UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2019

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 001-37565

NovoCure Limited

(Exact Name of Registrant as Specified in Its Charter)

Jersey	**98-1057807**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

No. 4 The Forum
Grenville Street
St. Helier, Jersey JE2 4UF
(Address of principal executive offices, including zip code)

+44 (0) 15 3475 6700
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former Name, Former Address and Former Fiscal Year, If Changed Since Last Report)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary Shares, no par value	NVCR	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 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 ☒.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	**Outstanding as of October 23, 2019**
Ordinary shares, no par value	98,968,534 Shares

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

In addition to historical facts or statements of current condition, this report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements contained in this report are based on our current plans, expectations, hopes, beliefs, intentions or strategies concerning future developments and their impact on us. Forward-looking statements contained in this report constitute our expectations or forecasts of future events as of the date this report was filed with the Securities and Exchange Commission and are not statements of historical fact. You can identify these statements by the fact that they do not relate strictly to historical or current facts. Such statements may include words such as "anticipate," "will," "estimate," "expect," "project," "intend," "should," "plan," "believe," "hope," and other words and terms of similar meaning in connection with any discussion of, among other things, future operating or financial performance, strategic initiatives and business strategies, regulatory or competitive environments, our intellectual property and research and development related to our Tumor Treating Fields delivery systems marketed under various brand names, including Optune, the NovoTTF-100L System ("NovoTTF-100L") and software and systems to support and optimize the delivery of Tumor Treating Fields (collectively, the "Products"). In particular, these forward-looking statements include, among others, statements about:

- our research and development, clinical trial and commercialization activities and projected expenditures;
- the further commercialization of our Products for current and future indications;
- our business strategies and the expansion of our sales and marketing efforts in the United States and in other countries;
- the market acceptance of our Products for current and future indications by patients, physicians, third-party payers and others in the healthcare and scientific community;
- our plans to pursue the use of our Products for the treatment of solid tumor cancers other than glioblastoma ("GBM") and malignant pleural mesothelioma ("MPM");
- our estimates regarding revenues, expenses, capital requirements and needs for additional financing;
- our ability to obtain regulatory approvals for the use of our Products in cancers other than GBM and MPM;
- our ability to acquire from third-party suppliers the supplies needed to manufacture our Products;
- our ability to manufacture adequate supply;
- our ability to secure and maintain adequate coverage from third-party payers to reimburse us for our Products for current and future indications;
- our ability to receive payment from third-party payers for use of our Products for current and future indications;
- our ability to maintain and develop our intellectual property position;
- our cash needs; and
- our prospects, financial condition and results of operations.

These forward-looking statements involve a number of risks and uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. Factors which may cause such differences to occur include those risks and uncertainties set forth under Part I, Item 1A., "Risk Factors" of our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2019, as well as other risks and uncertainties set forth from time to time in the reports we file with the U.S. Securities and Exchange Commission. We do not intend to update publicly any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

TRADEMARKS

This Quarterly Report on Form 10-Q includes trademarks of NovoCure Limited and other persons. All trademarks or trade names referred to herein are the property of their respective owners.

NovoCure Limited
Quarterly Report on Form 10-Q
TABLE OF CONTENTS

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

NOVOCURE LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	September 30, 2019	December 31, 2018
	Unaudited	Audited
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 208,034	$ 140,622
Short-term investments	104,565	105,256
Restricted cash	2,134	2,134
Trade receivables	49,904	36,523
Receivables and prepaid expenses	17,917	14,279
Inventories	24,388	22,555
Total current assets	406,942	321,369
LONG-TERM ASSETS:		
Property and equipment, net	8,425	8,442
Field equipment, net	8,139	6,924
Right-of-use assets, net	14,635	—
Other long-term assets	5,717	3,058
Total long-term assets	36,916	18,424
TOTAL ASSETS	$ 443,858	$ 339,793

