risks) in annual reports on Form 10-K. These new cybersecurity disclosure rules also require the disclosure of material cybersecurity incidents by Form 8-K, within four business days of determining an incident is material. These changes or increased costs could negatively impact our business and results of operations in material ways. Refer to "Cybersecurity" in Part I, Item 1C of this Annual Report on Form 10-K for further details.

The secure maintenance, processing, and transmission of this sensitive information is critical to our business operations and we are dependent on sophisticated information technology systems to operate our business. System failures or outages, including any potential disruptions due to significantly increased global demand on certain cloud-based systems, or failures to adequately scale our data platforms and architectures to support patient care could compromise our ability to perform these functions in a timely manner, which could harm our ability to conduct business or delay our financial reporting. We have implemented multiple layers of security measures and monitoring to protect the confidentiality, integrity, and availability of this data and the systems and devices that store and transmit such data. Despite our security measures and business controls, which undergo routine testing internally and by external parties, our information technology and infrastructure may be vulnerable to attacks by criminals and criminal enterprises, foreign governments and other state-sponsored actors, and terrorists and lone wolves; breaches due to employee, contractor, or vendor error; or malfeasance or other disruptions or subject to the inadvertent or intentional unauthorized release of information. Any such occurrence could compromise our data centers and networks and the information stored thereon could be inappropriately accessed, publicly disclosed, lost, or stolen. Further, any such access, disclosure, or other loss of information could result in legal claims or proceedings, and liability under laws that protect the privacy of personal information and regulatory penalties, increase in operating expenses, incurrence of expenses, including notification, mitigation, and remediation costs, disrupt our operations and the services we provide to our clients, or damage our reputation, any of which could adversely affect our profitability, revenue, and competitive position.

Cyber-attacks aimed at accessing our devices and services, or related devices and services, and modifying or using them in a way inconsistent with our FDA marketing authorizations and regulatory certifications in the EU and the UK, could create risks to patients.

Medical devices are increasingly connected to the Internet, hospital networks, and other medical devices to provide features that improve healthcare and increase the ability of healthcare providers to treat patients and of patients to manage their conditions and are subject to extensive oversight from FDA and foreign regulatory authorities with requirements designed to manage the risks of cyber-attacks with the potential to impact patient safety. As such, cyber-attacks aimed at accessing our devices and services, or related devices and services, and modifying or using them in a way inconsistent with our FDA marketing authorizations and regulatory certifications in the EU and the UK, may create risks to patients and potential exposure to our company.

We are required to comply with various laws and regulations with respect to implementing appropriate cybersecurity measures to ensure our devices and services are not compromised or disrupted, which could lead to potential risk of harm or injury to patients. FDA has issued guidance on cybersecurity management of medical devices during post market, and more recently finalized guidance on cybersecurity considerations for quality systems in device premarket submissions. These guidance documents serve as an indicator of agency expectations. If we do not implement the necessary quality measures to manage cybersecurity and minimize or avoid risks of a potential cyber-attack that impacts our devices and services, we could be subject to a range of FDA enforcement action, and such a situation could trigger the need for a recall, a hold on the distribution of our products, or require other corrective actions to our products.

In the EU, a number of interlocking rules regulate cybersecurity for medical devices. For example, the new Cybersecurity Directive (EU) 2022/2555 (also known as the NIS 2 Directive (Network and Information Security)) entered into force in January 2023 and EU Member States have until October 17, 2024 to transpose the measures into national law. The EU NIS 2 Directive affects Critical National Infrastructure (CNI) providers, which includes the health sector and the manufacturers of medical devices considered to be critical during a public health emergency, as well as other covered entities. The requirements in the NIS 2 Directive will sit alongside the cybersecurity requirements addressed in the EU MDR, which are supplemented by specific guidance issued by the EU's Medical Device Coordination Group. In addition, at this time, we cannot predict the impact on cybersecurity compliance that forthcoming EU legislation such as the proposed Artificial Intelligence Act and the European Health Data Space Regulation, may have. In the UK, the government announced as part of its consultations on the future regulation of medical devices, that it intends to develop legislation to impose cybersecurity requirements for software as a medical device, including for AI.

Risks Related to Our Common Stock

If securities or industry analysts do not publish research or reports about our business, or if they issue an adverse or misleading opinion regarding our stock, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. We do not have any control over the analysts, or the content and opinions included in their reports. If any of the analysts who cover us issues an adverse or misleading opinion regarding us, our business model, our intellectual property, or our stock performance, or if any third-party preclinical studies and clinical trials involving our Zio Services or our results of operations fail to meet the expectations of analysts, our stock price would likely decline. If one or more of such analysts cease coverage of us or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause a decline in our stock price or trading volume.

Our stock price is highly volatile and investing in our stock involves a high degree of risk, which could result in substantial losses for investors.

Historically, the market price of our common stock, like the securities of many other medical service providers that are public companies, has fluctuated. It is likely that our stock price will continue to be volatile in the future. In addition, the trading prices for our common stock and the common stocks of other medical service providers been highly volatile as a result of macroeconomic conditions, including inflation, rising interest rates and ongoing geopolitical conflicts, such as the war in Ukraine and conflict in the Middle East.

The market price of our common stock is influenced by many factors that are beyond our control, including the following:

- securities analyst coverage or lack of coverage of our common stock or changes in their estimates of our financial performance;
- variations in quarterly operating results;
- future sales of our common stock by our stockholders;
- investor perception of us and our industry;
- announcements by us or our competitors of significant agreements, acquisitions, or capital commitments or service or product launches or discontinuations;
- changes in market valuation or earnings of our competitors;
- negative business or financial announcements regarding our partners;
- regulatory actions;

- legislation and political conditions;
- cybersecurity events;
- global health pandemics, such as the COVID-19 pandemic;
- terrorist acts, acts of war, or periods of widespread civil unrest, including ongoing geopolitical conflicts, such as the war in Ukraine and conflict in the Middle East; and
- general economic, industry, and market conditions, including inflation, interest rate volatility, uncertainty with respect to the federal debt ceiling and budget and potential government shutdowns related thereto, potential instability in the global banking system, and fluctuating foreign currency exchange rates.

Please also refer to the factors described elsewhere in this "Risk Factors" section. In addition, the stock market in general has experienced extreme price and volume fluctuations that have often been unrelated and disproportionate to the operating performance of companies in our industry. These broad market and industry factors may materially reduce the market price of our common stock, regardless of our operating performance.

Securities class action litigation has often been brought against public companies that experience periods of volatility in the market prices of their securities. Securities class action litigation could result in substantial costs and a diversion of our management's attention and resources.

Anti-takeover effects of our charter documents and Delaware law could make a merger, tender offer, or proxy contest difficult, thereby depressing the trading price of our common stock.

There are provisions in our amended and restated certificate of incorporation and amended and restated bylaws, as well as provisions in the Delaware General Corporation Law ("DGCL"), that may discourage, delay, or prevent a change of control of our company that might otherwise be beneficial to stockholders. These provisions could also make it difficult for stockholders to elect directors who are not nominated by current members of our board of directors or take other corporate actions, including effecting changes in our management. For example:

- our board of directors may, without stockholder approval, issue shares of preferred stock with special voting or economic rights;
- our stockholders do not have cumulative voting rights and, therefore, each of our directors can only be elected by holders of a majority of our outstanding common stock;
- a special meeting of stockholders may only be called by a majority of our board of directors, the chairman of our board of directors, our chief executive officer, or our president (in the absence of a chief executive officer);
- our stockholders may not take action by written consent; and
- we require advance notice for nominations for election to the board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

Moreover, Section 203 of the DGCL may discourage, delay, or prevent a change of control of our company. Section 203 imposes certain restrictions on mergers, business combinations, and other transactions between us and holders of 15% or more of our common stock.

The exclusive forum provision in our organizational documents may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, or other employees, or the underwriters of any offering giving rise to such claim, which may discourage lawsuits with respect to such claims.

Our amended and restated certificate of incorporation provides that, to the fullest extent permitted by law, the Court of Chancery of the State of Delaware is the exclusive forum for: any derivative action or proceeding brought on our behalf; any action asserting a claim of breach of fiduciary duty owed by any director, officer, or other employee or agent of the company to us or our stockholders; any action asserting a claim against us arising pursuant to any provision of the DGCL, our amended and restated certificate of incorporation, or our amended and restated bylaws; any action to interpret, apply, enforce, or determine the validity of our amended and restated certificate of incorporation, or our amended and restated bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine. This exclusive forum provision does not apply to suits brought to enforce a duty or liability created by the Exchange Act.

Notwithstanding the foregoing, our stockholders will not be deemed to have waived our compliance with the federal securities laws and the regulations promulgated thereunder. Any person or entity purchasing or otherwise acquiring or holding any interest in any of our securities shall be deemed to have notice of and consented to our exclusive forum provisions. The exclusive forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, or other employees, which may discourage lawsuits with respect to such claims. Alternatively, if a court were to find the choice of forum provisions contained in our amended and restated certificate of incorporation or amended and restated bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, operating results, and financial condition.

We do not intend to pay dividends for the foreseeable future.

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all available funds and any future earnings to support operations and to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends on our capital stock in the foreseeable future. As a result, stockholders must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

Risks Related to Our Debt

Increasing our financial leverage could affect our operations and profitability.

We are party to the Credit, Security and Guaranty Agreement, dated as of January 3, 2024 (the "Braidwell Credit Agreement"), with Braidwell Transactions Holdings LLC – Series 5 ("Braidwell") as lender, which provides for a senior secured delayed draw term loan facility in an aggregate principal amount of up to $150.0 million (the "Braidwell Term Loan Facility"). An initial tranche of $75.0 million was funded under the Braidwell Term Loan Facility on January 3, 2024 (the "Closing Date"), and the remaining $75.0 million is available to be funded until earliest of the date such amount is actually drawn (the "Delayed Draw Closing Date") and January 3, 2025. In connection with the closing of the Braidwell Credit Agreement, we repaid the full balance of $35.0 million outstanding pursuant to the SVB Loan Agreement plus approximately $2.8 million in fees and expenses.

Our leverage ratio, combined with our other financial obligations and contractual commitments, may affect our ability to obtain additional capital resources as well as our operations in several ways, including:

- the possible lack of availability of additional credit;
- the terms on which credit may be available to us could be less attractive, both in the economic terms of the credit and the legal covenants;
- the potential for higher levels of interest expense to service or maintain our outstanding debt;
- the possibility that we are required to incur additional debt in the future to repay our existing indebtedness when it comes due;
- the possibility that our level of indebtedness makes us more vulnerable to adverse changes in general U.S. and worldwide economic, industry, and competitive conditions and adverse changes in government regulation;
- limiting our ability to borrow additional amounts to fund acquisitions, for working capital, and for other general corporate purposes;
- the possible diversion of capital resources from other uses; and
- making an acquisition of our company less attractive or more difficult.

Any of these factors could harm our business, results of operations, and financial condition. While we believe we will have the ability to service our obligations under the Braidwell Credit Agreement and obtain additional financing in the future if and when needed, that will depend upon our results of operations and financial position at the time, the then-current state of the credit and financial markets, and other factors that may be beyond our control. Therefore, we cannot give assurances that sufficient credit will be available on terms that we consider attractive, or at all, if and when necessary or beneficial to us.

Failure to comply with covenants in the Braidwell Credit Agreement could result in our inability to borrow additional funds and adversely impact our business.

The Braidwell Credit Agreement imposes numerous financial and other restrictive covenants on our operations, including financial and regulatory covenants, including, for example, covenants with respect to adverse regulatory events that result in or would reasonably be expected to result in a material adverse effect on (i) our company's operations or financial condition, (ii) Braidwell's rights and security interest granted under the Braidwell Credit Agreement, (iii) our ability to satisfy payment obligations under the Braidwell Credit Agreement, or (iv) our ability to satisfy the financial covenants imposed under the Braidwell Credit Agreement. The Braidwell Credit Agreement also requires that we (a) maintain aggregate consolidated liquidity (defined as unrestricted cash plus cash equivalent investments) of (i) $50.0 million on and after the Closing Date until the Delayed Draw Closing Date and (ii) in the event of an additional draw, from and after the Delayed Draw Closing Date, $75.0 million, tested on a quarterly basis, and (b) maintain aggregate consolidated total net revenue of $350.0 million, tested on a quarterly basis. Our ability to comply with these and other covenants is dependent upon several factors, some of which are beyond our control. As of the date of this Annual Report on Form 10-K, we were in material compliance with the covenants imposed by the Braidwell Credit Agreement. If we violate these or any other covenants under the Braidwell Credit Agreement or fail to make payments in connection therewith, Braidwell could declare an event of default, which would give it the right to terminate its commitment to provide additional loans and declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be immediately due and payable. In addition, Braidwell would have the right to proceed against the assets we provided as collateral pursuant to the loan. Any of the foregoing may limit our ability to borrow additional funds and pursue other business opportunities or strategies that we would otherwise consider to be in our best interests.

Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt.

Our ability to make scheduled payments of the principal of, to pay interest on, or to refinance our indebtedness, including the Braidwell Credit Agreement, depends on our future financial condition and operating performance, which is subject to economic, financial, competitive, and other factors beyond our control. Our business may not generate cash flow from operations in the future sufficient to satisfy our obligations under the Braidwell Credit Agreement and any future indebtedness we may incur and to make necessary capital expenditures.

If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as reducing or delaying investments or capital expenditures, selling assets, refinancing, or obtaining additional equity capital on terms that may be onerous or highly dilutive. These alternative measures may not be successful and may not permit us to meet our scheduled debt servicing obligations. Further, we may need to refinance all or a portion of our debt on or before maturity, and our ability to refinance the Braidwell Credit Agreement or any future indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities on commercially reasonable terms or at all, which could result in a default under the Braidwell Credit Agreement or any future indebtedness.

General Risk Factors

We may be impacted by domestic and global economic and political conditions, as well as natural disasters, pandemics, and other catastrophic events, which could adversely affect our business, financial condition, or results of operations.

Our operations and performance may vary based on worldwide economic and political conditions, which have been adversely impacted by continued global economic uncertainty, political instability, and military hostilities in multiple geographies, including ongoing geopolitical conflicts such as the war in Ukraine and conflict in the Middle East, domestic and global inflationary trends, interest rate volatility, uncertainty with respect to the federal debt ceiling and budget and potential government shutdowns related thereto, potential instability in the global banking system, global supply shortages, and a tightening labor market. A severe or prolonged economic downturn or period of global political instability could drive hospitals and other healthcare professionals to tighten budgets and curtail spending, which could in turn negatively impact rates at which physicians prescribe our Zio Services. In addition, higher unemployment rates or reductions in employer-provided benefits plans could result in fewer commercially insured patients, resulting in a reduction in our margins and impairing the ability of uninsured patients to make timely payments. A weak or declining economy could also strain our suppliers, possibly resulting in supply delays and disruptions. There is also a risk that one or more of our current service providers, suppliers, or other partners may not survive such difficult economic times, which could directly affect our ability to attain our goals on schedule and on budget. If the current equity and credit markets deteriorate, it may make any necessary debt or equity financing more difficult, more costly, and more dilutive. We cannot predict the timing, strength, or duration of an economic downturn, instability, or recovery, whether worldwide, in the United States, or within our industry.

In addition, climate-related events, including the increasing frequency of extreme weather events, natural disasters, or other catastrophic events may cause damage or disruption to our operations, international commerce, and the global economy, and could have an adverse effect on our business, operating results, and financial condition. In the event of a natural disaster, including a major earthquake, blizzard, or hurricane, or a catastrophic event such as a fire, power loss, cyberattack, or telecommunications failure, we may be unable to continue our operations and may endure system and service interruptions, reputational harm, delays in development of our Zio Systems and Zio Services, breaches of data security, and loss of critical data, all of which could cause us to experience higher attrition, losses, and additional costs to maintain or resume operations, or otherwise have an adverse effect on our business and operating results. Further, we do not maintain insurance sufficient to compensate us for the potentially significant losses that could result from disruptions to our services. Additionally, all the aforementioned risks may be further increased if our or our partners' disaster recovery plans are inadequate.

Environmental, social, and corporate governance ("ESG") regulations, policies, and provisions may make our supply chain more complex and may adversely affect our relationships with customers.

There is an increasing focus from certain investors, physicians, patients, employees, and other stakeholders concerning corporate citizenship and sustainability matters and the governance of environmental and social risks. An increasing number of participants in the medical services industry are joining voluntary ESG groups or organizations, such as the Responsible Business Alliance. These ESG provisions and initiatives are subject to change, can be unpredictable, and may be difficult and expensive for us to comply with, given our reliance on our supply chain and the outsourced manufacturing of certain components and sub-assemblies of the Zio Systems used with our Zio Services.

Further, we have in the past and may continue to communicate certain initiatives, including goals, regarding environmental matters, responsible sourcing, and social investments. We could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could fail in fully and accurately reporting our progress on such initiatives and goals. In addition, we could be criticized for the scope of such initiatives or goals or perceived as not acting responsibly in connection with these matters.

If we are not effective in addressing ESG matters affecting our business, or setting and meeting relevant ESG goals, our reputation and financial results may suffer.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 1C. CYBERSECURITY

Cybersecurity Risk Management and Strategy

Cybersecurity is an important part of our risk management at iRhythm. Our cybersecurity program includes mitigating risks for our company and for other companies that may have access to our data and systems. Our board of directors recognizes the critical importance of maintaining the trust and confidence of our customers, clients, business partners, and employees. The risk oversight responsibility of our board of directors and its committees is supported by our cybersecurity management reporting processes, which are designed to provide visibility to our board of directors and to our personnel that are responsible for risk assessment and information about the identification, assessment, and management of critical risks and management's risk mitigation strategies. These areas of focus include risks from cybersecurity threats as well as competitive, economic, operational, financial, legal, regulatory, privacy, compliance, and reputational risks, among others. We understand that our customers, patients, and stakeholders entrust us with sensitive data, including Protected Health Information, and we take this responsibility seriously.

Our board of directors has an important role in the oversight of the Company's cybersecurity risk management and strategy and has delegated certain components of such oversight related to the security of and risks related to computerized information and technology systems across the company, as well as by risk area (including privacy, data security, and cybersecurity matters), to the audit committee, which regularly interacts with our Vice President of Cybersecurity ("VP of Cybersecurity") and Chief Risk Officer ("CRO"). We also regularly engage external parties to assist in the review of our cybersecurity risk oversight processes.

We have established policies to govern the security of our systems and the protection of customer and patient data, which include regular system updates and patches, employee training on cybersecurity and HIPAA best practices, incident reporting, and the use of encryption to secure sensitive information. Our Cybersecurity department, which reports to our VP of Cybersecurity, is responsible for our cybersecurity program and our Global Risk & Integrity department, which reports to our CRO, is responsible for our privacy program as further discussed below. To identify, assess, and manage material cybersecurity risks, our Cybersecurity team uses a cybersecurity risk assessment process aligned with leading frameworks such as the National Institute of Standards and Technology's ("NIST") Cybersecurity Framework and HIPAA. To ensure appropriate and consistent risk evaluation and decision-making processes among our Cybersecurity and Global Risk & Integrity departments, we utilize an Adjusted Risk Rating ("ARR") system that considers certain attributes that represent impact to the Company, and we prioritize our actions based on our ARR system. Our cybersecurity risk assessment program provides the underlying basis for the activities our Cybersecurity and Global Risk & Integrity departments take to identify and mitigate risks from, as well as develop risk management and response strategies for, evolving and emerging cybersecurity threats.

In addition, we also regularly perform phishing tests on our employees and review our training plan at least annually for appropriate updates to address results from this testing. Further, we are focused on building and maintaining a positive cybersecurity culture through a combination of trainings, educational tools, videos, and other cybersecurity awareness initiatives. On top of annual information security awareness training for our employees, we also provide focused training for certain departments. Our security training incorporates awareness of cyber threats (including malware, ransomware, and social engineering attacks), password hygiene, and incident reporting process, as well as physical security best practices.

We engage in the periodic assessment of our policies, standards, processes, and practices that are designed to address cybersecurity threats and incidents, internally and through assessments by external providers. These efforts include a wide range of activities, including audits, assessments, tabletop exercises, threat modeling, vulnerability testing, penetration testing, and other exercises focused on evaluating the effectiveness of our cybersecurity measures and planning. Assessments by external providers of our cybersecurity measures include information security maturity assessments, audits, and independent reviews of our information security control environment and operating effectiveness. The results of such internal and external assessments, audits, and reviews are reported to the audit committee and the board of directors, and we adjust our cybersecurity policies, standards, processes, and practices as necessary based on the information provided by these assessments, audits, and reviews.

In addition to the assessment of internal cybersecurity risks, we have implemented processes to oversee and identify risks from cybersecurity threats associated with our use of third-party service providers that have access to our data and systems, including payors and IDTFs. These processes include vetting of all service providers for security, reliability, and availability; execution of a Business Associate Agreement with each provider for compliant management, storage, or processing of PHI; and confirmation by each service provider that its SOC-2 reports, or equivalent reports, are current and available, where applicable. In the event a service provider does not have a current and available SOC-2 or equivalent report, we complete an in-depth review of the service provider's cybersecurity risk management and advise relevant business stakeholders of any significant identified risks.

Based on our board of directors' and management's review of risks associated with cybersecurity threats, we have concluded that, to date, there have been no cybersecurity threats which have materially affected or are reasonably likely to materially affect our company, including our business strategy, results of operations, or financial condition. If we were to experience a material cybersecurity incident in the future, such incident may have a material effect, including on our business strategy, operating results, or financial condition. For more information regarding cybersecurity risks that we face and potential impacts on our business related thereto, see the risk factor titled "Cybersecurity risks, including those involving network security breaches, services interruptions and other incidents affecting the confidentiality, integrity or availability of our data and systems, could result in the compromise of confidential data or critical data systems and give rise to potential harm to our patients, remediation and other expenses, expose us to liability under HIPAA, breach notification laws, consumer protection laws, or other common law theories, subject us to litigation and federal and state governmental inquiries, damage our reputation, and otherwise be disruptive to our business and operations."

Governance

As described above, our board of directors has an important role in the oversight of the Company's cybersecurity risk management and strategy, with certain components of such oversight, including matters related to the security of and risks related to computerized information and technology systems, delegated to the audit committee.

At the management level, our Cyber Security and Risk departments work together to monitor our cybersecurity and risk programs, reporting to our VP of Cybersecurity and CRO, respectively. Our VP of Cybersecurity currently leads a team of cybersecurity professionals, has held leadership roles in the Cybersecurity team since joining us in 2019, and has over fifteen years of management experience within cybersecurity teams. Our CRO has held leadership roles in internal audit and risk for over a decade, including most recently as CRO of another public company.

Individuals in our Cybersecurity and Global Risk & Integrity departments regularly monitor the prevention, detection, mitigation and remediation of cybersecurity incidents. We have implemented procedures by which any identified or potential cybersecurity risk is communicated to the VP of Cybersecurity promptly and discussed in regular team meetings generally held several times per week. Risks are escalated to the CRO and other members of management in accordance with our incident response and reporting policy.

Our VP of Cybersecurity reports cybersecurity-related matters twice annually to the audit committee, and promptly reports any significant cybersecurity developments or incidents to our management, who may similarly escalate to the audit committee. These periodic updates include updates on our cybersecurity risk posture, including material risk assessments, the status of any projects to improve our information security systems, and the emerging cybersecurity threat landscape. The audit committee's reviews may also include presentations by members of senior management, as well as briefings with other internal and external subject-matter experts to help broaden the board of directors' understanding of the latest cybersecurity issues and the latest regulatory and threat landscapes. Additionally, the audit committee monitors our progress to address cybersecurity risks and opportunities, as well as cybersecurity incident response and recovery metrics. Our management also periodically engages external service providers to conduct objective assessments of our cybersecurity program, and results of such assessments are directly reported to the audit committee. Finally, the audit committee reports out to the larger board of directors periodically on the company's cybersecurity risks and posture.

ITEM 2. PROPERTIES

The following table summarizes the facilities leased as of December 31, 2023, including the location and size of each principal facility and their designated use. We believe that these facilities are sufficient to meet our current and anticipated future needs.

Location	Primary Use	Approximate Square Footage	Lease Expiration Year
San Francisco, California	Corporate Headquarters and Clinical Center	117,600	2031
Cypress, California	Corporate Office and Manufacturing Facilities	68,900	2032
Deerfield, Illinois	Corporate Office and Clinical Center	44,600	2033
Manila, Philippines	Corporate Office	24,000	2028
Houston, Texas	Clinical Center	20,300	2027
London, U.K.	Corporate Office and Clinical Center	9,000	2029
Solana Beach, California	Corporate Office	8,300	2031
Encinitas, California	Corporate Office	3,200	2024

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are involved in claims and legal proceedings or investigations, that arise in the ordinary course of business. Such matters could have an adverse impact on our reputation, business, and financial condition and divert the attention of our management from the operation of our business. These matters are subject to many uncertainties and outcomes that are not predictable.

On February 1, 2021, a putative class action lawsuit was filed in the United States District Court for the Northern District of California (the "Court") alleging that we and our former Chief Executive Officer, Kevin M. King, violated Sections 10(b) and 20(a) of the Exchange Act and SEC Rule 10b-5 promulgated thereunder. On August 2, 2021, the lead plaintiff filed an amended complaint, and filed a further amended complaint on September 24, 2021. The amended complaint names as defendants, in addition to us and Mr. King, our former Chief Executive Officer, Michael J. Coyle, and former Chief Financial Officer and former Chief Operating Officer, Douglas J. Devine. The purported class in the amended complaint includes all persons who purchased or acquired our common stock between August 4, 2020 and July 13, 2021, and seeks unspecified damages purportedly sustained by the class. On October 27, 2021, we filed a motion to dismiss, which the Court granted on March 31, 2022, entering judgment in favor of us and the other defendants. On April 29, 2022, the original named plaintiff appealed to the Ninth Circuit Court of Appeals. On October 11, 2023, after briefing by the parties and oral argument, the Ninth Circuit dismissed the appeal for lack of jurisdiction. The appellant filed a petition for rehearing en banc, which was denied on December 6, 2023.

On February 6, 2024, a second putative class action lawsuit was filed in the Court alleging that we and our current Chief Executive Officer, Quentin Blackford, our current Chief Financial Officer, Brice Bobzien, and Mr. Devine violated Sections 10(b) and 20(a) of the Exchange Act and SEC Rule 10b-5 promulgated thereunder, and seeks unspecified damages purportedly sustained by the class.

We believe the above securities class action lawsuits to be without merit and plan to continue to defend ourselves vigorously.

On March 26, 2021, we received a grand jury subpoena from the U.S. Attorney's Office for the Northern District of California requesting information related to communications with the Food and Drug Administration and our products and services. On September 14, 2021, we received a second subpoena requesting additional information. On April 4, 2023, we received a Subpoena Duces Tecum from the Consumer Protection Branch, Civil Division of the U.S. Department of Justice, requesting production of various documents regarding our products and services. We are cooperating fully on these matters.

On February 20, 2024, Welch Allyn, Inc. ("Welch Allyn"), a subsidiary of Hill-Rom Holdings, Inc. which was acquired by Baxter International, Inc., filed a lawsuit against us in the United States District Court for the District of Delaware, alleging that our Zio patches infringe certain of its patents. Welch Allyn seeks money damages and attorneys' fees. We believe this lawsuit is without merit and plan to defend ourselves vigorously.

At this time, we are unable to predict the eventual scope, duration or outcome of the aforementioned proceedings. See also Part I, Item 1A “Risk Factors — Risks Related to Other Legal and Regulatory Matters” for more information on these matters.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information for Common Stock

Our common stock is traded on The Nasdaq Global Select Market under the symbol "IRTC".

As of February 15, 2024, there were 353 holders of record of our common stock. Certain shares are held in "street" name and, accordingly, the number of beneficial owners of such shares is not known or included in the foregoing number.

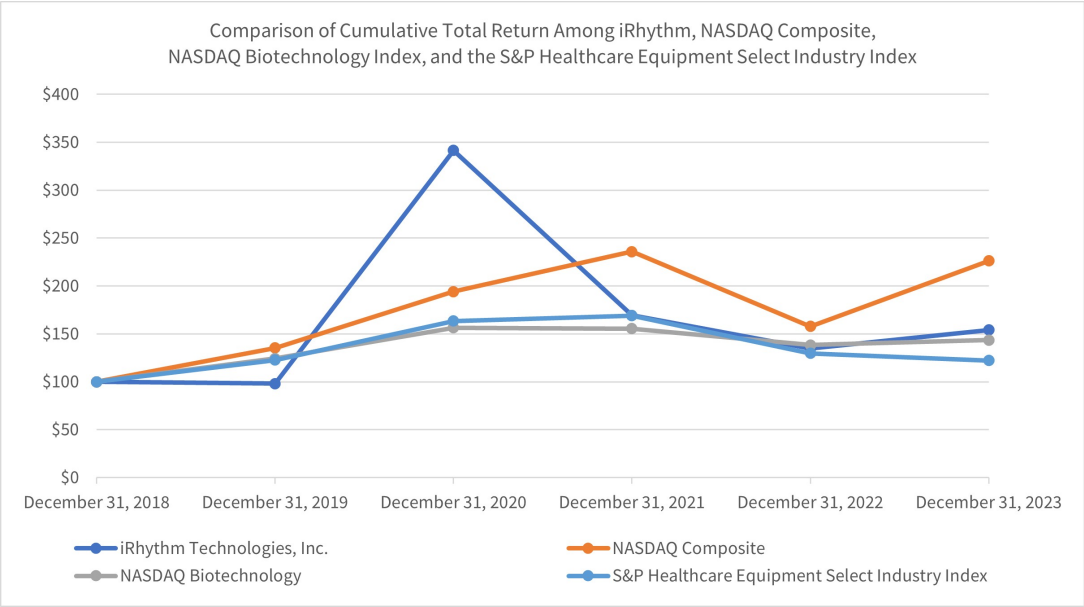
Dividend Policy

We have never declared or paid cash dividends on our capital stock. We intend to retain all available funds and any future earnings, if any, to fund the development and expansion of our business and we do not anticipate paying any cash dividends in the foreseeable future. Any future determination related to dividend policy will be made at the discretion of our board of directors.

