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

FORM 10-Q

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

For the quarterly period ended September 30, 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: 001-36305

SEMLER SCIENTIFIC, INC.

(Exact name of registrant as specified in its charter)

Delaware	**26-1367393**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2340-2348 Walsh Avenue, Suite 2344
Santa Clara, CA 95051
(Address of principal executive offices) (Zip Code)
(877) 774-4211
(Registrant’s telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	SMLR	The Nasdaq Stock Market LLC

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232,405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 7, 2023, there were 6,873,196 shares of the issuer’s common stock, $0.001 par value per share, outstanding.

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In this report, unless otherwise stated or as the context otherwise requires, references to “Semler Scientific,” “the Company,” “we,” “us,” “our” and similar references refer to Semler Scientific, Inc. The Semler Scientific logo, QuantaFlo and other trademarks or service marks of Semler Scientific, Inc. appearing in this report are the property of Semler Scientific, Inc. This report also contains registered marks, trademarks and trade names of other companies. All other trademarks, registered marks and trade names appearing in this report are the property of their respective holders.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains forward-looking statements. Such forward-looking statements include those that express plans, anticipation, intent, contingency, goals, targets or future development and/or otherwise are not statements of historical fact. In some cases, you can identify forward-looking statements by terminology, such as “expects,” “anticipates,” “intends,” “estimates,” “plans,” “believes,” “seeks,” “may,” “should,” “continue,” “could” or the negative of such terms or other similar expressions. The forward-looking statements in this report include, but are not limited to, statements regarding:

- our QuantaFlo business, including efforts to develop QuantaFlo HD for heart dysfunction;
- the effects of the 2024 Medicare Advantage and Part D Final Rate Announcement issued by the Centers for Medicare and Medicaid Services, or CMS, on our revenues; and
- anticipated costs and savings from our recent strategic streamlining;

Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this report. These forward-looking statements are based on our current expectations and projections about future events and they are subject to risks and uncertainties known and unknown that could cause actual results and developments to differ materially from those expressed or implied in such statements, including risks associated with:

- implementation of our business strategy and the fact that we actively market only two U.S. Food and Drug Administration, or FDA, cleared products and may not benefit from our recent investments in other companies developing complementary products or the extension of QuantaFlo to test for other cardiovascular diseases;
- changes in the regulatory reimbursement landscape, such as the recent 2024 Medicare Advantage and Part D Final Rate Announcement issued by CMS could impact the perceived value of using our products to aid diagnosis of cardiovascular diseases;
- our strategic streamlining, as well as the recent changes in our executive team and board of directors;
- the failure of physicians and other customers to widely adopt our products, or to determine that our product provides a safe and effective alternative to existing ankle brachial index, or ABI, devices;
- our testing product is generally but not specifically approved for reimbursement under any third-party payor codes;
- our reliance on the talents of a small number of key personnel, and a small direct sales force;
- not requiring customers to enter into long-term licenses;
- concentration of our revenues and accounts receivable with a limited number of customers;
- our reliance on a small number of independent suppliers and facilities for the manufacturing of our product;
- our business being subject to many laws and government regulations, including governing the manufacture and sale of medical devices, patient data, and others;
- our ability to protect our intellectual property;
- impacts of macroeconomic factors that could impact our business, such as the effects of the Russian invasion of Ukraine and Israel conflict with Hamas on the global economy and supply chain and inflation, as well as the recent bank failures and other events, such as the recent Covid-19 pandemic or any other pandemics; and
- the other factors set forth under the caption “Risk Factors” in our annual report on Form 10-K filed with the Securities and Exchange Commission, or SEC, on March 23, 2023.

Because the risks and uncertainties referred to above and in our SEC reports could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by us or on our behalf, you should not place undue reliance on any forward-looking statements.

You should read this quarterly report and the documents that we reference herein and therein and have filed as exhibits to this report and our other filings with the SEC. You should assume that the information appearing in this quarterly report is accurate as of the date of this quarterly report only. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict which factors will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of the information presented in this quarterly report, and particularly our forward-looking statements, by these cautionary statements.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

Semler Scientific, Inc.
Condensed Statements of Income
Unaudited
(In thousands of U.S. Dollars, except share and per share data)

	For the three months ended September 30, 2023	For the three months ended September 30, 2022	For the nine months ended September 30, 2023	For the nine months ended September 30, 2022
Revenues	$ 16,316	$ 14,047	$ 53,127	$ 42,891
Operating expenses:				
Cost of revenues	1,111	1,138	3,599	3,070
Engineering and product development	1,174	1,244	4,566	3,444
Sales and marketing	3,423	4,153	13,601	13,031
General and administrative	3,710	3,045	11,028	9,760
Strategic streamlining	599	—	599	—
Total operating expenses	10,017	9,580	33,393	29,305
Income from operations	6,299	4,467	19,734	13,586
Interest income	692	137	1,772	151
Change in fair value of notes held for investment	—	—	(217)	—
Other expense	(3)	(3)	(3)	(2)
Other income, net	689	134	1,552	149
Pre-tax net income	6,988	4,601	21,286	13,735
Income tax provision	1,474	926	4,924	2,626
Net income	$ 5,514	$ 3,675	$ 16,362	$ 11,109
Net income per share, basic	$ 0.82	$ 0.55	$ 2.44	$ 1.65
Weighted average number of shares used in computing basic net income per share	6,717,301	6,678,175	6,708,675	6,738,717
Net income per share, diluted	$ 0.71	$ 0.46	$ 2.09	$ 1.38
Weighted average number of shares used in computing diluted net income per share	7,818,236	7,939,926	7,847,390	8,027,271

See accompanying notes to unaudited condensed financial statements.

Semler Scientific, Inc.
Condensed Balance Sheets
(In thousands of U.S. Dollars, except share and per share data)

	September 30, 2023 Unaudited	December 31, 2022
Assets		
Current Assets:		
Cash and cash equivalents	$ 37,497	$ 23,014
Short-term investments	18,530	20,073
Trade accounts receivable, net of reserves of $254 and $109, respectively	5,966	3,884
Inventory, net	439	469
Prepaid expenses and other current assets	1,946	1,468
Total current assets	64,378	48,908
Assets for lease, net	2,498	2,478
Property and equipment, net	765	667
Long-term investments	821	821
Notes held for investment (includes measured at fair value of $4,462 and $3,679, respectively)	5,462	4,679
Other non-current assets	2,744	2,842
Deferred tax assets	2,775	2,298
Total assets	$ 79,443	$ 62,693
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 300	$ 835
Accrued expenses	6,998	4,748
Deferred revenue	1,120	1,160
Other short-term liabilities	159	114
Total current liabilities	8,577	6,857
Long-term liabilities:		
Other long-term liabilities	93	160
Total long-term liabilities	93	160
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Common stock, $0.001 par value; 50,000,000 shares authorized; 6,941,554, and 6,906,544 shares issued, and 6,727,132 and 6,692,122 shares outstanding (treasury shares of 214,422 and 214,422), respectively	7	7
Additional paid-in capital	15,184	16,449
Retained earnings	55,582	39,220
Total stockholders' equity	70,773	55,676
Total liabilities and stockholders' equity	$ 79,443	$ 62,693

See accompanying notes to unaudited condensed financial statements.