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

NOVOCURE LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	September 30, 2019	December 31, 2018
	Unaudited	Audited
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	$ 31,998	$ 26,708
Other payables, lease liabilities and accrued expenses	48,407	37,852
Total current liabilities	80,405	64,560
LONG-TERM LIABILITIES:		
Long-term loan, net of discount and issuance costs	149,384	149,268
Deferred revenue	8,341	9,929
Employee benefits	3,701	2,683
Long-term leases	11,367	—
Other long-term liabilities	295	1,094
Total long-term liabilities	173,088	162,974
TOTAL LIABILITIES	253,493	227,534
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Share capital -		
Ordinary shares no par value, unlimited shares authorized; issued and outstanding: 98,948,935 shares and 93,254,185 shares at September 30, 2019 (unaudited) and December 31, 2018, respectively	—	—
Additional paid-in capital	848,151	757,314
Accumulated other comprehensive income (loss)	(2,641)	(1,400)
Retained earnings (accumulated deficit)	(655,145)	(643,655)
TOTAL SHAREHOLDERS' EQUITY	190,365	112,259
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 443,858	$ 339,793

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

NOVOCURE LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Three months ended September 30,		Nine months ended September 30,		Year ended December 31,
	2019	2018	2019	2018	2018
	Unaudited		Unaudited		Audited
Net revenues	$ 92,062	$ 64,756	$ 252,084	$ 178,395	$ 248,069
Cost of revenues	22,900	18,949	63,820	57,020	80,048
Gross profit	69,162	45,807	188,264	121,375	168,021
Operating costs and expenses:					
Research, development and clinical trials	18,766	13,074	55,262	35,540	50,574
Sales and marketing	23,830	19,124	69,871	56,455	77,663
General and administrative	22,711	18,855	64,198	54,388	73,456
Total operating costs and expenses	65,307	51,053	189,331	146,383	201,693
Operating income (loss)	3,855	(5,246)	(1,067)	(25,008)	(33,672)
Financial expenses (income), net	2,555	2,397	6,165	10,110	12,270
Income (loss) before income taxes	1,300	(7,643)	(7,232)	(35,118)	(45,942)
Income taxes	(630)	4,051	4,258	12,810	17,617
Net income (loss)	$ 1,930	$ (11,694)	$ (11,490)	$ (47,928)	$ (63,559)
Basic net income (loss) per ordinary share	$ 0.02	$ (0.13)	$ (0.12)	$ (0.52)	$ (0.69)
Weighted average number of ordinary shares used in computing basic net income (loss) per share	98,485,519	92,911,375	96,551,041	91,409,619	91,828,043
Diluted net income (loss) per ordinary share	$ 0.02	$ (0.13)	$ (0.12)	$ (0.52)	$ (0.69)
Weighted average number of ordinary shares used in computing diluted net income (loss) per share	107,604,578	92,911,375	96,551,041	91,409,619	91,828,043

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

U.S. dollars in thousands

	Three months ended September 30,		Nine months ended September 30,		Year ended December 31,
	2019	2018	2019	2018	2018
	Unaudited		Unaudited		Audited
Net income (loss)	$ 1,930	$ (11,694)	$ (11,490)	$ (47,928)	$ (63,559)
Other comprehensive income (loss), net of tax:					
Change in foreign currency translation adjustments	(216)	(2)	(430)	19	27
Pension benefit plan	(68)	147	(811)	197	(84)
Total comprehensive income (loss)	$ 1,646	$ (11,549)	$ (12,731)	$ (47,712)	$ (63,616)

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

NOVOCURE LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

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

	Ordinary shares	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings (accumulated deficit)	Total shareholders' equity
Balance as of December 31, 2018 (audited)	93,254,185	$ 757,314	$ (1,400)	$ (643,655)	$ 112,259
Share-based compensation to employees	—	9,649	—	—	9,649
Exercise of options and warrants and vested RSUs	2,438,612	16,978	—	—	16,978
Other comprehensive income (loss), net of tax benefit of $11	—	—	(342)	—	(342)
Net income (loss)	—	—	—	(12,150)	(12,150)
Balance as of March 31, 2019 (unaudited)	95,692,797	$ 783,941	$ (1,742)	$ (655,805)	$ 126,394
Share-based compensation to employees	—	13,732	—	—	13,732
Proceeds from issuance of shares	43,421	1,208	—	—	1,208
Exercise of options and warrants and vested RSUs	2,122,658	19,457	—	—	19,457
Other comprehensive income (loss), net of tax benefit of $69	—	—	(615)	—	(615)
Net income (loss)	—	—	—	(1,270)	(1,270)
Balance as of June 30, 2019 (unaudited)	97,858,876	$ 818,338	$ (2,357)	$ (657,075)	$ 158,906
Share-based compensation to employees	—	14,338	—	—	14,338
Proceeds from issuance of shares	—	—	—	—	—
Exercise of options and warrants and vested RSUs	1,090,059	15,475	—	—	15,475
Other comprehensive income (loss), net of tax benefit of $11	—	—	(284)	—	(284)
Net income (loss)	—	—	—	1,930	1,930
Balance as of September 30, 2019 (unaudited)	98,948,935	$ 848,151	$ (2,641)	$ (655,145)	$ 190,365