Performance Graph

This graph is not "soliciting material," is not deemed "filed" with the SEC and is not to be incorporated by reference into any filing of iRhythm Technologies, Inc. under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

The following graph shows the total stockholder return of an investment of $100 in cash at market close on December 31, 2018, through December 31, 2023 for (i) our common stock, (ii) the NASDAQ Composite Index (U.S.), (iii) the NASDAQ Biotechnology Index and (iv) the S&P Healthcare Equipment Select Industry. For the year ended December 31, 2023, the Company has elected to present the S&P Healthcare Equipment Select Industry for its peer group comparison. The Company believes that the holdings of this index more accurately reflect its peer companies. Since the NASDAQ Biotechnology Index was presented in the prior year, it has also been presented in the current year for comparison purposes. Pursuant to applicable SEC rules, all values assume reinvestment of the full amount of all dividends, however no dividends have been declared on our common stock to date. The stockholder return shown on the graph below is not necessarily indicative of future performance, and we do not make or endorse any predictions as to future stockholder returns.



	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023
iRhythm Technologies, Inc.	$ 100	$ 98	$ 341	$ 169	$ 135	$ 154
NASDAQ Composite	$ 100	$ 135	$ 194	$ 236	$ 158	$ 226
NASDAQ Biotechnology	$ 100	$ 124	$ 156	$ 155	$ 138	$ 144
S&P Healthcare Equipment Select Industry	$ 100	$ 123	$ 163	$ 169	$ 130	$ 122

Securities Authorized for Issuance under Equity Compensation Plans

Information regarding our equity compensation plans and the securities authorized for issuance thereunder is set forth in Part III, Item 12 of this Annual Report on Form 10-K.

Recent Sales of Unregistered Equity Securities

None.

Issuer Purchases of Equity Securities

None.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

You should read the following discussion and analysis of our financial condition and results of operations together with the financial statements and related notes included elsewhere in Item 8 of Part II of this Annual Report on Form 10-K. This discussion and other parts of this Annual Report on Form 10-K contain forward-looking statements that involve risks and uncertainties, such as statements of our plans, objectives, expectations and intentions. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section of this Annual Report on Form 10-K entitled "Risk Factors."

Overview

We are a leading digital healthcare company that creates trusted solutions that detect, predict, and prevent disease. Our principal business is the design, development, and commercialization of device-based technology to provide remote cardiac monitoring services that we believe allow clinicians to diagnose certain arrhythmias quicker and with greater efficiency than other services that rely on traditional technology.

Each Zio System combines an FDA-cleared and CE-marked, wire-free, patch-based,14-day wearable biosensor that continuously records ECG data with a proprietary, FDA-cleared, CE-marked cloud-based data analytic software to help physicians monitor patients and diagnose arrhythmias. Since receiving FDA clearance, we have provided the Zio Services to over six million patients and have collected over 1.8 billion hours of curated heartbeat data.

Since first receiving clearance from FDA for our technology in 2009, we have supported physician and patient use of our technology and provided ambulatory cardiac monitoring services from our Medicare-enrolled IDTFs and with our qualified technicians. We have provided our Zio Services using our Zio Systems.

We receive revenue for the Zio Services primarily from third-party payors, which include contracted third-party payors and CMS. The remainder of our revenue comes from healthcare institutions, which are typically hospitals or private physician practices, who purchase the Zio Services from us directly. We rely on third-party billing partners to submit patient claims and collect from commercial payors, certain government agencies, and patients.

The following are Zio Services shown as a percentage of revenue:

	Year Ended December 31,		
	2023	2022	2021
Contracted third-party payors	54 %	55 %	60 %
Centers for Medicare and Medicaid	25 %	25 %	14 %
Healthcare institutions	14 %	14 %	18 %
Non-contracted third party payors	7 %	6 %	8 %

Key Business Metric

Non-GAAP Financial Measure

Adjusted EBITDA is a key measure we use to assess our financial performance and it is also used for internal planning and forecasting purposes. We believe Adjusted EBITDA is helpful to investors, analysts, and other interested parties because it can assist in providing a more consistent and comparable overview of our operational performance across our historical financial periods. In addition, this measure is frequently used by analysts, investors, and other interested parties to evaluate and assess performance.

We define Adjusted EBITDA for a particular period as net loss before income tax provision, depreciation and amortization, interest expense, and interest income and as further adjusted for stock-based compensation expense, impairment and restructuring charges, and business transformation costs. Business transformation costs include professional services and employee termination costs to augment and restructure the organization, inclusive of both outsourced and offshore resources.

Adjusted EBITDA is a non-GAAP financial measure and is presented for supplemental informational purposes only and should not be considered as an alternative or substitute to financial information presented in accordance with GAAP. This measure has certain limitations in that it does not include the impact of certain expenses that are reflected in our consolidated statements of operations that are necessary to run our business. We may identify additional charges and gains to exclude from Adjusted EBITDA that are significant in nature which may impact period to period comparability and do not represent the ongoing results of the business. Other companies, including other companies in our industry, may not use this measure or may calculate this measure differently, limiting its usefulness as a comparative measure.

The following table presents a reconciliation of Net loss, the most directly comparable financial measure calculated in accordance with GAAP, to Adjusted EBITDA (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Net loss	$ (123,406)	$ (116,155)	$ (101,361)
Interest expense	3,650	4,138	1,169
Interest income	(6,353)	(2,350)	(249)
Income tax provision	750	269	367
Depreciation and amortization	16,348	13,405	9,842
Stock-based compensation	77,204	57,740	54,527
Impairment and restructuring charges	11,078	26,608	—
Business transformation costs	15,866	5,082	—
Adjusted EBITDA	$ (4,863)	$ (11,263)	$ (35,705)

Macroeconomic Factors

Our future results of operations and liquidity could be materially adversely affected by macroeconomic factors contributing to delays in payments of outstanding receivables, supply chain disruptions, including shortages and inflationary pressure, uncertain or reduced demand, and the impact of any initiatives or programs that we may undertake to address financial and operational challenges faced by our customers.

The current macroeconomic environment is impacting our customers, both financially and operationally. Hospitals are experiencing staffing shortages and supply chain issues that could affect their ability to provide patient care. Additionally, hospitals are facing significant financial pressure as supply chain constraints and inflation drive up operating costs, rising interest rates make access to credit more expensive, unrealized losses decrease available cash reserves, and fiscal stimulus programs enacted during the COVID-19 pandemic continue to wind down. As a consequence of the financial pressures and decreased profitability, some hospitals have indicated that they are lowering their capital investment plans and tightening their operational budgets.

We have adapted our Zio Services to meet the immediate needs of physicians, customers, and patients and significantly increased the utilization of our home enrollment service, which allows patients to receive and wear the single-use Zio patch without going to a healthcare facility.

Our hybrid work arrangements and decision to pursue a sublease for our leased San Francisco headquarters resulted in an impairment of our right-of-use (“ROU”) asset and related leasehold improvements and furniture and fixtures during the year ended December 31, 2022. In the fourth quarter of 2023, we recorded an additional impairment of our ROU asset and related leasehold improvements and furniture and fixtures on our leased San Francisco headquarters, due to a continued soft real estate rental market within the city proper San Francisco, California. As we continue to evaluate our global real estate footprint, we may incur additional impairment charges related to real property lease agreements.

Revenue

The majority of our revenue is derived from provision of our Zio Services to customers in the United States. We earn revenue from the provision of our Zio Services primarily from contracted third-party payors, CMS, and healthcare institutions. A small percentage of our revenue is from non-contracted third-party payors.

We recognize revenue on an accrual basis based on estimates of the amount that will ultimately be realized, which is the difference between the amount submitted for payment and the amount received. These estimates require significant judgment by management. In determining the amount to accrue for the Zio Services (including a delivered report), we consider factors such as claim payment history from both payors and patient, available reimbursement, including whether there is a contract between us and the payor or healthcare institution and historical amount received for the service, and any current developments or changes that could impact reimbursement and healthcare institution payments.

We typically experience reduced revenue during the third quarter, as well as during the year-end holiday season. We believe this is the result of physicians and patients taking vacations and patients electing to delay our monitoring services during the summer months or holidays. Revenue may be impacted by the outcome of adjudications with contracted and non- contracted payors, as well as changes in CMS reimbursement rates like we experienced with final, lower rates being established for our Zio Services as of January 1, 2024. Clinical capacity limitations may also restrict our ability to complete the performance obligations to achieve revenue recognition.

Cost of Revenue

Cost of revenue includes direct labor, material costs, equipment and infrastructure expenses, amortization of internal-use software, allocated overhead, and shipping and handling. Direct labor includes payroll-related costs including stock-based compensation involved in manufacturing, clinical data curation, and customer service. Material costs include both the disposable materials costs of the Zio patches and amortization of the re-usable printed circuit board assemblies ("PCBAs"). Each Zio XT patch and Zio Monitor patch includes a PCBA, and each Zio AT patch includes a PCBA and gateway board, the cost of which is amortized over the anticipated number of uses of the board. We expect cost of revenue to increase in absolute dollars as our revenue increases due to increased direct labor, direct materials, and variable spending, as well as amortization of internal-use software, partially offset by economies of scale in relation to fixed costs such as overhead and facilities costs.

Our gross margin has been and will continue to be affected by a variety of factors, including increased contracting with third-party payors and institutional providers. We have in the past been able to increase our pricing as third-party payors become more familiar with the benefits of the Zio Services and move to contracted pricing arrangements. We expect increases to the cost of revenues due to increases to materials and electronics components pricing, labor rates, shipping rates, amortization of capitalized internal-use software, and increases in the general level of inflation, partially offset by reduced costs from obtaining volume purchase discounts for our material costs, implementing scan-time algorithms and process improvements, automating manufacturing assembly and packaging, and through software-driven and other workflow enhancements to reduce labor costs.

Research and Development Expenses

We expense research and development costs as they are incurred. Research and development expenses include payroll-related costs, including stock-based compensation, consulting services, clinical studies, laboratory supplies, and allocated facility overhead costs. In addition, we expense milestone payments, when probable, for the Development Agreement with Verily. We expect our research and development costs to increase in absolute dollars as we hire additional personnel to develop new product and service offerings, product enhancements, and clinical evidence.

Selling, General and Administrative Expenses

Our sales and marketing expenses consist of payroll-related costs, including stock-based compensation, sales commissions, travel expenses, consulting, public relations costs, direct marketing, tradeshow and promotional expenses, and allocated facility overhead costs.

Our general and administrative expenses consist primarily of payroll-related costs for executive, finance, legal, and administrative personnel, including stock-based compensation. Other significant expenses include professional fees for legal and accounting services, consulting fees, recruiting fees, bad debt expense, third-party patient claims processing fees, and travel expenses. In addition, we incurred business transformation costs to scale our organization during 2022 and 2023, which are intended to achieve operational efficiencies in our administrative expenses over the long-term.

Interest Expense

Interest expense is attributable to borrowings under our loan agreements. See Note 9, Debt, in the notes to our consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K (the “Consolidated Financial Statements”) for further information on our loan agreements.

Interest and Other Income, Net

Interest and other income, net consists primarily of interest income which consists of interest received on our cash and cash equivalents and marketable securities as well as realized and unrealized foreign currency exchange gains or losses.

Results of Operations

Comparison of the Years Ended December 31, 2022, and 2021

For discussion related to the results of operations and changes in financial condition for fiscal 2022 compared to fiscal 2021 refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our 2022 Annual Report on Form 10-K, which was filed with the SEC on February 23, 2023.

Comparison of the Years Ended December 31, 2023, and 2022

	Year Ended December 31,					
	2023	% Revenue	2022	% Revenue	$ Change	% Change
	(dollars in thousands, except percentages)					
Revenue	$ 492,681	100 %	$ 410,921	100 %	$ 81,760	20 %
Cost of revenue	160,875	33 %	129,289	31 %	31,586	24 %
Gross profit	331,806	67 %	281,632	69 %	50,174	18 %
Operating expenses:						
Research and development	60,244	12 %	46,610	11 %	13,634	29 %
Selling, general and administrative	385,645	78 %	322,198	78 %	63,447	20 %
Impairment and restructuring charges	11,078	2 %	26,608	6 %	(15,530)	(58)%
Total operating expenses	456,967	92 %	395,416	95 %	61,551	16 %
Loss from operations	(125,161)	(25)%	(113,784)	(28)%	(11,377)	10 %
Interest expense	(3,650)	(1)%	(4,138)	(1)%	488	(12)%
Interest and other income, net	6,155	1 %	2,036	1 %	4,119	202 %
Loss before income taxes	(122,656)	(25)%	(115,886)	(28)%	(6,770)	6 %
Income tax provision	750	— %	269	— %	481	179 %
Net loss	$ (123,406)	(25)%	$ (116,155)	(28)%	$ (7,251)	6 %

Revenue

Revenue increased $81.8 million, or 20%, to $492.7 million during the year ended December 31, 2023, as compared to $410.9 million during the year ended December 31, 2022. The increase in revenue was primarily attributable to increases in the volume of Zio Services resulting from increased demand, partially offset by a slight decline in average selling price.

Cost of Revenue

Cost of revenue increased $31.6 million, or 24%, to $160.9 million during the year ended December 31, 2023, as compared to $129.3 million during the year ended December 31, 2022. The increase in cost of revenue was primarily due to increases in headcount-related costs associated with the increase in volume of Zio Services, as well as an increase of approximately $3.1 million for excess Zio XT PCBA components, and an increase of approximately $2.7 million in amortization of Zio XT PCBAs in conjunction with the commercial launch of Zio Monitor.

Research and Development Expenses

Research and development expenses increased $13.6 million, or 29%, to $60.2 million during the year ended December 31, 2023, as compared to $46.6 million during the year ended December 31, 2022. Our research and development expenses remained proportionately inline relative to revenue between 2023 and 2022. The increase in research and development expenses was primarily due to higher headcount-related costs (including stock-based compensation) and further development, enhancement, and functionality of our current and future product offerings.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $63.4 million, or 20%, to $385.6 million during the year ended December 31, 2023, as compared to $322.2 million during the year ended December 31, 2022. Our selling, general and administrative expenses remained proportionately inline relative to revenue between 2023 and 2022. The increase in selling, general and administrative expenses was primarily attributable to an increase in headcount-related costs (including stock-based compensation) to support growth in our operations, as well as for incremental headcount, including executive hires, to the organization. Additionally, business transformation costs within our selling, general and administrative expenses increased approximately $10.8 million primarily associated with global expansion to scale the organization. In 2023, we also experienced increases in legal and consulting costs to support regulatory and legal matters, as well as increases in software and hardware costs to support the growth in our infrastructure.

Impairment and Restructuring Charges

Impairment and restructuring expenses decreased $15.5 million, or 58%, to $11.1 million during the year ended December 31, 2023, as compared to $26.6 million during the year ended December 31, 2022. In the first quarter of 2022, our Board of Directors ("Board") approved a plan to reduce our leased space for our headquarters in San Francisco, California. We initiated an effort to pursue a sublease of one floor (approximately 50%) of our San Francisco, California facility. As a result, we recorded an impairment charge associated with our right of use ("ROU") leased asset and property and equipment of $23.2 million for the year ended December 31, 2022. Additionally, in the first quarter of 2022, our Board approved a restructuring plan, which resulted in severance and other employment related costs of $3.4 million for the year ended December 31, 2022. During the fourth quarter of 2023, we recorded an additional impairment of our ROU asset and related property and equipment for our headquarters in San Francisco, California, due to real estate rental market conditions within San Francisco, California, of $11.1 million for the year ended December 31, 2023.

Interest expense

Interest expense decreased by $0.5 million to $3.7 million during the year ended December 31, 2023, as compared to $4.1 million during the year ended December 31, 2022. During the year ended December 31, 2022, we incurred financing fees of $1.75 million associated with the second amendment to the SVB Loan Agreement (as defined below). Offsetting this reduction resulted in an increase in interest expense of $1.3 million due to higher interest rates period over period.

Interest and other income, net

Interest and other income, net increased by $4.1 million to $6.2 million for the year ended December 31, 2023, as compared to $2.0 million for the year ended December 31, 2022. The increase is primarily due to higher interest earned from our cash and cash equivalents and marketable securities during the year ended December 31, 2023.

Liquidity and Capital Expenditures

Overview

As of December 31, 2023, we had cash and cash equivalents of $36.2 million, marketable securities of $97.6 million, and accounts receivable of $61.5 million. In addition, we had $16.6 million available under a revolving credit line. We continuously review our liquidity and anticipated capital requirements in light of the significant uncertainty created by the current macroeconomic environment, including inflation, interest rate volatility, uncertainty with respect to the federal budget and debt ceiling and potential government shutdowns related thereto, and potential instability in the global banking system. We intend to continue to make investments to support our business, which may require us to engage in equity or debt financings to secure additional funds. We believe that our current cash, cash equivalents, marketable securities balances, and term loans facility (discussed below), together with income to be derived from the sales of our Zio Services, will be sufficient to meet our liquidity requirements for at least the next 12 months.

Under the terms of the Development Agreement, we agreed to make milestone payments to Verily up to an aggregate of $12.75 million upon achievement of various development and regulatory milestones. We have achieved milestones tied to payments totaling $11.0 million through December 31, 2023, and anticipate making additional milestone payments of $1.75 million, subject to the achievement of specified milestones.

The following table summarizes our cash flows for the years indicated (in thousands):

	Year Ended December 31,		
	2023	2022	$ Change
Net cash used in operating activities	$ (50,101)	$ (23,012)	$ (27,089)
Net cash (used in) provided by investing activities	(1,209)	(52,434)	51,225
Net cash provided by (used in) financing activities	8,820	26,716	(17,896)

Operating Activities

During the year ended December 31, 2023, cash used in operating activities was $50.1 million, an increase of $27.1 million, as compared to $23.0 million during the year ended December 31, 2022. The increase was primarily attributable to the timing of collections and payments associated with our accounts receivable, inventory, prepaid expenses and other current assets, other assets, and operating leases. During 2023, we purchased additional PCBAs for use with Zio XT and in anticipation of the Zio Monitor commercial launch, resulting in a $20.4 million increase year over year and recorded within other assets on our consolidated balance sheets.

Investing Activities

During the year ended December 31, 2023, cash used in investing activities was $1.2 million, a decrease of $51.2 million as compared to cash used in investing activities of $52.4 million during the year ended December 31, 2022. The decrease was primarily attributable to a net increase in proceeds from marketable securities of $64.8 million, partially offset by increases in purchases of property and equipment of $10.6 million and the purchase of a strategic investment of $3.0 million.

Financing Activities

During the year ended December 31, 2023, cash provided by financing activities was $8.8 million, a decrease of $17.9 million, as compared to $26.7 million during the year ended December 31, 2022. The decrease was primarily attributed to net proceeds during the first half of 2022 of $13.6 million, associated with a $35.0 million term loan offset by a $21.4 million debt repayment. Additionally, there was a decrease of $4.4 million in proceeds from the issuance of common stock in connection with our employee equity incentive plan.

Bank Debt

In October 2018, we entered into the Third Amended and Restated Loan and Security Agreement ("SVB Loan Agreement") with Silicon Valley Bank ("SVB"). Under the SVB Loan Agreement, we had borrowed $35.0 million and had made repayments through March 2022, at which time the outstanding balance was $18.5 million.

On March 28, 2022, we entered into a Second Amendment (the "2022 Amendment") to our SVB Loan Agreement which provided for a term loans facility in the aggregate principal amount of up to $75.0 million (the "2022 Term Loans"), of which $35.0 million was borrowed at closing and a portion of the proceeds was used to pay in full the outstanding balance of $18.5 million under the SVB Loan Agreement. The remaining $40.0 million of 2022 Term Loans was available to be borrowed from time to time at our option, in increments of at least $10.0 million, through December 31, 2023. The 2022 Amendment also amended the terms of the revolving credit line under the SVB Loan Agreement, which provided for an aggregate principal amount of $25.0 million. As of December 31, 2023, no loans were outstanding under the revolving credit line and we had used $8.4 million in letters of credit.

As of March 27, 2023, in connection with the closure of SVB by the California Department of Financial Protection and Innovation and the Federal Deposit Insurance Corporation, First-Citizens Bank & Trust Company assumed all of SVB's deposits and loans. We continue to have access to the revolving credit line and letters of credit available pursuant to the SVB Loan Agreement and we were in compliance with our loan covenants as of December 31, 2023.

On January 3, 2024, we entered into a Credit, Security and Guaranty Agreement (the "Braidwell Credit Agreement") with Braidwell Transaction Holdings LLC – Series 5 ("Braidwell"). In conjunction with the transaction, we repaid and terminated the 2022 Term Loans and the revolving credit line. As of the date of this filing, we continue to hold $8.4 million in letters of credit with SVB, securing them with cash on deposit.

Braidwell Debt

On January 3, 2024, we entered into the Braidwell Credit Agreement with Braidwell, which provides for a senior secured delayed draw term loan facility in an aggregate principal amount of up to $150.0 million (the "Braidwell Term Loan Facility"). An initial tranche of $75.0 million ("Initial Loan") was funded on the Closing Date. An additional tranche of $75.0 million will be accessible through the one year anniversary of the Closing Date, so long as we satisfy certain customary conditions. The Braidwell Term Loan Facility has a maturity date of January 3, 2029 and provides, at our election, for payment of a portion of interest in kind during the term of the loan with principal and accrued interest due at the Maturity Date. Upon repayment of the Term Loans (whether at the Maturity Date or upon earlier prepayment), we are required to pay an exit fee equal to 2.75% of the principal amount being repaid. The Braidwell Term Loan Facility will accrue interest at an annual rate equal to the sum of (a) the Secured Overnight Financing Rate ("SOFR") and (b)(i) an applicable margin of 6.50% if paid in cash, or (ii) an applicable margin of 6.95%, if, at our election, if a portion of interest is paid in kind. Accrued interest on the Braidwell Term Loan Facility is payable quarterly in arrears. We are also required to pay fees on any prepayment of the Braidwell Term Loan Facility, ranging from zero to 2.0% depending on the date of prepayment.

Our net proceeds from the Initial Loan were approximately $35 million, after deducting estimated debt issuance costs, fees and expenses, and repayment of our existing term loan from Silicon Valley Bank. For additional information, see the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 8, 2024.

Critical Accounting Policies and Estimates

Our Consolidated Financial Statements are prepared in conformity with U.S. generally accepted accounting principles ("U.S. GAAP"), which requires us to make judgments, estimates, and assumptions. See Note 2, Summary of Significant Accounting Policies, in the notes to the Consolidated Financial Statements, which describes our significant accounting policies and methods used in the preparation of our Consolidated Financial Statements. The methods, estimates, and judgments that we use in applying our accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates regarding matters that are inherently uncertain. Our most critical accounting estimates include:

- Revenue recognition;
- Assessment of collectability of accounts receivable which results in uncollectible allowance for doubtful accounts and contractual allowances;
- How many times a PCBA can be used for testing in research and development, loss rates, product obsolescence, and the amount of time it takes the device to go through the manufacturing, shipping, customer shelf, and patient wear time and upload process;
- Stock-based compensation; and
- Lease impairment.

Revenue Recognition

We have developed a proprietary system that combines an FDA-cleared and CE-marked wire-free, patch-based, 14-day wearable biosensor that continuously records ECG data, with a proprietary cloud-based data analytic platform to help physicians monitor patients and diagnose arrhythmias. In addition, we have received CE-mark and UKCA certification for Zio XT System and ZEUS algorithm. We currently offer three Zio System options—the Zio Monitor System, the Zio XT System, and the Zio AT System.

The Zio Monitor System is a prescription-only, remote ECG monitoring system that consists of the Zio Monitor patch that records the electric signal from the heart continuously for up to 14 days and the ZEUS System, which supports the capture and analysis of ECG data recorded by the Zio Monitor patch at the end of the wear period, including specific arrhythmia events detected by the ZEUS algorithm. The final step in the Zio Services is the delivery of an electronic Zio report to the prescribing physician with a summary of findings. Our Zio Monitor services are generally billable when the Zio report is issued to the physician.

The Zio XT System is the previous generation of the Zio Monitor System and is a prescription-only, remote ECG monitoring system that consists of the Zio XT patch that records the electric signal from the heart continuously for up to 14 days and the ZEUS System, which supports the capture and analysis of ECG data recorded by the Zio XT patch at the end of the wear period, including specific arrhythmia events detected by the ZEUS algorithm. Our Zio XT services are generally billable when the Zio report is issued to the physician.

The Zio AT System is a prescription-only, remote ECG monitoring system that similarly consists of the Zio AT patch that records the electric signal from the heart continuously for up to 14 days and the ZEUS System, but which also incorporates the Zio AT wireless gateway that provides connectivity between the patch and the ZEUS System during the patient wear period. The wireless gateway, slightly larger than a smart phone, is provided to the patient at the time of Zio AT patch application and collects and transmits data from the Zio AT patch to the cloud via a LTE protocol. The Zio AT service revenue is recognized under two performance obligations — the patient wear period and delivery of electronic Zio reports.

We recognize as revenue the amount of consideration to which we expect to be entitled in exchange for performing our service. The consideration we are entitled to varies by payor portfolio, as further described below, and includes estimates that require significant judgment by management. A unique aspect of healthcare is the involvement of multiple parties to the service transaction. In addition to the patient, often a third-party payor, for example a commercial or governmental payor or healthcare institution will pay us for some or all of the service on the patient's behalf. Separate contractual arrangements exist between us and third-party payors that establish amounts the third-party payor will pay on behalf of a patient for covered services rendered.

A small portion of our transactions are covered by third-party payors with whom there is neither a contractual agreement nor an established amount that the third-party payor will pay. In determining the collectability and transaction price for our service, we consider factors such as insurance claims which are adjudicated as allowable under the applicable policy and payment history from both payors and patient out-of-pocket costs, payor coverage, whether there is a contract between the payor or healthcare institution and us, historical amount received for the service, and any current developments or changes that could impact reimbursement and healthcare institution payments. Certain of these factors are forms of variable consideration which are only included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

A summary of the payment arrangements with third-party payors and healthcare institutions is as follows:

- Contracted third-party payors – We have contracts with negotiated prices for services provided to patients with commercial healthcare insurance coverage.
- CMS - We have received IDTF approval from regional Medicare Administrative Contractors and will receive reimbursement per the relevant CPT code rates for the services rendered to the patient covered by CMS.
- Healthcare institutions – Healthcare institutions are typically hospitals or physician practices in which we have negotiated amounts for our monitoring services, including certain governmental agencies such as the Veterans Administration and U.S. Department of Defense.
- Non-contracted third-party payors – Non-contracted commercial and government payors often reimburse out-of-network rates provided under the relevant CPT codes on a case-by-case basis. The transaction price used for determining revenue recognition is based on factors including an average of our historical collection experience for our non-contracted services. This rate is reviewed at least quarterly.

We are utilizing the portfolio approach practical expedient under Accounting Standard Codification ("ASC") 606, *Revenue from Contracts with Customers*, whereby services provided under each of the above payor types form a separate portfolio. We account for the contracts within each portfolio as a collective group, rather than individual contracts. Based on history with these portfolios and the similar nature and characteristics of the patients within each portfolio, we have concluded that the financial statement effects are not materially different than if accounting for revenue on a contract-by-contract basis.

For contracted and CMS portfolios, we recognize revenue, net of contractual allowances, and recognize an allowance for doubtful accounts for uncollectible patient accounts receivable. The transaction price is determined based on negotiated rates, and our historical experience of collecting substantially all of these contracted rates. These contracts also impose a number of obligations regarding billing and other matters, and our noncompliance with a material term of such contracts may result in a denial of the claim. We account for denied claims as a form of variable consideration that is included as a reduction to the transaction price recognized as revenue.

We make estimates around the amount of denied claims within a reporting period, a process that requires management judgment. The estimated denied claims are based on historical information, and judgement includes the historical period utilized. We monitor the estimated denied claims against the latest available information, and subsequent changes to the estimated denied claims are recorded as an adjustment to revenue in the periods during which such changes occur. Delays in claims submissions could lead to an increase in denials if we miss the payors' filing deadlines, which could result in a reduction in our receipt of payments. Historical cash collection indicates that it is probable that substantially all of the transaction price, less the estimate of denied claims, will be received. Contracted payors may require that we bill patient co-payments and deductibles and from time to time we may not be able to collect such amounts due to credit risk. We provide for estimates of uncollectible patient accounts receivable, based upon historical experience where judgment includes the historical period utilized, at the time revenue is recognized, with such provisions presented as bad debt expense within the selling, general and administrative line item of the consolidated statements of operations. Adjustments to these estimates for actual experience are also recorded as an adjustment to bad debt expense.

For healthcare institutions, the transaction price is determined based on negotiated rates, and we have historical experience collecting substantially all of these contracted rates. Historical cash collections indicate that it is probable that substantially all of the transaction price will be received. As such, we are not providing an implicit price concession but, rather, has chosen to accept the risk of default, and any subsequent uncollected amounts are recorded as bad debt expense to selling, general and administrative expense in the consolidated statements of operations.