Semler Scientific, Inc.
Condensed Statements of Stockholders' Equity
Unaudited
(In thousands of U.S. Dollars, except share and per share data)

For the Three Months Ended September 30, 2022

	Common Stock		Treasury Stock		Additional		
	Shares Issued	Common Stock Amount	Shares	Amount	Paid-In Capital	Retained Earnings	Total Stockholders' Equity
Balance at June 30, 2022	**6,864,625**	**$ 7**	**(166,964)**	**$ —**	**$ 18,334**	**$ 32,329**	**$ 50,670**
Treasury stock acquired	—	—	(47,458)	—	(2,045)	—	(2,045)
Employee stock grants	872	—	—	—	25	—	25
Stock option exercises	14,000	—	—	—	20	—	20
Stock-based compensation	—	—	—	—	7	—	7
Net income	—	—	—	—	—	3,675	3,675
Balance at September 30, 2022	**6,879,497**	**$ 7**	**(214,422)**	**$ —**	**$ 16,341**	**$ 36,004**	**$ 52,352**

For the Nine Months Ended September 30, 2022

	Common Stock		Treasury Stock		Additional		
	Shares Issued	Common Stock Amount	Shares	Amount	Paid-In Capital	Retained Earnings	Total Stockholders' Equity
Balance at December 31, 2021	**6,824,380**	**$ 7**	**(65,922)**	**$ —**	**$ 20,645**	**$ 24,895**	**$ 45,547**
Treasury stock acquired	—	—	(148,500)	—	(4,991)	—	(4,991)
Employee stock grants	10,482	—	—	—	698	—	698
Taxes paid related to net share settlement of equity awards	(1,710)	—	—	—	(114)	—	(114)
Stock option exercises	46,345	—	—	—	93	—	93
Stock-based compensation	—	—	—	—	10	—	10
Net income	—	—	—	—	—	11,109	11,109
Balance at September 30, 2022	**6,879,497**	**$ 7**	**(214,422)**	**$ —**	**$ 16,341**	**$ 36,004**	**$ 52,352**

For the Three Months Ended September 30, 2023

	Common Stock		Treasury Stock		Additional		
	Shares Issued	Common Stock Amount	Shares	Amount	Paid-In Capital	Retained Earnings	Total Stockholders' Equity
Balance at June 30, 2023	**6,923,446**	**$ 7**	**(214,422)**	**$ —**	**$ 15,188**	**$ 50,068**	**$ 65,263**
Employee stock grants	1,945	—	—	—	—	—	—
Taxes paid related to net share settlement of equity awards	(3,618)	—	—	—	(75)	—	(75)
Stock option exercises	19,781	—	—	—	24	—	24
Stock-based compensation	—	—	—	—	47	—	47
Net income	—	—	—	—	—	5,514	5,514
Balance at September 30, 2023	**6,941,554**	**$ 7**	**(214,422)**	**$ —**	**$ 15,184**	**$ 55,582**	**$ 70,773**

For the Nine Months Ended September 30, 2023

	Common Stock		Treasury Stock		Additional		
	Shares Issued	Common Stock Amount	Shares	Amount	Paid-In Capital	Retained Earnings	Total Stockholders' Equity
Balance at December 31, 2022	**6,906,544**	**$ 7**	**(214,422)**	**$ —**	**$ 16,449**	**$ 39,220**	**$ 55,676**
Common stock warrants acquired	—	—	—	—	(1,949)	—	(1,949)
Employee stock grant	23,868	—	—	—	846	—	846
Taxes paid related to net share settlement of equity awards	(8,639)	—	—	—	(247)	—	(247)
Stock option exercises	19,781	—	—	—	24	—	24
Stock-based compensation	—	—	—	—	61	—	61
Net income	—	—	—	—	—	16,362	16,362
Balance at September 30, 2023	**6,941,554**	**$ 7**	**(214,422)**	**$ —**	**$ 15,184**	**$ 55,582**	**$ 70,773**

See accompanying notes to unaudited condensed financial statements

Semler Scientific, Inc.
Condensed Statements of Cash Flows
Unaudited
(In thousands of U.S. Dollars)

	Nine months ended September 30, 2023	Nine months ended September 30, 2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 16,362	$ 11,109
Reconciliation of Net Income to Net Cash Provided by Operating Activities:		
Depreciation	439	462
Deferred tax expense	(478)	(405)
Loss on disposal of assets for lease	355	303
Loss on disposal of inventory	171	—
Allowance for credit losses	203	53
Change in fair value of notes held for investment	217	—
Gain on short-term investments	(307)	—
Stock-based compensation	907	708
Changes in Operating Assets and Liabilities:		
Trade accounts receivable	(2,284)	(107)
Inventory	30	39
Prepaid expenses and other current assets	(478)	2,083
Other non-current assets	98	(1,934)
Accounts payable	(535)	40
Accrued expenses	2,250	3,217
Other current and non-current liabilities	(22)	(52)
Deferred revenue	(40)	237
Net Cash Provided by Operating Activities	16,888	15,753
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(310)	(388)
Purchase of notes held for investment	(1,000)	(1,179)
Proceeds from maturities of short-term investments	59,719	—
Purchase of short-term investments	(57,869)	—
Purchase of assets for lease	(773)	(961)
Net Cash Used in Investing Activities	(233)	(2,528)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Taxes paid related to net settlement of equity awards	(247)	(114)
Common stock warrants acquired	(1,949)	—
Treasury stock acquired	—	(4,991)
Proceeds from exercise of stock options	24	93
Net Cash Used in Financing Activities	(2,172)	(5,012)
INCREASE IN CASH	14,483	8,213
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	23,014	37,323
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 37,497	$ 45,536

See accompanying notes to unaudited condensed financial statements

Semler Scientific, Inc.
Notes to Condensed Financial Statements
Unaudited
(In thousands of U.S. Dollars, except share and per share data)

1. Basis of Presentation

Semler Scientific, Inc., a Delaware corporation ("Semler" or "the Company"), prepared the unaudited interim financial statements included in this report in accordance with United States generally accepted accounting principles ("GAAP") and applicable rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. As such, the information included in this quarterly report on Form 10-Q should be read in conjunction with the audited financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2022 filed with the SEC on March 23, 2023 (the "Annual Report"). In the opinion of management, these financial statements include all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of the financial position, results of operations and cash flows for the periods presented. The results of operations for the interim periods shown in this report are not necessarily indicative of the results that may be expected for any future period, including the full year.

Recently Issued Accounting Pronouncements

Accounting Pronouncements Recently Adopted

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("Topic 326"). This ASU requires timelier recording of credit losses on loans and other financial instruments held. Instead of reserves based on a current probability analysis, Topic 326 requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. All organizations will now use forward-looking information to better inform their credit loss estimates. Topic 326 requires enhanced disclosures regarding significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. These disclosures include qualitative and quantitative requirements that provide information about the amounts recorded in the financial statements. In addition, Topic 326 amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. In April 2019, the FASB issued ASU No. 2019-04, *Codification Improvements to Topic 326 Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments,* to introduce amendments which will affect the recognition and measurement of financial instruments, including derivatives and hedging. In May 2019, the FASB issued ASU No. 2019-05, *Financial Instruments – Credit Losses (Topic 326);* Targeted Transition Relief. The amendments in this ASU provide entities that have certain instruments within the scope of Subtopic 326-20 with an option to irrevocably elect the fair value option in Subtopic 825-10, applied on an instrument-by-instrument basis for eligible instruments upon adoption of Topic 326. This standard and related amendments are effective for the Company's fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company adopted this ASU prospectively effective January 1, 2023 and determined that the adoption of this new accounting standard did not have a material impact on its financial statements.

In March 2020, FASB issued ASU No. 2020-03, *Codification Improvements to Financial Instruments*. This ASU improves and clarifies various financial instruments topics, including the current expected credit losses standard issued in 2016 ("ASU No. 2016-13"). The ASU includes seven different issues that describe the areas of improvement and the related amendments to GAAP, intended to make the standards easier to understand and apply by eliminating inconsistencies and providing clarifications. The amendments have different effective dates. The issues 1-5 are conforming amendments, which are effective upon issuance of this final update. The Company determined that issues 1-5 have no impact on its financials. The amendments related to issue 6 and 7 effect Topic 326. Effective dates of issue 6 and 7 are the same as the effective date of Topic 326. The Company adopted this ASU prospectively effective January 1, 2023 and determined that the adoption of this new accounting standard did not have a material impact on its financial statements.

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 805):* A*ccounting for Contract Assets and Contract Liabilities from Contracts with Customers*. This ASU improves the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency related to recognition of an acquired contract liability and payment terms and their effect on subsequent revenue recognized by the acquirer. For public business entities, this guidance will be effective for fiscal years beginning after December 15, 2022 and for interim periods within those fiscal years.

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This ASU should be applied prospectively to all business combinations in the year of adoption. The Company adopted this ASU prospectively effective January 1, 2023 and determined that the adoption of this new accounting standard did not have a material impact on its financial statements.

In March 2022, the FASB issued ASU No. 2022-02, *Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*, which eliminates the troubled debt restructuring accounting model in Accounting Standards Codification ("ASC") 310-40 for creditors that have adopted the guidance on measurement of credit losses in ASU 2016-13. Additionally, the ASU requires the public business entities to disclose current period gross write-offs by year of origination for financing receivables and net investments in leases as part of their vintage disclosures under ASC 326. For entities that have adopted the amendments in ASU 2026-13, the amendments are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. For entities that have not yet adopted the amendments in ASU 2016-13, the effective dates are the same as effective dates in ASU 2016-13. The Company adopted this ASU prospectively effective January 1, 2023 and determined that the adoption of this new accounting standard did not have a material impact on its financial statements.