	Ordinary shares	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings (accumulated deficit)	Total shareholders' equity
Balance as of December 31, 2017 (audited)	89,478,032	$ 697,165	$ (1,343)	$ (582,258)	$ 113,564
Share-based compensation to employees	—	8,520	—	—	8,520
Exercise of options and warrants and vested RSUs	920,869	2,581	—	—	2,581
Cumulative effect adjustment on retained earnings (*)	—	—	—	2,162	2,162
Other comprehensive income (loss), net of tax benefit of $5	—	—	15	—	15
Net income (loss)	—	—	—	(20,724)	(20,724)
Balance as of March 31, 2018 (unaudited)	90,398,901	$ 708,266	$ (1,328)	$ (600,820)	$ 106,118
Share-based compensation to employees	—	10,206	—	—	10,206
Proceeds from issuance of shares	54,386	938	—	—	938
Exercise of options and warrants and vested RSUs	2,049,986	10,274	—	—	10,274
Other comprehensive income (loss), net of tax benefit of $3	—	—	55	—	55
Net income (loss)	—	—	—	(15,510)	(15,510)
Balance as of June 30, 2018 (unaudited)	92,503,273	$ 729,684	$ (1,273)	$ (616,330)	$ 112,081
Share-based compensation to employees	—	10,479	—	—	10,479
Proceeds from issuance of shares	—	—	—	—	—
Exercise of options and warrants and vested RSUs	504,571	3,924	—	—	3,924
Other comprehensive income (loss), net of tax benefit of $11	—	—	146	—	146
Net income (loss)	—	—	—	(11,694)	(11,694)
Balance as of September 30, 2018 (unaudited)	93,007,844	$ 744,087	$ (1,127)	$ (628,024)	$ 114,936

(*) Resulting from the adoption of ASC 606.

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

NOVOCURE LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Three months ended September 30,		Nine months ended September 30,		Year ended December 31,
	2019	2018	2019	2018	2018
	Unaudited		Unaudited		Audited
Cash flows from operating activities:					
Net income (loss)	$ 1,930	$ (11,694)	$ (11,490)	$ (47,928)	$ (63,559)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:					
Depreciation and amortization	1,932	2,311	5,993	6,801	9,006
Asset write-downs and impairment of field equipment	78	178	239	320	407
Amortization of discount (premium)	(547)	(555)	(1,712)	1,502	1,022
Share-based compensation to employees	14,338	10,479	37,719	29,205	39,846
Decrease (increase) in accounts receivables	(9,986)	3,577	(17,020)	(4,805)	(10,325)
Decrease (increase) in inventories	1,067	(1,735)	(1,832)	385	(529)
Increase (decrease) in accounts payables and accrued expenses	6,433	2,839	10,902	(2,760)	13,713
Decrease (increase) in other long-term assets	1,069	155	1,151	(743)	(949)
Increase (decrease) in other long-term liabilities	(1,407)	83	(4,292)	(656)	9,503
Net cash provided by (used in) operating activities	$ 14,907	$ 5,638	$ 19,658	$ (18,679)	$ (1,865)
Cash flows from investing activities:					
Purchase of property, equipment and field equipment	$ (2,708)	$ (1,353)	$ (7,430)	$ (4,918)	$ (6,711)
Proceeds from maturity of short-term investments	105,000	45,000	315,661	150,000	255,000
Purchase of short-term investments	(104,466)	(44,652)	(313,142)	(148,786)	(253,782)
Net cash provided by (used in) investing activities	$ (2,174)	$ (1,005)	$ (4,911)	$ (3,704)	$ (5,493)
Cash flows from financing activities:					
Proceeds from issuance of shares, net	$ —	$ —	$ 1,208	$ 938	$ 1,835
Proceeds from long-term loan, net	—	—	—	149,150	149,150
Repayment of long-term loan	(7)	(22)	(23)	(100,063)	(100,084)
Exercise of options and warrants	15,475	3,924	51,910	16,779	18,468
Net cash provided by (used in) financing activities	$ 15,468	$ 3,902	$ 53,095	$ 66,804	$ 69,369
Effect of foreign currency translation	$ (216)	$ (2)	$ (430)	$ 19	$ 27
Increase (decrease) in cash, cash equivalents and restricted cash	27,985	8,533	67,412	44,440	62,038
Cash, cash equivalents and restricted cash at the beginning of the period	182,183	116,625	142,756	80,718	80,718
Cash, cash equivalents and restricted cash at the end of the period	$ 210,168	$ 125,158	$ 210,168	$ 125,158	$ 142,756