For non-contracted portfolios, we provide an implicit price concession due to the lack of a contracted rate with the underlying payor. As a result, we estimate the transaction price based on historical cash collections utilizing the expected value method. All subsequent changes to the transaction price are recorded as adjustments to revenue.

Accounts Receivable, Allowance for Doubtful Accounts, and Contractual Allowances

Accounts receivable include amounts due to us from healthcare institutions, third-party payors, and government payors and our related patients as a result of our normal business activities. Accounts receivable is reported on the consolidated balance sheets net of an estimated allowance for doubtful accounts and contractual allowances.

We establish an allowance for doubtful accounts for estimated uncollectible receivables based on our assessment of the collectability of customer accounts and recognize the provision as a component of selling, general and administrative expenses. We record a provision for contractual allowances based on the estimated differences between contracted amounts and expected collection rates. Such provisions are based on our historical experience and are reported as a reduction of revenue.

We regularly review the allowances by considering factors such as historical experience, credit quality, the age of the accounts receivable balances, and current economic conditions that may affect a customer's ability to pay.

PCBA Valuation

We reuse PCBAs in each wearable Zio Monitor patch, Zio XT patch, and Zio AT patch, as well as the wireless gateway used in conjunction with the Zio AT patch. As PCBAs are used in a wearable Zio Monitor patch, Zio XT patch, or Zio AT patch, a portion of the cost of the PCBA is recorded as a cost of revenue. The PCBAs are charged over a period beyond one year. We base our length of time estimates for charging a portion of the PCBAs cost by evaluating how many times a PCBA can be used in testing in research and development, device loss rates, product obsolescence, and the amount of time it takes the device to go through the manufacturing, shipping, customer shelf, and patient wear time and upload process. We periodically evaluate and update these estimates. PCBAs are included in Other Assets in our consolidated balance sheets.

Stock-Based Compensation

We measure the estimated fair values of our restricted stock units ("RSUs") based on the closing price of our stock on the grant date. For performance-based restricted stock units ("PRSUs"), we estimate the fair value based on the closing price of our stock on the grant date and, if the award includes a market condition, a Monte Carlo simulation model. In addition, for PRSUs, we apply a probability assessment to determine the probable achievement of the performance-based metrics.

Stock-based compensation expense is recognized over the requisite service period using the straight-line method and is based on the value of the portion of stock-based payment awards that is ultimately expected to vest. As such, our stock-based compensation is reduced for the estimated forfeitures at the date of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. For restricted stock, the compensation cost for these awards is based on the closing price of our common stock on the date of grant, and is recognized as compensation expense on a straight-line basis over the requisite service period.

We recognize compensation expense related to our 2016 Employee Stock Purchase Plan ("ESPP") based on the fair value at each enrollment date of the offering period using the Black-Scholes-Merton option-pricing model value. The stock-based compensation is reduced by the estimated forfeiture and is expensed on a straight-line basis over the offering period.

Lease Impairment

We account for the impairment of long-lived assets in accordance with ASC 360, *Impairment or Disposal of Long-Lived Assets*. An impairment loss is recognized when estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying value. If an asset is determined to be impaired, the impairment is measured by the amount that the carrying value of the asset exceeds its fair value.

We estimated undiscounted future cash flows from our vacant office lease based on our intent and ability to sub-lease the vacant office space which we had ceased using and estimated future sub-lease income considering the local real estate market conditions. We also factored into the estimate the amount of time to identify a tenant and to enter into an agreement. We estimated the fair value of the ROU asset related to the vacant office lease by discounting the estimated undiscounted future cash flows using the average lease capitalization rate, plus average inflation rate, for other lease transactions in the local area during the year.

Material Cash Requirements

Our material cash requirements include the following contractual and other obligations.

- Purchase commitments - From time to time in the ordinary course of business, we enter into a variety of purchase arrangements including but not limited to, purchase arrangements related to components used in manufacturing our products. See Note 8, Commitments and Contingencies, to our Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for more information.
- Operating leases - We lease our facilities under non-cancelable operating leases. See Note 8, Commitments and Contingencies, to our Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for more information.
- Debt interest and principal payments - On March 28, 2022, we entered into the 2022 Amendment to our SVB Loan Agreement which provided for a term loans facility in the aggregate principal amount of up to $75.0 million, of which $35.0 million was borrowed at closing. On January 3, 2024, we repaid our outstanding indebtedness with SVB, and entered into the Braidwell Term Loan Facility. The Braidwell Term Loan Facility provides for an aggregate principal borrowing amount of up to $150.0 million, of which $75.0 million was borrowed at closing. See Note 9, Debt, and Note 16, Subsequent Events to our Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for more information.

Recent Accounting Guidance

For a description of recently issued accounting guidance that is applicable to our financial statements, see Note 2, Significant Accounting Policies, to the Consolidated Financial Statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks in the ordinary course of our business. These risks primarily include risk related to interest rate sensitivities and foreign currency exchange rate sensitivity.

Interest Rate Sensitivity

We had cash, cash equivalents and marketable securities of $133.8 million and $213.1 million as of December 31, 2023 and 2022, respectively; which consisted of bank deposits, money market funds and U.S. government securities. Such interest-earning instruments carry a degree of interest rate risk.

We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. We have not been exposed nor do we anticipate being exposed to material risks due to changes in interest rates. A hypothetical 10% change in interest rates would have had a $0.6 million and an $0.5 million impact to interest income for the years ended December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, we had total outstanding debt of $35.0 million and $34.9 million, respectively, net of debt issuance costs. The SVB Loan Agreement carried a variable interest rate based on the “Prime Rate” published by The Wall Street Journal. A hypothetical 10% change in interest rates during each of the years ended December 31, 2023 and 2022 would have resulted in an immaterial impact on our Consolidated Financial Statements.

Foreign Currency Exchange Rate Sensitivity

We face foreign exchange risk as a result of entering into transactions denominated in currencies other than U.S. dollars, particularly in British Pound Sterling and in Philippine Pesos. As of December 31, 2023 and 2022, we do not consider this risk to be material. We do not utilize any forward foreign exchange contracts, although we may choose to do so in the future. All foreign transactions settle on the applicable spot exchange basis at the time such payments are made. The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy. In the event our foreign currency denominated assets, liabilities, sales, or expenses increase, our operating results may be more greatly affected by fluctuations in the exchange rates of the currencies in which we do business.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

IRHYTHM TECHNOLOGIES, INC.

INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of iRhythm Technologies, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of iRhythm Technologies, Inc. and its subsidiaries (the "Company") as of December 31, 2023 and 2022, and the related consolidated statements of operations, of comprehensive loss, of stockholders' equity and of cash flows for each of the three years in the period ended December 31, 2023, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Contractual Allowance – Contracted Third-Party Payors

As described in Note 2 to the consolidated financial statements, a large portion of the Company's transactions are covered by third-party payors with whom there is a contractual agreement or established amount the third-party payor will pay (contracted third-party payors). These contracts impose a number of obligations regarding billing and other matters, and the Company's noncompliance with a material term of such contracts may result in a denial of the claim. The Company recognizes revenue from contracted third-party payors, net of contractual allowances. As of December 31, 2023, the Company's contractual allowance balance was $53 million, a significant portion of which relates to revenue from services provided to patients where contracted third-party payors pay for the service on the patient's behalf. As disclosed by management, management accounts for denied claims as a form of variable consideration that is included as a reduction to the transaction price and records as an adjustment to revenue as a contractual allowance. The contractual allowance requires judgment by management and is based on historical collections, review of specific outstanding claims and consideration of relevant qualitative factors.

The principal considerations for our determination that performing procedures relating to the contractual allowance for contracted third-party payors is a critical audit matter are (i) the significant judgment by management when developing the estimate of the contractual allowance; and (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating audit evidence related to the contractual allowance based on historical collections, review of specific outstanding claims and consideration of relevant qualitative factors.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's estimate of the contractual allowance for contracted third party payors. These procedures also included, among others (i) testing management's process for developing the estimate of the contractual allowance; (ii) testing the completeness and accuracy of the underlying data used in the estimate; (iii) testing, on a sample basis, the accuracy of revenue transactions and collections from the historical billing and collection data used in management's analysis; and (iv) evaluating the reasonableness of adjustments made by management to contractual allowances.

/s/ PricewaterhouseCoopers LLP

San Jose, California
February 22, 2024
We have served as the Company's auditor since 2009.

IRHYTHM TECHNOLOGIES, INC.
Consolidated Balance Sheets
(In thousands, except par value)

	December 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 36,173	$ 78,832
Marketable securities	97,591	134,312
Accounts receivable, net	61,484	49,918
Inventory	13,973	15,155
Prepaid expenses and other current assets	21,591	10,555
Total current assets	230,812	288,772
Property and equipment, net	104,114	75,670
Operating lease right-of-use assets	49,317	60,666
Goodwill	862	862
Other assets	48,039	22,252
Total assets	$ 433,144	$ 448,222
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 5,543	$ 7,517
Accrued liabilities	83,362	65,497
Deferred revenue	3,306	3,051
Operating lease liabilities, current portion	15,159	13,031
Total current liabilities	107,370	89,096
Debt, noncurrent portion	34,950	34,935
Other noncurrent liabilities	1,012	1,307
Operating lease liabilities, noncurrent portion	79,715	83,072
Total liabilities	223,047	208,410
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Preferred stock, $0.001 par value – 5,000 shares authorized; none issued and outstanding at December 31, 2023 and 2022	—	—
Common stock, $0.001 par value – 100,000 shares authorized; 30,954 and 30,193 shares issued and outstanding at December 31, 2023 and 2022, respectively	31	28
Additional paid-in capital	855,784	762,380
Accumulated other comprehensive loss	(112)	(396)
Accumulated deficit	(645,606)	(522,200)
Total stockholders' equity	210,097	239,812
Total liabilities and stockholders' equity	$ 433,144	$ 448,222

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

IRHYTHM TECHNOLOGIES, INC.
Consolidated Statements of Operations
(In thousands, except per share data)

	Year Ended December 31,		
	2023	2022	2021
Revenue, net	$ 492,681	$ 410,921	$ 322,825
Cost of revenue	160,875	129,289	109,258
Gross profit	331,806	281,632	213,567
Operating expenses:			
Research and development	60,244	46,610	38,671
Selling, general and administrative	385,645	322,198	274,839
Impairment and restructuring charges	11,078	26,608	—
Total operating expenses	456,967	395,416	313,510
Loss from operations	(125,161)	(113,784)	(99,943)
Interest expense	(3,650)	(4,138)	(1,169)
Interest and other income, net	6,155	2,036	118
Loss before income taxes	(122,656)	(115,886)	(100,994)
Income tax provision	750	269	367
Net loss	$ (123,406)	$ (116,155)	$ (101,361)
Net loss per common share, basic and diluted	$ (4.04)	$ (3.88)	$ (3.46)
Weighted-average shares, basic and diluted	30,528	29,916	29,331

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

IRHYTHM TECHNOLOGIES, INC.
Consolidated Statements of Comprehensive Loss
(In thousands)

	Year Ended December 31,		
	2023	2022	2021
Net loss	$ (123,406)	$ (116,155)	$ (101,361)
Other comprehensive income (loss):			
Net change in unrealized gains (losses) from marketable securities	453	(335)	(72)
Cumulative translation adjustment	(169)	—	—
Comprehensive loss	$ (123,122)	$ (116,490)	$ (101,433)

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

IRHYTHM TECHNOLOGIES, INC.
Consolidated Statements of Stockholders' Equity
(In thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balances at December 31, 2020	29,019	27	646,258	(304,684)	11	341,612
Issuance of common stock in connection with employee equity incentive plans, net	475	—	8,943	—	—	8,943
Tax withholding upon vesting of restricted stock awards	—	—	(25,853)	—	—	(25,853)
Stock-based compensation	—	—	56,246	—	—	56,246
Net loss	—	—	—	(101,361)	—	(101,361)
Net change in unrealized loss on marketable securities	—	—	—	—	(72)	(72)
Balances at December 31, 2021	29,494	27	685,594	(406,045)	(61)	279,515
Issuance of common stock in connection with employee equity incentive plans, net	699	1	13,182	—	—	13,183
Stock-based compensation	—	—	63,604	—	—	63,604
Net loss	—	—	—	(116,155)	—	(116,155)
Net change in unrealized loss on marketable securities	—	—	—	—	(335)	(335)
Balances at December 31, 2022	30,193	28	762,380	(522,200)	(396)	239,812
Issuance of common stock in connection with employee equity incentive plans, net	761	3	8,817	—	—	8,820
Stock-based compensation	—	—	84,587	—	—	84,587
Net loss	—	—	—	(123,406)	—	(123,406)
Net change in unrealized gain on marketable securities	—	—	—	—	453	453
Cumulative translation adjustment	—	—	—	—	(169)	(169)
Balances at December 31, 2023	30,954	31	855,784	(645,606)	(112)	210,097

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

IRHYTHM TECHNOLOGIES, INC.
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,		
	2023	2022	2021
Cash flows from operating activities			
Net loss	$ (123,406)	$ (116,155)	$ (101,361)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	16,348	13,405	9,842
Stock-based compensation	77,204	57,740	54,527
Amortization of premium and accretion of discounts, net	(5,040)	(474)	1,641
Provision for doubtful accounts and contractual allowances	69,628	58,349	37,074
Amortization of operating lease right-of-use assets	5,796	6,204	6,752
Impairment charges	11,078	23,164	—
Other	337	264	—
Changes in operating assets and liabilities:			
Accounts receivable	(81,193)	(61,837)	(53,572)
Inventory	979	(5,108)	(4,960)
Prepaid expenses and other current assets	(11,036)	(862)	(2,329)
Other assets	(22,787)	(6,200)	(1,831)
Accounts payable	(1,973)	(2,993)	6,135
Accrued liabilities	19,298	14,473	7,946
Deferred revenue	255	2	2,119
Operating lease liabilities	(5,589)	(2,984)	264
Net cash used in operating activities	(50,101)	(23,012)	(37,753)
Cash flows from investing activities			
Purchases of property and equipment	(40,424)	(29,830)	(28,067)
Purchases of marketable securities	(164,285)	(188,569)	(122,184)
Sales of marketable securities	—	34,965	—
Maturities of marketable securities	206,500	131,000	255,515
Purchase of strategic investment	(3,000)	—	—
Net cash (used in) provided by investing activities	(1,209)	(52,434)	105,264
Cash flows from financing activities			
Payment of loans	—	(21,389)	(11,667)
Proceeds from term loans	—	35,000	—
Proceeds from issuance of common stock in connection with employee equity incentive plans	8,820	13,182	8,943
Tax withholding upon vesting of restricted stock awards	—	—	(25,853)
Payment of issuance costs for long-term debt	—	(77)	—
Net cash provided by (used in) financing activities	8,820	26,716	(28,577)
Effect of exchange rate changes	(169)	—	—
Net (decrease) increase in cash and cash equivalents	(42,659)	(48,730)	38,934
Cash and cash equivalents, beginning of year	78,832	127,562	88,628
Cash and cash equivalents, end of year	$ 36,173	$ 78,832	$ 127,562
Supplemental disclosures of cash flow information:			
Interest paid	$ 2,960	$ 3,317	$ 1,194
Cash taxes paid	$ 1,130	$ 287	$ —
Cash received from tenant improvement allowances	$ 1,603	$ 3,279	$ 3,263
Non-cash investing and financing activities:			
Property and equipment costs included in accounts payable and accrued liabilities	$ 1,888	$ 160	$ 9
Right-of-use assets obtained in exchange for operating lease liabilities	$ 4,403	$ 7,686	$ 6,625
Capitalized stock-based compensation in property and equipment	$ 7,383	$ 5,863	$ 3,593

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

IRHYTHM TECHNOLOGIES, INC.
Notes to Consolidated Financial Statements

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

iRhythm Technologies, Inc. (the "Company") was incorporated in the state of Delaware in September 2006. The Company is a leading digital healthcare company that creates trusted solutions that detect, predict, and prevent disease. The Company's principal business is the design, development, and commercialization of device-based technology to provide remote cardiac monitoring services that it believes allow clinicians to diagnose certain arrhythmias quicker and with greater efficiency than other services that rely on traditional technology.

Since first receiving clearance from the U.S. Food and Drug Administration ("FDA") for the Company's technology in 2009, the Company has supported physician and patient use of its technology and provided remote cardiac monitoring services from its Medicare-enrolled independent diagnostic testing facilities ("IDTFs") and its qualified technicians. The Company has provided the Zio remote cardiac monitoring services, including extended Holter, traditional Holter, and mobile cardiac telemetry ("MCT") monitoring services ("Zio Services"), using the Zio Systems.

The Company is headquartered in San Francisco, California, which also serves as a clinical center. The Company has additional clinical centers in Deerfield, Illinois and Houston, Texas and a manufacturing facility in Cypress, California. The Company formed wholly owned subsidiaries in the UK in March 2016, in Singapore in June 2021, in Japan in June 2022, and in the Philippines in February 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") and include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated.

Risks and Uncertainties

Macroeconomic Factors and Supply Chain Constraints

The Company's operations and performance may vary based on worldwide economic and political conditions, which have been adversely impacted by continued global economic uncertainty, political instability, and military hostilities in multiple geographies including ongoing geopolitical conflicts, such as the war in Ukraine and conflict in the Middle East, domestic and global inflationary trends, interest rate volatility, uncertainty with respect to the federal budget and debt ceiling and potential government shutdowns related thereto, potential instability in the global banking system, global supply shortages, and a tightening labor market. A severe or prolonged economic downturn or period of global political instability could drive hospitals and other healthcare professionals to tighten budgets and curtail spending, which could in turn negatively impact rates at which physicians prescribe the Company's Zio Services. In addition, higher unemployment rates or reductions in employer-provided benefits plans could result in fewer commercially insured patients, resulting in a reduction in the Company's margins and impairing the ability of uninsured patients to make timely payments. A weak or declining economy could also strain the Company's suppliers, possibly resulting in supply delays and disruptions. There is also a risk that one or more of the Company's current service providers, suppliers, or other partners may not survive such difficult economic times, which could directly affect the Company's ability to attain its goals on schedule and on budget. If the current equity and credit markets deteriorate, it may make any necessary debt or equity financing more difficult, more costly, and more dilutive. The Company cannot predict the timing, strength, or duration of an economic downturn, instability, or recovery, whether worldwide, in the United States, or within its industry.

The Company's hybrid work arrangements and decision to pursue a sublease for its leased San Francisco headquarters resulted in an impairment of its right-of-use ("ROU") asset and related leasehold improvements and furniture and fixtures during the year ended December 31, 2022. In the fourth quarter of 2023, the Company recorded an additional impairment of its ROU asset and related leasehold improvements and furniture and fixtures related to its leased San Francisco headquarters, due to a continued soft real estate rental market within the city proper San Francisco, California. As the Company continues to evaluate its global real estate footprint, the Company may incur additional impairment charges related to real property lease agreements.

The Company is continuously reviewing its liquidity and anticipated capital requirements. The Company believes it has adequate liquidity over the next 12 months to operate its business and to meet its cash requirements. As of December 31, 2023, the Company is in compliance with its debt covenants.

Reimbursement

The Company receives revenue for the Zio Services primarily from third-party payors, which include commercial payors and government agencies, such as the Centers for Medicare & Medicaid Services ("CMS"). Third-party payors require the Company to identify the service for which it is seeking reimbursement by using a Current Procedural Terminology ("CPT") code set maintained by the American Medical Association. These CPT codes are subject to periodic change and update, which will impact the reimbursement rates for the Company's Zio Services.

CMS updates the reimbursement rates for diagnostic tests performed by IDTFs annually via the Medicare Physician Fee Schedule, and effective January 1, 2023, CMS established national payment rates for the CPT codes the Company uses to report the long-term Holter monitoring services it performs with its Zio XT System: CPT codes 93247 (for wear-time of greater than 7 days and up to 15 days) and 93243 (for wear-time of greater than 48 hours and up to 7 days). Based on the relative value units CMS assigned to CPT codes 93247 and 93243, the national reimbursement rates for these services in 2023 are $243.65 and $231.79, respectively, and range from $247.59 to $334.46 and $235.54 to $318.17 for the Company's Medicare-enrolled IDTF locations in Deerfield, Illinois, Houston, Texas, and San Francisco, California, when considering the geographic practice cost index for these locations. On average, the 2024 national payment rates are approximately 5% lower than 2023 rates for services, when excluding impacts for the geographic practice cost index for the Company's IDTF locations as noted above. Because remote cardiac monitoring technology, including the Zio System, is rapidly evolving, there is a continuing risk that relative value units assigned, and reimbursement rates set, by CMS may not adequately reflect the value and expense of this technology and associated monitoring services, and CMS may reduce these rates in the future, which would adversely affect the Company's financial results.

Use of Estimates

The preparation of the 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 liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the years presented. On an ongoing basis, management evaluates its estimates, including those related to revenue recognition, contractual allowances, allowance for doubtful accounts, the useful lives of property and equipment, the recoverability of long-lived assets including the estimated usage of the printed circuit board assemblies ("PCBAs"), the incremental borrowing rate for operating leases, accounting for income taxes, impairment of ROU assets, and various inputs used in estimating stock-based compensation. Actual results may differ from those estimates.

For further details on estimates used to calculate the impairment on ROU assets, see Note 7, Restructuring and Impairment Charges, included in the notes to the consolidated financial statements.

Reportable Segment

Operating segments are defined as components of an enterprise where separate financial information is evaluated regularly by the chief operating decision maker, which the Company has identified as being the chief executive officer, in deciding how to allocate resources and assessing performance. The Company operates as one operating segment. The Company's chief operating decision maker allocates resources and assesses performance at the consolidated level.

Fair Value of Financial Instruments

The carrying amounts of certain of the Company's financial instruments, which include cash equivalents, marketable securities, accounts receivable, accounts payable, accrued liabilities, and debt, approximate fair value due to their short maturities.

Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less from the date of purchase.

Marketable Securities

The Company's marketable securities consist primarily of commercial paper, corporate bonds, U.S. agency obligations and U.S. treasury securities. The Company typically invests in highly-rated securities, and its investment policy generally limits the amount of credit exposure to any one issuer. The Company's policy generally requires investments to be investment grade, with the primary objective of minimizing the potential risk of principal loss. The Company classifies investments as available-for-sale at the time of purchase and re-evaluates such classification as of each balance sheet date. Available-for-sale debt securities with an amortized cost basis in excess of the estimated fair value are assessed to determine what amount of that difference, if any, is caused by expected credit losses. Allowance for credit losses on available-for-debt securities are recognized as a charge in other income (expense), net on the Company's consolidated statements of operations and any remaining unrealized gains or losses, net of taxes, are included in accumulated other comprehensive loss in accumulated deficit on the consolidated balance sheets. There were no impairment charges for any unrealized losses during the years ended December 31, 2023, 2022, and 2021.

Accounts Receivable, Allowance for Doubtful Accounts, and Contractual Allowances

Accounts receivable includes amounts due to the Company from healthcare institutions, third-party payors, and government payors and their related patients, as a result of the Company's normal business activities. Accounts receivable is reported on the consolidated balance sheets net of an estimated allowance for doubtful accounts and contractual allowances.

The Company establishes an allowance for doubtful accounts for estimated uncollectible receivables based on its assessment of the collectability of customer accounts and recognizes the provision as a component of selling, general and administrative expenses. The Company records a provision for contractual allowances based on the estimated differences between contracted amounts and expected collection rates for services performed. Such provisions are based on the Company's historical experience and are reported as a reduction of revenue.

The Company regularly reviews the allowances by considering factors such as historical experience, credit quality, the age of the accounts receivable balances, and current economic conditions that may affect a customer’s ability to pay.

The following table presents the changes in the allowance for doubtful accounts (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Balance, beginning of year	$ 18,475	$ 14,012	$ 12,711
Provision for doubtful accounts	17,105	17,191	9,615
Write-offs, net of recoveries and other adjustments	(15,291)	(12,728)	(8,314)
Balance, end of year	$ 20,289	$ 18,475	$ 14,012

The following table presents the changes in the contractual allowance (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Balance, beginning of year	$ 41,389	$ 31,274	$ 21,281
Add: provision for contractual adjustments	52,523	41,158	27,459
Less: contractual adjustments	(41,223)	(31,043)	(17,466)
Balance, end of year	$ 52,689	$ 41,389	$ 31,274

Concentrations of Risk

Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents, investments and accounts receivable. Cash balances are deposited in financial institutions which, at times, may be in excess of federally insured limits. Cash equivalents are invested in highly rated money market funds. The Company invests in a variety of financial instruments, such as, but not limited to, U.S. government securities, corporate notes, commercial paper and, by policy, limits the amount of credit exposure with any one financial institution or commercial issuer. The Company has not experienced any material losses on its deposits of cash and cash equivalents or investments.

Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers comprising the Company's customer base and their dispersion across many geographies. The Company does not require collateral. The Company records an allowance for doubtful accounts based on the assessment of the collectability of customer accounts, considering factors such as historical experience, credit quality, the age of the accounts receivable balances, and current economic conditions that may affect a customer's ability to pay. CMS accounted for approximately 25%, 25% and 14% of the Company's revenue for the years ended December 31, 2023, 2022, and 2021, respectively. CMS accounted for 25% and 22% of accounts receivable as of December 31, 2023, and 2022, respectively.

Inflationary Risk

The Company continuously monitors the effects of inflationary factors, such as increases in cost of goods sold and selling and operating expenses, which may adversely affect its results of operations. Specifically, the Company may experience inflationary pressure affecting freight costs, the cost of the components for the Company's Zio Services, overhead costs relating to maintenance of the Company's facilities, and in the wages paid to its employees due to challenging labor market conditions. Competitive and regulatory conditions may restrict the Company's ability to fully recover these costs through price increases. As a result, it may be difficult to fully offset the impact of persistent inflation. The Company's inability or failure to do so could have a material adverse effect on its business, financial condition, and results of operations or cause the Company to need to obtain additional capital earlier than anticipated in the future.

Supply Risk

The Company relies on single-source vendors to supply some of its disposable housings, instruments and other materials used to manufacture the Zio patches and the adhesive that binds the Zio patch to a patient's body. These components and materials are critical, and there could be a considerable delay in finding alternative sources of supply.

A global semiconductor supply shortage is having wide-ranging effects across multiple industries. The supply shortage has impacted multiple suppliers that provide the PCBAs to the Company. The semiconductor supply shortage may have an impact on the Company until global supply is sufficient for global demand.

Inventory

Inventory owned by the Company is valued at cost, on the first in, first out ("FIFO") basis, or the lower of cost or net realizable value. The Company records write-downs of inventory that is obsolete or in excess of anticipated demand. The Company also records market value-based write-downs in consideration of product lifecycle stage, technology trends, product development plans, and assumptions about future demand and market conditions. Actual demand may differ from forecasted demand, and such differences may have a material effect on recorded inventory values. Inventory write-downs are charged to cost of revenue and establish a new cost basis for the inventory.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, ranging from three to five years. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the assets. Maintenance and repairs are charged to expense as incurred, and improvements and betterment are capitalized.

The Company classifies internal-use software in property and equipment. Internal-use software costs are capitalized during the application development stage. Costs related to planning and post implementation activities are expensed as incurred.

Capitalized internal-use software is amortized, and recognized as cost of revenue or selling, general and administrative expenses, on a straight-line basis over the estimated useful life of three years.

PCBAs

The Company reuses PCBAs in each wearable Zio Monitor patch, Zio XT patch, and Zio AT patch, as well as the wireless gateway used in conjunction with the Zio AT patch. As PCBAs are used in a wearable Zio Monitor patch, Zio XT patch, or Zio AT patch, a portion of the cost of the PCBA is recorded as a cost of revenue. The PCBAs are charged over a period beyond one year. The Company bases the length of time estimates for charging a portion of the PCBAs cost by evaluating how many times a PCBA can be used in testing in research and development, device loss rates, product obsolescence, and the amount of time it takes the device to go through the manufacturing, shipping, customer shelf, and patient wear time and upload process. The Company periodically evaluates and updates these estimates. PCBAs are included in Other Assets in the Company's consolidated balance sheets.

Implementation Costs in Cloud-Computing Arrangements

The Company capitalizes qualified implementation costs incurred in a hosting arrangement that is a service contract for which it is the customer in accordance with the requirements for cloud computing arrangements ("CCA") to the extent it is incurred in the course of developing internal-use software. These capitalized implementation costs are generally amortized over the fixed, non-cancellable term of the associated hosting arrangement on a straight-line basis are recorded in prepaid expenses and other current assets or in other noncurrent assets. The Company amortizes capitalized implementation costs in a CCA on a straight-line basis over the terms of the associated hosting arrangement. The Company recorded an immaterial amount of amortization expense during the years ended December 31, 2023, 2022, and 2021.

Goodwill

Goodwill represents the excess of the purchase price of an acquired business over the fair value of the underlying net tangible and intangible assets. Goodwill amounts are not amortized, but rather tested for impairment at least annually, and more frequently when changes in circumstances indicate that the carrying value may not be recoverable. The Company has determined that it operates its business as one reporting unit and the Company completes its annual impairment test in the fourth quarter. In the event that the Company determines that the fair value of the reporting unit is less than the reporting unit's carrying value, goodwill impairment charge will be incurred for the amount of the difference during the quarter in which the determination is made. The Company did not record any goodwill impairment charges in the years ended December 31, 2023, 2022, and 2021.

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparing the carrying amount to the future net cash flows that the assets are expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the projected discounted future net cash flows arising from the asset.

