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

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE
SECURITIES EXCHANGE ACT OF 1934**

For the month of February 2021

Commission File Number: **001-35165**

BRAINSWAY LTD.

(Translation of registrant's name into English)

19 Hartum Street
Bynet Building, 3rd Floor
Har HaHotzvim
Jerusalem, 9777518, Israel
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F [☒] Form 40-F [☐]

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

EXHIBIT INDEX

| Exhibit | Title |
|----------------|--|
| 99.1 | <u>BrainsWay LTD. Unaudited Condensed Interim Consolidated Financial Statements as of September 30, 2020</u> |

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.

BRAINSWAY LTD.
(Registrant)

Date: February 22, 2021

/s/ Christopher R. von Jako, Ph.D
Christopher R. von Jako, Ph.D
President and Chief Executive Officer

Exhibit 99.1

BRAINSWAY LTD.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2020
U.S. DOLLARS IN THOUSANDS
UNAUDITED
INDEX

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BRAINSWAY LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
U.S. dollars in thousands (except share and per share data)

| <u>September 30, December 31,</u> | |
|--|--------------------|
| <u>2020</u> | <u>2019</u> |
| (unaudited) | (audited) |

| | | |
|---|------------------|------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 15,792 | \$ 21,674 |
| Short-term deposits | 221 | 221 |
| Trade receivables, net | 6,531 | 5,507 |
| Other accounts receivable | 1,531 | 1,427 |
| | <u>24,075</u> | <u>28,829</u> |
| NON-CURRENT ASSETS: | | |
| Long-term deposit | 163 | 168 |
| Leased systems | 5,139 | 5,491 |
| System components and other property and equipment | 5,004 | 4,248 |
| | <u>10,306</u> | <u>9,907</u> |
| | <u>\$ 34,381</u> | <u>\$ 38,736</u> |
| LIABILITIES AND EQUITY | | |
| CURRENT LIABILITIES: | | |
| Trade payables | \$ 911 | \$ 1,320 |
| Other accounts payable | 3,817 | 3,379 |
| Deferred revenues | 1,184 | 1,305 |
| Liability in respect of research and development grants | 1,060 | 714 |
| | <u>6,972</u> | <u>6,718</u> |
| NON-CURRENT LIABILITIES: | | |
| Deferred revenues and other liabilities | 2,178 | 2,431 |
| Liability in respect of research and development grants | 5,319 | 5,367 |
| | <u>7,497</u> | <u>7,798</u> |
| EQUITY: | | |
| Share capital | 233 | 233 |
| Share premium | 95,111 | 93,649 |
| Share-based payment | 3,644 | 4,435 |
| Adjustments arising from translating financial statements from functional currency to presentation currency | (2,188) | (2,188) |
| Accumulated deficit | (76,888) | (71,909) |
| | <u>19,912</u> | <u>24,220</u> |
| | <u>\$ 34,381</u> | <u>\$ 38,736</u> |

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

BRAINSWAY LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

U.S. dollars in thousands (except share and per share data)

| | Nine months ended September 30, | |
|------------------|--|--------------|
| | 2020 | 2019 |
| | (unaudited) | |
| Revenues | \$ 14,991 | \$ 16,809 |
| Cost of revenues | <u>3,492</u> | <u>3,687</u> |

| | | |
|--|------------------|------------------|
| Gross profit | 11,499 | 13,122 |
| Research and development expenses, net | 4,247 | 6,067 |
| Selling and marketing expenses | 8,284 | 9,665 |
| General and administrative expenses | 3,390 | 3,875 |
| Total operating expenses | <u>15,921</u> | <u>19,607</u> |
| Operating loss | 4,422 | 6485 |
| Finance expense, net | 80 | 1,252 |
| Loss before income taxes | 4,502 | 7,737 |
| Income taxes | 477 | 275 |
| Net loss and total comprehensive loss | <u>\$ 4,979</u> | <u>\$ 8,012</u> |
| Weighted number of shares | 22,248,259 | 22,236,368 |
| Basic and diluted net loss per share | <u>\$ (0.22)</u> | <u>\$ (0.40)</u> |

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

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BRAINSWAY LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