NOVOCURE LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Three months ended September 30,		Nine months ended September 30,		Year ended December 31,
	2019	2018	2019	2018	2018
	Unaudited		Unaudited		Audited
Supplemental cash flow activities:					
Cash paid during the period for:					
Income taxes	$ 3,040	$ 4,145	$ 10,431	$ 16,159	$ 20,350
Interest	$ 3,453	$ 3,454	$ 10,247	$ 9,879	$ 13,334
Non-cash activities in accordance with of ASC-842:					
Right-of-use assets obtained in exchange for lease obligations	$ 1,062	—	$ 18,335	—	—

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

NOVOCURE LIMITED AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
U.S. dollars in thousands (except share data)

NOTE 1: ORGANIZATION AND BASIS OF PRESENTATION

Organization. NovoCure Limited (including its consolidated subsidiaries, the "Company") was incorporated in the Bailiwick of Jersey and is principally engaged in the development, manufacture and commercialization of Tumor Treating Fields delivery systems, including Optune and NovoTTF-100L, for the treatment of solid tumors. The Company has received regulatory approval from the U.S. Food and Drug Administration ("FDA") under the Premarket Approval pathway and regulatory approvals and clearances in certain other countries for Optune to treat adult patients with GBM. The Company also has received FDA approval under the Humanitarian Device Exemption pathway to market NovoTTF-100L for unresectable, locally advanced or metastatic MPM in combination with standard chemotherapies.

Financial statement preparation. The accompanying consolidated financial statements include the accounts of the Company and intercompany accounts and transactions have been eliminated. In the opinion of the Company's management, the consolidated financial statements reflect all adjustments, which are normal and recurring in nature, necessary for fair financial statement presentation for the periods presented. The preparation of these consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in these consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates. These consolidated financial statements and accompanying notes should be read in conjunction with the Company's annual consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (the "2018 10-K") filed with the Securities and Exchange Commission on February 28, 2019.

The significant accounting policies applied in the audited annual consolidated financial statements of the Company as disclosed in the 2018 10-K are applied consistently in these unaudited interim consolidated financial statements, except as noted below:

Recently Adopted Accounting Pronouncements. In 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)", which amends the existing standards for lease accounting, requiring lessees to recognize most leases on their balance sheets. The new standard establishes a right-of-use model that requires a lessee to recognize a right-of-use asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating. The standard is effective for interim and annual reporting periods beginning after December 15, 2018.

The provisions of ASU 2016-02 are to be applied using a modified retrospective approach. In July 2018, the FASB issued ASU No. 2018-11, "Targeted Improvements - Leases (Topic 842)" (together with ASU 2016-02, "ASC 842"). This update provides an additional (and optional) transition method to adopt the new leases standard. Under this method, an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Consequently, the prior comparative period's financials will remain the same as those previously presented. The Company adopted the new standard as of January 1, 2019 and it has also elected to adopt the package of practical expedients permitted in ASC 842.

ASC 842 provides lessors with a practical expedient, by class of underlying asset, not to separate non-lease components from the associated lease component and, instead, to account for those components as a single component if the non-lease components otherwise would be accounted for under the new revenue guidance (Topic 606). Our product supply agreements include the right to use the device (lease component), the supply obligation of disposable transducer arrays and technical support for the term of treatment (non-lease component). As the non-lease component(s) associated with the lease component is the predominant component of the combined component, the Company accounts for the combined component in accordance with Topic 606.

The consolidated financial statements for the three and nine months ended September 30, 2019 are presented under the new standard, while comparative year and other periods presented are not adjusted and continue to be reported in accordance with Topic 840, Leases.