2. Variably-Priced Revenue

The Company recognizes variable-fee licenses (i.e., fee per test) and sales of hardware equipment and accessories in accordance with ASC 606, *Revenue from Contracts with Customers*. Total fees from variable-fee licenses represent approximately $6,254 and $4,887 for the three months ended September 30, 2023 and 2022, respectively. Total fees from variable-fee licenses represent approximately $23,191 and $16,742 for the nine months ended September 30, 2023 and 2022, respectively. Total sales of hardware and equipment accessories represent approximately $523 and $539 of revenues for the three months ended September 30, 2023 and 2022. Total sales of hardware and equipment accessories represent approximately $1,474 and $1,091 of revenues for the nine months ended September 30, 2023 and 2022, respectively. The remainder of the revenue is earned from leasing the Company's testing product for a fixed fee, which is not subject to ASC 606.

Upon shipment under variable-fee license contracts, assets for lease are sold to the customers, and the asset is recognized as cost of revenue.

3. Accounts Receivable and Allowance for Credit Losses

Accounts receivable are recorded at the invoiced amount, net of allowance for credit losses. The allowance for credit losses is based on management's assessment of the collectability of accounts. The Company regularly reviews the adequacy of this allowance for credit losses by considering historical experience, the age of the accounts receivable balances, the credit quality of the customers, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect customers' ability to pay to determine whether a specific reserve is appropriate. Accounts receivable deemed uncollectable are charged against the allowance for credit losses when identified.

4. Inventory

Inventory, which is made up of finished goods, is recorded at the lower of cost or net realizable value. Cost is determined on the first-in, first-out method. The Company periodically analyzes its inventory levels to identify inventory that has a cost basis in excess of its estimated realizable value and writes down such inventory as appropriate. Inventory balance was $439 and $469 as of September 30, 2023 and December 31, 2022, respectively.

5. Assets for Lease, net

The Company enters into contracts with customers for the Company's QuantaFlo product. The Company has determined these contracts meet the definition of a lease under Topic 842. Operating leases are short-term in nature (monthly, quarterly or one year), and all of which have renewal options. The assets that may be associated with these leasing arrangements are identified below as assets for lease. Upon shipment under operating leases, assets for lease are depreciated. During the three months ended September 30, 2023 and 2022, the Company recognized approximately $9,539 and $8,621, respectively, in lease revenues related to these

Semler Scientific, Inc.
Notes to Condensed Financial Statements
Unaudited
(In thousands of U.S. Dollars, except share and per share data)

arrangements, which is included in Revenues on the Unaudited Condensed Statements of Income. During the nine months ended September 30, 2023 and 2022, the Company recognized approximately $28,462 and $25,058, respectively, in lease revenues related to these arrangements, which is included in Revenues on the Unaudited Condensed Statements of Income.

Assets for lease consist of the following:

	September 30, 2023	December 31, 2022
Assets for lease	$ 3,560	$ 3,702
Less: accumulated depreciation	(1,062)	(1,224)
Assets for lease, net	$ 2,498	$ 2,478

Depreciation expense amounted to $81 and $103 for the three months ended September 30, 2023 and 2022, respectively. Depreciation expense amounted to $228 and $315 for the nine months ended September 30, 2023 and 2022, respectively. Reduction to accumulated depreciation for returned and retired items was $125 and $448 for the three months ended September 30, 2023 and 2022, respectively. Reduction to accumulated depreciation for returned items was $390 and $594 for the nine months ended September 30, 2023 and 2022. The Company recognized a loss on disposal of assets for lease in the amount of $241 and $82 for the three months ended September 30, 2023 and 2022, respectively. The Company recognized a loss on disposal of assets for lease in the amount of $355 and $303 for the nine months ended September 30, 2023 and 2022, respectively.

6. Property and Equipment, net

Property and equipment, net consists of the following:

	September 30, 2023	December 31, 2022
Property and equipment, gross	$ 1,516	$ 1,206
Less: accumulated depreciation	(751)	(539)
Property and equipment, net	$ 765	$ 667

Depreciation expense amounted to $80 and $50 for the three months ended September 30, 2023 and 2022, respectively. Depreciation expense amounted to $211 and $147 for the nine months ended September 30, 2023 and 2022, respectively.

7. Long-Term Investments

Long term investments consist of the following for the periods presented:

	September 30, 2023	December 31, 2022
Investments in SYNAPS Dx	$ 512	$ 512
Investments in Mellitus Health Inc.	309	309
Total initial cost	$ 821	$ 821

In September 2020, the Company acquired a promissory note from NeuroDiagnostics Inc., which is doing business as SYNAPS Dx, in the principal amount of $500, $100 of which was retained for expense reimbursement. Subsequently, in December 2020, the Company agreed to convert the promissory note, together with all accrued interest thereon, into shares of preferred stock of SYNAPS Dx as repayment in full of the promissory note. The value of the note exchanged for the shares of preferred stock of SYNAPS Dx held by the Company as of September 30, 2023 and December 31, 2022 was approximately $512.

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(In thousands of U.S. Dollars, except share and per share data)

In October 2020, the Company acquired from a seller a convertible promissory note previously issued by Mellitus Health Inc. ("Mellitus") to such seller for a purchase price of $59, which represented the $50 principal amount of the note and all accrued and unpaid interest thereon.

Subsequently, in October 2020, the Company purchased $250 of shares of preferred stock of Mellitus, and in connection with such transaction, the convertible promissory note, together with all accrued interest thereon, also converted pursuant to its terms into shares of preferred stock of Mellitus as repayment in full of such convertible promissory note. The value of consideration exchanged for the shares of preferred stock of Mellitus held by the Company as of September 30, 2023 and December 31, 2022 was approximately $309.

The investments in SYNAPS Dx and Mellitus securities that were retained by the Company as of September 30, 2023 were recorded in accordance with ASC 321, *Investments – Equity Securities* ("ASC 321"), which provides that investments in equity securities in privately-held companies without readily determinable fair values are generally recorded at cost, plus or minus subsequent observable price changes in orderly transactions for identical or similar investments, less impairments. The Company elected the practical expedient permitted by ASC 321 and recorded the above investments on a cost basis. As a part of the assessment for impairment indicators, the Company considers significant deterioration in the earnings performance and overall business prospects of the investee as well as significant adverse changes in the external environment these investments operate. If qualitative assessment indicates the investments are impaired, the fair value of these equity securities would be estimated, which would involve a significant degree of judgement and subjectivity.

The Company qualitatively assessed both investments for impairment in accordance with ASC 321. As of September 30, 2023 and December 31, 2022, the Company determined that there was no impairment for the investment in SYNAPS Dx and the investment in Mellitus.

Semler Scientific, Inc.
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8. Fair Value Measurements

The following table presents fair value hierarchy of the Company's financial assets measured at fair value on a recurring basis:

	Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total
As of September 30, 2023				
U.S. Government money market fund accounts	$ 35,241	$ —	$ —	$ 35,241
(Included in cash and cash equivalents)				
U.S. Treasury bills	18,530	—	—	18,530
(Included in short-term investments)				
Investment in debt securities	—	—	4,462	4,462
(Included in notes held for investment)				
Total Assets	$ 53,771	$ —	$ 4,462	$ 58,233

	Level 1	Level 2	Level 3	Total
As of December 31, 2022				
U.S. Treasury bill	$ 20,073	$ —	$ —	$ 20,073
(Included in short-term investments)				
Investment in debt securities	—	—	3,679	3,679
(Included in notes held for investment)				
Total Assets	$ 20,073	$ —	$ 3,679	$ 23,752

Fair value is defined as the exchange price that would be received for an asset or an exit price paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy under FASB ASC 820, Fair Value Measurement, are described as follows:

Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 — Inputs other than quoted prices included in Level I that are observable, unadjusted quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data; and

Level 3 — Unobservable inputs that are supported by little or no market activity, which requires the Company to develop its own models.

The financial instruments of the Company consist primarily of cash, U.S. government money market fund accounts, trade receivables, trade payables, short-term investments and debt securities. Because carrying values of cash, trade receivables and payables are equal to or approximate their fair value, the Company excluded from the leveling requirements. U.S. government money market fund accounts are classified as Level 1 due to their short-term nature, their market interest rates and also based on the fact that they are publicly traded. The Company classifies short-term investments within Level 1 in the fair value hierarchy, because quoted prices for identical assets in active markets are used to determine fair value. The Company estimates the fair value of the investment in debt securities using Level 3 inputs. The Company also invested in non-convertible promissory note, prepayment for inventory and

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equity securities of two privately held companies, which were recorded on cost basis. See Note 7, 9 and 10 to the financial statements for more information.