U.S. dollars in thousands (except share and per share data)

| | Share capital | Share premium | Reserve for share-based payment transactions | Adjustments arising from translating financial statements from functional currency to presentation currency | Accumulated deficit | Total equity |
|--|------------------|------------------|---|--|------------------------|------------------|
| | Unaudited | | | | | |
| Balance at January 1, 2020 | \$ 233 | \$ 93,649 | \$ 4,435 | \$ (2,188) | \$ (71,909) | \$ 24,220 |
| Net loss and total comprehensive loss | - | - | - | - | (4,979) | (4,979) |
| Exercise of share options | - | 467 | (467) | - | - | - |
| Expiration of share options | - | 996 | (996) | - | - | - |
| Cost of share-based payment | - | - | 672 | - | - | 672 |
| Balance at September 30, 2020 | <u>\$ 233</u> | <u>\$ 95,111</u> | <u>\$ 3,644</u> | <u>\$ (2,188)</u> | <u>\$ (76,888)</u> | <u>\$ 19,912</u> |
| | Share capital | Share premium | Reserve for share-based payment transactions | Adjustments arising from translating financial statements | Accumulated deficit | Total equity |

| | from functional currency to presentation currency | | | | | |
|---------------------------------------|---|------------------|-----------------|-------------------|--------------------|------------------|
| | Unaudited | | | | | |
| Balance at January 1, 2019 | \$ 171 | \$ 67,193 | \$ 3,357 | \$ (2,188) | \$ (61,581) | \$ 6,952 |
| Net loss and total comprehensive loss | - | - | - | - | (8,012) | (8,012) |
| Expiration of share options | - | 184 | (184) | - | - | - |
| Cost of share-based payment | - | - | 981 | - | - | 981 |
| Issuance of shares, net (*) | 31 | 26,302 | - | - | - | 26,333 |
| Balance at September 30, 2019 | <u>\$ 202</u> | <u>\$ 93,679</u> | <u>\$ 4,154</u> | <u>\$ (2,188)</u> | <u>\$ (69,593)</u> | <u>\$ 26,254</u> |

(*) Net of issuance expenses of \$ 2,290.

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

BRAINSWAY LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands (except share and per share data)

| | Nine months ended September 30, | |
|---|------------------------------------|--------------|
| | 2020 | 2019 |
| | (unaudited) | |
| <i>Cash flows from operating activities:</i> | | |
| Total comprehensive loss | \$ (4,979) | \$ (8,012) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Adjustments to the profit or loss items: | | |
| Depreciation, amortization and impairment | 1,271 | 1,401 |
| Depreciation of leased systems | 877 | 735 |
| Finance expenses, net | 80 | 1,252 |
| Cost of share-based payment | 671 | 981 |
| Income taxes | 477 | 275 |
| | <u>3,376</u> | <u>4,644</u> |
| Changes in asset and liability items: | | |
| Increase in trade receivables | (996) | (2,165) |
| Decrease (increase) in other accounts receivable | (94) | 13 |
| Increase (decrease) in trade payables | (422) | 426 |
| Increase (decrease) in other accounts payable | 320 | (257) |
| Increase (decrease) in deferred revenues and other liabilities | <u>(27)</u> | <u>19</u> |

| | | |
|--|---------|---------|
| | (1,219) | (1,964) |
| Cash paid and received during the period for: | | |
| Interest paid | (59) | (267) |
| Interest received | 54 | 127 |
| Income taxes paid | (249) | (542) |
| | (254) | (682) |
| Net cash used in operating activities | (3,076) | (6,014) |
| <i>Cash flows from investing activities:</i> | | |
| Purchase of property and equipment and system components | (2,555) | (2,973) |
| Investment in short-term deposits, net | - | (84) |
| Withdrawal of (Investment in) | | |
| long-term deposits, net | 5 | 1,007 |
| Net cash used in investing activities | (2,550) | (2,050) |