Any impairments to ROU assets, leasehold improvements, or other assets as a result of a sublease or other similar action are initially recognized when a decision to take such action is made and recorded as an operating expense. Similar to other long-lived assets, management tests ROU assets for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets. For ROU assets, such circumstances may include subleases that do not fully recover the costs of the associated leases or commitments to sublease a property. For the years ended December 31, 2023 and 2022, the Company recorded $11.1 million and $23.2 million, respectively, of long-lived asset impairment charges in the consolidated statement of operations. In addition, see Note 7, Restructuring and Impairment Charges, included in the notes to the consolidated financial statements.

Comprehensive Loss

Comprehensive loss represents all changes in stockholders' equity during the year from non-owner sources. The Company's unrealized gains and losses on marketable securities represent the only component of other comprehensive loss that are excluded from the reported net loss and that are presented in the consolidated statements of comprehensive loss.

Revenue Recognition

The Company has developed a proprietary system that combines an FDA-cleared and CE-marked wire-free, patch-based, 14-day wearable biosensor that continuously records ECG data, with a proprietary cloud-based data analytic platform to help physicians monitor patients and diagnose arrhythmias. In addition, the Company has received CE-mark and UKCA certification for Zio XT System and ZEUS algorithm. The Company currently offers three Zio System options—the Zio Monitor System, the Zio XT System, and the Zio AT System.

The Zio Monitor System is a prescription-only, remote ECG monitoring system that consists of the Zio Monitor patch that records the electric signal from the heart continuously for up to 14 days and the ZEUS algorithm, which supports the capture and analysis of ECG data recorded by the Zio Monitor patch at the end of the wear period, including specific arrhythmia events detected by the ZEUS System. The final step in the Zio Services is the delivery of an electronic Zio report to the prescribing physician with a summary of findings. The Company's Zio Monitor services are generally billable when the Zio report is issued to the physician.

The Zio XT System is the previous generation of the Zio Monitor System and is a prescription-only, remote ECG monitoring system that consists of the Zio XT patch that records the electric signal from the heart continuously for up to 14 days and the ZEUS System, which supports the capture and analysis of ECG data recorded by the Zio XT patch at the end of the wear period, including specific arrhythmia events detected by the ZEUS algorithm. The Company's Zio XT services are generally billable when the Zio report is issued to the physician.

The Zio AT System is a prescription-only, remote ECG monitoring system that similarly consists of the Zio AT patch that records the electric signal from the heart continuously for up to 14 days and the ZEUS System, but which also incorporates the Zio AT wireless gateway that provides connectivity between the Zio AT patch and the ZEUS System during the patient wear period. The wireless gateway, slightly larger than a smart phone, is provided to the patient at the time of Zio AT patch application and collects and transmits data from the Zio AT patch to the cloud via a long- term evolution protocol. The Zio AT service revenue is recognized under two performance obligations — the patient wear period and delivery of electronic Zio reports.

The Company recognizes as revenue the amount of consideration to which it expects to be entitled in exchange for performing the service. The consideration the Company is entitled to varies by payor portfolio, as further described below, and includes estimates that require significant judgment by management. A unique aspect of healthcare is the involvement of multiple parties to the service transaction. In addition to the patient, often a third-party payor, for example a commercial or governmental payor or healthcare institution, will pay the Company for some or all of the service on the patient's behalf.

Separate contractual arrangements exist between the Company and third-party payors that establish amounts the third-party payor will pay on behalf of a patient for covered services rendered.

A small portion of the Company's transactions are covered by third-party payors with whom there is neither a contractual agreement nor an established amount that the third-party payor will pay. In determining the collectability and transaction price for its service, the Company considers factors such as insurance claims which are adjudicated as allowable under the applicable policy and payment history from both payors and patient out-of-pocket costs, payor coverage, whether there is a contract between the payor or healthcare institution and the Company, historical amount received for the service, and any current developments or changes that could impact reimbursement and healthcare institution payments. Certain of these factors are forms of variable consideration which are only included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

A summary of the payment arrangements with third-party payors and healthcare institutions is as follows:

- Contracted third-party payors – The Company has contracts with negotiated prices for services provided to patients with commercial healthcare insurance coverage.
- CMS – The Company has received IDTF approval from regional Medicare Administrative Contractors and will receive reimbursement per the relevant CPT code rates for the services rendered to the patient covered by CMS.
- Healthcare institutions – Healthcare institutions are typically hospitals or physician practices in which the Company has negotiated amounts for its monitoring services, including certain governmental agencies such as the Veterans Administration and U.S. Department of Defense.

- Non-contracted third-party payors – Non-contracted commercial and government payors often reimburse out-of-network rates provided under the relevant CPT codes on a case-by-case basis. The transaction price used for determining revenue recognition is based on factors including an average of the Company's historical collection experience for its non-contracted services. This rate is reviewed at least quarterly.

The Company is utilizing the portfolio approach practical expedient under Accounting Standard Codification ("ASC") 606, *Revenue from Contracts with Customers*, whereby services provided under each of the above payor types form a separate portfolio. The Company accounts for the contracts within each portfolio as a collective group, rather than individual contracts. Based on history with these portfolios and the similar nature and characteristics of the patients within each portfolio, the Company has concluded that the financial statement effects are not materially different than if accounting for revenue on a contract-by-contract basis.

For contracted and CMS portfolios, the Company recognizes revenue, net of contractual allowances, and recognizes an allowance for doubtful accounts for uncollectible patient accounts receivable. The transaction price is determined based on negotiated rates, and the Company has historical experience of collecting substantially all of these contracted rates. These contracts also impose a number of obligations regarding billing and other matters, and the Company's noncompliance with a material term of such contracts may result in a denial of the claim. The Company accounts for denied claims as a form of variable consideration that is included as a reduction to the transaction price recognized as revenue.

The Company makes estimates around the amount of denied claims within a reporting period, a process that requires management judgment. The estimated denied claims are based on historical information and judgement includes the historical period utilized. The Company monitors the estimated denied claims against the latest available information, and subsequent changes to the estimated denied claims are recorded as an adjustment to revenue in the periods during which such changes occur. Delays in claims submissions could lead to an increase in denials if the Company misses the payors' filing deadlines, which could result in a reduction in the Company's receipt of payments. Historical cash collection indicates that it is probable that substantially all of the transaction price, less the estimate of denied claims, will be received. Contracted payors may require that the Company bills patient co-payments and deductibles and from time to time the Company may not be able to collect such amounts due to credit risk. The Company provides for estimates of uncollectible patient accounts receivable, based upon historical experience where judgment includes the historical period utilized, at the time revenue is recognized, with such provisions presented as bad debt expense within the selling, general and administrative line item of the consolidated statements of operations. Adjustments to these estimates for actual experience are also recorded as an adjustment to bad debt expense.

For healthcare institutions, the transaction price is determined based on negotiated rates, and the Company has historical experience collecting substantially all of these contracted rates. Historical cash collections indicate that it is probable that substantially all of the transaction price will be received. As such, the Company is not providing an implicit price concession but, rather, has chosen to accept the risk of default, and any subsequent uncollected amounts are recorded as bad debt expense to selling, general and administrative expense in the consolidated statements of operations.

For non-contracted portfolios, the Company provides an implicit price concession due to the lack of a contracted rate with the underlying payor. As a result, the Company estimates the transaction price based on historical cash collections utilizing the expected value method. All subsequent changes to the transaction price are recorded as adjustments to revenue.

Leases

The Company determines if an arrangement is a lease at inception. The Company's lease agreements generally contain lease and non-lease components. Payments under its lease arrangements are primarily fixed. Non-lease components primarily include payments for maintenance and utilities. The Company combines fixed payments for non-lease components with lease payments and accounts for them together as a single lease component which increases the amount of the Company's ROU assets and lease liabilities.

Certain lease agreements contain variable payments, which are expensed as incurred and not included in the ROU assets and lease liabilities.

ROU assets and lease liabilities are recognized at the present value of the future lease payments at the lease commencement date. The interest rate used to determine the present value of the future lease payments is the Company's incremental borrowing rate, because the interest rate implicit in its leases is not readily determinable. The Company's incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located. The Company's lease terms include periods under options to extend or terminate the lease when it is reasonably certain that it will exercise that option. The Company generally uses the base, non-cancelable, lease term when determining the ROU assets and lease liabilities. ROU assets are adjusted for any prepaid lease payments and lease incentives.

Cost of Revenue

Cost of revenue includes direct labor, material costs, equipment and infrastructure expenses, amortization of internal use software, allocated overhead, and shipping and handling. Direct labor includes payroll-related costs including stock-based compensation involved in manufacturing, clinical data curation, and customer service. Material costs include both the disposable materials costs of the Zio patches and amortization of the re-usable PCBAs. Each Zio XT patch and Zio Monitor patch includes a PCBA, and each Zio AT patch includes a PCBA and gateway board. As PCBAs and gateway boards are used, a portion of the costs is charged to cost of revenue.

Research and Development

The Company’s research and development costs are expensed as incurred. Research and development costs include, but are not limited to personnel costs, laboratory supplies, consulting costs and overhead charges. In addition, the Company expenses milestone payments, when probable, for its development agreement with Verily as further discussed below.

Selling, General and Administrative Expenses

The Company's sales and marketing expenses consist of personnel costs, including stock-based compensation, and sales commissions. Other significant costs include travel expenses, consulting, public relations costs, direct marketing, tradeshow and promotional expenses and allocated facility overhead costs.

The Company incurred an immaterial amount of advertising expense during each of the years ended December 31, 2023, 2022, and 2021, which is included in selling, general and administrative expenses.

The Company’s general and administrative expenses consist primarily of personnel costs for executive, finance, legal, and administrative personnel, including stock-based compensation. Other significant expenses include professional fees for legal and accounting services, consulting fees, recruiting fees, bad debt expense, third-party patient claims processing fees, and travel expenses. In addition, the Company incurred transformation costs to scale its organization during the year and expects to incur additional transformation costs through mid-2024. Upon completion, the Company expects to achieve operational efficiencies in its administrative expenses.

Income Taxes

The Company uses the asset and liability method to account for income taxes. Under this method, deferred tax assets and liabilities are determined based on future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and tax loss and credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that has a greater than 50% likelihood of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest and penalties related to unrecognized tax benefits in income tax expense. To date, there have been no interest or penalties charged in relation to the unrecognized tax benefits.

Stock-Based Compensation

The Company measures the estimated fair values of its restricted stock units ("RSUs") based on the closing price of the Company's stock on the grant date. For performance-based restricted stock units ("PRSUs"), the Company estimates the fair value based on the closing price of its stock on the grant date and, if the award includes a market condition, a Monte Carlo simulation model. In addition, for PRSUs, the Company applies a probability assessment to determine the probable achievement of the performance-based metrics.

Stock-based compensation expense is recognized over the requisite service period using the straight-line method and is based on the value of the portion of stock-based payment awards that is ultimately expected to vest. As such, the Company's stock-based compensation is reduced for the estimated forfeitures at the date of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. For restricted stock, the compensation cost for these awards is based on the closing price of the Company's common stock on the date of grant, and is recognized as compensation expense on a straight-line basis over the requisite service period.

The Company recognizes compensation expense related to its 2016 Employee Stock Purchase Plan ("ESPP") based on the fair value at each enrollment date of the offering period using the Black-Scholes-Merton option-pricing model value. The stock-based compensation is reduced by the estimated forfeiture and is expensed on a straight-line basis over the offering period.

Net Loss per Common Share

Basic net loss per common share is calculated by dividing the net loss by the weighted average number of shares of common stock outstanding during the period, without consideration of potentially dilutive securities. Diluted net loss per common share is the same as basic net loss per common share for all periods presented, since the effect of potentially dilutive securities are anti-dilutive.

Recent Accounting Pronouncements

In November 2023, the FASB issued Accounting Standards Update ("ASU") 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which updates reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The amendments are effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendments should be applied retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating this ASU to determine its impact on the Company's consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU No. 2023-09 ("ASU 2023-09"), *Income Taxes (Topic 740): Improvement to Income Tax Disclosures* to enhance the transparency and decision usefulness of income tax disclosures. Two primary enhancements related to this ASU include disaggregating existing income tax disclosures relating to the effective tax rate reconciliation and income taxes paid. ASU 2023-09 is effective for annual periods beginning after December 15, 2024 on a prospective basis. Early adoption is permitted. The Company is currently evaluating the impact of this accounting standard update on the Company's consolidated financial statements and related disclosures.

3. REVENUE

Disaggregation of Revenue

The Company disaggregates revenue from contracts with customers by payor type. The Company believes these categories aggregate the payor types by nature, amount, timing, and uncertainty of its revenue streams. Disaggregated revenue by payor type and major service line for the years ended December 31, 2023, 2022, and 2021 were as follows (in thousands, except percentages):

	Year Ended December 31,					
	2023		2022		2021	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
Contracted third-party payors	$ 267,195	54 %	$ 223,984	55 %	$ 193,871	60 %
Centers for Medicare and Medicaid	122,414	25 %	103,032	25 %	44,529	14 %
Healthcare institutions	71,001	14 %	59,772	14 %	57,496	18 %
Non-contracted third-party payors	32,071	7 %	24,133	6 %	26,929	8 %
Total	$ 492,681		$ 410,921		$ 322,825	

Revenue generated from the United States comprised substantially all of the Company's revenue. No other country comprised 10% or greater of the Company's revenue during each of the years ended December 31, 2023, 2022, and 2021.

Contract Liabilities

ASC 606, *Revenue from Contracts with Customers,* requires an entity to present a revenue contract as a contract liability when the Company has an obligation to transfer goods or services to a customer for which the Company has received consideration from the customer, or an amount of consideration from the customer is due and unconditional (whichever is earlier).

Certain of the Company’s customers pay the Company directly for the Zio XT service upon shipment of devices. Such advance payments are contract liabilities and are recorded as revenue when Zio reports are delivered to the healthcare provider. During the years ended December 31, 2023 and 2022, $3.0 million related to the contract liability balance at the beginning of 2023 and 2022, was recognized as revenue. The advance payments liability was $3.3 million and $3.1 million as of December 31, 2023 and 2022, respectively.

Contract Costs

Under ASC 340, *Other Assets and Deferred Costs* ("ASC 340"), the incremental costs of obtaining a contract with a customer are recognized as an asset. Incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Company’s current commission programs are considered incremental. However, as a practical expedient, ASC 340 permits the Company to immediately expense contract acquisition costs, because the asset that would have resulted from capitalizing these costs will be amortized in one year or less.

4. CASH EQUIVALENTS AND MARKETABLE SECURITIES

The fair value of cash equivalents and marketable securities at December 31, 2023 and 2022, were as follows (in thousands):

	December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market funds	$ 12,594	$ —	$ —	$ 12,594
U.S. government securities	97,534	59	(2)	97,591
Total cash equivalents and marketable securities	$ 110,128	$ 59	$ (2)	$ 110,185
Classified as:				
Cash equivalents				$ 12,594
Marketable securities				97,591
Total cash equivalents and marketable securities				$ 110,185

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market funds	$ 24,263	$ —	$ —	$ 24,263
U.S. government securities	134,709	12	(409)	134,312
Total cash equivalents and marketable securities	$ 158,972	$ 12	$ (409)	$ 158,575
Classified as:				
Cash equivalents				$ 24,263
Marketable securities				134,312
Total cash equivalents and marketable securities				$ 158,575

Unrealized gains (losses) during the years ended December 31, 2023, 2022, and 2021 were not material. As of December 31, 2023, the weighted average maturity for the Company's marketable securities were 80 days.

5. FAIR VALUE MEASUREMENTS

The Company discloses and recognizes the fair value of its assets and liabilities using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (Level 3 measurements). The guidance establishes three levels of the fair value hierarchy as follows:

Level 1—Inputs are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2—Inputs (other than quoted market prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level 3—Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires management to make judgments and consider factors specific to the asset or liability. The U.S. government securities are classified as Level 2 as they were valued based upon quoted market prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant inputs are observable in the market or can be corroborated by observable market data for substantially the full term of the assets.

The Company's debt obligation is classified as Level 2 input. As of December 31, 2023 and 2022, the fair value of the Company's outstanding interest-bearing obligation approximated the carrying value of $35.0 million and $34.9 million, respectively.

The Company holds a strategic investment that it does not measure at fair value on a recurring basis. The carrying value of this investment is $3.0 million as of December 31, 2023. The Company includes this investment in other assets in its consolidated balance sheets.

The Company had no transfers between levels of the fair value hierarchy of its assets measured at fair value.

The following tables present the fair value of the Company's financial assets determined using the inputs defined above (in thousands):

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Assets				
Money market funds	$ 12,594	$ —	$ —	$ 12,594
U.S. government securities	—	97,591	—	97,591
Total	$ 12,594	$ 97,591	$ —	$ 110,185

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets				
Money market funds	$ 24,263	$ —	$ —	$ 24,263
U.S. government securities	—	134,312	—	134,312
Total	$ 24,263	$ 134,312	$ —	$ 158,575

6. BALANCE SHEET COMPONENTS

Inventory

Inventory consisted of the following (in thousands):

	December 31,	
	2023	2022
Raw materials and work-in-progress	$ 6,299	$ 9,338
Finished goods	7,674	5,817
Total	$ 13,973	$ 15,155

Other Assets

Other assets consisted of the following (in thousands):

	December 31,	
	2023	2022
PCBAs	$ 38,987	$ 18,599
Cloud computing arrangements	4,959	2,523
Strategic investment	3,000	—
Other	1,093	1,130
Total	$ 48,039	$ 22,252

The Company reuses PCBAs in each wearable Zio Monitor patch, Zio XT patch, and Zio AT patch, as well as the wireless gateway used in conjunction with the Zio AT patch. As PCBAs are used in a wearable Zio Monitor patch, Zio XT patch, or Zio AT patch, a portion of the cost of the PCBA is recorded as a cost of revenue. The PCBAs are charged over a period beyond one year. Charges to cost of revenue were $39.0 million, $18.6 million, and $13.9 million as of December 31, 2023, 2022, and 2021, respectively.

During the year ended December 31, 2023, PCBAs increased by $20.4 million primarily related to the expanded launch of the Zio Monitor System, as well as additional needs for the Zio XT patches and Zio AT patches.

Property and Equipment

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

	December 31,	
	2023	2022
Laboratory and manufacturing equipment	$ 6,007	$ 4,911
Computer equipment and software	3,905	2,315
Furniture and fixtures	4,020	4,119
Leasehold improvements	24,885	23,144
Internal-use software	61,980	44,877
Internal-use software in development	43,701	28,069
Construction in progress	10,119	3,451
Total property and equipment, gross	154,617	110,886
Less: accumulated depreciation and amortization	(50,503)	(35,216)
Total property and equipment, net	$ 104,114	$ 75,670

Depreciation and amortization expense for the years ended December 31, 2023, 2022 and 2021 was $16.3 million, $13.4 million and $9.8 million, respectively, of which amortization related to internal-use software, was $12.2 million, $9.8 million, and $6.6 million, for the years ended December 31, 2023, 2022 and 2021, respectively.

During the year ended December 31, 2023, internal-use software, both in service and in development, increased by $32.7 million compared to the year ended December 31, 2022. This increase related to enhancements in the Company’s core technology, products and services and artificial intelligence, as well as investment in future technology, such as the Zio Monitor System, the Company's new biosensor technology.

Accrued Liabilities

Accrued liabilities consisted of the following (in thousands):

	December 31,	
	2023	2022
Accrued payroll and related expenses	$ 47,656	$ 34,752
Accrued vacation	8,608	8,608
Accrued professional services fees	3,715	7,234
Accrued expenses	14,891	7,006
Claims payable	4,578	4,464
Accrued state and foreign income and sales taxes	2,877	2,388
Accrued employee share purchase plan contributions	1,037	1,045
Total accrued liabilities	$ 83,362	$ 65,497

During the years ended December 31, 2023 and 2022, the Company has incurred expenses in connection with efforts to further globalize its operational footprint. Included above in accrued payroll and related expenses as of December 31, 2023 were $2.4 million of costs related to globalization.

7. IMPAIRMENT AND RESTRUCTURING CHARGES

The Company's restructuring and impairment charges consisted of the following (in thousands):

	Year Ended December 31,	
	2023	2022
Restructuring charges	$ —	$ 3,444
Impairment charges	11,078	23,164
Total	$ 11,078	$ 26,608

Restructuring

In February 2022, the Company's board of directors (the “Board”) approved a restructuring plan ("2022 Restructuring Plan") to allow it to effectively and efficiently scale its business, which resulted in severance and other employment related costs of $3.4 million during the year ended December 31, 2022.

The following table provides a summary of changes in the liability associated with the 2022 Restructuring Plan (in thousands):

	Employee Severance
Balance as of December 31, 2021	$ —
Charges	3,444
Cash Payments	(3,050)
Balance as of December 31, 2022	394
Charges	—
Cash Payments	(394)
Balance as of December 31, 2023	$ —

Impairment

In February 2022, the Board approved a plan to reduce the Company's leased space for its headquarters in San Francisco, California. The Company initiated an effort to pursue a sublease of one floor (approximately 50%) of its San Francisco, California facility. As a result, the Company recorded an impairment charge of $23.2 million, consisting of its ROU asset and property and equipment (inclusive of leasehold improvements and furniture and fixtures) of $20.5 million and $2.7 million, respectively. The impairment was recorded to Restructuring and impairment charges within the consolidated statements of operations for the year ended December 31, 2022.

At December 31, 2023, the Company recorded an additional impairment of its ROU asset and related property and equipment (inclusive of leasehold improvements and furniture and fixtures) for its headquarters in San Francisco, California. Due to continued declining real estate rental market conditions within San Francisco, California, the Company evaluated projected future cash flows related to the Company's headquarters as compared to the remaining carrying value of the associated ROU asset and property and equipment. As a result, the Company recorded an additional impairment charge of $11.1 million, consisting of its ROU asset and property and equipment (inclusive of leasehold improvements and furniture and fixtures) of $9.9 million and $1.2 million, respectively. The impairment was recorded to Restructuring and impairment charges within the consolidated statements of operations for the year ended December 31, 2023.

Significant judgment and estimates are required in assessing impairment of ROU assets, including identifying whether events or changes in circumstances require an impairment assessment, estimating future cash flows, and determining appropriate discount rates. The Company has engaged a leasing broker and has formalized a marketing plan for the San Francisco office market since the first quarter of 2022. The sublease market for commercial office space is currently very challenging in the San Francisco area due to lower demand for leased office space as most companies have adjusted to allowing their employees to work from home during and after the COVID-19 pandemic. The Company believes that it is likely to be able to sublease a portion of its existing office space, but at a rate below the amount that it is currently paying.

The Company estimated undiscounted future cash flows from its vacant office lease based on the Company's intent and ability to sub-lease the vacant office space, based on the facts and circumstances discussed below, which it had ceased using and estimated future sub-lease income considering the local real estate market conditions. The Company also factored into its estimate the amount of time to identify a tenant, sublease rental market transactions within San Francisco business districts, entering into a sublease agreement, and expected rent concessions offered to future tenants. The Company estimated the fair value of the ROU asset related to the vacant office lease by discounting the estimated undiscounted future cash flows using the average lease capitalization rate, plus average inflation rate, for other lease transactions in the local area during the year.

The Company's impairment charges consisted of the following (in thousands):

	December 31,	
	2023	2022
ROU asset	$ 9,912	$ 20,451
Leasehold improvements	1,067	2,211
Furniture and fixtures	99	502
Total	$ 11,078	$ 23,164

For further details on the Company's leases, refer to Note 8. Commitments and Contingencies.

8. COMMITMENTS AND CONTINGENCIES

Purchase Commitments

As of January 1, 2024, the Company's purchase commitments totaled $40.5 million, primarily related to inventory and PCBAs.

Leases

The Company leases office, manufacturing, and clinical centers under non-cancelable operating leases which expire on various dates through 2033. These leases generally contain scheduled rent increases or escalation clauses and renewal options. Operating lease ROU assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The operating lease ROU assets also include any lease payments made to the lessor at or before the commencement date as well as variable lease payments which are based on a consumer price index. The Company is also subject to variable lease payments related to janitorial services and electricity which are not included in the operating lease ROU asset as they are based on actual usage. The Company recognizes operating lease expenses, generally on a straight-line basis over the lease period.

In July 2023, the Company entered into an approximately seven-year facility lease in San Diego, California, as corporate office space. The lease provides an option to extend the term of the lease for one five-year period beyond the initial term, which the Company is not reasonably certain to exercise and therefore was not considered in determining the ROU assets and lease liabilities balance. Total lease payments approximate $4.6 million as of the lease commencement date.

In August 2023, the Company entered into a five-year facility lease in Manila, Philippines, in order to further globalize the Company's operational footprint as a business service center. The lease provides an option to extend the term of the lease for two periods of five years beyond the initial term, which the Company is not reasonably certain to exercise and therefore was not considered in determining the ROU assets and lease liabilities balance. Total lease payments approximate $2.1 million as of the lease commencement date.

Contractual obligations under operating lease liabilities were as follows (in thousands):

Year Ended December 31:	
2024	$ 14,407
2025	15,634
2026	16,096
2027	16,493
2028	16,384
Thereafter	47,032
Total lease payments	126,046
Less: imputed interest	(31,172)
Total lease liabilities	$ 94,874

Other information related to the operating leases were as follows:

	Year Ended December 31,		
	2023	**2022**	**2021**
Operating lease expense (in thousands)	$ 12,861	$ 13,524	$ 13,500
Weighted average remaining lease term (years)	7.8	8.8	9.6
Weighted average discount rate (percentage)	7.3 %	7.3 %	7.3 %

Legal Proceedings

From time to time, the Company is involved in claims and legal proceedings or investigations, that arise in the ordinary course of business. Such matters could have an adverse impact on the Company's reputation, business, and financial condition and divert the attention of its management from the operation of the Company's business. These matters are subject to many uncertainties and outcomes that are not predictable.

On February 1, 2021, a putative class action lawsuit was filed in the United States District Court for the Northern District of California (the "Court") alleging that the Company and its former Chief Executive Officer, Kevin M. King, violated Sections 10(b) and 20(a) of the Exchange Act and SEC Rule 10b-5 promulgated thereunder. On August 2, 2021, the lead plaintiff filed an amended complaint, and filed a further amended complaint on September 24, 2021. The amended complaint names as defendants, in addition to the Company and Mr. King, its former Chief Executive Officer, Michael J. Coyle, and former Chief Financial Officer and former Chief Operating Officer, Douglas J. Devine. The purported class in the amended complaint includes all persons who purchased or acquired the Company's common stock between August 4, 2020 and July 13, 2021, and seeks unspecified damages purportedly sustained by the class. On October 27, 2021, the Company filed a motion to dismiss, which the Court granted on March 31, 2022, entering judgment in favor of the Company and the other defendants. On April 29, 2022, the original named plaintiff appealed to the Ninth Circuit Court of Appeals. On October 11, 2023, after briefing by the parties and oral argument, the Ninth Circuit dismissed the appeal for lack of jurisdiction. The appellant filed a petition for rehearing en banc, which was denied on December 6, 2023.

On February 6, 2024, a second putative class action lawsuit was filed in the Court alleging that the Company's current Chief Executive Officer, Quentin Blackford, the Company's current Chief Financial Officer, Brice Bobzien, and Mr. Devine violated Sections 10(b) and 20(a) of the Exchange Act and SEC Rule 10b-5 promulgated thereunder, and seeks unspecified damages purportedly sustained by the class.

The Company believes the above securities class action lawsuits to be without merit and plans to continue to defend itself vigorously.

On March 25, 2021, the Company received a grand jury subpoena from the U.S. Attorney's Office for the Northern District of California requesting information related to communications with FDA and the Company's products and services. On September 13, 2021, the Company received a second subpoena requesting additional information. On April 4, 2023, the Company received a Subpoena Duces Tecum from the Consumer Protection Branch, Civil Division of the U.S. Department of Justice, requesting production of various documents regarding the Company's products and services. The Company is cooperating fully on these matters.

On February 20, 2024, Welch Allyn, a subsidiary of Hill-Rom Holdings, Inc. which was acquired by Baxter International, Inc., filed a lawsuit against the Company in the United States District Court for the District of Delaware, alleging that the Company's Zio patches infringe certain of its patents. Welch Allyn seeks money damages and attorneys' fees. The Company believes this lawsuit is without merit and plans to defend itself vigorously.

Development Agreement

On September 3, 2019, the Company entered into a Development Collaboration Agreement with Verily Life Sciences LLC, an Alphabet company ("VLS") and Verily Ireland Limited ("VIL" and together with VLS, "Verily") (such Development Collaboration Agreement, as amended by Amendment No. 1 dated April 26, 2021 and Amendment No.2 dated January 24, 2022, the "Development Agreement"). The Development Agreement involves joint development and production of intellectual property between the Company and Verily. Each participant has primary responsibility for certain aspects of development and approval, with all processes to be performed at each respective party's own cost. Costs incurred by the Company in connection with the Development Agreement will be expensed as research and development expense in accordance with ASC 730, *Research and Development.*

The Company and Verily will develop certain next-generation atrial fibrillation ("Afib") screening, detection, or monitoring products pursuant to the Development Agreement, which products will involve combining Verily's and the Company's technology platforms and capabilities. Under the terms of the Development Agreement, the Company paid Verily an upfront fee of $5.0 million in 2019. In addition, the Company agreed to make additional milestone payments to Verily up to an aggregate of $12.75 million upon achievement of various development and regulatory milestones over the term of the Development Agreement. We have achieved milestones tied to payments totaling $11.0 million to date and expect to make additional payments over the term of the Development Agreement of $1.75 million, subject to the achievement of specified milestones.