Treasury bills were purchased on July 27, 2023 and August 11, 2023, at a cost of $8,095 and $10,279, respectively, and fair values accrete to maturity dates at an interest rate of 5.28%. As of September 30, 2023, the interest income recorded on these bills was $156.

The Company's privately held debt securities are recorded at fair value on a recurring basis. The estimation of fair value for these investments requires the use of significant unobservable inputs, and as a result, the Company deems these assets as Level 3 within the fair value measurement framework.

The Company valued the debt security issued by Monarch Medical Technology LLC ("Monarch") using a bond plus call option model reflecting the cash flow from the Monarch debt security and assuming a 10% probability of an equity financing, a 50% probability of a change of control, and a 40% probability of payment at maturity or an insolvency event. The Company valued the Mellitus debt security using a bond plus call option model reflecting the cash flow from the Mellitus debt securities and assuming a 80% probability of an equity financing, 15% probability of a change of control, and a 5% probability of payment at maturity or an insolvency event. The fair value of the Company's privately held debt securities were estimated at $4,462 and $3,679 as of September 30, 2023 and December 31, 2022, respectively.

The key inputs for the valuation model are:

	September 30, 2023
Risk-free rate	4.32% - 5.33%
Cash flow discount rate	25.8% - 26.9%
Expert term in years	0.50- 3.43
Expected volatility	110.0%- 315.0%

The following table reprents changes in the notes held for the investments with significant unobservable inputs (Level 3):

	Convertible Notes
Balance as of December 31, 2022	$ 3,679
Purchased	1,000
Change in fair value of the notes held for investment	(217)
Balance as of September 30, 2023	$ 4,462

9. Notes Held for Investment

Notes receivable consist of the following for the periods presented:

	September 30, 2023	December 31, 2022
Senior secured promissory notes	$ 1,000	$ 1,000
Secured convertible promissory notes	4,462	3,679
Total notes held for investment	$ 5,462	$ 4,679

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In June 2022, the Company loaned Mellitus an aggregate of $1,000 through the purchase of two senior secured promissory notes that bear interest at a rate of 5% per annum, and mature in three years unless accelerated due to an event of default as provided in the notes. Repayment of notes is secured by a first priority interest in all of Mellitus' assets.

In May 2022, to facilitate the subordination of such notes in connection with the purchase of the senior secured notes, the Company acquired $179 aggregate principal amount of outstanding convertible notes of Mellitus, which, as amended, mature July 5, 2025, if not automatically converted into preferred stock prior thereto. This note bears an interest rate of 10% per annum.

In December 2022, the Company entered in a senior convertible promissory note arrangement with Monarch, providing Monarch with up to $5,000 in available funding, of which $4,500, in principal was drawn as of September 30, 2023. The remaining $500 is available to be drawn at any time unless there is an event of default (as defined in the note) that is continuing. The Monarch debt security accrues interest at 10% per annum, payable monthly, and the principal balance is due December 6, 2024. The note along with up to $100 of transaction expenses is due and payable on the occurrence of an event of default or change of control unless accelerated due to the conversion into preferred stock prior thereto at the option of the Company. The Company has the option to extend the maturity date for two consecutive one-year terms. The Monarch debt security can be converted into Monarch's shares at the Company's option upon (a) an equity financing at Monarch, (b) upon a change of control at Monarch, or (c) at the Company's option at any time prior to the maturity date. If converted upon a change of control, the Company has the right to receive a cash payment equal to the balance of the Monarch debt security or the amount payable upon conversion into Monarch's shares. The Monarch debt security is redeemable at any time at Monarch's option or automatically upon an event of default (as defined in the note).

The Company made an irrevocable election to account for the Mellitus and Monarch debt securities using the fair value option under ASC 825 – *Financial Instruments* ("ASC 825") and will measure the fair value of the such debt securities in accordance with ASC 820. The Company made the fair value option election to present the debt securities in their entirety at fair value, which it believes to be preferable to recognizing the host instrument at fair value under ASC 320 and potentially separately recognizing certain embedded features as bifurcated derivatives under ASC 815. As of September 30, 2023, the Company estimated the fair value of the Monarch debt security to be $4,241 and the Mellitus debt security to be $221. As of December 31, 2022, the Company estimated the fair value of the Monarch debt security to be $3,500 and the Mellitus debt security to be $179, which were equivalent of the outstanding principal balances at December 31, 2022.

The Company recognizes interest income on the Monarch debt securities, which is included in interest income in the condensed statements of income. For the three months ended September 30, 2023 and 2022, the Company recognized $120 and $17, respectively, of interest income from Monarch and Mellitus notes. Accrued interest is included in prepaid and other current assets. For the nine months ended September 30, 2023 and 2022, the Company recognized $347 and $20, respectively, of interest income from Monarch and Mellitus notes. Unpaid balance is included in prepaid and other current assets. The Company recognizes changes in fair value of the notes in the statements of income separately from the interest income. For the three months ended September 30, 2023, the Company recorded no change in fair value. For the nine months ended September 30, 2023, the Company recorded change in fair value of $217.

10. Other Non-current assets

Other non-current assets consist of the following for the periods presented:

	September 30, 2023	December 31, 2022
Prepaid licenses	$ 2,453	$ 2,490
Other	291	352
Total other non-current assets	$ 2,744	$ 2,842

In April 2021, the Company entered into a five-year agreement, as amended in December 2022, with Mellitus to exclusively market and distribute its product line in the United States, including Puerto Rico, except for selected accounts. Under this distribution agreement and its amendments, the Company agreed to purchase $2,500 of product licenses and prepaid $2,500 for the license

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purchases. This prepayment, which was reclassed to a long-term asset in 2022 due to the change in the estimation of the recoverability period is expected to be more than one year. The long-term portion of the prepaid licenses are included in the Other non-current assets. Unless early terminated in accordance with its terms, the exclusive distribution agreement will remain in full force and effect until April 1, 2026, and for renewal periods of one year each upon its anniversary date, unless terminated by at least 60 days written notice prior to such an anniversary date. Either party may terminate the agreement by written notice to the other party upon or after the breach of any material provision of this agreement by the other party, if the other party has not cured such breach within 60 days after written notice thereof from the non-breaching party.

Revenue from these product licenses is recognized in accordance with ASC 606, *Revenue from Contracts with Customers*. The Company did not generate significant revenue from these product licenses during the three and nine months ended September 30, 2023 and 2022.

11. Accrued Expenses

Accrued expenses consist of the following:

	September 30, 2023	December 31, 2022
Compensation	$ 3,669	$ 2,467
Accrued Taxes	2,342	1,923
Miscellaneous Accruals	987	358
Total Accrued Expenses	$ 6,998	$ 4,748

12. Concentration of Credit Risk

Credit risk is the risk of loss from amounts owed by the financial counterparties. Credit risk can occur at multiple levels; as a result of broad economic conditions, challenges within specific sectors of the economy, or from issues affecting individual companies. Financial instruments that potentially subject the Company to credit risk consist of cash and accounts receivable.

The Company maintains cash with major financial institutions. The Company's cash consists of bank deposits held with banks that, at times, exceed federally insured limits. The cash and cash equivalents also include short-term treasury bills with original maturities of three months or less. As of September 30, 2023 and December 31, 2022, the Company held deposits of $2,256 and $12,960, respectively. These deposits are largely uninsured. The Company also invested in U.S. government money market funds and U.S. treasury bills in the amount of $35,241 and $18,530, respectively, as of September 30, 2023. As of December 31, 2022, the Company invested in U.S. treasury bills of $30,127. The Company limits its credit risk by dealing with counterparties that are considered to be of high credit quality and by performing periodic evaluations of the relative credit standing of these financial institutions.

Management periodically monitors the creditworthiness of its customers and believes that it has adequately provided for exposure to potential credit loss. For the three months ended September 30, 2023, three customers (including affiliates) accounted for 36.4%, 28.3% and 11.4% of the Company's revenues. For the three months ended September 30, 2022, two customers (including affiliates) accounted for 41.2% and 26.2% of the Company's revenues. For the nine months ended September 30, 2023, two customers accounted for 34.4% and 35.7% of the Company's revenues, respectively. For the nine months ended September 30, 2022, two customers accounted for 39.9% and 30.1%, of the Company's revenues, respectively. As of September 30, 2023, three customers accounted for 34.1%, 21.9%, and 21.7% of the Company's accounts receivable. As of December 31, 2022, three customers accounted for 26.8%, 25.9%, and 16.8% of the Company's accounts receivable. The Company's largest customer in terms of both revenues and accounts receivable in the three and nine months ended September 30, 2023 is a U.S. diversified healthcare company and its affiliated plans.