NOTE 2: CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Cash equivalents include items almost as liquid as cash, such as certificates of deposit and time deposits with maturity periods of three months or less when purchased.

	September 30, 2019	December 31, 2018
	Unaudited	Audited
Cash	$ 5,851	$ 9,197
Money market funds	202,183	131,425
Total cash and cash equivalents	$ 208,034	$ 140,622

The Company invests in marketable U.S. Treasury Bills ("T-bills") that are classified as held-to-maturity securities. The amortized cost and recorded basis of the T-bills are presented as short-term investments.

	September 30, 2019	December 31, 2018
	Unaudited	Audited
Short-term investments	$ 104,565	$ 105,256

Quoted market prices were applied to determine the fair value of cash equivalents and short-term investments, therefore they are categorized as Level 1 in accordance with ASC 820, "Fair Value Measurements and Disclosures." The estimated fair value of the Company's short-term investments as of September 30, 2019 and December 31, 2018 was $104,613 and $105,266, respectively.

NOTE 3: INVENTORIES

Inventories are stated at the lower of cost or net realizable value. The weighted average methodology is applied to determine cost. As of September 30, 2019 and December 31, 2018, the Company's inventories were composed of:

	September 30, 2019	December 31, 2018
	Unaudited	Audited
Raw materials	$ 3,077	$ 870
Work in progress	9,860	8,667
Finished products	11,451	13,018
Total	$ 24,388	$ 22,555

NOTE 4: COMMITMENTS, RIGHTS OF USE AND CONTINGENT LIABILITIES

Operating Leases and Rights of Use. The facilities of the Company are leased under various operating lease agreements for periods, including options for extensions, ending no later than 2029. The Company also leases motor vehicles under various operating leases, which expire on various dates, the latest of which is in 2022.

Under ASC 842, all leases with durations greater than 12 months, including non-cancelable operating leases, are now recognized on the balance sheet. The aggregated present value of lease agreements, net of deferred rent, is recorded as a long-term asset titled right-of-use assets. The corresponding lease liabilities are split between other payables and long-term lease liabilities.

Upon implementation of ASC 842, effective January 1, 2019, the Company recorded an increase in right-of-use assets obtained in exchange for lease obligations of $15,733 on our opening balance sheet. Lease and rental payments for the nine months ended September 30, 2019, totaled $3,799. Future minimum lease payments under non-cancelable operating leases as of September 30, 2019, are as follows:

	September 30, 2019
	Unaudited
Future minimum lease payments:	
2019 (remainder of the year)	$ 1,146
2020	4,519
2021	4,193
2022	3,130
2023	1,933
Thereafter	3,651
Total future minimum lease payments	$ 18,572
Less imputed interest	(2,956)
Net present value of future minimum lease payments	$ 15,616
Presented as of September 30, 2019:	
Short-term lease liabilities	$ 4,249
Long-term lease liabilities	11,367
Net present value of future minimum lease payments	$ 15,616
Weighted average of remaining operating lease term	4.85
Weighted average of operating lease discount rate	7.51%

Pledged deposits and bank guarantees. As of September 30, 2019 and December 31, 2018, the Company pledged bank deposits of $1,325 and $1,143, respectively, to cover bank guarantees in respect of its leases of operating facilities and obtained bank guarantees for the fulfillment of the Company's lease and other contractual commitments of $1,491 and $1,299, respectively.

NOTE 5: SHARE CAPITAL

In September 2015, the Company adopted the 2015 Omnibus Incentive Plan (the "2015 Plan"). Under the 2015 Plan, the Company can issue various types of equity compensation awards such as share options, restricted shares, performance shares, restricted stock units ("RSUs"), performance units, long-term cash awards and other share-based awards.

Options granted under the 2015 Plan generally have a four-year vesting period and expire ten years after the date of grant. Options granted under the 2015 Plan that are canceled or forfeited before expiration become available for future grants. RSUs granted under the 2015 Plan generally vest over a three-year period. RSUs granted under the 2015 Plan that are canceled before expiration become available for future grants. As of September 30, 2019, 11,915,754 ordinary shares were available for grant under the 2015 Plan.