The Development Agreement provides each party with licenses to use certain intellectual property of the other party for development activities in the field of Afib screening, detection, or monitoring. Ownership of developed intellectual property will be allocated to the Company or Verily depending on the subject matter of the underlying developed intellectual property, and, for certain subject matter, shall be jointly owned.

Indemnifications

In the ordinary course of business, the Company enters into agreements pursuant to which it agrees to indemnify customers, vendors, lessors, business partners, and other parties with respect to certain matters, including losses arising out of the breach of such agreements, services to be provided by the Company, or from intellectual property infringement claims made by third parties. Pursuant to such agreements, the Company may indemnify, hold harmless and defend an indemnified party for losses suffered or incurred by the indemnified party. Some of the provisions will limit losses to those arising from third-party actions. In some cases, the indemnification will continue after the termination of the agreement. The maximum potential amount of future payments the Company could be required to make under these provisions is not determinable. The Company has also entered into indemnification agreements with its directors and officers that may require the Company to indemnify its directors and officers against liabilities that may arise by reason of their status or service as directors or officers to the fullest extent permitted by applicable law. The Company currently has directors' and officers' insurance. The Company has never incurred material costs to defend lawsuits or settle claims related to these indemnification provisions, and believes that the estimated fair value of these indemnification obligations is not material and it has not accrued any amounts for these obligations.

9. DEBT

In October 2018, the Company entered into the Third Amended and Restated Loan and Security Agreement ("SVB Loan Agreement") with Silicon Valley Bank ("SVB"). Under the SVB Loan Agreement, the Company had borrowed $35.0 million and had made repayments through March 2022, at which time the outstanding balance was $18.5 million.

On March 28, 2022, the Company entered into a Second Amendment ("2022 Amendment") to its SVB Loan Agreement which provided for a term loans facility in the aggregate principal amount of up to $75.0 million (the "2022 Term Loans"), of which $35.0 million was borrowed at closing and a portion of the proceeds was used to pay in full the outstanding balance of $18.5 million under the SVB Loan Agreement. The remaining $40.0 million of 2022 Term Loans may be borrowed from time to time at the Company's option, in increments of at least $10.0 million, through December 31, 2023. The Company will pay interest only on the 2022 Term Loans until April 1, 2025, when it will commence repaying the 2022 Term Loans in 24 equal consecutive monthly installments, with all obligations under the 2022 Term Loans maturing on March 1, 2027. Interest charged on the 2022 Term Loans will accrue at a floating per annum rate equal to the greater of: (A) the Prime Rate plus 0.25%; and (B) 3.5%. The Company is also required to pay fees on any prepayment of the 2022 Term Loans, ranging from 1.0% to 3.0% depending on the date of prepayment, and a final payment equal to 5.0% of the principal amount of the 2022 Term Loans drawn. Once repaid or prepaid, the 2022 Term Loans may not be reborrowed. The Company accounted for the refinancing as an extinguishment of the original loans and paid a fee of $1.8 million, which was included in interest expense on the Consolidated Statement of Operations and recorded the 2022 Term Loans, net of issuance costs. The issuance costs on the new loans are amortized over the term of the loan.

The 2022 Amendment also amended the terms of the revolving credit line under the SVB Loan Agreement, which provided for an aggregate principal amount of $25.0 million, to: (i) extend the maturity date from August 1, 2023 to March 1, 2027, (ii) increase the letters of credit sublimit to $15.0 million and (iii) increase the cash management services sublimit to $15.0 million. Interest charged on the principal amount outstanding under the revolving credit line accrues at a floating per annum rate equal to the greater of (A) the Prime Rate plus 0.25% and (B) 3.5%. The Company is required to pay an annual fee equal to 0.15% of the revolving credit line. As of December 31, 2023, no loans were outstanding under the revolving credit line and the Company had used $8.4 million in letters of credit.

The 2022 Amendment also amended the SVB Loan Agreement to require the Company to comply, as of the last day of each fiscal quarter, with a quick ratio of at least 1.0 to 1.15 or minimum adjusted EBITDA trailing 6 months of at least $15.0 million.

As of March 27, 2023, in connection with the closure of SVB by the California Department of Financial Protection and Innovation and the Federal Deposit Insurance Corporation, First-Citizens Bank & Trust Company assumed all of SVB's deposits and loans. The Company continued to have access to the revolving credit line and letters of credit available pursuant to the SVB Loan Agreement and was in compliance with its loan covenants, as of December 31, 2023.

Interest expense recognized during the years ended December 31, 2023, 2022, and 2021 which included amortization of debt issuance costs, was $3.4 million, $2.1 million, and $1.2 million during the years ended December 31, 2023, 2022, and 2021, respectively.

Future minimum payments

Contractual obligations as of December 31, 2023 for the 2022 Term Loans comprise of principal and interest payments as follows (in thousands):

Year Ended December 31,	
2024	$ 3,114
2025	15,841
2026	18,728
2027	4,440
Total	42,123
Less: Amount representing interest	(7,123)
Less: Debt issuance costs	(50)
Principal payments	$ 34,950

On January 3, 2024, the Company entered into a Credit, Security and Guaranty Agreement (the "Braidwell Credit Agreement") with Braidwell Transaction Holdings LLC – Series 5 ("Braidwell"). In conjunction with the transaction, the Company repaid and terminated the 2022 Term Loans and the revolving credit line. As of the date of the termination, the Company continued to maintain the $8.4 million in letters of credit with SVB, securing them with cash on deposit. See Note 16, Subsequent Events to the Consolidated Financial Statements for more information regarding the Braidwell Credit Agreement and SVB repayment and termination.

10. INCOME TAXES

The components of income (loss) before provision for income taxes are as follows (in thousands):

	Year Ended December 31,		
	2023	2022	2021
United States	$ (122,974)	$ (116,600)	$ (101,459)
Foreign	318	714	465
Income (Loss) before provision for income taxes	$ (122,656)	$ (115,886)	$ (100,994)

The provision for (benefit from) income taxes consists of the following (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Current expense:			
Federal	$ —	$ —	$ —
State	401	160	223
Foreign	349	111	150
Total current tax expense	750	271	373
Deferred tax benefit:			
Federal	—	—	—
State	—	—	—
Foreign	—	(2)	(6)
Total deferred tax benefit	—	(2)	(6)
Total tax expense	$ 750	$ 269	$ 367

Income tax expense differs from the amount computed by applying the statutory federal income tax rate as follows: (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Tax at statutory federal rate	$ (25,758)	$ (24,323)	$ (21,198)
State income taxes, net of federal benefit	371	160	223
Stock-based compensation	(820)	(3,492)	(7,049)
Meals and entertainment	361	348	182
Section 162(m) limitation - officers compensation	5,217	2,498	4,856
Other	823	526	(347)
Tax credits	(2,160)	(2,695)	(381)
Foreign rate differential	37	(40)	(30)
Change in valuation allowance	22,679	27,287	24,111
Provision for income taxes	$ 750	$ 269	$ 367

The components of the net deferred tax assets are as follows (in thousands):

	December 31,	
	2023	2022
Deferred tax assets:		
Net operating loss carryforwards	$ 127,503	$ 111,236
Tax credit carryforwards	16,401	29,455
Stock-based compensation	10,801	11,942
Capital research expenditures	18,849	15,997
Allowances and other	31,952	19,399
Lease obligation	23,817	24,232
Depreciation and amortization	519	—
Total deferred tax assets	229,842	212,261
Less: Valuation allowance	(217,779)	(188,070)
Net deferred tax assets	12,063	24,191
Deferred tax liabilities:		
Depreciation and amortization	$ —	$ (9,402)
ROU assets	(12,005)	(14,731)
Total deferred tax liabilities	(12,005)	(24,133)
Total deferred tax assets	$ 58	$ 58

The realization of deferred tax assets is dependent upon the generation of sufficient taxable income of the appropriate character in future periods. The Company establishes a valuation allowance if it is more-likely-than-not that some portion of the deferred tax assets will not be realized. The Company weighs all available positive and negative evidence, including our earnings history and results of recent operations, scheduled reversals of deferred tax liabilities, projected future taxable income, and tax planning strategies. Due to the uncertainties surrounding the realization of deferred tax assets through future taxable income, the Company has provided a full valuation allowance against its U.S. deferred tax assets, and, therefore, no benefit has been recognized for the net operating loss carryforwards and other deferred tax assets. The U.S. valuation allowance increased by $29.7 million, $33.3 million and $30.9 million for the years ended December 31, 2023, 2022, and 2021, respectively. The current year change in the U.S. valuation allowance is primarily related to the increase in reserves and research and development not currently deductible. The Company recorded an immaterial deferred tax asset related to the Company's foreign operations in the UK.

The valuation allowance for deferred tax assets consisted of the following activity for the years ended December 31, 2023, 2022, and 2021 (in thousands):

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
Year Ended December 31, 2023	$ 188,070	$ 29,709	$ —	$ 217,779
Year Ended December 31, 2022	154,734	33,336	—	188,070
Year Ended December 31, 2021	123,803	30,931	—	154,734

As of December 31, 2023, the Company had approximately $506.2 million of federal and $338.8 million of state net operating loss carryforwards available to offset future taxable income which expires in varying amounts beginning in 2030 and 2023, respectively. Federal losses incurred from 2019 can be carried forward indefinitely.

As of December 31, 2023, the Company had research tax credit carryforwards of approximately $13.4 million, and $10.3 million available to reduce future taxable income, if any, for both federal and state purposes, respectively. The federal tax credit carryforwards expire beginning in 2027 and the California tax credits can be carried forward indefinitely.

Federal and state tax laws impose restrictions on the utilization of net operating loss carryforwards in the event of a change in our ownership as defined by the Internal Revenue Code (the "Code"), Section 382. Under Section 382 of the Code, substantial changes in our ownership and the ownership of acquired companies may limit the amount of net operating loss carryforwards that are available to offset taxable income. The annual limitation would not automatically result in the loss of net operating loss carryforwards but may limit the amount available in any given future period.

A reconciliation of the beginning and ending unrecognized tax benefit amount is as follows (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Balance at beginning of year	$ 4,732	$ 3,310	$ 2,302
Additions for tax positions taken in current year	1,080	996	772
Increases in balance related to prior year tax positions	—	426	236
Decreases in balance related to prior year tax positions	(38)	—	—
Balance at end of year	$ 5,774	$ 4,732	$ 3,310

The Company’s policy is to include interest and penalties related to unrecognized tax benefits within the provision for taxes. The Company determined that no accrual for interest or penalties was required as of December 31, 2023, 2022, and 2021.

The Company files income tax returns in the U.S. and UK jurisdictions. All of the Company's tax years are open to examination by the U.S. federal and state tax authorities. The UK is open to examination for tax years starting 2017 and forward. The Company currently has no federal, state or foreign tax examinations in progress, nor has it had any federal or state examinations since inception.

11. STOCKHOLDERS' EQUITY

Common Stock

The Company’s amended and restated certificate of incorporation dated October 25, 2016, as amended, authorizes the Company to issue 100,000,000 shares of common stock with a par value of $0.001 per share and 5,000,000 shares of preferred stock with a par value of $0.001 per share. The holders of common stock are entitled to receive dividends whenever funds and assets are legally available and when declared by the Board, subject to the prior rights of holders of all series of convertible preferred stock outstanding. No dividends were declared through December 31, 2023.

The Company had reserved shares of common stock for issuance as follows (in thousands):

	December 31,	
	2023	2022
Options issued and outstanding	307	328
Unvested restricted stock units and performance-based restricted stock units[1]	2,438	2,026
Shares available for grant under future stock plans	6,765	7,823
Shares available for future issuance	9,510	10,177

[1] PRSUs are based on the maximum number of PRSUs in the key executive grant agreements. The actual number of PRSUs granted will be based on company performance criteria and relative Total Shareholder Return ("TSR"), as discussed in Note 13, Equity Incentive Plans

12. EMPLOYEE BENEFIT PLANS

401(k) Plan

The Company has a defined contribution 401(k) retirement plan (the "401(k) Plan") covering substantially all employees in the United States. Employees who participate in the 401(k) Plan may contribute up to 90% of eligible compensation each year, subject to Internal Revenue Service limitations and the terms and conditions of the plan. Under the terms of the 401(k) Plan, the Company may elect to match a discretionary percentage of contributions. The Company matches contributions up to 50% and a maximum of $5,000 per year. Total matching contributions were $5.6 million, $5.1 million, and $3.3 million for the years ended December 31, 2023, 2022, and 2021, respectively.

13. EQUITY INCENTIVE PLANS

2016 Plan

In October 2016, the Company adopted the 2016 Equity Incentive Plan, (the “2016 Plan”). The 2016 Plan was approved by the Company’s stockholders and became effective on October 19, 2016. On the first day of each fiscal year starting from the 2017 fiscal year, the 2016 Plan authorizes an annual increase in the number of shares available for issuance equal to the least of (i) 3,865,000 shares, (ii) 5% of the shares of the Company’s common stock outstanding on the last day of the immediately preceding fiscal year or (iii) such number of shares determined by the Board. As of December 31, 2023, the Company has reserved 6,764,972 shares of common stock for issuance under the 2016 Plan.

A summary of awards available for grant under the Company's 2016 Equity Incentive Plan is as follows (in thousands):

	Shares Available for Grant
Balance as of December 31, 2021	7,160
Additional awards authorized	1,476
Awards granted[1]	(1,036)
Awards forfeited[1]	223
Balance as of December 31, 2022	7,823
Awards granted[1]	(1,373)
Awards forfeited[1]	315
Balance as of December 31, 2023	6,765

[1] Awards granted and forfeited include PRSUs, which are based on the maximum number of PRSUs in the key executive grant agreements. The actual number of PRSUs granted will be based on company performance criteria and relative TSR, as described below.

Pursuant to the 2016 Plan, stock options, restricted stock, RSUs, performance units, performance shares, and stock appreciation rights may be granted to employees, consultants and directors of the Company. Stock options were not granted during the years ended December 31, 2023, 2022 and 2021.

Employee Stock Purchase Plan

In October 2016, the Board and stockholders approved the 2016 Employee Stock Purchase Plan ("ESPP") which provides eligible employees of the Company with an opportunity to purchase shares of the Company's common stock at a discounted price through accumulated contributions not exceeding $25,000 in a given calendar year. On the first day of each fiscal year, the number of shares reserved for the ESPP increases by the least of (i) 966,062 shares, (ii) 1.5% of the shares of the Company's common stock outstanding on the last day of the immediately preceding fiscal year, or (iii) such number of shares determined by the Board. The ESPP allows eligible employees to purchase shares of the Company's common stock at a discount through payroll deductions of up to 15% of their eligible compensation, subject to any plan limitations. The ESPP provides for 12-month offering periods that each contain two six-month purchase periods. At the end of each purchase period, employees purchase shares at 85% of the lower of the fair market value of the Company's common stock on the first trading day of the offering period or on the last day of the purchase period. If the stock price of the Company's common stock on any purchase date in an offering period is lower than the stock price on the first trading date of that offering period, the offering period will immediately reset after the purchase of shares on such purchase date and automatically roll into a new offering period.

Restricted Stock Units and Performance-Based Restricted Stock Units

The fair value of RSUs and PRSUs are based on the Company's closing stock price on the date of grant. The fair value of market based PRSUs were estimated at the date of grant using the Monte-Carlo option pricing model. A summary is as follows (in thousands, except weighted average grant date fair value):

	Restricted Stock Units		Performance Based Restricted Stock Units and Market-Based Units	
	Shares Underlying RSUs	Weighted Average Grant Date Fair Value	Shares Underlying PRSUs [1]	Weighted Average Grant Date Fair Value
Balance as of December 31, 2021	1,360	$ 84.99	288	$ 119.21
Granted	691	147.94	345	138.99
Vested	(390)	85.55	(47)	257.61
Forfeited	(196)	110.22	(25)	109.82
Balance as of December 31, 2022	1,465	111.16	561	120.22
Granted	903	114.84	470	124.17
Vested	(622)	96.54	(24)	107.05
Forfeited	(204)	121.08	(111)	127.07
Balance as of December 31, 2023	1,542	$ 117.90	896	$ 121.80

[1]Based on the maximum number of performance based restricted stock units in the key executive grant agreements, the actual number of units granted will be based on the annual unit volume compound annual growth rate ("CAGR") as described below.

As of December 31, 2023, there was total unamortized compensation costs of $127.5 million, net of estimated forfeitures, related to RSUs, which the Company expects to recognize over a weighted average period of 1.8 years. Aggregate intrinsic value of the RSUs was $165.1 million, $137.2 million, and $160.1 million as of December 31, 2023, 2022, and 2021, respectively.

As of December 31, 2023, 1.4 million shares of RSUs were expected to vest with an aggregate intrinsic value of $153.9 million. Total grant date fair value of vested RSUs was $60.0 million, $33.4 million, and $22.3 million during the years ended December 31, 2023, 2022, and 2021, respectively.

As of December 31, 2023, there was total unamortized compensation costs of $41.3 million, net of estimated forfeitures, related to PRSUs, which the Company expects to recognize over a weighted average period of 2.1 years. Aggregate intrinsic value of the PRSUs was $95.9 million, $52.6 million, and $33.9 million as of December 31, 2023, 2022, and 2021, respectively.

As of December 31, 2023, 0.9 million shares of PRSUs were expected to vest with an aggregate intrinsic value of $92.0 million. Total grant date fair value of vested PRSUs was $2.6 million, $12.1 million, and $20.9 million during the years ended December 31, 2023, 2022, and 2021, respectively.

PRSUs and Market-based RSUs

The Company grants PRSUs to its key executives. PRSUs can be earned in accordance with the performance equity program for each respective grant.

In February 2023, the Company granted PRSUs (“February 2023 awards”) to be earned based on the CAGR calculated between fiscal year 2025's and fiscal year 2022's annual unit volume and measuring a minimum performance threshold of 15% to earn 50.0% of target, and a maximum threshold of 25% achieved to earn 200.0% of target. These February 2023 awards are subject to the recipient's continued employment through the vesting date of March 15, 2026.

In addition, in February 2023, the Company granted market-based PRSUs to senior executive officers. These PRSUs to be earned will be based on the CAGR calculated between fiscal year 2025's and fiscal year 2022's annual unit volume and measuring performance thresholds mentioned above, as well as a comparison of the S&P Healthcare Index to the Company's TSR. The grant date fair value of the TSR was based on the expected term of 2.9 years, interest risk free rate of 4.5%, implied volatility of 83.8% and no dividend yield. These February 2023 awards are subject to the respective senior executive officer's continued employment through the vesting date of March 15, 2026.

In August 2023, the Company granted market-based retention PRSUs ("August 2023 awards") to its Chief Executive Officer, other senior executive officers, and other members of the Company’s management team. The purpose of the performance-based awards was tied to several important long-term operational objectives, including to: (i) create stability among the leadership team, (ii) retain other critical talent and (iii) drive achievement of strategic objectives while the Company transforms and scales its business model. The performance period of the August 2023 awards will be measured between July 1, 2023 and June 30, 2026, with Company results subject to adjustment by the Company’s TSR as compared to the TSR of the S&P Healthcare Index. The grant date fair value of the TSR was based on the expected term of 2.9 years, interest risk free rate of 4.4%, implied volatility of 80.1% and no dividend yield. The August 2023 awards are subject to the respective continued employment of the recipients through the vesting date of August 7, 2026.

Options

The following table summarizes stock option activity:

	Options Outstanding			
	Options Outstanding (in thousands)	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (in thousands)
Balance at December 31, 2021	504	$ 40.97	5.20	$ 38,675
Options exercised	(175)	36.82		
Options forfeited	(1)	83.15		
Balance at December 31, 2022	328	43.00	4.43	16,635
Options exercised	(21)	52.56		
Options forfeited	—	—		
Balance at December 31, 2023	307	42.34	3.29	19,859
Options exercisable – December 31, 2023	307	42.34	3.29	19,859
Options vested and expected to vest – December 31, 2023	307	$ 42.34	3.29	$ 19,859

There have been no options granted since December 31, 2019. As of December 31, 2023, the options were fully vested. The total estimated grant date fair value of options vested during the period was $0.1 million, $2.4 million, and $2.8 million for the years ended December 31, 2023, 2022, and 2021, respectively.

Employee Stock Purchase Plan

The Company issued approximately 94,000, 88,000, and 95,000 shares of common stock under the ESPP during the years ended December 31, 2023, 2022 and 2021, respectively. As of December 31, 2023, approximately 2.1 million shares of the Company's common stock remained available for issuance under the ESPP.

The ESPP provides for 12-month offering periods that contain two six-month purchase periods. The Company determined the fair value of the stock purchase rights under the ESPP using the Black-Scholes option pricing model with the following assumptions for the specified periods.

	Year Ended December 31,		
	2023	2022	2021
Expected Term (years)	0.5 - 1	0.5 - 1	0.5 - 1
Expected Volatility	48.8% - 59.2%	68.1% - 96.3%	93.9% - 106.9%
Dividend Yield	—%	—%	—%
Risk-Free Interest Rate	5.1% - 5.4%	1.6% - 4.7%	0.0% - 0.2%

As of December 31, 2023, the Company had $3.9 million of unrecognized compensation expense that will be recognized over a weighted average period of 0.7 years.

14. STOCK-BASED COMPENSATION

The following table summarizes the total stock-based compensation expense included in the statements of operations and comprehensive loss for all periods presented (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Cost of revenue	$ 3,603	$ 2,153	$ 1,896
Research and development	11,391	6,976	5,565
Selling, general and administrative	62,210	48,611	47,066
Total stock-based compensation expense	$ 77,204	$ 57,740	$ 54,527

Non-Employee Stock-Based Compensation

On January 12, 2021, the Company's Chief Executive Officer (the "former CEO") resigned and entered into a Consulting and Professional Services Agreement ("CPSA") with the Company. Pursuant to the original terms of the awards, the former CEO continued to vest in outstanding awards as long as services are provided to the Company under the CPSA as a non-employee consultant or a member of the Board. In accordance with ASC 718, the Company recognized expense related to all awards expected to vest over the duration of the CPSA in the three months ended March 31, 2021, as an equity-based severance cost as the consulting services are not substantive. The total expense related to the former CEO's non-employee stock-based compensation recognized for the year ended December 31, 2021 was $5.4 million.

In March 2022, the former CEO retired from the Board and as a non-employee consultant. Vesting for all outstanding awards was accelerated upon his retirement. The Company recognized expense of $0.9 million related to the retirement of the former CEO during the year ended December 31, 2022.

On June 3, 2022, the Company's former Chief Clinical Officer (the "former CCO") retired and entered into a Consulting Agreement ("CA") with the Company. Pursuant to the original terms of the awards, the former CCO will continue to vest in her outstanding awards as long as services are provided to the Company under the CA as a non-employee consultant. In accordance with ASC 718, the Company recognized expense related to all awards expected to vest over the duration of the CA in the current period as an equity-based severance cost because the consulting services are not substantive. The total expense related to the former CCO's non-employee stock-based compensation recognized $0.4 million for the year ended December 31, 2022.

On July 25, 2022, the Company's former Executive Vice President, Chief Commercial Officer (the "former EVP") resigned and entered into a CA with the Company. Pursuant to the original terms of the agreement, the former EVP continues to vest in outstanding awards during the period of his CA services. In accordance with ASC 718, *Compensation - Stock Compensation*, the Company will continue to record stock-based compensation expense related to the awards expected to vest over the duration of the CA, because the consulting services are substantive. The total expense related to the former EVP's non-employee stock-based compensation recognized for each of the years ended December 31, 2023 and 2022 was $0.1 million.

On March 10, 2023, the Company's former Chief Operating Officer (the "former COO") resigned and entered into a CA with the Company through July 2024. Pursuant to the terms of the CA, the former COO continues to vest in outstanding awards as long as services are provided to the Company under the CA as a non-employee consultant. In accordance with ASC 718, *Compensation – Stock Compensation*, the Company recognized expense related to all awards expected to vest over the duration of the CA in 2023 as an equity-severance cost because the consulting services are not substantive. The total expense related to the former COO's non-employee stock-based compensation recognized for the year ended December 31, 2023 was $1.1 million.

15. NET LOSS PER COMMON SHARE

As the Company had net losses for the years ended December 31, 2023, 2022, and 2021, all potential common shares were determined to be anti-dilutive. The following table sets forth the computation of the basic and diluted net loss per share during the years ended December 31, 2023, 2022, and 2021 (in thousands, except per share data):

	Year Ended December 31,		
	2023	2022	2021
Numerator:			
Net loss	$ (123,406)	$ (116,155)	$ (101,361)
Denominator:			
Weighted-average shares used to compute net loss per common share, basic and diluted	30,528	29,916	29,331
Net loss per common share, basic and diluted	$ (4.04)	$ (3.88)	$ (3.46)

The following outstanding shares of potentially dilutive securities have been excluded from diluted net loss per common share for the years ended December 31, 2023, 2022, and 2021 because their inclusion would be anti-dilutive (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Options to purchase common stock	307	328	504
RSUs and PRSUs[1] unvested	2,438	2,026	1,650
Total	2,745	2,354	2,154

[1]PRSUs are based on the maximum number of PRSUs in the key executive grant agreements. The actual number of PRSUs granted will be based on company performance criteria and relative TSR, as discussed in Note 13, *Equity Incentive Plan and Stock-Based Compensation.*

16. SUBSEQUENT EVENT

On January 3, 2024 (the "Closing Date"), the Company entered into the Braidwell Credit Agreement with Braidwell, which provides for a senior secured delayed draw term loan facility in an aggregate principal amount of up to $150.0 million (the "Braidwell Term Loan Facility"). An initial tranche of $75.0 million ("Initial Loan") was funded on the Closing Date. In addition to the Initial Loan, the Braidwell Term Loan Facility includes an additional tranche of $75.0 million (the "Delayed Draw Loan," and together with the Initial Loan, the "Term Loans"), which will be accessible by the Company through the one year anniversary of the Closing Date, so long as it satisfies certain customary conditions precedent, including compliance with financial covenants and continued accuracy of the representations and warranties provided by the Company in the Credit Agreement. The Braidwell Term Loan Facility has a maturity date of January 3, 2029 (the "Maturity Date") and provides, at the Company's election, for payment of a portion of interest in kind during the term of the loan with principal and accrued interest due at the Maturity Date. Upon repayment of the Term Loans (whether at the Maturity Date or upon earlier prepayment), the Company is required to pay an exit fee equal to 2.75% of the principal amount being repaid. The Braidwell Term Loan Facility will accrue interest at an annual rate equal to the sum of (a) the SOFR Rate and (b)(i) an applicable margin of 6.50% if paid in cash, or (ii) an applicable margin of 6.95%, if, at the Company's election, if a portion of interest is paid in kind. Accrued interest on the Term Loans is payable quarterly in arrears. The Company is also required to pay fees on any prepayment of the Term Loans, ranging from zero to 2.0% depending on the date of prepayment.

In connection with the entry into the Braidwell Credit Agreement, the Company's SVB Loan Agreement was terminated, effective as of the Closing Date, and SVB's security interest in the Company's assets and property was released. The Company's net proceeds from the Initial Loan were approximately $35 million, after deducting estimated debt issuance costs, fees and expenses, and repayment of the Company's existing term loan from SVB.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed by us in 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 that such information is accumulated and communicated to our management, including our Chief Executive Officer ("CEO") (principal executive officer) and Chief Financial Officer ("CFO") (principal financial officer), as appropriate to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by Rule 13a under the Exchange Act, our management, including our CEO and CFO, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15e under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, our CEO and our CFO have concluded that our disclosure controls and procedures are effective at the reasonable assurance level as of December 31, 2023.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Our management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2023, using the criteria described in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on their evaluation, as of December 31, 2023, our management concluded that our internal control over financial reporting was effective based on these criteria.

The effectiveness of our internal control over financial reporting as of December 31, 2023 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included in Part II, Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There have been no changes in internal control over financial reporting during the quarter ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Internal control over financial reporting has inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting can also be circumvented by collusion or improper management override of the controls. Projections of any evaluation of controls effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or deterioration in the degree of compliance with policies or procedures.

ITEM 9B. OTHER INFORMATION.

None.

ITEM 9C. DISCLOSURES REGARDING FOREIGN JURISDICTIONS THE PREVENT INSPECTIONS.

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by this item is incorporated by reference from our definitive Proxy Statement to be filed with the SEC in connection with our 2024 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2023.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item is incorporated by reference from our definitive Proxy Statement to be filed with the SEC in connection with our 2024 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2023.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT RELATED STOCKHOLDER MATTERS.

The information required by this item is incorporated by reference from our definitive Proxy Statement to be filed with the SEC in connection with our 2024 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2023.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required by this item is incorporated by reference from our definitive Proxy Statement to be filed with the SEC in connection with our 2024 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2023.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

Our independent registered public accounting firm is PricewaterhouseCoopers LLP, San Jose, CA, PCAOB ID: 238.

The information required by this item is incorporated by reference from our definitive Proxy Statement to be filed with the SEC in connection with our 2024 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2023.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

The following documents are filed as part of this Annual Report on Form 10-K:

(1) Financial Statements

The financial statements filed as part of this Annual Report on Form 10-K are listed in the "Index to Financial Statements" under Part II, Item 8 of this Annual Report on Form 10-K.

(2) Financial Statement Schedules

Financial statement schedules have been omitted in this Annual Report on Form 10-K because they are not applicable, not required under the instructions, or the information requested is set forth in the financial statements or related notes thereto.

(3) Exhibits

The following is a list of exhibits filed with this Annual Report on Form 10-K incorporated herein by reference (numbered in accordance with Item 601 of Regulation S-K).