As of September 30, 2023, four vendors accounted for 20.9%, 12.8%, 12.0%, and 10.5% of the Company's accounts payable. As of December 31, 2022, two vendors accounted for 25.8% and 10.8% of the Company's accounts payable.

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13. Lessee Arrangements

On July 31, 2020, the Company entered into a 61-month lease agreement for office space to use, as necessary, for office administration, lab space and assembly and storage purposes, located in Santa Clara, California. The Company took possession of the leased office space in September 2020, and the lease is effective through September 30, 2025.

As of September 30, 2023, the remaining lease term is two years with no options to renew. The Company recognized facilities lease expenses of $22 and $22 for the three months ended September 30, 2023 and 2022, respectively. The Company recognized facilities lease expenses of $66 and $66 for the nine months ended September 30, 2023 and 2022, respectively. The following table summarizes the future minimum rental payments required under operating leases that had initial or remaining non-cancelable lease terms greater than one year as of September 30, 2023:

	Total
2023 Remaining period	23
2024	93
2025	71
Total undiscounted future minimum lease payments	187
Less: present value discount	(5)
Total lease liabilities	182
Lease expense in excess cash payment	(11)
Total ROU asset	$ 171

As of September 30, 2023, the Company’s right of use (“ROU”) asset was $171, which was recorded on the Company’s balance sheet as other noncurrent assets, and the Company’s current and noncurrent lease liabilities were $88 and $93, respectively, which were recorded on the Company’s balance sheet as other short-term liabilities and other long-term liabilities, respectively. The Company used a discount rate of 2.5% for calculating ROU and lease liability.

Lessor Arrangements

The Company enters into contracts with customers for the Company’s QuantaFlo product. The Company has determined these contracts meet the definition of a lease under Topic 842. The lease portfolio primarily consists of operating leases that are short-term in nature (monthly, quarterly or one year, all of which have renewal options). The Company allocates the consideration in a bundled contract with its customers based on relative standalone selling prices of the lease and non-lease components. The Company made an accounting policy election to apply the practical expedient to not separate lease and eligible non-lease components. The lease component is the predominant component and consists of fees charged for use of the equipment over the period of the arrangement. The nature of the eligible non-lease component is primarily software support. The assets associated with these leasing arrangements are separately identified in the Balance Sheet as Assets for Lease and separately disclosed in Note 5 to the Unaudited Condensed Financial Statements.

14. Commitments and Contingencies

Indemnification Obligations

The Company enters into agreements with customers, partners, lenders, consultants, lessors, contractors, sales representatives and parties to certain transactions in the ordinary course of the Company’s business. These agreements may require the Company to indemnify the other party against third party claims alleging that its product infringes a patent or copyright. Certain of these agreements require the Company to indemnify the other party against losses arising from: a breach of representations or covenants, claims relating to property damage, personal injury or acts or omissions of the Company, its employees, agents or representatives. The Company has also agreed to indemnify the directors and certain of the officers and employees in accordance with the by-laws of the Company. These indemnification provisions will vary based upon the nature and terms of the agreements. In many cases, these indemnification provisions do not contain limits on the Company’s liability, and the occurrence of contingent events that will trigger

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payment under these indemnities is difficult to predict. As a result, the Company cannot estimate its potential liability under these indemnities. The Company believes that the likelihood of conditions arising that would trigger these indemnities is remote and, historically, the Company has not made any significant payment under such indemnification provisions. Accordingly, the Company has not recorded any liabilities relating to these agreements. In certain cases, the Company has recourse against third parties with respect to the aforesaid indemnities, and the Company believes it maintains adequate levels of insurance coverage to protect the Company with respect to potential claims arising from such agreements.

401(K) Plan

Effective January 1, 2022, the Company started to match 50% of employee's 401(k) deferral up to a maximum of 6% of the employee's eligible earnings. For the nine months period ended September 30, 2023 and 2022, the Company matched $307 and $243, respectively.

Other

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") provides for an employee retention payroll tax credit for certain employers, which is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employer pays to employees after March 12, 2020 and before December 31, 2021. For each employee, wages (including health plan costs) up to $10,000 can be counted to determine the amount of the 50% credit. The Company started claiming this credit on its July 2020 payroll until mid-April 2021 when it determined that it no longer qualified given the change in government restrictions on travel that had impacted its sales activities. The Company's determination that it qualified to claim the employee retention payroll tax credit is subjective and subject to audit by the Internal Revenue Service ("IRS"). If the IRS were to disagree with the Company's tax position, it could be required to pay the retention credit claimed, along with penalties. As of September 30 2023, the Company has claimed $1.24 million in this retention credit. No credit was claimed for the three and nine months ended September 30, 2023 and for the year ended December 31, 2022.

Litigation

From time to time in the normal course of business, the Company is subject to various legal matters, such as threatened or pending claims or litigation. Although the results of claims and litigation cannot be predicted with certainty, the Company does not believe it is a party to any claim or litigation the outcome of which, if determined adversely to it, would individually or in the aggregate be reasonably expected to have a material adverse effect on its results of operations or financial condition.

15. Stock Incentive Plan

The Company's stock-based compensation program is designed to attract and retain employees while also aligning employees' interests with the interests of its stockholders. Stock options have been granted to employees under the stockholder-approved 2007 Key Person Stock Option Plan ("2007 Plan") and stock options and restricted stock have been granted to employees under the stockholder-approved 2014 Stock Incentive Plan ("2014 Plan"). Stockholder approval of the 2014 Plan became effective in September 2014. The 2014 Plan originally provided that the aggregate number of shares of common stock that may be issued pursuant to awards granted under the 2014 Plan may not exceed 450,000 shares (the "Share Reserve"), however in October 2015, the stockholders approved a 1,500,000 increase to the Share Reserve. In addition, the Share Reserve automatically increases on January 1st of each year, for a period of not more than 10 years, beginning on January 1st of the year following the year in which the 2014 Plan became effective and ending on (and including) January 1, 2024, in an amount equal to 4% of the total number of shares of common stock outstanding on December 31st of the preceding calendar year. The Company's board of directors may act prior to January 1st of a given year to provide that there will be no January 1st increase in the Share Reserve for such year or that the increase in the Share Reserve for such year will be a lesser number of shares of common stock than would otherwise occur. On January 1, 2023, the Share Reserve increased by 267,685. The Share Reserve is currently 3,582,888 shares as of September 30, 2023.

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In light of stockholder approval of the 2014 Plan, the Company no longer grants equity awards under the 2007 Plan. As of September 30, 2023, there were no shares available for future stock-based compensation grants under the 2007 Plan and 1,707,281 shares of an aggregate total of 3,582,888 shares were available for future stock-based compensation grants under the 2014 Plan.

Treasury Stock Acquired- Related Party Transaction

On March 14, 2022, the Company's board of directors authorized a share repurchase program under which it may repurchase up to $20.0 million of its outstanding common stock. Under this program the Company may purchase shares on a discretionary basis from time to time through open market purchases, privately negotiated transactions or other means, including through Rule 10b5-1 trading plans or through the use of other techniques such as accelerated share repurchases. The timing and amount of any transactions will be subject to the discretion of the Company based upon market conditions and other opportunities that it may have for the use or investment of its cash balances. The repurchase program has no expiration date, does not require the purchase of any minimum number of shares and may be suspended, modified or discontinued at any time without prior notice. Since the inception of the program, the Company purchased 148,500 shares at a cost of approximately $4,991 as of September 30, 2023.

On May 17, 2023, the Company acquired outstanding warrants to acquire 76,875 shares of its common stock from its chief executive officer at a cost of $1,949. The warrants were originally issued on June 7, 2012 (16,875 shares) with an exercise price of $4.00 per share and on July 31, 2013 (60,000 shares), with an exercise price of $4.50 per share, were amended in September 2015 and, as amended, had an expiration date of July 31, 2023. The $1,949 aggregate cash purchase price reflects the difference between the aggregate exercise price of the warrants and the aggregate fair market value of the shares of common stock underlying the warrants, based on the closing price of a share of the Company's common stock on May 16, 2023, the date of the warrant repurchase agreement. Following the warrant repurchase, the warrants were cancelled and are no longer issued and outstanding.

