



Policies and Principles of Semler Scientific's® Bitcoin Treasury Strategy

Summary

This memo summarizes Semler Scientific's current treasury strategy for owning bitcoin, including its historical purchases, trading execution, custody, storage, and accounting considerations. Semler Scientific reserves the right to update and alter its treasury strategy from time to time. We view bitcoin as a reliable store of value and a compelling investment. We believe it has unique characteristics as a scarce and finite asset that can serve as a reasonable inflation hedge and safe haven amid global instability. We also believe that its digital, architectural resilience makes it preferable to gold, which has a market value that greatly exceeds the market value of bitcoin. Given the gap in value between gold and bitcoin, we believe that bitcoin has the potential to generate outsize returns as it gains increasing acceptance as "digital gold." We believe that bitcoin's unique attributes discussed above not only differentiate it from fiat money, but also from other cryptocurrency assets, and for that reason, we have no plans to purchase cryptocurrency assets other than bitcoin.

Institutionalization of Bitcoin

We are encouraged by the growing global acceptance and "institutionalization" of bitcoin – reflected by the Securities and Exchange Commission's January 2024 approval of 11 bitcoin exchange-traded funds. These funds have reported billions of dollars of net inflows, with investments from a large number of institutions, including global banks, pensions, endowments and registered investment advisors. It is estimated that more than 10% of all bitcoins are now held by institutions.

Our Decision to Adopt Bitcoin as Our Primary Reserve Strategy

We are in the fortunate position of being a company that has consistently generated cash and has a strong balance sheet with substantial net cash. Our board of directors and senior management have been examining potential uses of cash, including acquisitions and stock repurchases. After studying various alternatives, we decided that investing in bitcoin is currently the best use of our excess cash. Bitcoin will be our principal treasury holding on an ongoing basis, subject to market conditions and our anticipated cash needs. As we embark on our new treasury strategy, our board intends to proactively evaluate our use of excess cash.

Historical Execution

In May 2024, we purchased 581 bitcoins at an aggregate purchase price of \$40 million, inclusive of fees and expenses. We purchased the bitcoin over-the-counter through a bitcoin liquidity provider. We negotiated fees related to trading commissions. We executed trades using a time-weighted average price over a prearranged time period that was expected to be low price volatility and high market liquidity to limit cost and pricing risks. In selecting our liquidity provider, we evaluated pricing, annual trading volume, security and customer service.

Custody

Our bitcoins are held offline in cold storage with a third-party provider. Digital assets like bitcoin depend on private keys to retrieve and transfer funds.

Accounting

Bitcoin accounting guidance has been evolving. According to the American Institute of Certified Public Accountants' "Accounting for and auditing of Digital Assets practice aid," bitcoin would satisfy the definition of an indefinite-lived intangible asset and would be accounted for under FASB ASC 350, Intangibles — Goodwill and Other. Under these guidelines, bitcoin holdings would be accounted for initially at cost and subject to impairment losses if their fair value fell below carrying value. In December 2023, the Financial Accounting Standards Board issued Accounting Standards Update No. 2023-08, Accounting for and Disclosure of Crypto Assets (ASU 2023-08), which revised bitcoin accounting treatment. Under this new guidance, the valuation of bitcoin is to be measured based on fair value.

Disclaimers

This memo is for informational use only. It should not be viewed as legal, tax, investment, financial, accounting, or other advice. Nothing in this memo is meant to be a recommendation by Semler Scientific to buy, hold or sell bitcoin, cryptocurrencies, or other financial instruments.

About Semler Scientific, Inc:

Semler Scientific, Inc. develops, manufactures and markets innovative products and services to combat chronic diseases. Its flagship product, QuantaFlo[®], which is patented and cleared by the U.S. Food and Drug Administration (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 (PAD), and Semler Scientific is seeking a new 510(k) clearance for expanded-indications. QuantaFlo is used by healthcare providers to evaluate their patient's risk of mortality and major adverse cardiovascular events (MACE). Semler Scientific also invests in bitcoin and has adopted bitcoin as its primary treasury reserve asset.

Forward-Looking Statements

This memo contains "forward-looking" statements. Such statements can be identified by, among other things, the use of forward-looking language such as the words "believe," "goal," "may," "will," "intend," "expect," "anticipate," "estimate," "project," "would," "could" or words with similar meaning or the negatives of these terms or by the discussion of strategy or intentions. The forward-looking statements in this release include express or implied statements regarding the new bitcoin strategy and its ability to generate outside returns, uses of excess cash, accounting treatment of bitcoin, as well as seeking a new 510(k) clearance for QuantaFlo with expanded indications for use, among others. Such forward-looking statements are subject to a number of risks and uncertainties that could cause Semler Scientific's actual results to differ materially from those discussed here, such as risks inherent with investing in bitcoin, including bitcoin's volatility; its evolving accounting treatment and classification by the Securities and Exchange Commission; risk of implementing a new treasury strategy; risk that insurance plans and other customers will not continue to license its cardiovascular testing products; risk of changes in the reimbursement landscape for its customers including related to the CMS rate announcement; risk of obtaining a new 510(k) clearance for expanded indications; along with those other risk factors detailed in Semler Scientific's filings with the Securities and Exchange Commission. These forward-looking statements involve assumptions, estimates, and uncertainties that reflect current internal projections, expectations or beliefs. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. All forward-looking statements contained in this press release are qualified in their entirety by these cautionary statements and the risk factors described above. Furthermore, all such statements are made as of the date of this release and Semler Scientific assumes no obligation to update or revise these statements unless otherwise required by law.

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