Exhibit Index

Exhibit Number	Exhibit Title	Incorporated by Reference				Provided Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Amended and Restated Certificate of Incorporation of the Registrant, as amended.					X
3.2	Amended and Restated Bylaws of the Registrant (as amended and restated on November 10, 2023).	8-K	001-37918	3.1	November 16, 2023	
4.1	Specimen Common Stock Certificate of the Registrant.	S-1	333-213773	4.1	September 23, 2016	
4.2	Amended and Restated Investors' Rights Agreement dated May 16, 2014 by and among the Registrant and certain stockholders.	S-1/A	333-213773	4.2	October 7, 2016	
4.3	Description of the Registrant's securities registered pursuant to Section 12 of the Exchange Act.	10-K	001-37918	4.3	March 2, 2020	
10.1±	Services Agreement dated December 24, 2013 between the Registrant and XIFIN, Inc.	S-1	333-213773	10.20	September 23, 2016	
10.2±	Development Collaboration Agreement dated December 3, 2019 by and among the Registrant, Verily Life Sciences LLC and Verily Ireland Limited.	10-Q	001-37918	10.3	December 23, 2019	
10.3±	First Amendment to Development Collaboration Agreement dated April 26, 2021 by and among the Registrant, Verily Life Sciences LLC and Verily Ireland Limited.	10-K	001-37918	10.43	February 28, 2022	
10.4±	Second Amendment to Revive and Amend the Development Collaboration Agreement dated January 24, 2022 by and among the Registrant, Verily Life Sciences LLC and Verily Ireland Limited.	10-K	001-37918	10.44	February 28, 2022	
10.5	Third Amended and Restated Loan and Security Agreement, dated as of October 23, 2018, between Silicon Valley Bank, a California corporation, and iRhythm Technologies, Inc., a Delaware corporation.	8-K	001-37918	10.1	October 29, 2018	
10.6	First Amendment to Third Amended and Restated Loan and Security Agreement between the Registrant and Silicon Valley Bank.	10-K	001-37918	4.4	March 2, 2020	
10.7	Second Amendment to the Third Amended and Restated Loan and Security Agreement dated March 28, 2022, by and between the Registrant and Silicon Valley Bank.	8-K	001-37918	10.1	March 29, 2022	
10.8	Third Amendment to the Third Amended and Restated Loan and Security Agreement dated November 17, 2023, by and between the Registrant and Silicon Valley Bank.					X
10.9	Office Lease dated October 4, 2018 between the Registrant and Big Dog Holdings LLC.	10-K	001-37918	10.35	March 4, 2019	
10.10	First Amendment to Office Lease dated May 31, 2019 between the Registrant and Big Dog Holdings LLC.					X
10.11	Multi-Tenant Office/Industrial Lease by and between iRhythm Technologies, Inc. and Katella/Holder Street LLC dated March 18, 2021.	10-Q	001-37918	10.42	May 10, 2021	
10.12	Credit, Security and Guaranty Agreement, dated January 3, 2024, by and among the Company, Braidwell Transaction Holdings LLC – Series 5 and Wilmington Trust, National Association.	8-K	001-37918	10.1	January 8, 2024	
10.13+	2016 Equity Incentive Plan and related form agreements.	S-1/A	333-213773	10.3	October 7, 2016	
10.14+	2016 Employee Stock Purchase Plan, as amended February 26, 2019, and related form agreements.	10-Q	001-37918	10.1	December 23, 2019	
10.15+	Executive Incentive Compensation Plan.	S-1/A	333-213773	10.5	October 7, 2016	
10.16+	Form of Indemnification Agreement for directors and executive officers.	S-1	333-213773	10.1	September 23, 2016	
10.17+	Executive Change in Control and Severance Policy as Amended.					X
10.18+	Form of Change of Control and Severance Agreement.	10-Q	001-37918	10.29	November 14, 2017	
10.19+	Offer Letter, dated September 8, 2021, by and between the Registrant and Quentin S. Blackford.	8-K	001-37918	10.1	September 13, 2021	
10.20+	Offer Letter, dated November 15, 2021, by and between the Registrant and Patrick Murphy.	10-K	001-37918	10.19	February 23, 2023	
10.21+	Offer Letter, dated April 24, 2022, by and between the Registrant and Minang Pravin Turakhia, MD.	10-K	001-37918	10.20	February 23, 2023	

10.22+	Offer Letter, dated July 18,2022, by and between the Registrant and Chad Patterson.	10-K	001-37918	10.21	February 23, 2023	
10.23+	Offer Letter, dated July 22, 2022, by and between the Registrant and Brice Bobzien.	10-K	001-37918	10.22	February 23, 2023	
10.24+	Resignation, Release and Consulting Agreement dated March 10, 2023 by and between the Registrant and Douglas Devine.	10-Q	001-37918	10.1	May 4, 2023	
21.1	List of Subsidiaries of Registrant.					X
23.1	Consent of Independent Registered Public Accounting Firm (PricewaterhouseCoopers LLP, San Jose, CA, PCAOB ID: 238)					X
31.1†	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2†	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1†	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
97.1	Compensation Recovery Policy					X
101.INS	Inline XBRL Instance Document					
101.SCH	Inline XBRL Taxonomy Extension Schema Document					
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					

† The certification attached as 32.1 that accompanies this Annual Report on Form 10-K, is deemed furnished and not filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of iRhythm Technologies, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Annual Report on Form 10-K, irrespective of any general incorporation language contained in such filing.

\+ Indicates management contract or compensatory plan.

± Confidential treatment has been requested for portions of this exhibit. These portions have been omitted and have been filed separately with the Securities and Exchange Commission.

ITEM 16. FORM 10-K SUMMARY.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

iRhythm Technologies, Inc.

Date: February 22, 2024

By: /s/ Quentin S. Blackford

Quentin S. Blackford
President and Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Name	Title	Date
/s/ Quentin S. Blackford Quentin S. Blackford	President, Chief Executive Officer and Director (Principal Executive Officer)	February 22, 2024
/s/ Brice Bobzien Brice Bobzien	Chief Financial Officer (Principal Financial Officer)	February 22, 2024
/s/Marc Rosenbaum Marc Rosenbaum	Chief Accounting Officer (Principal Accounting Officer)	February 22, 2024
/s/ Abhijit Y. Talwalkar Abhijit Y. Talwalkar	Director and Chairman of the Board	February 22, 2024
/s/ Bruce G. Bodaken Bruce G. Bodaken	Director	February 22, 2024
/s/ Ralph Snyderman M.D. Ralph Snyderman M.D.	Director	February 22, 2024
/s/ C. Noel Bairey Merz, M.D. C. Noel Bairey Merz, M.D.	Director	February 22, 2024
/s/ Mark J. Rubash Mark J. Rubash	Director	February 22, 2024
/s/ Karen Ling Karen Ling	Director	February 22, 2024
/s/ Brian Yoor Brian Yoor	Director	February 22, 2024
/s/ Mojdeh Poul Mojdeh Poul	Director	February 22, 2024

Exhibit 3.1

IRHYTHM TECHNOLOGIES, INC.

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

iRhythm Technologies, Inc., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

A. The name of the Corporation is iRhythm Technologies, Inc., and the original Certificate of Incorporation of this Corporation was filed with the Secretary of State of the State of Delaware on September 14, 2006.

B. This Amended and Restated Certificate of Incorporation was duly adopted in accordance with Sections 242 and 245 of the General Corporation Law of the State of Delaware (the "DGCL"), and restates, integrates and further amends the provisions of the Corporation's Amended and Restated Certificate of Incorporation, and has been duly approved by the written consent of the stockholders of the Corporation in accordance with Section 228 of the DGCL.

C. The text of the Amended and Restated Certificate of Incorporation of this Corporation is hereby amended and restated to read in its entirety as follows:

Article I

The name of the Corporation is iRhythm Technologies, Inc.

Article II

The address of the Corporation's registered office in the State of Delaware is 1209 Orange Street, City of Wilmington, County of New Castle, Delaware 19801. The name of the Corporation's registered agent at such address is The Corporation Trust Company.

Article III

The purpose of this corporation is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law, as the same exists or as may hereafter be amended from time to time.

Article IV

1.1 Authorized Capital Stock. The total number of shares of all classes of capital stock that the Corporation is authorized to issue is One Hundred and Five Million (105,000,000) shares, consisting of One Hundred Million (100,000,000) shares of Common Stock, par value $0.001 per share (the "Common Stock"), and Five Million (5,000,000) shares of Preferred Stock, par value $0.001 per share (the "Preferred Stock").

1.2 Increase or Decrease in Authorized Capital Stock. The number of authorized shares of Preferred Stock or Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority in voting power of the stock of the Corporation entitled to vote generally in the election of directors, irrespective of the provisions of Section 242(b)(2) of the DGCL (or any successor provision thereto), voting together as a single class, without a separate vote of the holders of the class or classes the number of authorized shares of which are being increased or decreased, unless a vote by any holders of one or more series of Preferred Stock is required by the express

terms of any series of Preferred Stock as provided for or fixed pursuant to the provisions of Section 4.4 of this Article IV.

1.3 Common Stock.

(a) The holders of shares of Common Stock shall be entitled to one vote for each such share on each matter properly submitted to the stockholders on which the holders of shares of Common Stock are entitled to vote. Except as otherwise required by law or this certificate of incorporation (this "**Certificate of Incorporation**" which term, as used herein, shall mean the certificate of incorporation of the Corporation, as amended from time to time, including the terms of any certificate of designations of any series of Preferred Stock), and subject to the rights of the holders of Preferred Stock, at any annual or special meeting of the stockholders the holders of shares of Common Stock shall have the right to vote for the election of directors and on all other matters properly submitted to a vote of the stockholders; provided, however, that, except as otherwise required by law, holders of Common Stock shall not be entitled to vote on any amendment to this Certificate of Incorporation that relates solely to the terms, number of shares, powers, designations, preferences, or relative participating, optional or other special rights (including, without limitation, voting rights), or to qualifications, limitations or restrictions thereon, of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one more other such series, to vote thereon pursuant to this Certificate of Incorporation (including, without limitation, by any certificate of designations relating to any series of Preferred Stock) or pursuant to the DGCL.

(b) Subject to the rights of the holders of Preferred Stock, the holders of shares of Common Stock shall be entitled to receive such dividends and other distributions (payable in cash, property or capital stock of the Corporation) when, as and if declared thereon by the Board of Directors of the Corporation (the "**Board of Directors**") from time to time out of any assets or funds of the Corporation legally available therefor and shall share equally on a per share basis in such dividends and distributions.

(c) In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, after payment or provision for payment of the debts and other liabilities of the Corporation, and subject to the rights of the holders of Preferred Stock in respect thereof, the holders of shares of Common Stock shall be entitled to receive all the remaining assets of the Corporation available for distribution to its stockholders, ratably in proportion to the number of shares of Common Stock held by them.

1.4 Preferred Stock.

(a) The Preferred Stock may be issued from time to time in one or more series pursuant to a resolution or resolutions providing for such issue duly adopted by the Board of Directors (authority to do so being hereby expressly vested in the Board of Directors). The Board of Directors is further authorized, subject to limitations prescribed by law, to fix by resolution or resolutions and to set forth in a certification of designations filed pursuant to the DGCL the powers, designations, preferences and relative, participation, optional or other rights, if any, and the qualifications, limitations or restrictions thereof, if any, of any wholly unissued series of Preferred Stock, including without limitation authority to fix by resolution or resolutions the dividend rights, dividend rate, conversion rights, voting rights, rights and terms of redemption (including, without limitation, sinking fund provisions), redemption price or prices, and liquidation preferences of any such series, and the number of shares constituting any such series and the designation thereof, or any of the foregoing.

(b) The Board of Directors is further authorized to increase (but not above the total number of authorized shares of the class) or decrease (but not below the number of shares of any such series then outstanding) the number of shares of any series, the number of which was fixed by it, subsequent to the issuance of shares of such series then outstanding, subject to the powers, preferences and rights, and the qualifications, limitations and restrictions thereof stated in the Certificate of Incorporation or the resolution of the Board of Directors originally fixing the number of shares of such series. If the number of shares of any series is so decreased, then the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series.

Article V

1.1 General Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

1.2 Number of Directors; Election; Term.

(a) Subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, the number of directors that constitutes the entire Board of Directors shall be fixed solely by resolution of the Board of Directors.

(b) Subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, effective upon the closing date (the "**Effective Date**") of the initial sale of shares of common stock in the Corporation's initial public offering pursuant to an effective registration statement filed under the Securities Act of 1933, as amended, the directors of the Corporation shall be divided into three classes as nearly equal in size as is practicable, hereby designated Class I, Class II and Class III. The initial assignment of members of the Board of Directors to each such class shall be made by the Board of Directors. The term of office of the initial Class I directors shall expire at the first regularly-scheduled annual meeting of the stockholders following the Effective Date, the term of office of the initial Class II directors shall expire at the second annual meeting of the stockholders following the Effective Date and the term of office of the initial Class III directors shall expire at the third annual meeting of the stockholders following the Effective Date. At each annual meeting of stockholders, commencing with the first regularly-scheduled annual meeting of stockholders following the Effective Date, each of the successors elected to replace the directors of a Class whose term shall have expired at such annual meeting shall be elected to hold office until the third annual meeting next succeeding his or her election and until his or her respective successor shall have been duly elected and qualified. Subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, if the number of directors that constitutes the Board of Directors is changed, any newly created directorships or decrease in directorships shall be so apportioned by the Board of Directors among the classes as to make all classes as nearly equal in number as is practicable, provided that no decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

(c) Notwithstanding the foregoing provisions of this Section 5.2, and subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, each director shall serve until his or her successor is duly elected and qualified or until his or her earlier death, resignation, or removal.

(d) Elections of directors need not be by written ballot unless the Bylaws of the Corporation shall so provide.

1.3 Removal. Subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, a director may be removed from office by the stockholders of the Corporation only for cause.

1.4 Vacancies and Newly Created Directorships. Subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, and except as otherwise provided in the DGCL, vacancies occurring on the Board of Directors for any reason and newly created directorships resulting from an increase in the authorized number of directors may be filled only by vote of a majority of the remaining members of the Board of Directors, although less than a quorum, or by a sole remaining director, at any meeting of the Board of Directors. A person so elected by the Board of Directors to fill a vacancy or newly created directorship shall hold office until the next election of the class for which such director shall have been assigned by the Board of Directors and until his or her successor shall be duly elected and qualified.

Article VI

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to adopt, amend or repeal the Bylaws of the Corporation.

Article VII

1.1 No Action by Written Consent of Stockholders. Except as otherwise expressly provided by the terms of any series of Preferred Stock permitting the holders of such series of Preferred Stock to act by written consent, any action required or permitted to be taken by stockholders of the Corporation must be effected at a duly called annual or special meeting of the stockholders and may not be effected by written consent in lieu of a meeting.

1.2 Special Meetings. Except as otherwise expressly provided by the terms of any series of Preferred Stock permitting the holders of such series of Preferred Stock to call a special meeting of the holders of such series, special meetings of stockholders of the Corporation may be called only by the Board of Directors, the chairperson of the Board of Directors, the chief executive officer or the president (in the absence of a chief executive officer), and the ability of the stockholders to call a special meeting is hereby specifically denied. The Board of Directors may cancel, postpone or reschedule any previously scheduled special meeting at any time, before or after the notice for such meeting has been sent to the stockholders.

1.3 Advance Notice. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the Bylaws of the Corporation.

1.4 Exclusive Jurisdiction. Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall, to the fullest extent permitted by law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee or agent of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action asserting a claim against the Corporation arising pursuant to any provision of the DGCL or the Corporation's Certificate of Incorporation or Bylaws, (iv) any action to interpret, apply, enforce or determine the validity of the Corporation's Certificate of Incorporation or Bylaws, or (v) any action asserting a claim against the Corporation governed by the internal affairs doctrine, in each such case subject to said Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein. Any person or entity purchasing or otherwise acquiring any interest in shares

of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Section 7.4.

Article VIII

1.1 Limitation of Personal Liability. To the fullest extent permitted by the DGCL, as it presently exists or may hereafter be amended from time to time, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. If the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended.

1.2 Indemnification.

The Corporation shall indemnify, to the fullest extent permitted by applicable law, any director or officer of the Corporation who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "**Proceeding**") by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any such Proceeding. The Corporation shall be required to indemnify a person in connection with a Proceeding initiated by such person only if the Proceeding was authorized by the Board of Directors.

The Corporation shall have the power to indemnify, to the extent permitted by the DGCL, as it presently exists or may hereafter be amended from time to time, any employee or agent of the Corporation who was or is a party or is threatened to be made a party to any Proceeding by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any such Proceeding.

Any repeal or amendment of this Article VIII by the stockholders of the Corporation or by changes in law, or the adoption of any other provision of this Certificate of Incorporation inconsistent with this Article VIII will, unless otherwise required by law, be prospective only (except to the extent such amendment or change in law permits the Corporation to further limit or eliminate the liability of directors) and shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or amendment or adoption of such inconsistent provision with respect to acts or omissions occurring prior to such repeal or amendment or adoption of such inconsistent provision.

Article IX

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation (including, without limitation, any rights, preferences or other designations of Preferred Stock), in the manner now or hereafter prescribed by this Certificate of Incorporation and the DGCL; and all rights, preferences and privileges herein conferred upon stockholders by and pursuant to this Certificate of Incorporation in its present form or as hereafter amended are granted subject to the right reserved in this Article IX.

Notwithstanding any other provision of this Certificate of Incorporation, and in addition to any other vote that may be required by law or the terms of any series of Preferred Stock, the affirmative vote of the holders of at least 66⅔% of the voting power of all then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend, alter or repeal, or adopt any provision as part of this Certificate of Incorporation inconsistent with the purpose and intent of, Article V, Article VI, Article VII or this Article IX (including, without limitation, any such Article as renumbered as a result of any amendment, alteration, change, repeal or adoption of any other Article).

IN WITNESS WHEREOF, iRhythm Technologies, Inc. has caused this Amended and Restated Certificate of Incorporation to be signed by a duly authorized officer of the Corporation on this 25th day of October, 2016.

By: /s/ Kevin King
Kevin King
President and Chief Executive Officer

CERTIFICATE OF AMENDMENT OF

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF IRHYTHM TECHNOLOGIES, INC.

Kevin King certifies that:

1. He is the Chief Executive Officer of iRhythm Technologies, Inc., a Delaware corporation (the **"Corporation").**

2. The name of the Corporation is iRhythm Technologies, Inc., and the original Certificate of Incorporation of this Corporation was filed with the Secretary of State of the State of Delaware on September 14, 2006.

3. This Certificate of Amendment of the Amended and Restated Certificate of Incorporation has been duly approved by the Board of Directors and by the required vote of stockholders in accordance with Section 228 and Section 242 of the Delaware General Corporation Law.

4. Article V of the Amended and Restated Certificate of Incorporation of the Corporation shall be amended, restated and replaced in its entirety to read as follows:

" 5.1 General Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

5.2 Number of Directors; Election; Term.

(a) Subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, the number of directors that constitutes the entire Board of Directors shall be fixed solely by resolution of the Board of Directors.

(b) Subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, effective upon the closing date (the "**Effective Date**") of the initial sale of shares of common stock in the Corporation's initial public offering pursuant to an effective registration statement filed under the Securities Act of 1933, as amended, the directors of the Corporation were divided into three classes as nearly equal in size as is practicable, designated Class I, Class II and Class III. The term of office of the initial Class I directors shall expire at the first regularly-scheduled annual meeting of the stockholders following the Effective Date, the term of office of the initial Class II directors shall expire at the second annual meeting of the stockholders following the Effective Date and the term of office of the initial Class III directors shall expire at the third annual meeting of the stockholders following the Effective Date. At each annual meeting of stockholders, commencing with the first regularly-scheduled annual meeting of stockholders following the Effective Date, each of the successors elected to replace the directors of a Class whose term shall have expired at such annual meeting shall be elected to hold office until the third annual meeting next succeeding his or her election and until his or her respective successor shall have been duly elected and qualified. Subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, if the number of directors that constitutes the Board of Directors is changed, any newly created directorships or decrease in directorships shall be so apportioned by the Board of Directors among the classes as to make all classes as nearly equal in number as is practicable, provided that no decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Notwithstanding the foregoing, at the 2021 annual meeting of the stockholders, the successors of the directors whose terms expire at that meeting shall be elected for a term expiring at the 2022 annual meeting of the stockholders; at the 2022 annual meeting of the stockholders, the successors of the directors whose terms expire at that meeting shall be elected for a term expiring at the 2023 annual meeting of the stockholders; and at each annual meeting of stockholders of the Corporation thereafter, the directors shall be elected for terms expiring at the next succeeding annual meeting of the stockholders, with each director to hold office until his or her successor shall have been duly elected and qualified and, commencing with the 2023 annual meeting of the stockholders, the classification of the Board of Directors shall cease.

(c) Notwithstanding the foregoing provisions of this Section 5.2, and subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, each director shall serve until his or her successor is duly elected and qualified or until his or her earlier death, resignation, or removal.

(d) Elections of directors need not be by written ballot unless the Bylaws of the Corporation shall so provide.

5.3 Removal. Subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, a director may be removed from office in the manner provided in Section 141(k) of the DGCL.

5.4 Vacancies and Newly Created Directorships. Subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, and except as otherwise provided in the DGCL, vacancies occurring on the Board of Directors for any reason and newly created directorships resulting from an increase in the authorized number of directors may be filled only by vote of a majority of the remaining members of the Board of Directors, although less than a quorum, or by a sole remaining director, at any meeting of the Board of Directors. A person so elected by the Board of Directors to fill a vacancy or newly created directorship shall hold office until the next election of the class for which such director shall have been assigned by the Board of Directors and until his or her successor shall be duly elected and qualified.

(Signature Page Follows)

IN WITNESS WHEREOF, iRhythm Technologies, Inc. has caused this Certificate of Amendment of Amended and Restated Certificate of Incorporation to be signed by Kevin King, a duly authorized officer of the Corporation, on June 22, 2020.

By: /s/ Kevin King
Kevin King
President and Chief Executive Officer

Exhibit 10.8

THIRD AMENDMENT TO
THIRD AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

This Third Amendment to Third Amended and Restated Loan and Security Agreement (this "**Amendment**") is entered into this 17th day of November, 2023, by and between **SILICON VALLEY BANK, A DIVISION OF FIRST-CITIZENS BANK & TRUST COMPANY**
("**Bank**") and **IRHYTHM TECHNOLOGIES, INC.**, a Delaware corporation ("**Borrower**"), whose address is 699 8th Street, Suite 600, San Francisco, California 94103.

Recitals

A. Bank and Borrower have entered into that certain Third Amended and Restated Loan and Security Agreement dated as of October 23, 2018, as amended by that certain First Amendment to Third Amended and Restated Loan and Security Agreement dated as of March 3, 2020, by and between Borrower and Bank, and as further amended by that certain Second Amendment to Third Amended and Restated Loan and Security Agreement dated as of March 28, 2022, by and between Borrower and Bank (as the same may from time to time be further amended, modified, supplemented or restated, the "**Loan Agreement**").

B. Bank has extended credit to Borrower for the purposes permitted in the Loan Agreement.

C. Borrower has requested that Bank amend the Loan Agreement to make certain revisions to the Loan Agreement as more fully set forth herein.

D. Bank has agreed to so amend certain provisions of the Loan Agreement, but only to the extent, in accordance with the terms, subject to the conditions and in reliance upon the representations and warranties set forth below.

Agreement

Now, Therefore, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

1. Definitions. Capitalized terms used but not defined in this Amendment shall have the meanings given to them in the Loan Agreement.

2. Amendments to Loan Agreement.

1.1 Section 13 (**Definitions**). Clause (m) of the definition of "Permitted Investments" is amended in its entirety and replaced with the following:

> " (m) Investments by (i) any Subsidiary of Borrower which is not a co- borrower under this Agreement in any Subsidiary which is a Borrower under this Agreement, (ii) any Subsidiary of Borrower which is not a co-borrower under this Agreement in another Subsidiary of Borrower which is not a co-borrower under

this Agreement, (iii) Borrower or any co-borrower under this Agreement in Borrower or any co-Borrower under this Agreement, and (iv) Borrower or any co- Borrower under this Agreement in any Subsidiary which is not a co-Borrower under this Agreement in an amount not to exceed (1) for Borrower's fiscal year ending December 31, 2023, Thirty-Five Million Dollars ($35,000,000.00) in the aggregate at any time outstanding during such fiscal year, (2) for Borrower's fiscal year ending December 31, 2024, Forty Million Dollars ($40,000,000.00) in the aggregate at any time outstanding during such fiscal year period, and (3) for Borrower's fiscal year ending December 31, 2025 and each fiscal year thereafter, Forty-Six Million Dollars ($46,000,000.00) in the aggregate at any time outstanding during such fiscal year, so long as, in each case, the maximum cash balance maintained with all such Subsidiaries shall not exceed Fifteen Million Dollars ($15,000,000.00) in the aggregate at any time."

3. Limitation of Amendments.

1.1 The amendments set forth in Section 2 above are effective for the purposes set forth herein and shall be limited precisely as written and shall not be deemed to (a) be a consent to any amendment, waiver or modification of any other term or condition of any Loan Document, or (b) otherwise prejudice any right or remedy which Bank may now have or may have in the future under or in connection with any Loan Document.

1.2 This Amendment shall be construed in connection with and as part of the Loan Documents and all terms, conditions, representations, warranties, covenants and agreements set forth in the Loan Documents, except as herein amended, are hereby ratified and confirmed and shall remain in full force and effect.

1. Representations and Warranties. To induce Bank to enter into this Amendment, Borrower hereby represents and warrants to Bank as follows:

1.1 Immediately after giving effect to this Amendment (a) the representations and warranties contained in the Loan Documents are true and correct in all material respects as of the date hereof (except to the extent such representations and warranties relate to an earlier date, in which case they are true and correct as of such date), and (b) no Event of Default has occurred and is continuing;

1.2 Borrower has the power and authority to execute and deliver this Amendment and to perform its obligations under the Loan Agreement, as amended by this Amendment;

1.3 The organizational documents of Borrower delivered to Bank on the Effective Date remain true, accurate and complete and have not been amended, supplemented or restated and are and continue to be in full force and effect;

1.4 The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, have been duly authorized by Borrower;

1.5 The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, do not and will not contravene (a) any material Requirement of Law, (b) any material contractual restriction with a Person binding on Borrower, (c) any material order, judgment or decree of any court or other governmental or public body or authority, or subdivision thereof, binding on Borrower, or (d) the organizational documents of Borrower;

1.6 The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, do not require on the part of the Borrower any order, consent, approval, license, authorization or validation of, or filing, recording or registration with, or exemption by any governmental or public body or authority, or subdivision thereof, binding on Borrower, except as already has been obtained or made; and

1.7 This Amendment has been duly executed and delivered by Borrower and is the binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditors' rights (regardless of whether enforcement is sought in equity or at law).

4. Release by Borrower:

1.1 FOR GOOD AND VALUABLE CONSIDERATION, Borrower hereby forever relieves, releases, and discharges Bank and its present or former employees, officers, directors, agents, representatives, attorneys, and each of them, from any and all claims, debts, liabilities, demands, obligations, promises, acts, agreements, costs and expenses, actions and causes of action, of every type, kind, nature, description or character whatsoever, whether known or unknown, suspected or unsuspected, absolute or contingent, arising out of or in any manner whatsoever connected with or related to facts, circumstances, issues, controversies or claims existing or arising from the beginning of time through and including the date of execution of this Amendment (collectively "**Released Claims**"). Without limiting the foregoing, the Released Claims shall include any and all liabilities or claims arising out of or in any manner whatsoever connected with or related to the Loan Documents, the recitals hereto, any instruments, agreements or documents executed in connection with any of the foregoing or the origination, negotiation, administration, servicing and/or enforcement of any of the foregoing.

1.2 In furtherance of this release, Borrower expressly acknowledges and waives any and all rights under Section 1542 of the California Civil Code, which provides as follows:

> "**A general release** does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party." (Emphasis added.)

1.3 By entering into this release, Borrower recognizes that no facts or representations are ever absolutely certain and it may hereafter discover facts in addition to or different from those which it presently knows or believes to be true, but that it is the intention of Borrower hereby to fully, finally and forever settle and release all matters, disputes and differences, known or unknown, suspected or unsuspected; accordingly, if Borrower should subsequently discover that any fact that it relied upon in entering into this release was untrue, or that any understanding of the facts was incorrect, Borrower shall not be entitled to set aside this release by reason thereof, regardless of any claim of mistake of fact or law or any other circumstances whatsoever. Borrower acknowledges that it is not relying upon and has not relied upon any representation or statement made by Bank with respect to the facts underlying this release or with regard to any of such party's rights or asserted rights.

1.4 This release may be pleaded as a full and complete defense and/or as a cross-complaint or counterclaim against any action, suit, or other proceeding that may be instituted, prosecuted or attempted in breach of this release. Borrower acknowledges that the release contained herein constitutes a material inducement to Bank to enter into this Amendment, and that Bank would not have done so but for Bank's expectation that such release is valid and enforceable in all events.

1.5 Borrower hereby represents and warrants to Bank, and Bank is relying thereon, as follows:

(a) Except as expressly stated in this Amendment, neither Bank nor any agent, employee or representative of Bank has made any statement or representation to Borrower regarding any fact relied upon by Borrower in entering into this Amendment.

(b) Borrower has made such investigation of the facts pertaining to this Amendment and all of the matters appertaining thereto, as it deems necessary.

(c) The terms of this Amendment are contractual and not a mere recital.

(d) This Amendment has been carefully read by Borrower, the contents hereof are known and understood by Borrower, and this Amendment is signed freely, and without duress, by Borrower.