Stock Awards

The Company granted fully vested stock awards of 23,868 shares of common stock to a non-employee member of the board of directors and employees as compensation during the nine months ended September 30, 2023. Net shares issued after deducting taxes paid on these grants were 15,229. Fair value of these stock awards on grant date was $846. The Company granted fully vested stock awards of 10,482 shares of common stock to the non-employee members of the board of directors, employees and one non-employee as compensation during the nine months ended September 30, 2022. Net shares issued after deducting taxes paid on these grants were 8,772. Fair value of these stock awards on grant date was $698.

Stock Options

Aggregate intrinsic value represents the difference between the closing market value as of September 30, 2023 of the underlying common stock and the exercise price of outstanding, in-the-money options. A summary of the Company's stock option activity and related information for the three months ended September 30, 2023 is as follows:

	Options Outstanding			
	Number of Stock Options Outstanding	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term (In Years)**	**Aggregate Intrinsic Value (In Thousands)**
Balance, December 31, 2022	**1,287,847**	**$ 3.44**	**3.03**	**$ 38,053**
Options exercised	(19,781)	**3.11**	—	—
Options granted	17,950	**25.52**	**9.84**	—
Options cancelled	(450)	—	—	—
Balance, September 30, 2023	**1,285,566**	**$ 3.75**	**2.39**	**$ 27,825**
Exercisable as of September 30, 2023	**1,264,806**	**$ 3.38**	**2.27**	**$ 27,825**

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As of September 30, 2023, the fair value of unvested stock options was approximately $389. This unrecognized stock-based compensation expense is expected to be recorded over a weighted average period of 3.78 years.

During the three and nine months period ended September 30, 2023, the Company awarded stock options of 17,500 to employees as compensation pursuant to the 2014 Plan. During the three and nine months period ended September 30, 2022 , the Company awarded 5,000 options to an employee as compensation pursuant to the 2014 Plan. Of these options, 1/4th are vested one year after the grant date and 1/48th for each month thereafter contingent upon the participant's continued service beginning on the initial vesting date and ending when the Vested Ratio equals 1/1.

The fair value of each option grant is estimated using the Black-Scholes option pricing model. The weighted-average assumptions used, and the calculated weigheted average fair values of options are as follows:

	September 30, 2023	September 30, 2022
Expected term (in years)	7	7
Risk-free interest rate	4.14-4.41	2.88
Expected volatility	69.0%-79.5%	78.6%
Expected dividend rate	0	0
Fair value of options granted	$17.54-$19.04	$22.27

The expected term represents an estimate of the period of time options are expected to remain outstanding. The risk-free interest rate is based on the term structure of interest rates at the time of the option grant. Expected volatilities are based on the historical returns on the Company's stock. The expected dividend yield is based on the recent historical dividend yield.

The following table represents the stock based compensation for the three and nine months ended September 30, 2023 and 2022:

	Three months ended September 30,		Nine months ended September 30	
	2023	2022	2023	2022
Cost of Revenues	$ 4	$ —	$ 4	$ —
Engineering and Product Development	6	—	51	45
Sales and Marketing	3	—	301	172
General and Administrative	34	32	551	491
Total	$ 47	$ 32	$ 907	$ 708

16. Income Taxes

The Company's income tax provision for the three months ended September 30, 2023 and 2022 was $1,474 and $926, resepectively. The Company's income tax provision for the nine months ended September 30, 2023 and 2022 was $4,924 and $2,626, respectively. The income tax provision reflects its estimate of the effective tax rates expected to be applicable for the full year, adjusted for any discrete events that are recorded in the period in which they occurred. The estimates are re-evaluated each quarter based on the estimated tax expense for the full year.

For uncertain tax positions that meet a "more likely than not" threshold, the Company recognizes the benefit of uncertain tax positions in the financial statements. The Company's practice is to recognize interest and penalties, if any, related to uncertain tax positions in income tax expense in the statements of income.

The effective tax rate for the three and nine months ended September 30, 2023 was 21.09% and 23.13%, compared to 20.13% and 19.12%, in the same period of the prior year. The increase in effective tax rate for the three and nine months ended September 30, 2023 was primarily due to lower tax benefits associated with employee stock-based compensation.

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The effective tax rate for the three and nine months ended September 30, 2023 differed from the U.S. federal statutory rate of 21% primarily due to state income taxes (net of federal benefit) and federal and state research and development ("R&D") credit benefit. The effective tax rate for the three and nine months ended September 30, 2022 differed from the U.S. federal statury rate of 21% primarily due to tax benefits associated with stock-based compensation plans, state income taxes (net of federal benefit), and federal and state R&D credit benefit.

As of September 30, 2023, and December 31, 2022, the Company had $493 and $401, respectively, of unrecognized tax benefits, excluding interest and penalties. The Company recognized interest and penalty expenses related to uncertain tax positions of $71 and $8 for the nine months ended September 30, 2023 and 2022, respectively.

On August 16, 2022, the Creating Helpful Incentives to Produce Semiconductors for America Act of 2022 ("CHIPS and Science Act"), and Inflation Reduction Act ("IRA") was signed into law in the United States. Among other things, CHIPS and Science Act provides incentives and tax credits for the global chip manufacturers who choose to set-up or expand existing operations in the United States. The IRA imposes a 15% corporate alternative minimum tax for tax years beginning after December 31, 2022, levies a 1% excise tax on net stock repurchases after December 31, 2022, and provides tax incentives to promote clean energy. This act is primarily applicable to large corporations with an annual revenue of $1 billion or over. Implementation of this act had no impact on the Company's financial statements as of September 30, 2023.

17. Net Income Per Share, Basic and Diluted

Basic earnings per share ("EPS") represent net income attributable to common stockholders divided by the weighted average number of common shares outstanding during the measurement period. Diluted EPS represents net income attributable to common stockholders divided by the weighted average number of common shares outstanding during the measurement period while also giving effect to all potentially dilutive common shares that were outstanding during the period using the treasury stock method.

Basic and diluted EPS is calculated as follows:

	Three months ended September 30,					
	2023			2022		
	Shares	Net Income	EPS	Shares	Net Income	EPS
Basic	6,717,301	$ 5,514	$ 0.82	6,678,175	$ 3,675	$ 0.55
Common stock warrants	—	—		67,932	—	
Common stock options	1,100,935	—		1,193,819	—	
Diluted	7,818,236	$ 5,514	$ 0.71	7,939,926	$ 3,675	$ 0.46

	Nine months ended September 30,					
	2023			2022		
	Shares	Net Income	EPS	Shares	Net Income	EPS
Basic	6,708,675	$ 16,362	$ 2.44	6,738,717	$ 11,109	$ 1.65
Common stock warrants	21,608	—		69,068	—	
Common stock options	1,117,107	—		1,219,486	—	
Diluted	7,847,390	$ 16,362	$ 2.09	8,027,271	$ 11,109	$ 1.38

As of September 30, 2023, 20,760 options related to stock awards were granted and unvested. As of September 30, 2022, 5,000 options related to stock awards were granted and unvested. These options were considered anti-dilutive for the computation of diluted net income per share. Hence, these options were excluded from the computation of diluted net income per share.

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18. Strategic Plan to Streamline Operations

On July 11, 2023, the Company’s board of directors, approved a strategic plan to streamline operations and reduce employee headcount by approximately 30% by September 15, 2023. This plan is meant to be proactive and seeks to drive operational efficiency, while still allowing the Company to provide high quality service to its customers.

As of September 30, 2023, the Company accrued expenses of $599 for strategic streamlining. As of September 30, 2023, there was $139 unpaid balance related to accrued expenses for the strategic streamlining.

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

The following discussion and analysis should be read together with our condensed unaudited financial statements and the related notes appearing elsewhere in this quarterly report on Form 10-Q and with the audited financial statements and notes for the fiscal year ended December 31, 2022, and the information under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K filed with the SEC on March 23, 2023, or the Annual Report. This discussion contains forward-looking statements reflecting our current expectations that involve risks and uncertainties. See "Cautionary Note Regarding Forward-Looking Statements" for a discussion of the uncertainties, risks and assumptions associated with these statements. Actual results and the timing of events could differ materially from those discussed in our forward-looking statements as a result of many factors, including those set forth under "Risk Factors" in the Annual Report.

Overview

We are a company that develops, manufactures and markets innovative products and services that assist our customers in evaluating and treating chronic diseases. Our flagship product, QuantaFlo, which is patented and cleared by the FDA, is a rapid point-of-care test that measures arterial blood flow in the extremities. The QuantaFlo test aids in the diagnosis of cardiovascular diseases, such as peripheral arterial disease, or PAD, and heart dysfunction. QuantaFlo is used by healthcare providers to evaluate their patient's risk of mortality and major adverse cardiovascular events.

