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Spectral AI, Inc.

(MDAI: NASDAQ)

MDAI: Flash Report - Third Quarter 2026 Results

Research Note

Spectral AI, Inc. (NASDAQ: MDAI) reported third quarter 2026 results on November 10th after the market close. The most consequential announcement on the call was the reduction in 2026 research and development (R&D) revenue guidance from $18.5 million to $13.0 million. This excludes any DeepView product sales that may occur. The change was due to completion of the Medical Technology Enterprise Consortium (MTEC) program and a shift of anticipated Biomedical Advanced Research and Development Authority (BARDA) revenues to future periods. There are no expected further revenues from MTEC in 2026.

Management continues to expect DeepView deployments this year and Spectral's partner Cobalt Product Solutions is manufacturing 30 DeepView systems for BARDA-supported deployment at US burn centers. Several units are in inventory and ready for sale. We do not expect 2026 deployments in the United Kingdom as the latest UKCA approval was pushed back to accommodate the Total Body Surface Area (TBSA) algorithm, hardware and software enhancements that are included on the FDA cleared device. Sales in the Middle East are also expected to be delayed until 2027.

Since the previous financial update in August, the company has attended several medical conferences and events including the American College of Emergency Physicians (ACEP) Scientific Assembly, the American College of Surgeons (ACS) Clinical Congress and the Southern Regional Burn Conference (SRBC). These forums have provided Spectral with a venue to present the DeepView burn diagnostic to leaders in the burn industry and to help develop leads for further deployments.

In the clinical study sphere, Spectral AI has launched its Head, Hands and Feet label expansion study. It has completed site initiation visits at four burn centers in the UK and has now enrolled 10 patients. The other important study is the Triage and Treatment (T&T) study which will evaluate DeepView's ability to improve surgical precision, accelerate treatment decisions and reduce hospital length of stay. It is expected to begin in December 2026, initially enrolling at four or five centers and expanding to twelve centers across the US by the end of 1Q:27.

Spectral's effort to support deployment has extended to the pursuit of a New Technology Add-on Payment (NTAP). The NTAP is a supplemental reimbursement program established by the Centers for Medicare & Medicaid Services (CMS) to help hospitals cover the high cost of innovative medical devices, drugs, biologics and diagnostic tools in the inpatient setting. It may provide additional funding to help hospitals deploy DeepView. While management requested additional hospital reimbursement of $2,750, it is too soon to quantify the amount of the payment or whether or not it will be approved. Management expects a response from CMS by August 2027.

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3Q:26 Financial and Operational Results

Last night, Spectral reported 3Q:26 results in a press release followed by a conference call to discuss results with investors and take questions from analysts. For the quarter ended September 30th, 2026, Spectral recognized research and development revenues of $2.9 million. Operating loss was $4.0 million. For 3Q:26 versus the same prior year period:

- Revenues of $2.9 million fell 25% from $3.8 million reflecting a change in the cost-share structure of the active phase of the BARDA Project BioShield contract. Revenues from other government programs, including MTEC, for the handheld device were $0.1 million as the program completed;
- Cost of revenue totaled $2.1 million, down 4% from $2.2 million. Gross margin fell to 27.2% from 42.7%, reflecting the cost-share provisions of the follow-on development phase of the BARDA contract, where Spectral continues to incur development costs that are not fully reimbursable;
- General & Administrative expenses were $2.3 million, falling 24% from $3.1 million due to lower legal fees and related professional services;
- Research & Development expense was $2.0 million, increasing 30% over $1.5 million, attributable to increased non-revenue-generating development activities, primarily from the costs associated with the UK label expansion study for burns involving the head, hands and feet;
- Selling & Marketing expense was $414,000, rising 13% from $367,000 on account of expanded commercialization activities ahead of the launch of the DeepView AI System;
- Net interest expense was $586,000 compared to $464,000 with the amount primarily related to the Avenue Capital financing;
- Other income of $818,000 was predominantly attributable to a change in fair value of warrants partially offset by financing related costs and foreign exchange transaction loss;
- Income tax benefit was $78,000 vs. an expense of $2,000;
- Net loss was $3.7 million or $0.11 per share vs a net loss of $3.6 million or $0.13 per share.

As of September 30th, 2026, cash totaled $11.2 million. This amount compares to the $15.4 million cash balance held at the end of 2025 and the $14.0 million balance on June 30th, 2026. Notes payable were carried at $15.5 million at quarter end. Management expects to file the 3Q:26 Form 10-Q on or before November 16th which will provide further detail.

Milestones

- Vincent Capone elevated to CEO – February 2026
- David McGuire appointed CFO – April 2026
- Acceptance of Small Business Innovator Award at the Texas Innovation Conference – April 2026
- Attendance at the 2026 American Burn Association Annual Meeting – April 2026
- Fully functional prototype of handheld SnapShot delivered – May 2026
- FDA De Novo Clearance of DeepView System for Burn Indication – May 26th, 2026
- Stockholder meeting results and business update – June 1st, 2026
- Darcy Bajko appointed Chief Commercial Officer – July 2026
- 2026 Military Health System Research Symposium (MHSRS) Conference – August 2026
- Attendance at the Southern Regional Burn Conference (SRBC) – September 2026
- Presentation at the ACS Clinical Congress – September 2026
- Launch of Head, Hands & Feet Study at Pinderfields Hospital, Wakefield, UK – October 2026
- DeepView showcased at American College of Emergency Physicians Scientific Assembly – October 2026
- Launch of DeepView in US Burn Centers – 2H:26
- Launch of triage and treatment outcome study in US – December 2026
- UKCA authorization label expansion – 1Q:27
- Total body surface area (TBSA) II FDA 510(k) clearance – mid-2027
- TBSA III FDA 510(k) clearance - 2028

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