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

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| | Nine months ended September 30, | |
|--|------------------------------------|-----------|
| | 2020 | 2019 |
| | (unaudited) | |
| <i>Cash flows from financing activities:</i> | | |
| Repayment of loan from bank, net | - | (3,000) |
| Receipt of government grants | 42 | 141 |
| Repayment of liability in respect of research and development grants | - | (275) |
| Repayment of lease liability | (322) | (311) |
| Proceeds from issuance of shares, net | - | 26,333 |
| Net cash provided by (used in) financing activities | (280) | 22,888 |
| Exchange rate differences on cash and cash equivalents | 24 | (51) |
| Increase (decrease) in cash and cash equivalents | (5,882) | 14,773 |
| Cash and cash equivalents at the beginning of the period | 21,674 | 8,968 |
| Cash and cash equivalents at the end of the period | \$ 15,792 | \$ 23,741 |
| (a) <i>Significant non-cash transactions:</i> | | |
| Purchase of property and equipment on credit | \$ - | \$ 189 |

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

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BRAINSWAY LTD.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 1:—GENERAL

- a. A general description of the Company and its activity:

Brainsway Ltd. (“the Company”), was incorporated on November 7, 2006, is a commercial stage medical device company focused on the development and sale of non-invasive Deep Transcranial Magnetic Stimulation (“Deep TMS”) technology for the treatment of neurological and addiction disorders. The Deep TMS system (“system”) uses magnetic pulses to stimulate neurons and consequently modulates the physiological activity of the brain.

In January 2013, the first commercial Deep TMS system received clearance by the United States Food and Drug Administration (“FDA”) for the treatment of major depressive disorder (“MDD”) in adults who failed to achieve satisfactory improvement from anti-depressant medication. In August 2018, the Company received clearance of marketing authorization by the FDA for the adjunct therapy for the treatment of obsessive-compulsive disorder (OCD) in adults.

In August 24, 2020 Brainsway Ltd. announced that it has received 510(k) clearance from the U.S. Food and Drug Administration (FDA) for the Company’s deep transcranial magnetic stimulation (“Deep TMS”) system for its use as an aid in short-term smoking cessation in adults.

The Company and its wholly owned subsidiaries, Brainsway, Inc., Moach R&D Services Ltd. (“Moach”), and Brainsway USA Inc (“USA Inc”), collectively, the “Group,” derive revenues from the sale and lease of its systems.

- b. In an effort to contain and mitigate the spread of COVID-19 global pandemic, many countries around the world, including the U.S. and Israel, have imposed quarantines and restrictions on travel and mass gatherings to slow the spread of the virus and closed non-essential businesses and offices. As many local jurisdictions continue to have such restrictions in place, the company’s ability to continue to operate its business may also be limited.

To date, the financial impact on the Company’s business has been moderate, and the Company has put in place a comprehensive alternative commercial strategy to support growth initiatives while adhering to government and health regulatory guidelines. Additionally, to date, there have been no significant disruptions to the supply chain, and the Company currently has sufficient supply of components to assemble the Company’s Deep TMS systems and meet commercial demand. However, the Company has experienced decreased commercial activities which have affected the revenue from leases of the Company’s Deep TMS systems due to slower initiation of certain promotional activities associated with a significant decrease in in-clinic patient visits, tests and treatments and the impact on our sales force’s ability to engage with healthcare providers in an in-person setting, cancellation of events such as industry conferences and limited local and international travel. The ability to successfully commercialize the Deep TMS system for smoking addiction depends on in-clinic patient visits and the availability of diagnostics, both of which have been negatively affected by the pandemic. In addition, the COVID-19 pandemic has adversely affected and may continue to adversely affect the Company’s clinical and pre-clinical trials, including the ability to initiate and complete clinical and pre-clinical trials within the anticipated timelines, and delays or difficulties in enrolling patients in clinical trials and recruiting clinical site investigators and clinical site staff.

- c. These financial statements have been prepared in a condensed format as of September 30, 2020 and for the nine period then ended (“Interim Consolidated Financial Statements”). These financial statements should be read in conjunction with the Company’s annual financial statements as of December 31, 2019 and for the year then ended and accompanying notes (“Annual Consolidated Financial Statements”).
- d. The Group had negative cash flows from operating activities of approximately \$3,076 and \$6,014 for the nine months ended September 30, 2020 and for the nine months ended September 30, 2019, respectively. Furthermore, the Company had an operating loss of \$4,422 and \$6,485 for the nine months ended September 30, 2020 and for the nine months ended September 30, 2019, respectively. The Company’s management and board of directors believe that the Company has the current funding to finance its business activity according to its plans in the foreseeable future.