A summary of the status of the Company's option plans as of September 30, 2019 and changes during the period then ended is presented below:

	Nine months ended September 30, 2019 Unaudited	
	Number of options	Weighted average exercise price
Outstanding at beginning of year	14,438,215	$ 13.56
Granted	1,496,161	49.43
Exercised	(4,914,918)	10.55
Forfeited and canceled	(144,403)	19.91
Outstanding as of September 30, 2019	10,875,055	$ 19.77
Exercisable options	3,444,478	$ 14.61

For the nine months, ended September 30, 2019, options to purchase 4,914,918 ordinary shares were exercised, resulting in the issuance of 4,914,918 ordinary shares.

A summary of the status of the Company's RSUs as of September 30, 2019 and changes during the period then ended is presented below:

	Nine months ended September 30, 2019 Unaudited	
	Number of RSUs	Weighted average grant date fair value price
Unvested at beginning of year	1,613,197	14.04
Granted	597,583	50.71
Vested	(736,411)	13.36
Forfeited and cancelled	(24,356)	34.32
Unvested as of September 30, 2019	1,450,013	29.16

In September 2015, the Company adopted an employee share purchase plan ("ESPP") to encourage and enable eligible employees to acquire ownership of the Company's ordinary shares purchased through accumulated payroll deductions on an after-tax basis. In the United States, the ESPP is intended to be an "employee stock purchase plan" within the meaning of Section 423 of the Internal Revenue Code and the provisions of the ESPP are construed in a manner consistent with the requirements of such section. As of September 30, 2019, 3,078,989 ordinary shares were available to be purchased by eligible employees under the ESPP and 390,614 shares had been issued under the ESPP.

The fair value of share-based awards was estimated using the Black-Scholes model for all equity grants. For market condition awards, the Company also applied the Monte-Carlo simulation model. We assessed fair value using the following underlying assumptions:

	Nine months ended September 30,		Year ended December 31,
	2019	2018	2018
	Unaudited		Audited
Stock Option Plans			
Expected term (years)	5.50-6.50	5.50-6.25	5.50-6.25
Expected volatility	55%-61%	52%-55%	52%-55%
Risk-free interest rate	1.90%-2.40%	2.70%-2.89%	2.70%-2.99%
Dividend yield	0.00 %	0.00 %	0.00 %
ESPP			
Expected term (years)	0.50	0.50	0.50
Expected volatility	44%-62%	45%-53%	45%-53%
Risk-free interest rate	2.10%-2.51%	1.61%-2.14%	1.61%-2.14%
Dividend yield	0.00 %	0.00 %	0.00 %

The total non-cash share-based compensation expense related to all of the Company's equity-based awards recognized for the three and nine months ended September 30, 2019 and 2018 and the year ended December 31, 2018 was:

	Three months ended September 30,		Nine months ended September 30,		Year ended December 31,
	2019	2018	2019	2018	2018
	Unaudited		Unaudited		Audited
Cost of revenues	$ 605	$ 464	$ 1,626	$ 891	$ 1,261
Research, development and clinical trials	2,202	1,223	5,203	3,415	4,709
Sales and marketing	3,368	1,979	8,585	5,309	7,393
General and administrative	8,163	6,813	22,305	19,590	26,483
Total share-based compensation expense	$ 14,338	$ 10,479	$ 37,719	$ 29,205	$ 39,846

NOTE 6: EARNINGS PER SHARE

Basic net income (loss) per share is computed based on the weighted average number of ordinary shares outstanding during each period. Diluted net income per share is computed based on the weighted average number of ordinary shares outstanding during the period, plus potential dilutive shares considered outstanding during the period, in accordance with ASC 260-10, as determined under the treasury stock method. Basic and diluted net loss per ordinary share was the same for each period presented, except for the three months ended September 30, 2019, as the inclusion of all potential dilutive shares (deriving from options, RSUs and the ESPP) outstanding would be anti-dilutive.

The calculation of diluted earnings per share includes the weighted average of potentially dilutive securities, which consists of ordinary shares underlying outstanding share options, RSUs and the ESPP. The effect of these dilutive securities under the treasury stock method was approximately 9,119,059 shares for the three months ended September 30, 2019.

The Company excluded 57,782 share options from the computation of dilutive net income per share for the three months ended September 30, 2019 because including them would had have an anti-dilutive effect.

NOTE 7: SUPPLEMENTAL INFORMATION

The Company operates in a single reportable segment.