(e) Borrower represents and warrants that it is the sole and lawful owner of all right, title and interest in and to every claim and every other matter which it releases herein, and that it has not heretofore assigned or transferred, or purported to assign or transfer, to any person, firm or entity any claims or other matters herein released. Borrower shall indemnify Bank, defend and hold it harmless from and against all claims based upon or arising in connection with prior assignments or purported assignments or transfers of any claims or matters released herein.

2. Fees and Expenses. Borrower shall reimburse Bank for all unreimbursed Bank Expenses, including without limitation, all legal fees and expenses incurred in connection with this Amendment

3. Governing Law. This Amendment shall be governed and construed in accordance with the laws of the State of California, without giving effect to conflicts of laws principles.

4. Integration. This Amendment and the Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Amendment and the Loan Documents merge into this Amendment and the Loan Documents.

5. Counterparts. This Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument. Each party hereto may execute this Amendment by electronic means and recognizes and accepts the use of electronic signatures and records by any other party hereto in connection with the execution and storage hereof.

6. Effectiveness. This Amendment shall be deemed effective as of the due execution and delivery to Bank of this Amendment by each party hereto.

[Signature page follows.]

In Witness Whereof, the parties hereto have caused this Amendment to be duly executed and delivered as of the date first written above.

BANK BORROWER

DocuSigned by:
Peter Sletteland
E7A426F14025440...

First-Citizens Bank & Trust Company

By: __ Name: Peter Sletteland
Title: Managing Director

IRHYTHM TECHNOLOGIES, INC.

DocuSigned by:
Quentin Blackford
83DC5971BBC443B...

By: __ Name: Quentin Blackford
Title: Chief Executive Officer

First Amendment to Office Lease

This First Amendment to Office Lease (this "**Amendment**") is being signed on May 31, 2019 (the "**Effective Date**"), by Big Dog Holdings LLC, a Delaware limited liability company ("**Landlord**"), and iRhythm Technologies, Inc., a Delaware corporation ("**Tenant**").

Recitals

A. Pursuant to that certain Office Lease dated as of October 4, 2018 (the "**Existing Lease**"; and together with this Amendment, the "**Lease**"), Tenant leases or will lease certain premises located in the building located at 650 Townsend Street, San Francisco, California.

B. Landlord and Tenant now desire to amend the Existing Lease to, among other things, correct certain scrivener's errors and to eliminate from the Lease the Landlord's obligations in connection with the "common food court and coffee bar," which will be addressed in a separate service agreement.

Agreement

Therefore, the Landlord and Tenant agree as follows:

1. **Use of Defined Terms; Recitals**. Unless otherwise defined herein or unless the context clearly requires otherwise, all capitalized terms used herein shall have the defined meanings ascribed to them in the Existing Lease. In the event of any conflict between the terms of the Existing Lease and the terms of this Amendment, the terms (including, without limitation, any definitions) set forth in this Amendment shall supersede and control.

1.1 **Recitals.** The recitals set forth above are incorporated herein and made a part of this Amendment to the same extent as if set forth herein in full.

1. **Amendments.**

1.1 **Section 1.1.** Section 1.1 of the Existing Lease is hereby amended by deleting the phrase "[OPEN: confirm with property manager]" from the end of the definition of "RSF".

1.2 **Section 8.6**. Section 8.6 of the Existing Lease is hereby amended as follows:

(i) by deleting the first paragraph of subsection 8.6(a) in its entirety and replacing it with the following:

(a) From time-to-time, and subject to this Section 8.6, Landlord may offer amenities in the Building, including by way of illustration only: fitness center, theatre, conference and meeting facilities, all-hands spaces, showers, dry cleaning service, and bicycle parking ("**Building Amenities**"); provided, however, for so long as Zynga Inc., a Delaware corporation ("**Zynga**") or an entity that Controls is Controlled by or is under common Control with Zynga or an entity into or with which Zynga is merged or an entity to which a material portion of Zynga's assets are transferred is an occupant of the Project occupying in excess of 183,513 rentable square feet, Landlord will offer such amenities to Tenant and its employees. For the avoidance of doubt, food service and coffee bar service are not Building Amenities and any provision of food service and coffee bar service from Zynga to Tenant or Landlord to Tenant, as the case may be, will be provided pursuant to a separate service agreement or further amendment to this Lease. To the extent such Building

Amenities are offered, Tenant has the non-exclusive right to use the Building Amenities, subject to the following terms and conditions:

(ii) by deleting subsection 8.6(a)(1) in its entirety and replacing it with the

following:

(1) Only Tenant and its designated employees (whether classified as employees or independent contractors) and, to the extent expressly provided herein, invitees ("**Permitted Users**") may use the Building Amenities; provided, however, Permitted Users may include Tenant's invitees and licensees when accompanied by Tenant, in the theater, conference rooms, and all-hands space.

(iii) by deleting subsection 8.6(a)(3) in its entirety and replacing it with the

following:

(3) Landlord, in its reasonable discretion, may elect to: (i) require a written agreement and/or release from Permitted Users prior to their use of the Building Amenities;
(ii) charge reasonable fees for the Permitted Users' use of the Building Amenities in connection with specially ordered services (e.g., after-hours usage of an all-hands space or massage services at the fitness center) or in connection with Tenant's exclusive use, upon Tenant's written request, of Building Amenities (which fee, if any, shall be determined on a non-discriminatory basis as to all occupants other than any Landlord Entity); (iii) provide reasonable access controls to the

Building Amenities; (iv) determine the hours of operation of the Building Amenities; and (v) include the costs and expenses to operate, clean, maintain, and manage the Building Amenities in Operating Expenses.

(iv) by deleting subsection 8.6(a)(4) in its entirety and replacing it with the following:

(4) Landlord shall have the right, in its sole discretion, to change, add to, reduce, or discontinue the Building Amenities (or the use thereof), provided that, subject to Section 8.6(a)(6) below, Landlord provides to Tenant the same access and rights to use the Building Amenities as it provides to any other tenant in the Building. Notwithstanding the foregoing, Landlord reserves the right to disallow the use of the Building Amenities to any person, including any Permitted User, who, in Landlord's opinion has, or will misuse the Building Amenities, including abusing the use of the Amenities.

(v) by deleting subsection 8.6(a)(6) in its entirety and replacing it with the following:

(6) Building Amenities are provided on a strictly "first come, first served" basis along with other occupants of the Building (including Landlord) and any interruption, diminishment or discontinuation of Building Amenities shall not entitle Tenant to any reduction or abatement of rent, constitute an actual or constructive eviction of Tenant, result in any liability of Landlord to Tenant, or in any other way affect this Lease or Tenant's obligations hereunder. Notwithstanding anything to the contrary in this Lease, Zynga shall have a first priority right to use the following Building Amenities: theater, conference rooms, and all-hands spaces.

(vi) by deleting subsection 8.6(b) in its entirety and replacing it with the following:

(b) For the entire Term (including any Option Term), Tenant shall comply with the terms of a separate catering agreement (the "**Catering Agreement**"), subject to any termination thereof, as provided in the Catering Agreement, whereby Tenant shall purchase from Zynga or its assignee or designee food and coffee service for all of Tenant's employees regularly occupying the Premises at the then-prevailing rates established by Zynga. The Catering Agreement shall be in form and substance reasonably acceptable to Zynga and Tenant.

(vii) by deleting subsection 8.6(c) in its entirety and replacing it with the following:

(c) Notwithstanding anything to the contrary in this Section 8.6, if (1) Zynga vacates the west side of the Project and (2) Zynga discontinues providing food service and coffee bar service under the Catering Agreement, the Base Annual Rent payable under this Lease for the remainder of the then current Term shall be reduced by $2.00 per RSF.

2. **Brokers.** Landlord and Tenant each represent and warrant to the other that no broker, agent, or finder has procured, or was involved in the negotiation of, this Amendment on its behalf and no such broker, agent or finder is or may be entitled to a fee, commission or other compensation in connection with this Amendment. Landlord and Tenant shall each indemnify, defend, protect and hold the other harmless from and against any and all third party claims, actual or threatened, for compensation that may be asserted against the indemnified party in breach of the foregoing warranty and representation.

3. **Miscellaneous**.

1.1 Except as modified by this Amendment, all of the terms, conditions and provisions of the Existing Lease shall remain in full force and effect and are hereby ratified and confirmed. The Lease, as amended by this Amendment, may be amended only by an agreement in writing, signed by the parties hereto. This Amendment is binding upon and shall inure to the benefit of the parties hereto, their respective agents, employees, representatives, officers, directors, divisions, subsidiaries, affiliates, assigns, heirs, successors in interest and shareholders.

1.2 Whether or not specifically amended by this Amendment, all of the terms and provisions of the Existing Lease are hereby amended to the extent necessary to give effect to the purpose and intent of this Amendment.

1.3 The submission of this Amendment to Tenant for examination or execution does not create an option or constitute an offer to Tenant to amend the Existing Lease on the terms and conditions contained herein, and this Amendment shall not become effective as an amendment to the Existing Lease unless and until this Amendment has been fully executed and delivered by both Tenant and Landlord.

1.4 This Amendment contains the entire agreement of Landlord and Tenant with respect to the subject matter hereof. It is understood that there are no oral agreements between Landlord and Tenant affecting the Lease as hereby amended, and this Amendment supersedes and cancels any and all previous negotiations, representations, agreements and understandings, if any, between Landlord and Tenant and their respective agents with respect to the subject matter thereof, and none shall be used to interpret or construe the Lease. Tenant acknowledges that all prior communications from Landlord or its agents are not and were not, and shall not be construed to be, representations or warranties of Landlord or its agents as to the matters communicated, and have not and will not be relied upon by Tenant.

1.5 This Amendment may be executed in two (2) or more counterparts, each of which shall be deemed an original and both of which together shall constitute one and the same agreement. This Amendment may be executed by a party's signature transmitted by electronic mail in portable document format ("**pdf**"), and copies of this Amendment executed and delivered by means of pdf signatures shall have the same force and effect as copies hereof executed and delivered with original signatures. All parties hereto may rely upon pdf signatures as if such signatures were originals. Any party executing and delivering this Amendment by pdf shall promptly thereafter deliver a counterpart of this Amendment containing said party's original signature. All parties hereto agree that a pdf signature page may be introduced into evidence in any proceeding arising out of or related to this Amendment as if it were an original signature page.

1.6 Landlord represents that the Project is not encumbered by any Encumbrance as of the date of this Amendment.

[Signature page follows]

The parties are signing this Amendment on the date stated in the introductory clause.

Landlord:

Big Dog Holdings LLC,

a Delaware limited liability company,

By its sole member, Zynga Inc.,

DocuSigned by:
Ger Griffin
D08943EEB8C94BF...
a Delaware corporation

By: __ Name:Ger Griffin

Title: CFO

Tenant:

iRhythm Technologies, Inc.,

DocuSigned by:
matt garrett
9AFA99C5BDD445B...
a Delaware corporation

By: __ Name:matt garrett

Title:CFO

IRHYTHM TECHNOLOGIES, INC.

EXECUTIVE CHANGE IN CONTROL AND SEVERANCE POLICY

(Adopted on August 1, 2019; Effective as of September 1, 2019; Amended May 23, 2023)

This Executive Change in Control and Severance Policy, as amended (the "**Policy**") is designed to provide certain protections to a select group of key employees of iRhythm Technologies, Inc. ("**iRhythm**" or the "**Company**") or any of its subsidiaries if their employment is involuntarily terminated under the circumstances described in this Policy. The Policy is designed to be an "employee welfare benefit plan" (as defined in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**")), and this document is both the formal plan document and the required summary plan description for the Policy.

1. **Eligible Employee**: An individual is only eligible for protection under this Policy if he or she is an Eligible Employee and complies with its terms. An "**Eligible Employee**" is an employee of the Company or any subsidiary of the Company who has (i) been designated by the Compensation Committee of the Board (the "**Compensation Committee**") as eligible to participate in the Policy, whether individually or by position or category of position and (ii) executed a participation agreement in the form attached hereto as Exhibit A (a "**Participation Agreement**").

2. **Policy Benefits**: An Eligible Employee will be eligible to receive the payments and benefits under this Policy upon his or her Qualified Termination. All benefits under this Policy will be subject to the Eligible Employee's compliance with the Release Requirement and any timing modifications required to avoid adverse taxation under Section 409A.

3. **Salary Severance**.

    a. On a Non-CIC Qualified Termination, an Eligible Employee will be eligible to receive continuing payments of severance pay at a rate equal to the Eligible Employee's Base Salary for the number of months set forth below, with payment commencing on the first Company payroll date following the effective date of the Release (subject to any delay as provided in Section 10), less applicable withholdings.

        i. Tier 1: Eighteen (18) months.

        ii. Tier 2: Twelve (12) months.

        iii. Tier 3: Six (6) months.

    b. On a CIC Qualified Termination, an Eligible Employee will be eligible to receive a lump- sum payment equal to the number of months of annualized Base Salary as set forth below, payable on the first Company payroll date following the effective date of the Release (subject to any delay as provided in Section 10), less applicable withholdings.

        i. Tier 1: Twenty-four (24) months.

        ii. Tier 2: Fifteen (15) months.

        iii. Tier 3: Nine (9) months.

4. **COBRA Benefit**.

a. On a Non-CIC Qualified Termination, if an Eligible Employee makes a valid election under COBRA to continue his or her health coverage, the Company will pay the cost of such continuation coverage for the Eligible Employee and any of the Eligible Employee's eligible dependents that were covered under the Company's health care plans immediately prior to the date of his or her eligible termination until the earliest of (i) the end of the period following the Non-CIC Qualified Termination set forth below, (ii) the date upon which the Eligible Employee and/or the Eligible Employee's eligible dependents become covered under similar plans or (iii) the date upon which the Eligible Employee ceases to be eligible for coverage under COBRA (such payments, the "**Non-CIC COBRA Premiums**"). However, if the Company determines in its sole discretion that it cannot pay the COBRA Non-CIC Premiums without potentially violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Company will in lieu thereof provide to the Eligible Employee a taxable lump-sum payment equal to the total amount of the COBRA premiums that the Executive would be required to pay to continue his or her group health coverage in effect on the date of his or her Qualified Termination (which amount will be based on the premium rates applicable for the first month of COBRA coverage for the Eligible Employee and any of eligible dependents of the Eligible Employee) for the period of time set forth below following the Qualified Termination (the "**Non-CIC COBRA Replacement Payment**"), payable on the first Company payroll date following the effective date of the Release (subject to any delay as provided in Section 10). The Non-CIC COBRA Replacement Payment (if any) will be made regardless of whether the Eligible Employee elects COBRA continuation coverage. For the avoidance of doubt, the Non-CIC COBRA Replacement Payment may be used for any purpose, including, but not limited to continuation coverage under COBRA, and will be subject to all applicable tax withholdings. Notwithstanding anything to the contrary under this Policy, if at any time the Company determines in its sole discretion that it cannot provide the Non-CIC COBRA Premiums or the Non-CIC COBRA Replacement Payment without violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Eligible Employee will not receive any further Non-CIC COBRA Premiums or the Non-CIC COBRA Replacement Payment.

i. Tier 1: Eighteen (18) months.

ii. Tier 2: Twelve (12) months.

iii. Tier 3: Six (6) months.

b. On CIC Qualified Termination if an Eligible Employee makes a valid election under COBRA to continue his or her health coverage, the Company will pay the cost of such continuation coverage for the Eligible Employee and any of the Eligible Employee's eligible dependents that were covered under the Company's health care plans immediately prior to the date of his or her eligible termination until the earliest of (i) the end of the period following the CIC Qualified Termination set forth below, (ii) the date upon which the Eligible Employee and/or the Eligible Employee's eligible dependents become covered under similar plans or (iii) the date upon which the Eligible Employee ceases to be eligible for coverage under COBRA (the "**CIC COBRA Premiums**", and together with the Non- CIC COBRA Premiums, the "**COBRA Premiums**"). However, if the Company determines in its sole discretion that it cannot pay the CIC COBRA Premiums without potentially violating applicable law (including, without limitation, Section 2716 of the

Public Health Service Act), the Company will in lieu thereof provide to the Eligible Employee a taxable lump-sum payment equal to the total amount of the COBRA premiums that the Eligible Employee would be required to pay to continue his or her group health coverage in effect on the date of his or her Qualified Termination (which amount will be based on the premium rates applicable for the first month of COBRA coverage for the Eligible Employee and any of eligible dependents of the Eligible Employee) for the period of time set forth below following the Qualified Termination (the "**CIC COBRA Replacement Payment**", and together with a Non-CIC COBRA Replacement Payment, a "**COBRA Replacement Payment**"), payable on the first Company payroll date following the effective date of the Release (subject to any delay as provided in Section 10). The CIC COBRA Replacement Payment (if any) will be made regardless of whether the Eligible Employee elects COBRA continuation coverage. For the avoidance of doubt, the CIC COBRA Replacement Payment may be used for any purpose, including, but not limited to continuation coverage under COBRA, and will be subject to all applicable tax withholdings. Notwithstanding anything to the contrary under this Policy, if at any time the Company determines in its sole discretion that it cannot provide the CIC COBRA Premiums or the CIC COBRA Replacement Payment without violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Eligible Employee will not receive any further CIC COBRA Premiums or the CIC COBRA Replacement Payment.

i. Tier 1: Twenty-four (24) months.

ii. Tier 2: Fifteen (15) months.

iii. Tier 3: Nine (9) months.

1. **Equity Benefits**: On a CIC-Qualified Termination, acceleration of vesting as to all then-unvested shares or rights subject to all equity awards which have been granted to the Eligible Employee. In the case of an equity award with performance-based vesting, unless otherwise specified in the applicable equity award agreement governing such award, all performance goals and other vesting criteria will be deemed achieved at target. For the avoidance of doubt, in the event of the Eligible Employee's Non-CIC Qualified Termination, any unvested portion of the Eligible Employee's then-outstanding equity awards will remain outstanding until the earlier of (x) three (3) months following the Qualified Termination (the "**Closing Deadline**") or (y) the occurrence of a Change in Control, solely so that any benefits due on a Non-CIC Qualified Termination can be provided if a Change in Control occurs within the three (3) month period following the Qualified Termination (provided that in no event will the Executive's stock options or similar equity awards remain outstanding beyond the equity award's maximum term to expiration). If no Change in Control occurs within the three (3) month period following a Qualified Termination, any unvested portion of the Eligible Employee's equity awards automatically and permanently will be forfeited on the three (3) month anniversary following the date of the Qualified Termination without having vested.

2. **Bonus Severance**. On a CIC-Qualified Termination, an Eligible Employee will be eligible to receive a lump-sum payment equal to a percentage of the Eligible Employee's target bonus as in effect for the fiscal year in which the Qualified Termination occurs, as set forth below, payable on the first Company payroll date following the effective date of the Release (subject to any delay as provided in Section 10), less applicable withholdings.

    i. Tier 1: One hundred and fifty percent (150%).

ii. Tier 2: One hundred percent (100%).

iii. Tier 3: Seventy-five percent (75%).

5. **Non-Duplication of Payment or Benefits**: If (i) an Eligible Employee's Qualified Termination occurs during the Pre-Closing Period that qualifies him or her for Salary Severance and COBRA Benefits payable on a Non-CIC Qualified Termination under this Policy and (ii) a Change in Control occurs by the Closing Deadline that qualifies him or her for the Salary Severance and COBRA Benefits payable on a CIC Qualified Termination under this Policy, then (i) the Eligible Employee will cease receiving any further payments or benefits under this Policy in connection with his or her Non-CIC Qualified Termination and (ii) the Salary Severance and COBRA Premiums (or the COBRA Replacement Payment) otherwise payable to the Eligible Employee on a CIC Qualified Termination under this Policy each will be offset by the corresponding payments or benefits already paid to the Eligible Employee under this Policy upon a Non-CIC Qualified Termination.

6. **Death of Eligible Employee**: If the Eligible Employee dies before all payments or benefits he or she is entitled to receive under this Policy have been paid, then (i) the COBRA Premiums to the Eligible Employee will immediately cease (and the COBRA Replacement Payment will not be paid to the Eligible Employee) and (ii) any such unpaid Salary Severance, Bonus Severance or Equity Benefits will be paid to his or her designated beneficiary, if living, or otherwise to his or her personal representative in a lump-sum payment as soon as possible following his or her death.

7. **Release**: The Eligible Employee's receipt of any severance payments or benefits upon his or Qualified Termination under this Policy is subject to the Eligible Employee signing and not revoking the Company's then-standard separation agreement and release of claims (which may include an agreement not to disparage the Company, non-solicit provisions, and other standard terms and conditions) (the "**Release**" and such requirement, the "**Release Requirement**"), which must become effective and irrevocable no later than the sixtieth (60^{th}) day following the Eligible Employee's Qualified Termination (the "**Release Deadline**"). If the Release does not become effective and irrevocable by the Release Deadline, the Eligible Employee will forfeit any right to severance payments or benefits under this Policy. In no event will severance payments or benefits under the Policy be paid or provided until the Release actually becomes effective and irrevocable. Notwithstanding any other payment schedule set forth in this Policy, none of the severance payments and benefits payable upon such Eligible Employee's Qualified Termination under this Policy will be paid or otherwise provided prior to the sixtieth (60^{th}) day following the Eligible Employee's Qualified Termination. Except to the extent that payments are delayed under the paragraph below entitled "Section 409A," on the first regular payroll pay day following the sixtieth (60^{th}) day following the Eligible Employee's Qualified Termination, the Company will pay or provide the Eligible Employee the severance payments and benefits that the Eligible Employee would otherwise have received under this Policy on or prior to such date, with the balance of such severance payments and benefits being paid or provided as originally scheduled.

8. **Section 409A**:

   a. For purposes of this Policy, no payment will be made to an Eligible Employee upon termination of his or her employment unless such termination constitutes a "separation from service" within the meaning of Code Section 409A and Section 1.409A-l(h) of the regulations promulgated thereunder.

   b. To the extent any payments to which an Eligible Employee becomes entitled under this

Policy, or any agreement or plan referenced herein, in connection with his or her separation from service from the Company constitute deferred compensation subject to Section 409A of the Code (the *"***Deferred Payments***"),* such payments will be paid on, or in the case of installments, will not commence, until the sixtieth (60^{th}) day following the Eligible Employee's separation from service, or if later, such time as required by Section 10.c. Except as required by 10.c., any installment payments that would have been made to an Eligible Employee during the sixty (60) day period immediately following such Eligible Employee's separation from service but for the preceding sentence will be paid to Eligible Employee on or around the sixtieth (60^{th}) day following Eligible Employee's separation from service and the remaining payments will be made as provided herein.

c. If an Eligible Employee is deemed at the time of such separation from service to be a "specified employee" under Code Section 409A, then any Deferred Payment(s) shall not be made or commence until the earliest of (i) the expiration of the six (6) month period measured from the date of his or her "separation from service" (as such term is at the time defined in Treasury Regulations under Code Section 409A) with the Company or (ii) the date of his or her death following such separation from service; provided, however, that such deferral shall only be effected to the extent required to avoid adverse tax treatment to the Eligible Employee, including (without limitation) the additional twenty percent (20%) tax for which the Eligible Employee would otherwise be liable under Code Section 409A(a)(l)(B) in the absence of such deferral. Upon the expiration of the applicable deferral period, any payments which would have otherwise been made during that period (whether in a single sum or in installments) in the absence of this paragraph shall be paid to the Eligible Employee or his or her beneficiary in one lump sum.

d. The Company reserves the right to amend the Policy as it deems necessary or advisable, in its sole discretion and without the consent of any Eligible Employee or any other individual, to comply with any provision required to avoid the imposition of the additional tax imposed under Code Section 409A or to otherwise avoid income recognition under Code Section 409A prior to the actual payment of any benefits or imposition of any additional tax. Each payment and benefit payable hereunder is intended to constitute a separate payment for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations. In no event will the Company reimburse an Eligible Employee for any taxes that may be imposed on the Eligible Employee as a result of Section 409A.

9. **Parachute Payments**:

a. Reduction of Severance Benefits. Notwithstanding anything set forth herein to the contrary, if any payment or benefit that an Eligible Employee would receive from the Company or any other party whether in connection with the provisions herein or otherwise (the "**Payment**") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "**Code**"), and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then such Payment will be equal to the Best Results Amount. The "Best Results Amount" will be either (x) the full amount of such Payment or (y) such lesser amount as would result in no portion of the Payment being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state and local employment taxes, income taxes and the Excise Tax, results in the Eligible Employee's receipt, on an after-tax basis, of the greater amount notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in payments or benefits constituting parachute payments is necessary so that the Payment equals the Best Results Amount, reduction will occur in the following order: reduction of cash

payments; cancellation of awards granted "contingent on a change in ownership or control" (within the meaning of Code Section 280G); cancellation of accelerated vesting of stock awards; and reduction of employee benefits. In the event that acceleration of vesting of stock award compensation is to be reduced, such acceleration of vesting will be cancelled in the reverse order of the date of grant of the Eligible Employee's equity awards.

b. Determination of Excise Tax Liability. The Company will select a professional services firm to make all of the determinations required to be made under these paragraphs relating to parachute payments. The Company will request that firm provide detailed supporting calculations both to the Company and the Eligible Employee prior to the date on which the event that triggers the Payment occurs if administratively feasible, or subsequent to such date if events occur that result in parachute payments to the Eligible Employee at that time. For purposes of making the calculations required under these paragraphs relating to parachute payments, the firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith determinations concerning the application of the Code. The Company and the Eligible Employee will furnish to the firm such information and documents as the firm may reasonably request in order to make a determination under these paragraphs relating to parachute payments. The Company will bear all costs the firm may reasonably incur in connection with any calculations contemplated by these paragraphs relating to parachute payments. Any such determination by the firm will be binding upon the Company and the Eligible Employee, and the Company will have no liability to the Eligible Employee for the determinations of the firm.

3. **Administration**: The Policy will be administered by the Compensation Committee or its delegate (in each case, an "**Administrator**"). The Administrator will have full discretion to administer and interpret the Policy. Any decision made or other action taken by the Administrator with respect to the Policy and any interpretation by the Administrator of any term or condition of the Policy, or any related document, will be conclusive and binding on all persons and be given the maximum possible deference allowed by law. The Administrator is the "plan administrator" of the Policy for purposes of ERISA and will be subject to the fiduciary standards of ERISA when acting in such capacity.

4. **Exclusive Benefits**: This Policy is intended to be the only agreement between the Eligible Employee and the Company regarding any change in control or severance payments or benefits to be paid to the Eligible Employee on account of a termination of employment whether unrelated to, concurrent with, or following, a Change in Control. Accordingly, by executing a Participation Agreement, an Eligible Employee hereby forfeits and waives any rights to any severance or change in control benefits set forth in any employment agreement, offer letter, and/or equity award agreement, except as set forth in this Policy.

5. **Tax Obligations**: All payments and benefits under this Policy will be paid less applicable withholding taxes. The Company is authorized to withhold from any payments or benefits all federal, state, local and/or foreign taxes required to be withheld therefrom and any other required payroll deductions. The Company will not pay any Eligible Employee's taxes arising from or relating to any payments or benefits under this Policy. The Eligible Employee will be solely responsible for the payment of all personal tax liability that is incurred as a result of the payments and benefits received under this Policy, and the Eligible Employee will not be reimbursed by the Company for any such payments.

6. **Amendment or Termination**: The Board or the Compensation Committee may amend or terminate the Policy at any time without advance notice to any Eligible Employee or other individual and without regard to the effect of the amendment or termination on any Eligible Employee or on any other individual, except that any amendment or termination of the Policy that would reduce the benefits provided hereunder or impair an Eligible Employee's eligibility under the Policy will not be effective with respect to such Eligible Employee without such Eligible Employee's prior written consent. Any action in amending or terminating the Policy will be taken in a non-fiduciary capacity.

7. **Claims Procedure**: Any Eligible Employee who believes he or she is entitled to any payment under the Policy may submit a claim in writing to the Administrator. If the claim is denied (in full or in part), the claimant will be provided a written notice explaining the specific reasons for the denial and referring to the provisions of the Policy on which the denial is based. The notice will also describe any additional information needed to support the claim and the Policy's procedures for appealing the denial. The denial notice will be provided within ninety (90) days after the claim is received. If special circumstances require an extension of time (up to ninety (90) days), written notice of the extension will be given within the initial ninety (90) day period. This notice of extension will indicate the special circumstances requiring the extension of time and the date by which the Administrator expects to render its decision on the claim.

8. **Appeal Procedure**: If the claimant's claim is denied, the claimant (or his or her authorized representative) may apply in writing to the Administrator for a review of the decision denying the claim. Review must be requested within sixty (60) days following the date the claimant received the written notice of their claim denial or else the claimant loses the right to review. The claimant (or representative) then has the right to review and obtain copies of all documents and other information relevant to the claim, upon request and at no charge, and to submit issues and comments in writing. The Administrator will provide written notice of the decision on review within sixty
(60) days after it receives a review request. If additional time (up to sixty (60) days) is needed to review the request, the claimant (or representative) will be given written notice of the reason for the delay. This notice of extension will indicate the special circumstances requiring the extension of time and the date by which the Administrator expects to render its decision. If the claim is denied (in full or in part), the claimant will be provided a written notice explaining the specific reasons for the denial and referring to the provisions of the Policy on which the denial is based. The notice will also include a statement that the claimant will be provided, upon request and free of charge, reasonable access to, and copies of, all documents and other information relevant to the claim and a statement regarding the claimant's right to bring an action under Section 502(a) of ERISA.