We have an agreement with Mellitus Health Inc., or Mellitus, a private company to exclusively market and distribute Insulin Insights, an FDA-cleared software product that recommends optimal insulin dosing for diabetic outpatients in the United States, including Puerto Rico, except for selected accounts.

We have minority investments in Mellitus, in Monarch Medical Technology LLC, or Monarch, a private digital health company whose proprietary product, EndoTool Glucose Management System, offers a technological solution for inpatient glycemic management, and in Neurodiagnostics, Inc., which is doing business as SYNAPS Dx and whose product, Discern, is a test for early Alzheimer's disease. We continue to develop additional complementary proprietary products in-house, and seek out other arrangements for additional products and services that we believe will bring value to our customers and to our company. We believe our current products and services, and any future products or services that we may offer, position us to provide valuable information to our customer base, which in turn permits them to better guide patient care.

In the three months ended September 30, 2023, we had total revenues of $16.3 million and net income of $5.5 million, compared to total revenues of $14.0 million and net income of $3.7 million in the same period in 2022. In the nine months ended September 30, 2023, we had total revenues of $53.1 million and net income of $16.4 million, compared to total revenues of $42.9 million and net income of $11.1 million in the same period in 2022.

Recent Developments

Strategic Operational Streamlining

On July 11, 2023, our board of directors approved a strategic plan to streamline operations and reduce employee headcount by approximately 30% by September 15, 2023. This plan is meant to be proactive and seeks to drive operational efficiency, while still providing high quality service to our customers.

As of September 30, 2023, we accrued expenses of $0.6 million for such strategic streamlining. As of September 30, 2023, we had $139 thousand of unpaid accrued expenses related to the strategic streamlining.

CMS Rate Notice

In late March 2023, CMS issued the final 2024 rate announcement with payment changes for the Medicare Advantage and Part D prescription drug programs. Essentially, CMS is phasing in a new Medicare Advantage risk adjustment model (2024 model) from the previous model (2020 model) over a three-year period. The 2024 model does not include risk adjusted payments for PAD without complications, which payments many health insurers, including our customers, relied upon for their Medicare Advantage patients in the 2020 model. The changes will be phased in as follows: in calendar year 2023, full payment under the 2020 model; in calendar year 2024, 67% of the 2020 model; in calendar year 2025, 33% of the 2020 model. It is premature to determine the potential impact to our future revenues of this CMS rate notice.

Results of Operations

Three Months Ended September 30, 2023 Compared to Three Months Ended September 30, 2022

Revenues

We had revenues of $16.3 million for the three months ended September 30, 2023, compared to $14.0 million in the same period of 2022. Our revenues are primarily from fees charged to customers for use of our vascular testing products and from sale of accessories used with these products. We recognized revenues of $15.8 million from fees for our products for the three months ended September 30, 2023, consisting of $9.5 million from fixed-fee licenses and $6.3 million from variable-fee licenses, compared to $13.5 million in the same period of the prior year, consisting of $8.6 million from fixed-fee licenses and $4.9 million from variable-fee licenses. The remainder was from sales of hardware and equipment accessories, which were $0.5 million for the three months ended September 30, 2023, and September 30, 2022.

Revenues from fees for products are recognized monthly, usually billed as a fixed monthly fee or as a variable monthly fee dependent on usage.

The primary reason for the increase in fixed-fee license revenues was growth in the number of installed units from both new customers and established customers, which we believe is the result of our sales and marketing efforts. The primary reason for the increase in variable-fee revenues was an increase in testing at our largest customers.

Operating expenses

We had total operating expenses of $10.0 million for the three months ended September 30, 2023, an increase of $0.4 million or 5%, compared to $9.6 million in the same period in the prior year. Operating expenses include $0.6 million of strategic streamlining costs, which are primarily headcount reduction related expenses. As a percentage of revenues, operating expenses decreased to 61% in the third quarter of 2023 as compared to 68% in the prior year period. The changes in the various components of our operating expenses are described below.

Cost of revenues

We had cost of revenues of $1.1 million for each of the three months ended September 30, 2023 and 2022. As a percentage of revenues, cost of revenues was 7% in the third quarter of 2023, compared to 8% in the prior year period.

Engineering and product development expense

We had engineering and product development expense of $1.2 million for each of the three months ended September 30, 2023 and 2022. As a percentage of revenues, engineering and product development expense was at 7% in the third quarter of 2023, compared to 9% in the prior year period.

Sales and marketing expense

We had sales and marketing expense of $3.4 million for the three months ended September 30, 2023, a decrease of $0.8 million, or 18%, compared to $4.2 million in the same period of the prior year. The decrease was primarily due to lower headcount pursuant to the strategic streamlining plan implemented in the third quarter. As a percentage of revenues, sales and marketing expense decreased to 21% in the third quarter of 2023, compared to 30% in the prior year period.

General and administrative expense

We had general and administrative expense of $3.7 million for the three months ended September 30, 2023, an increase of $0.6 million, or 22%, compared to $3.1 million in the same period of the prior year. The increase was primarily due to an increase in consulting, legal and other expenses. As a percentage of revenues, general and administrative expense increased to 23% in the third quarter of 2023, as compared to 22% in the prior year period.

Other income, net

We had total other income of $0.7 million for the three months ended September 30, 2023 compared to $0.1 million in the same period of the prior year. The increase was due to interest income from increased investments in U.S. treasury bills, U.S. government money market funds, debt securities and higher rates on short term government debt and money market funds.

Income tax provision

We had income tax provision of $1.5 million for the three months ended September 30, 2023, an increase of $0.6 million or 59%, compared to $0.9 million in the same period of the prior year. The effective tax rate for the three months ended September 30, 2023 was 21% compared to 20% in the same period of the prior year. The increase in effective tax rate was primarily due to lower tax benefits associated with employee stock-based compensation.

Net income

We had net income of $5.5 million, or $0.82 per basic share and $0.71 per diluted share, for the three months ended September 30, 2023, an increase of $1.8 million, or 50%, compared to a net income of $3.7 million, or $0.55 per basic share and $0.46 per diluted share, for the same period of the prior year.

Nine Months Ended September 30, 2023 Compared to Nine Months Ended September 30, 2022

Revenues

We had revenues of $53.1 million for the nine months ended September 30, 2023, an increase of $10.2 million, or 24%, compared to $42.9 million in the same period in 2022. Our revenues are primarily from fees charged to customers for use of our vascular testing products and from sales of accessories used with these products. We recognized revenues of $51.7 million from fees for our vascular testing products for the nine months ended September 30, 2023, consisting of $28.5 million from fixed-fee licenses and $23.2 million from variable-fee licenses, compared to $41.8 million in the same period of the prior year, consisting of $25.1 million from fixed-fee licenses and $16.7 million from variable-fee licenses. The remainder was from sales of other products, which were $1.4 million compared to $1.1 million in the same period of the prior year.

Revenues from fees for products are recognized monthly, usually billed as a fixed monthly fee or as a variable monthly fee dependent on usage.

The primary reason for the increase in fixed-fee license revenues was growth in the number of installed units from both new customers and established customers, which we believe is the result of our sales and marketing efforts. The primary reason for the increase in variable-fee revenues was an increase in testing at our largest customers.

Operating expenses

We had total operating expenses of $33.4 million for the nine months ended September 30, 2023, an increase of $4.1 million or 14%, compared to $29.3 million in the same period in the prior year. The primary reasons for this change were increases in legal expenses, increases in consulting expenses, provision for credit losses, professional fees, and other expenses. Operating expenses also include $0.6 million of strategic streamlining costs, which are primarily headcount reduction related expenses. As a percentage of revenues, operating expenses decreased to 63% in the nine months of 2023 as compared to 68% in the prior year period. The changes in the various components of our operating expenses are described below.

Cost of revenues

We had cost of revenues of $3.6 million for the nine months ended September 30, 2023, an increase of $0.5 million, or 17%, compared to $3.1 million in the same period of the prior year. The primary reasons for this change was an increase in payroll cost and increase in inventory writeoff expense. As a percentage of revenues, cost of revenues was 7% in both the nine months ended September 30, 2023 and 2022.