- e. The interim financial statements of the Company as of September 30, 2020 and for the nine-month periods ended September 30, 2020 and 2019 were authorized for issuance in accordance with a resolution of the board of directors on February 22, 2021.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

- a. Basis of preparation of the interim consolidated financial statements:

The interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting."

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Annual Consolidated Financial Statements.

- b. In the process of applying the significant accounting policies in the financial statements, the Group has made the following judgments, estimates and assumptions, which have the most significant effect on the amounts recognized in the financial statements:

- (i) Judgments:

Classification of leases:

Evaluation of whether to classify a lease as a finance lease or an operating lease in accordance with the criteria stipulated in IFRS 16 requires significant judgment.

- (ii) Estimates and assumptions:

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. Changes in accounting estimates are reported in the period of the change in estimate.

The key assumptions made in the financial statements concerning uncertainties at the reporting date and the critical estimates computed by the Company that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Grants from the Israel Innovation Authority ("IIA"):

Government grants received from the IIA are recognized as a liability if future economic benefits are expected from the research and development activity that will result in royalty-bearing sales. There is uncertainty regarding the estimated future cash flows and discount rate used to measure the amount of the liability.

- Provision for allowance for doubtful accounts on trade receivables:

The Group uses a provision matrix to calculate the allowance for doubtful accounts based on expected credit losses (ECL's) for trade receivables. The provision rates are based on days past due for its various customers. The provision matrix is initially based on the Group's historical observed default rates as well as forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future.

- Determining the fair value of share-based payment transactions:

The fair value of share-based payment transactions is determined upon initial recognition by the Binomial model. The Binomial model is based on share price and exercise price and assumptions regarding expected volatility, term of share option, dividend yield and risk-free interest rate.

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NOTE 3: EQUITY

- a. Composition of share capital:

| | <u>September 30, 2020</u> | | <u>December 31, 2019</u> | |
|--|---------------------------|--|--------------------------|-----------------------------------|
| | <u>Authorized</u> | <u>Issued and outstanding Number of shares</u> | <u>Authorized</u> | <u>Issued and outstanding</u> |
| Ordinary shares of NIS 0.04 par value each | <u>25,000,000</u> | <u>22,482,630</u> | <u>25,000,000</u> | <u>22,236,368</u> |

- b. Movement in share capital:

Issued and outstanding capital:

| | <u>Number of shares</u> | <u>NIS par value</u> |
|--|-----------------------------|--------------------------|
| Balance at January 1, 2020 | 22,236,368 | 233,167 |
| Issuance of shares – exercise of options | <u>246,262</u> | <u>9,850</u> |
| Balance at September 30, 2020 | <u>22,482,630</u> | <u>243,017</u> |
| Balance at December 31, 2019 | <u>22,236,368</u> | <u>233,167</u> |

NOTE 4: SHARE-BASED PAYMENTS

- a. Movement in share-based payment transactions during the nine-month period ended September 30, 2019 and 2020

| | <u>Number of options</u> | <u>Weighted average exercise price(*)</u> |
|-----------------------------------|------------------------------|---|
| | | <u>\$</u> |
| Outstanding at January 1, 2019 | 2,425,192 | \$ 6.60 |
| Expired | (59,765) | 7.45 |
| Forfeited | <u>(44,665)</u> | <u>7.18</u> |
| Outstanding at September 30, 2019 | <u>2,320,762</u> | <u>\$ 6.57</u> |
| Exercisable at September 30, 2019 | <u>1,217,329</u> | <u>7.50</u> |

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| | Number of options | Weighted average exercise price(*) \$ |
|-----------------------------------|------------------------------|--|
| Outstanding at January 1, 2020 | 2,213,812 | \$ 7.10 |
| Granted | 215,008 | 5.52 |
| Exercised | (246,262) | 5.80 |
| Expired | (526,917) | 6.00 |
| Forfeited | (72,666) | 6.77 |
| Outstanding at September 30, 2020 | <u>1,582,975</u> | <u>\$ 7.47</u> |
| Exercisable at September 30, 2020 | <u>783,442</u> | <u>\$ 8.04</u> |

(*) The exercise price of all options denominated in NIS and was translated to USD in the table above using the exchange rate as of September 30, 2020.