9. **Successors**: Any successor to the Company of all or substantially all of the Company's business and/or assets (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or other transaction) will assume the obligations under the Policy and agree expressly to perform the obligations under the Policy in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under the Policy, the term "Company" will include any successor to the Company's business and/or assets which becomes bound by the terms of the Policy by operation of law, or otherwise.

10. **Applicable Law**: The provisions of the Policy will be construed, administered, and enforced in accordance with ERISA and, to the extent applicable, the internal substantive laws of the state of California (but not its conflict of laws provisions).

11. **Definitions**: The following terms will have the following meanings for purposes of this Policy:

a. "**Affiliate**" means the Company and any other parent or subsidiary corporation of the Company, as such terms are defined in Section 424(e) and (1) of the Code.

b. "**Base Salary**" means the Eligible Employee's annual base salary as in effect immediately prior to his or her Qualified Termination (or if the Qualified Termination is due to Good Reason based on a material reduction in base salary under Section 20.m.(i), then the Eligible Employee's annual base salary in effect immediately prior to such reduction).

c. "**Board**" means the Board of Directors of the Company.

d. "**Bonus Severance**" means the severance payments set forth in Section 6.

e. "**Cause**" means: (i) Eligible Employee's conviction of, or plea of guilty or nolo contendre to, a felony or a crime involving moral turpitude; (ii) Eligible Employee's admission or conviction of, or plea of guilty or nolo contendre to, an intentional act of fraud, embezzlement or theft in connection with Eligible Employee's duties or in the course of employment with the Company or an Affiliate; (iii) Eligible Employee's intentional wrongful damage to property of the Company or an Affiliate; (iv) Eligible Employee's intentional unauthorized or wrongful use or disclosure of secret processes or of proprietary or confidential information of the Company or an Affiliate (or any other party to whom Eligible Employee owes an obligation of nonuse or nondisclosure as a result of Eligible Employee's employment relationship with the Company or an Affiliate), including but not limited to trade secrets and customer lists; (iv) Eligible Employee's violation of any agreement not to compete with the Company or an Affiliate or to solicit either its customers or employees on behalf of competitors while remaining employed with the Company or an Affiliate; (v) Eligible Employee's intentional violation of any policy or policies regarding ethical conduct; (vi) an act of dishonesty made by Eligible Employee in connection with Eligible Employee's responsibilities as an employee which materially harms the Company or an Affiliate, or (vii) Eligible Employee's intentional or continued failure to perform Eligible Employee's duties with the Company or an Affiliate, as determined in good faith by the Company or an Affiliate after being provided with notice of such failure, such notice specifying in reasonable detail the tasks which must be accomplished and a timeline for the accomplishment to avoid termination for Cause, and an opportunity to cure within thirty
(30) days of receipt of such notice.

f. "**Change in Control**" means the occurrence of any of the following events:

i. A change in the ownership of the Company which occurs on the date that any one person, or more than one person acting as a group ("**Person**"), acquires ownership of the stock of the Company that, together with the stock held by such Person, constitutes more than fifty percent (50%) of the total voting power of the stock of the Company; provided, however, that for purposes of this subsection, the acquisition of additional stock by any one Person, who is considered to own more than fifty percent (50%) of the total voting power of the stock of the Company, will not be considered a Change in Control; or

ii. Any action or event occurring within an one year period, as a result of which less than a majority of the members of the Board are Incumbent Directors. "**Incumbent Directors**" will mean members of the Board who either (A) are members of the Board as of the date hereof, or (B) are elected, or nominated for election, to the Board with the affirmative votes of a majority of the Incumbent

Directors at the time of such election or nomination (but will not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of members of the Board); or

iii. A change in the ownership of a substantial portion of the Company's assets which occurs on the date that any Person acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than fifty percent (50%) of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions; provided, however, that for purposes of this subsection (iii), the following will not constitute a change in the ownership of a substantial portion of the Company's assets: (A) a transfer to an entity that is controlled by the Company's stockholders immediately after the transfer, or (B) a transfer of assets by the Company to: (1) a stockholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company's stock, (2) an entity, fifty percent (50%) or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (3) a Person, that owns, directly or indirectly, fifty percent (50%) or more of the total value or voting power of all the outstanding stock of the Company, or (4) an entity, at least fifty percent (50%) of the total value or voting power of which is owned, directly or indirectly, by a Person described in this subsection (iii)(B)(3). For purposes of this subsection (iii), gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For purposes of this definition, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company.

Notwithstanding the foregoing, a transaction will not be deemed a Change in Control unless the transaction qualifies as a change in control event within the meaning of Section 409A.

Further and for the avoidance of doubt, a transaction will not constitute a Change in Control if: (i) its sole purpose is to change the state of the Company's incorporation, or (ii) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

g. "**Change in Control Period**" means the period beginning three (3) months prior to a Change in Control and ending twelve (12) months following a Change in Control.

h. "**COBRA**" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

i. "**COBRA Benefit**" means the COBRA premium payments and COBRA Replacement Payments set forth in Sections 4.a. and 4.b.

j. "**Code**" means the Internal Revenue Code of 1986, as amended.

k. "**Disability**" means that the Eligible Employee has been unable to perform Eligible Employee's Company duties as the result of Eligible Employee's incapacity due to physical or mental illness, and such inability, at least twenty-six (26) weeks after its commencement or 180 days in any consecutive twelve (12) month period, is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to Eligible Employee or Eligible Employee's legal representative (such agreement as to acceptability not to be unreasonably withheld). Termination resulting from Disability may only be effected after at least thirty (30) days' written notice by the Company of its intention to terminate the Eligible Employee's employment. In the event that the Eligible Employee resumes the performance of substantially all of Eligible Employee's duties hereunder before the termination of Eligible Employee's employment becomes effective, the notice of intent to terminate will automatically be deemed to have been revoked.

l. "**Equity Benefits**" means the equity award acceleration benefits set forth in Section 5.

m. "**Good Reason**" means Eligible Employee's resignation within thirty (30) days following the expiration of any Company cure period (discussed below) following the occurrence of one or more of the following, without Eligible Employee's express written consent: (i) a material reduction by the Company of Eligible Employee's base salary in effect immediately prior to such reduction; (ii) a material reduction of Eligible Employee's duties or responsibilities relative to Eligible Employee's duties or responsibilities in effect immediately prior to such reduction; or (iii) Eligible Employee's relocation at the Company's direction to a facility or location more than fifty (50) miles from Eligible Employee's then present location of providing services. Eligible Employee's resignation will not be deemed to be for Good Reason unless Eligible Employee has first provided the Company with written notice of the acts or omissions constituting the grounds for "Good Reason" within ninety (90) days of the initial existence of the grounds for "Good Reason" and a reasonable cure period of not less than thirty (30) days following the date the Company receives such notice, and such condition has not been cured during such period.

n. "**Qualified Termination**" means a termination of the Eligible Employee's employment either (i) by the Company without Cause (excluding by reason of the Eligible Employee's death or Disability) or (ii) by the Executive for Good Reason, in either case, during the Change in Control Period (a "**CIC Qualified Termination**") or outside of the Change in Control Period (a "**Non-CIC Qualified Termination**").

o. "**Salary Severance**" means the severance payments set forth in Sections 3.a. and 3.b.

p. "**Tier**" means the tier of severance benefits an Eligible Employee is entitled to receive under the Policy, depending on the rank of the Eligible Employee on the date the right to severance benefits under the Policy is triggered through a Qualified Termination, as set forth below.

    i. "**Tier 1**" applies to the Company's Chief Executive Officer.

    ii. "**Tier 2**" applies to the Company's Chief Financial Officer, Chief People Officer and all Executive Vice Presidents.

    iii. "**Tier 3**" applies to the Company's Vice Presidents.

10. **Additional Information**:

Plan Name: iRhythm Technologies, Inc. Executive Change in Control and Severance Policy

Plan Sponsor: iRhythm Technologies, Inc.
699 8th Street, Suite 600 San Francisco, California

Identification Numbers: 002

Plan Year: Company's Fiscal Year

Plan Administrator: iRhythm Technologies, Inc.
Attention: Administrator of the iRhythm Technologies, Inc. Executive Change in Control and Severance Policy 699 8th Street, Suite 600

San Francisco, California

Agent for Service of

Legal Process: iRhythm Technologies, Inc. *Attention:* General Counsel
699 8th Street, Suite 600

San Francisco, California

Service of process may also be made upon the Plan Administrator.

Type of Plan Severance Plan/Employee Welfare Benefit Plan

Plan Costs The cost of the Policy is paid by the Company.

11. **Statement of ERISA Rights**:

Eligible Employees have certain rights and protections under ERISA:

They may examine (without charge) all Policy documents, including any amendments and copies of all documents filed with the U.S.

Department of Labor, such as the Policy's annual report (Internal Revenue Service Form 5500). These documents are available for review in the Company's Human Resources Department.

They may obtain copies of all Policy documents and other Policy information upon written request to the Plan Administrator. A reasonable charge may be made for such copies.

In addition to creating rights for Eligible Employees, ERISA imposes duties upon the people who are responsible for the operation of the Policy. The people who operate the Policy (called "fiduciaries") have a duty to do so prudently and in the interests of Eligible Employees. No one, including the Company or any other person, may fire or otherwise discriminate against an Eligible Employee in any way to prevent them from obtaining a benefit under the Policy or exercising rights

under ERISA. If an Eligible Employee's claim for a severance benefit is denied, in whole or in part, they must receive a written explanation of the reason for the denial. An Eligible Employee has the right to have the denial of their claim reviewed. (The claim review procedure is explained above.)

Under ERISA, there are steps Eligible Employees can take to enforce the above rights. For instance, if an Eligible Employee requests materials and does not receive them within thirty
(30) days, they may file suit in a federal court. In such a case, the court may require the Administrator to provide the materials and to pay the Eligible Employee up to $110 a day until they receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If an Eligible Employee has a claim which is denied or ignored, in whole or in part, he or she may file suit in a state or federal court. If it should happen that an Eligible Employee is discriminated against for asserting their rights, he or she may seek assistance from the
U.S. Department of Labor, or may file suit in a federal court.

In any case, the court will decide who will pay court costs and legal fees. If the Eligible Employee is successful, the court may order the person sued to pay these costs and fees. If the Eligible Employee loses, the court may order the Eligible Employee to pay these costs and fees, for example, if it finds that the claim is frivolous.

If an Eligible Employee has any questions regarding the Policy, please contact the Plan Administrator. If an Eligible Employee has any questions about this statement or about their rights under ERISA, they may contact the nearest area office of the Employee Benefits Security Administration (formerly the Pension and Welfare Benefits Administration), U.S. Department of Labor, listed in the telephone directory, or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue,
N.W. Washington, D.C. 20210. An Eligible Employee may also obtain certain publications about their rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

AMENDMENT NO. 1
TO
EXECUTIVE CHANGE IN CONTROL AND SEVERANCE POLICY

This Amendment No. 1 (this "**Amendment**") amends that certain Executive Change in Control and Severance Policy, adopted on August 1, 2019 and effective as of September 1, 2019 (the "**Policy**") of iRhythm Technologies, Inc., a Delaware corporation (the "**Company**"). This Amendment is effective as of May 23, 2023.

All capitalized terms not defined herein shall have the meanings assigned to them in the Policy.

The definition of "Tier 3" as set forth in Section 20(p) of the Policy is here by revised to include "Senior Vice Presidents" such that definition is replaced in its entirety as follows:

""**Tier 3**" applies to the Company's Vice Presidents and Senior Vice Presidents."

Except as otherwise set forth herein the Policy will remain unmodified and in full force and effect.

EXHIBIT A

Executive Change in Control and Severance Policy Participation Agreement

This Participation Agreement ("**Agreement**") is made and entered into by and between __on the one hand, and iRhythm Technologies, Inc. (the "**Company**") on the other.

You have been designated as eligible to participate in the Company's Executive Change in Control and Severance Policy (the "**Policy**"), a copy of which is attached hereto, pursuant to which you are eligible to receive the applicable Salary Severance, COBRA Benefit, Bonus Severance, and Equity Benefits set forth in the Policy upon a Qualified Termination, subject to the terms and conditions of the Policy. Capitalized terms used but not defined in this Agreement have the meanings given to them in the Policy.

You agree that the Policy and the Agreement constitute the entire agreement of the parties hereto and supersede in their entirety all prior representations, understandings, undertakings or agreements (whether oral or written and whether expressed or implied) of the parties, and will specifically supersede any severance and/or change in control provisions of any offer letter, employment agreement, or equity award agreement entered into between you and the Company.

This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

By its signature below, each of the parties signifies its acceptance of the terms of the Policy, in the case of the Company by its duly authorized officer effective as of the last date set forth below.

IRHYTHM TECHNOLOGIES, INC. **ELIGIBLE EMPLOYEE**

By:__ Signature:__

Date:__ Date:__

Exhibit 21.1

List of Subsidiaries

iRhythm Technologies Limited

Company Name	Place of Incorporation
iRhythm Technologies Limited	United Kingdom
iRhythm Singapore PTE. Ltd.	Singapore
iRhythm Japan GK (1)	Japan
iRhythm Philippines, Inc. (1)	Philippines

his an indirect subsidiary through iRhythm Singapore PTE. Ltd.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-263066, 333-256762, 333-236838, 333-233033, 333-223351, 333-217077, and 333-214203) of iRhythm Technologies, Inc. of our report dated February 22, 2024 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
San Jose, California
February 22, 2024

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Pursuant to
Securities Exchange Act Rules 13a-14(a) and 15d-14(a),
As Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Quentin S. Blackford, certify that:

1. I have reviewed this Annual Report on Form 10-K of iRhythm Technologies, 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: February 22, 2024

By: /s/ Quentin S. Blackford

Quentin S. Blackford,
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Pursuant to
Securities Exchange Act Rules 13a-14(a) and 15d-14(a),
As Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Brice Bobzien, certify that:

1. I have reviewed this Annual Report on Form 10-K of iRhythm Technologies, 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: February 22, 2024

By: /s/ Brice Bobzien

Brice Bobzien
Chief Financial Officer

Exhibit 32.1

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of iRhythm Technologies, Inc. (the "Company") on Form 10-K for the year ending December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

Date: February 22, 2024

By: /s/ Quentin S. Blackford

Quentin S. Blackford
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Brice Bobzien

Brice Bobzien
Chief Financial Officer
(Principal Financial Officer)

Exhibit 97.1

iRhythm Technologies, Inc.
Compensation Recovery Policy

(Adopted August 10, 2023)

The Board has determined that it is in the best interests of the Company and its stockholders to adopt this Policy enabling the Company to recover from specified current and former Company executives certain incentive-based compensation in the event of an accounting restatement resulting from material noncompliance with any financial reporting requirements under the federal securities laws. Capitalized terms are defined in Section 14.

This Policy is designed to comply with Rule 10D-1 of the Exchange Act and shall become effective on the Effective Date and shall apply to Incentive-Based Compensation Received by Covered Persons on or after the Listing Rule Effective Date.

1. Administration

This Policy shall be administered by the Administrator. The Administrator is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. The Administrator may retain, at the Company's expense, outside legal counsel and such compensation, tax or other consultants as it may determine are advisable for purposes of administering this Policy.

2. Covered Persons and Applicable Compensation

This Policy applies to any Incentive-Based Compensation Received by a person (a) after beginning service as a Covered Person; (b) who served as a Covered Person at any time during the performance period for that Incentive-Based Compensation; and (c) was a Covered Person during the Clawback Period.

However, recovery is not required with respect to:

i. Incentive-Based Compensation Received prior to an individual becoming a Covered Person, even if the individual served as a Covered Person during the Clawback Period.

ii. Incentive-Based Compensation Received prior to the Listing Rule Effective Date.

iii. Incentive-Based Compensation Received prior to the Clawback Period.

iv. Incentive-Based Compensation Received while the Company did not have a class of listed securities on a national securities exchange or a national securities association, including the Exchange.

The Administrator will not consider the Covered Person's responsibility or fault or lack thereof in enforcing this Policy with respect to recoupment under the Final Rules.

3. Triggering Event

Subject to and in accordance with the provisions of this Policy, if there is a Triggering Event, the Administrator shall take steps to recover the Recoupment Amount applicable to such Covered Person. A Company's obligation to recover the Recoupment Amount is not dependent on if or when the restated financial statements are filed.

4. Calculation of Recoupment Amount

The Recoupment Amount will be calculated in accordance with the Final Rules, illustrative, non-exclusive examples of which are provided in the Calculation Guidelines attached hereto as Exhibit B.

5. Method of Recoupment

Subject to compliance with the Final Rules and applicable law, the Administrator will determine, in its sole discretion, the method for recouping the Recoupment Amount hereunder which may include, without limitation:

i. Requiring reimbursement or forfeiture of the pre-tax amount of cash Incentive-Based Compensation previously paid;

ii. Offsetting the Recoupment Amount from any compensation otherwise owed by the Company to the Covered Person, including without limitation, any prior cash incentive payments, executive retirement benefits, wages, equity grants or other amounts payable by the Company to the Covered Person in the future;

iii. Seeking recovery of any gain realized on the vesting, exercise, settlement, cash sale, transfer, or other disposition of any equity-based awards; and/or

iv. Taking any other remedial and recovery action permitted by law, as determined by the Administrator.

6. Arbitration

To the fullest extent permitted by law, any disputes under this Policy shall be submitted to mandatory binding arbitration (the "***Arbitrable Claims***"), governed by the Federal Arbitration Act (the "***FAA***"). Further, to the fullest extent permitted by law, no class or collective actions can be asserted in arbitration or otherwise. All claims, whether in arbitration or otherwise, must be brought solely in the Covered Person's individual capacity, and not as a plaintiff or class member in any purported class or collective proceeding.

SUBJECT TO THE ABOVE PROVISO, ANY RIGHTS THAT A COVERED PERSON MAY HAVE TO TRIAL BY JURY IN REGARD TO ARBITRABLE CLAIMS ARE WAIVED. ANY RIGHTS THAT A COVERED PERSON MAY HAVE TO PURSUE OR PARTICIPATE IN A CLASS OR COLLECTIVE ACTION PERTAINING TO ANY CLAIMS BETWEEN A COVERED PERSON AND THE COMPANY ARE WAIVED.

The Covered Person is not restricted from filing administrative claims that may be brought before any government agency where, as a matter of law, the Covered Person's ability to file such claims may not be restricted. However, to the fullest extent permitted by law, arbitration shall be the exclusive remedy for the subject matter of such administrative claims. The arbitration shall be conducted in San Francisco County, CA through JAMS before a single neutral arbitrator, in accordance with the JAMS Comprehensive Arbitration Rules and Procedures then in effect, provided however, that the FAA, including its procedural provisions for compelling arbitration, shall govern and apply to this Arbitration provision. The arbitrator shall issue a written decision that contains the essential findings and conclusions on which the decision is based. If, for any reason, any term of this Arbitration provision is held to be invalid

or unenforceable, all other valid terms and conditions herein shall be severable in nature and remain fully enforceable.

7. Recovery Process; Impracticability

Actions by the Administrator to recover the Recoupment Amount will be reasonably prompt.

The Administrator must cause the Company to recover the Recoupment Amount unless the Administrator shall have previously determined that recovery is impracticable and one of the following conditions is met:

i. The direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered; before concluding that it would be impracticable to recover any Recoupment Amount based on expense of enforcement, the Company must make a reasonable attempt to recover such Recoupment Amount, document such reasonable attempt(s) to recover, and provide that documentation to the Exchange;

ii. Recovery would violate home country law where that law was adopted prior to November 28, 2022; before concluding that it would be impracticable to recover any Recoupment Amount based on violation of home country law, the Company must obtain an opinion of home country counsel, acceptable to the Exchange, that recovery would result in such a violation, and must provide such opinion to the Exchange; or

iii. Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

8. Non-Exclusivity

The Administrator intends that this Policy will be applied to the fullest extent of the law. Without limitation to any broader or alternate clawback authorized in any written document with a Covered Person, (i) the Administrator may require that any employment agreement, equity award agreement, or similar agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Covered Person to agree to abide by the terms of this Policy, and (ii) this Policy will nonetheless apply to Incentive-Based Compensation as required by the Final Rules, whether or not specifically referenced in those arrangements. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies or regulations available or applicable to the Company (including SOX 304). If recovery is required under both SOX 304 and this Policy, any amounts recovered pursuant to SOX 304 may be credited toward the amount recovered under this Policy, or vice versa. This Policy and the Certification do not supersede or replace any policy or agreement relating to the recoupment or recovery of compensation in the event of a Covered Person's misconduct as defined in such policy or agreement.

9. No Indemnification

The Company shall not indemnify any Covered Persons against (i) the loss of the Recoupment Amount or any adverse tax consequences associated with any Recoupment Amount or any recoupment hereunder, or (ii) any claims relating to the Company enforcement of its rights under this Policy. For the avoidance of doubt, this prohibition on indemnification will also prohibit the Company from reimbursing or paying any premium or payment of any third-party insurance

policy to fund potential recovery obligations obtained by the Covered Person directly. No Covered Person will seek or retain any such prohibited indemnification or reimbursement.

Further, the Company shall not enter into any agreement that exempts any Incentive-Based Compensation from the application of this Policy or that waives the Company's right to recovery of any Recoupment Amount and this Policy shall supersede any such agreement (whether entered into before, on or after the Effective Date).

10. Covered Person Acknowledgement and Agreement

All Covered Persons subject to this Policy must acknowledge their understanding of, and agreement to comply with, the Policy by executing the certification attached hereto as Exhibit A. **Notwithstanding the foregoing, this Policy will apply to Covered Persons whether or not they execute such certification.**

11. Successors

This Policy shall be binding and enforceable against all Covered Persons and their beneficiaries, heirs, executors, administrators or other legal representatives and shall inure to the benefit of any successor to the Company.

12. Interpretation of Policy

To the extent there is any ambiguity between this Policy and the Final Rules, this Policy shall be interpreted so that it complies with the Final Rules. If any provision of this Policy, or the application of such provision to any Covered Person or circumstance, shall be held invalid, the remainder of this Policy, or the application of such provision to Covered Persons or circumstances other than those as to which it is held invalid, shall not be affected thereby.

In the event any provision of this Policy is inconsistent with any requirement of any Final Rules, the Administrator, in its sole discretion, shall amend and administer this Policy and bring it into compliance with such rules.

Any determination under this Policy by the Administrator shall be conclusive and binding on the applicable Covered Person. Determinations of the Administrator need not be uniform with respect to Covered Persons or from one payment or grant to another.

13. Amendments; Termination

The Administrator may make any amendments to this Policy as required under applicable law, rules and regulations, or as otherwise determined by the Administrator in its sole discretion.

The Administrator may terminate this Policy at any time.

14. Definitions

"***Administrator***" means the Compensation Committee of the Board, or in the absence of a committee of independent directors responsible for executive compensation decisions, a majority of the independent directors serving on the Board.

"***Board***" means the Board of Directors of the Company.

"***Clawback Measurement Date***" is the earlier to occur of:

i. The date the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an accounting restatement as described in this Policy; or

ii. The date a court, regulator, or other legally authorized body directs the Company to prepare an accounting restatement as described in this Policy.

"***Clawback Period***" means the three (3) completed fiscal years immediately prior to the Clawback Measurement Date and any transition period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year (that results from a change in the Company's fiscal year) within or immediately following such three (3)-year period; provided that any transition period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of 9 to 12 months will be deemed a completed fiscal year.

"***Company***" means iRhythm Technologies, Inc., a Delaware corporation, or any successor corporation.

"***Covered Person***" means any Executive Officer (as defined in the Final Rules), including, but not limited to, those persons who are or have been determined to be "officers" of the Company within the meaning of Section 16 of Rule 16a-1(f) of the rules promulgated under the Exchange Act, and "executive officers" of the Company within the meaning of Item 401(b) of Regulation S-K, Rule 3b-7 promulgated under the Exchange Act, and Rule 405 promulgated under the Securities Act of 1933, as amended; provided that the Administrator may identify additional employees who shall be treated as Covered Persons for the purposes of this Policy with prospective effect, in accordance with the Final Rules.

"***Effective Date***" means August 10, 2023, the date the Policy was adopted by the Board (or an authorized committee thereof).

"***Exchange***" means the Nasdaq Global Select Market or any other national securities exchange or national securities association in the United States on which the Company has listed its securities for trading.

"***Exchange Act***" means the Securities Exchange Act of 1934, as amended.

"***Final Rules***" means the final rules promulgated by the SEC under Section 954 of the Dodd-Frank Act, Rule 10D-1 and Exchange listing standards, as may be amended from time to time.

"***Financial Reporting Measure***" are measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures that are derived wholly or in part from such measures. Stock price and TSR are also financial reporting measures. A financial reporting measure need not be presented within the financial statements or included in a filing with the SEC.

"***Incentive-Based Compensation***" means compensation that is granted, earned or vested based wholly or in part on the attainment of any Financial Reporting Measure. Examples of "Incentive-Based Compensation" include, but are not limited to: non-equity incentive plan awards that are earned based wholly or in part on satisfying a Financial Reporting Measure performance goal; bonuses paid from a "bonus pool," the size of which is determined based wholly or in part on satisfying a Financial Reporting Measure performance goal; other cash awards based on satisfaction of a Financial Reporting Measure performance goal; restricted stock, restricted stock units, performance share units, stock options, and SARs that are granted or become vested based

wholly or in part on satisfying a Financial Reporting Measure goal; and proceeds received upon the sale of shares acquired through an incentive plan that were granted or vested based wholly or in part on satisfying a Financial Reporting Measure goal. "Incentive-Based Compensation" excludes, for example, time-based awards such as stock options or restricted stock units that are granted or vest *solely* upon completion of a service period; awards based on non-financial strategic or operating metrics such as the consummation of a merger or achievement of non-financial business goals; service-based retention bonuses; discretionary compensation; and salary.

"***Listing Rule Effective Date***" means October 2, 2023.

"***Policy***" means this Compensation Recovery Policy.

Incentive-Based Compensation is deemed "***Received***" in the Company's fiscal period during which the relevant Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, irrespective of whether the payment or grant occurs on a later date or if there are additional vesting or payment requirements, such as time-based vesting or certification or approval by the Compensation Committee or Board, that have not yet been satisfied.

"***Recoupment Amount***" means the amount of Incentive-Based Compensation Received by the Covered Person based on the financial statements prior to the restatement that exceeds the amount such Covered Person would have received had the Incentive-Based Compensation been determined based on the financial restatement, computed without regard to any taxes paid (*i.e.*, gross of taxes withheld).

"***SARs***" means stock appreciation rights.

"***SEC***" means the U.S. Securities and Exchange Commission.

"***SOX 304***" means Section 304 of the Sarbanes-Oxley Act of 2002.

"***Triggering Event***" means any event in which the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

"***TSR***" means total stockholder return.

EXHIBIT A

Certification

I certify that:

1. I have read and understand the Company's Compensation Recovery Policy (the "***Policy***"). I understand that the General Counsel is available to answer any questions I have regarding the Policy.

2. I understand that the Policy applies to all of my existing and future compensation-related agreements with the Company Received after the Listing Rule Effective Date, whether or not explicitly stated therein.

3. I agree that notwithstanding the Company's certificate of incorporation, bylaws, and any agreement I have with the Company, including any indemnity agreement I have with the Company, I will not be entitled to, and will not seek indemnification from the Company for, any amounts recovered or recoverable by the Company in accordance with the Policy.

4. I understand and agree that in the event of a conflict between the Policy and the foregoing agreements and understandings on the one hand, and any prior, existing or future agreement, arrangement or understanding, whether oral or written, with respect to the subject matter of the Policy and this Certification, on the other hand, the terms of the Policy and this Certification shall control, and the terms of this Certification shall supersede any provision of such an agreement, arrangement or understanding to the extent of such conflict with respect to the subject matter of the Policy and this Certification. Notwithstanding the foregoing or anything to the contrary in the Policy, the Policy and this Certification do not supersede or replace any policy or agreement relating to the recoupment or recovery of compensation in the event of your misconduct as defined in such policy or agreement.

5. I agree to abide by the terms of the Policy, including, without limitation, by returning any Recoupment Amount to the Company to the extent required by, and in a manner permitted by, the Policy.

Signature: _____

Name: _____

Title: _____

Date: _____

EXHIBIT B

Calculation Guidelines

The Recoupment Amount will be calculated in accordance with the Final Rules as determined by the Administrator, illustrative, non-exclusive examples of which are provided in the Calculation Guidelines below: :

i. For cash awards not paid from bonus pools, the erroneously awarded compensation is the difference between the amount of the cash award (whether payable as a lump sum or over time) that was received and the amount that should have been received applying the restated Financial Reporting Measure.

ii. For cash awards paid from bonus pools, the erroneously awarded compensation is the pro rata portion of any deficiency that results from the aggregate bonus pool that is reduced based on applying the restated Financial Reporting Measure.

iii. For equity awards, if the shares, options, restricted stock units, or SARs are still held at the time of recovery, the erroneously awarded compensation is the number of such securities received in excess of the number that should have been received applying the restated Financial Reporting Measure (or the value of that excess number). If the options or SARs have been exercised, but the underlying shares have not been sold, the erroneously awarded compensation is the number of shares underlying the excess options or SARs (or the value thereof). If the underlying shares have been sold, the Company may recoup proceeds received from the sale of shares.

iv. For Incentive-Based Compensation based on stock price or TSR, where the amount of erroneously awarded compensation is not subject to mathematical recalculation directly from the information in an accounting restatement:

   a. The amount must be based on a reasonable estimate of the effect of the accounting restatement on the stock price or TSR upon which the Incentive-Based Compensation was Received; and

   b. The Company must maintain documentation of the determination of that reasonable estimate and the Company must provide such documentation to the Exchange in all cases.