Engineering and product development expense

We had engineering and product development expense of $4.6 million for the nine months ended September 30, 2023, an increase of $1.2 million, or 33%, compared to $3.4 million in the same period of the prior year. The increase was primarily due to personnel expense due to an increased headcount, and increased consulting expenses. As a percentage of revenues, engineering and product development expenses increased to 9% in the nine months ended September 30, 2023, compared to 8% in the prior year period.

Sales and marketing expense

We had sales and marketing expense of $13.6 million for the nine months ended September 30, 2023, an increase of $0.6 million, or 4%, compared to $13.0 million in the same period of the prior year. The increase was primarily due to increased stock based compensation expenses, increased trade show costs and increased travelling expenses. As a percentage of revenues, sales and marketing expense decreased to 26% in the nine months ended September 30, 2023, as compared to 30% in the prior year period.

General and administrative expense

We had general and administrative expense of $11.0 million for the nine months ended September 30, 2023, an increase of $1.2 million, or 13%, compared to $9.8 million in the same period of the prior year. The increase was primarily due to an increase in professional fees, provision for credit losses, professional fees and other expenses. As a percentage of revenues, general and administrative expense decreased to 21% in the nine months of 2023, as compared to 23% in the prior year period.

Other income, net

We had total other income of $1.6 million for the nine months ended September 30, 2023, compared to $0.1 million in the same period of the prior year. The increase was primarily due to higher interest income from investments, partially offset by changes in the fair value of investments.

Income tax provision

We had income tax provision of $4.9 million for the nine months ended September 30, 2023, an increase of $2.3 million or 87%, compared to $2.6 million in the prior year period. The effective tax rate for the nine months ended September 30, 2023 was 23% compared to 19% in the same period of the prior year. The increase was primarily due to lower tax benefits associated with stock-based compensation plans.

Net income

For the foregoing reasons, we had net income of $16.4. million, or $2.44 per basic share and $2.09 per diluted share, for the nine months ended September 30, 2023, an increase of $5.3 million, or 47%, compared to a net income of $11.1 million, or $1.65 per basic share and $1.38 per diluted share, for the same period of the prior year.

Liquidity and Capital Resources

We had cash and cash equivalents and short-term investments of $56.0 million at September 30, 2023 compared to $43.1 million at December 31, 2022, and total current liabilities of $8.6 million at September 30, 2023 compared to $6.9 million at December 31, 2022. As of September 30, 2023, we had working capital of approximately $55.8 million. We believe that our current sources of funds will provide us with adequate liquidity during the period following September 30, 2023, as well as in the long-term.

Our cash is held in a variety of non-interest bearing bank accounts and treasury bills. At September 30, 2023, we held approximately $18.5 million of U.S. Treasury bills, $35.2 million in U.S.government money market fund account and the remaining cash of $2.3 million was held in non-interest bearing bank accounts. Our investment guidelines allow for holdings in U.S. government and agency securities, corporate securities, taxable municipal bonds, commercial paper, money market accounts and treasury bills. In addition, we have, and may in the future, choose to invest some of our cash resources in other entities that may have complementary technologies or product offerings.

Operating activities

We generated $16.9 million of net cash from operating activities for the nine months ended September 30, 2023, compared to $15.8 million of net cash from operating activities for the same period of the prior year. The change was primarily due to generation of additional net income from operating activities. Non-cash adjustments to reconcile net income to net cash from operating activities provided net cash of $1.5 million and were primarily due to stock-based compensation expense of $0.9 million, depreciation of $0.4 million, loss on disposal of assets for lease of $0.4 million, change in fair values of investments of $0.2 million, loss on disposal of inventory of $0.2 million and allowance for credit losses of $0.2 million, partially offset by deferred tax income of $0.5 million and gain on short-term investments of $0.3 million. Changes in operating assets and liabilities used $1.0 million of net cash. These changes in operating assets and liabilities included an increase in trade receivable of $2.3 million, prepaid expenses and other assets of $0.5 million and a decrease in trade payables of $0.5 million, partially offset by an increase in accrued expenses of $2.2 million, and a decrease in other non-current assets of $0.1 million.

Investing activities

We used $0.2 million of net cash from investing activities for the nine months ended September 30, 2023, primarily to purchase $57.8 million of short-term treasury bills, a $1.0 million promissory note held for investment, $0.8 million of assets for lease and $0.3 million of fixed assets to support our growing business, partially offset by the maturities of short-term treasury bills of $59.7 million.

We used $2.5 million of net cash in investing activities for the nine months ended September 30, 2022, which reflects purchase of long-term notes receivable of $1.2 million, funding to purchase assets for lease of $0.9 million and fixed asset purchases of $0.4 million to support our growing business.

Financing activities

We used $2.2 million in net cash from financing activities during the nine months ended September 30, 2023, which reflects the purchase of common stock warrants of $2.0 million from our chief executive officer, and payment of taxes withheld for stock grants of $0.2 million.

We used $5.0 million in net cash from financing activities during the nine months ended September 30, 2022, which reflects payment of taxes withheld for stock grants of $0.1 and $5.0 million for the treasury stock acquisition, under our recently announced share purchase program, partially offset by proceeds from exercise of stock options of $0.1 million.

Critical Accounting Policies and Estimates

There have been no material changes to our critical accounting policies and estimates described in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 23, 2023.

New Accounting pronouncements recently adopted

We have considered recently issued accounting pronouncements and do not believe the adoption of such pronouncements will have a material impact on our condensed consolidated financial statements. See Note 1 to Condensed Financial Statements for the new accounting pronouncements adopted in the first quarter of 2023.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure material information required to be disclosed in our 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 and our chief financial officer, as appropriate, to allow timely decisions regarding required financial disclosure. In designing and evaluating the disclosure controls and procedures, we recognized that a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision of and with the participation of our management, including our chief executive officer and our chief financial officer, we evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2023. Based upon that evaluation, our chief executive officer and our chief financial officer concluded that our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during our third quarter ended September 30, 2023.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

Not applicable.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities.

(a) Recent Sales of Unregistered Securities

None.

(b) Use of Proceeds

Not Applicable.

(c) Issuer Purchases of Equity Securities.

None

Item 3. Defaults upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exh. No.	Exhibit Name
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 of our Form 8-K filed with the Securities and Exchange Commission on November 2, 2015).
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 of our Form 8-K filed with the Securities and Exchange Commission on October 23, 2023).
3.3	Third Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 of our Form 8-K filed with the Securities and Exchange Commission on April 19, 2023)
31.1	Rule 13a-14(a) Certification of Principal Executive Officer
31.2	Rule 13a-14(a) Certification of Principal Financial Officer
32.1*	Section 1350 Certification
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	The cover page from Semler Scientific's Quarterly Report on Form 10-Q for the three months ended September 30, 2023 is formatted in Inline XBRL and it is contained in Exhibit 101

* These certifications are furnished to the SEC pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, nor shall they be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

SIGNATURES

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

November 13, 2023

SEMLER SCIENTIFIC, INC.

By:/s/ Douglas Murphy-Chutorian
Douglas Murphy-Chutorian
Chief Executive Officer
(Principal Executive Officer)

By:/s/ Renae Cormier
Renae Cormier
Chief Financial Officer (Principal Financial Officer and
Principal Accounting Officer)

Exhibit 31.1

RULE 13A-14(A) CERTIFICATION

I, Douglas Murphy-Chutorian, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Semler Scientific, Inc., a Delaware corporation;

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.

Dated: November 13, 2023

/s/ Douglas Murphy-Chutorian
Douglas Murphy-Chutorian, M.D.
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

RULE 13A-14(A) CERTIFICATION

I, Renae Cormier, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Semler Scientific, Inc., a Delaware corporation;

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.

Dated: November 13, 2023

/s/ Renae Cormier
Renae Cormier
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Each of the undersigned, Douglas Murphy-Chutorian, M.D., Chief Executive Officer of Semler Scientific, Inc., a Delaware corporation (the "Company"), and Renae Cormier, Chief Financial Officer of the Company, does hereby certify, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his or her knowledge (1) the quarterly report on Form 10-Q of the Company for the period ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (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.

/s/ Douglas Murphy-Chutorian
Name: Douglas Murphy-Chutorian, M.D.
Title: Chief Executive Officer
(Principal Executive Officer)
Dated: November 13, 2023

/s/ Renae Cormier
Name: Renae Cormier
Title: Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Dated: November 13, 2023

This certification accompanies and is being "furnished" with this Report, shall not be deemed "filed" by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that Section and shall not be deemed to be incorporated by reference into any filing of the Company 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 Report, irrespective of any general incorporation language contained in such filing. A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.