The weighted average remaining contractual life for the options outstanding as of September 30, 2020 was approximately five years.

The range of exercise prices for options outstanding as of September 30, 2020 was NIS 17.32 to NIS 31.19.

- b. In January 2020, the Company granted to the Company's Chief Executive Officer ("CEO") upon his employment, 240,000 restricted stock units ("RSUs") of which 60,000 RSUs were granted through to January 26, 2021, and 180,000 RSUs have been committed to be provided in three future grants of 60,000 RSUs upon each anniversary of the employment start date of the CEO with the Company. The terms of the 180,000 committed CEO RSU's were amended subsequent to balance sheet date - See Note 6(b).

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NOTE 5: ADDITIONAL INFORMATION TO THE STATEMENTS OF COMPREHENSIVE LOSS ITEMS

- a. Additional information on revenues:

Revenues reported in the financial statements for each group of similar products and services:

| | Nine months ended September 30 | |
|---------------------|---------------------------------------|------------------|
| | 2020 | 2019 |
| Revenues from lease | \$ 10,241 | \$ 9,721 |
| Revenues from sale | 4,750 | 7,089 |
| | <u>\$ 14,991</u> | <u>\$ 16,809</u> |

Geographic information:

Revenues reported in the financial statements derived from the Company's country of domicile (Israel) and foreign countries based on the location of the customers, are as follows:

| Nine months ended September 30 | | | |
|---------------------------------------|----------|-------------|----------|
| 2020 | % | 2019 | % |

| | | | | |
|--------|------------------|------------|------------------|------------|
| U.S. | \$ 13,300 | 89 | \$ 14,938 | 89 |
| Europe | 1,512 | 10 | 892 | 5 |
| Israel | (4) | 0 | 230 | 1 |
| Other | 183 | 1 | 749 | 5 |
| | <u>\$ 14,991</u> | <u>100</u> | <u>\$ 16,809</u> | <u>100</u> |

b. Cost of revenues:

| | Nine months ended September 30, 2020 | |
|------------------------|---|-----------------|
| | 2020 | 2019 |
| Cost of revenues—lease | \$ 2,444 | \$ 2,218 |
| Cost of revenues—sales | 1,048 | 1,469 |
| | <u>\$ 3,492</u> | <u>\$ 3,687</u> |

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NOTE 6: EVENTS AFTER THE REPORTING PERIOD

- a. On January 26, 2021, the Board of Directors approved the repricing of approximately 1.474 million Ordinary Shares (“Ordinary Shares”) that had previously been granted to officers, independent Board members, employees and consultants of the Company pursuant to the Brainsway 2014 Share Incentive Plan, and the Brainsway Amended and Restated 2019 Share Incentive Plan (the “2014 Plan” and the “2019 Plan”, respectively) to an exercise price of \$4.675 (\$9.35 per ADS), being a price equal to the closing price per Ordinary Share on January 25, 2021, provided, however, that with respect to directors’ options, the repricing of each option will be subject to shareholders’ approval at an exercise price equal to the higher of (a) \$4.675 (\$9.35 per ADS) (b) the closing price per Ordinary Share on the last trading date before the date of approval by the shareholders of this proposal.
- b. The equity compensation package that the Company granted to the Company’s Chief Executive Officer (“CEO”) upon his employment, comprised of 240,000 performance-based restricted stock units (“RSUs”) of which 60,000 RSUs were granted through to January 26, 2021, and 180,000 RSUs have been committed to be provided in three future grants of 60,000 RSUs upon each anniversary of the employment start date of the CEO with the Company. These future grants, as originally contemplated, would have been subject to satisfaction of certain individual and corporate performance-based criteria as defined in the CEO’s employment agreement.

The Board of Directors has approved, subject to shareholder approval, to grant 180,000 RSUs to the CEO as an amendment to the terms of employment of the CEO, in lieu of future grants of such RSUs per above.

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