The following table presents long-lived assets by location:

	September 30, 2019	December 31, 2018
	Unaudited	Audited
United States	$ 8,170	$ 8,289
Switzerland	3,695	2,513
Israel	2,393	2,236
Germany	778	1,054
Others	1,528	1,274
Total	$ 16,564	$ 15,366

The Company's revenues by geographic region, based on the customer's location, are summarized as follows:

	Three months ended September 30,		Nine months ended September 30,		Year ended December 31, 2018
	2019	2018	2019	2018	
	Unaudited		Unaudited		Audited
United States	$ 61,399	$ 44,469	$ 166,937	$ 124,206	$ 168,414
EMEA (*)	24,482	18,295	69,507	50,692	72,485
Japan	4,779	1,992	12,334	3,497	6,351
Greater China (1)	1,402	—	3,306	—	819
Total	$ 92,062	$ 64,756	$ 252,084	$ 178,395	$ 248,069
(*) including Germany	$ 21,688	$ 17,536	$ 64,065	$ 48,545	$ 67,849

Reflects revenue recognized in accordance with a License and Collaboration Agreement between us and Zai Lab (Shanghai) Co., Ltd. ("Zai"), dated September 10, 2018, pursuant to which Zai is commercializing Optune in China, Hong Kong, Macau and Taiwan (referred to in this table as "Greater China"). For additional information, see Note 12 to the Consolidated Financial Statements in our 2018 10-K.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide information to assist you in better understanding and evaluating our financial condition and results of operations. We encourage you to read this MD&A in conjunction with our consolidated financial statements and the notes thereto for the period ended September 30, 2019 included in Part I, Item 1 of this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements that involve risks and uncertainties. Please refer to the information under the heading "Cautionary Note Regarding Forward-Looking Statements" elsewhere in this report. References to the words "we," "our," "us," and the "Company" in this report refer to NovoCure Limited, including its consolidated subsidiaries.

Overview

We are a global oncology company with a proprietary platform technology called Tumor Treating Fields, the use of electric fields tuned to specific frequencies to disrupt solid tumor cancer cell division. Our key priorities are to drive adoption of Optune and the NovoTTF-100L System ("NovoTTF-100L"), our commercial Tumor Treating Fields delivery systems, and to advance programs testing the safety and efficacy of our products in multiple solid tumor indications through our clinical pipeline.

We have built a commercial organization in the United States, Austria, Germany, Israel, Japan, Sweden and Switzerland, which we refer to as our currently active markets. Optune is approved by the U.S. Food and Drug Administration ("FDA") under the Premarket Approval ("PMA") pathway for the treatment of adult patients with newly diagnosed glioblastoma ("GBM") in combination with temozolomide, a chemotherapy drug, and for use as monotherapy treatment for adult patients with GBM following confirmed recurrence after chemotherapy. We also have approval to market Optune for the treatment of GBM in the European Union, Japan and certain other countries.

We continue to work with payers to expand access to Optune for patients with GBM. As of September 30, 2019, a substantial majority of Americans with private health insurance had coverage of Optune for newly diagnosed and/or recurrent GBM. Effective as of September 1, 2019, Americans who are beneficiaries of the Medicare fee-for-service program also have coverage of Optune for newly diagnosed GBM. Our team is focused on working through the typical administrative ramp-up with Medicare to ensure that we realize the full financial benefit as soon as possible. We are actively appealing Medicare fee-for-service coverage denials up to and including the Administrative Law Judge ("ALJ") process with Centers for Medicare and Medicaid Services ("CMS").

In June 2019, the German Institute for Quality and Efficiency in Healthcare ("IQWiG"), published its rapid report concluding that, based on a review of our EF-14 phase 3 pivotal trial, patients with newly diagnosed GBM lived longer when treated with Optune in addition to standard chemotherapy, without affecting quality of life. According to the published timeline, we now expect a national reimbursement decision in Germany no later than October 2020.

As of September 30, 2019, the total number of contracted lives globally was more than 407 million.

In order to further advance the scientific evidence supporting the use of Optune in GBM and gather additional information about Optune's optimal use, we plan to initiate additional randomized trials in GBM. The first trial, which we plan to begin in the next few months, will be a post-marketing trial designed to study the potential benefit of earlier initiation of Optune, concurrent with radiation therapy, versus initiation post radiation, and is intended to support possible label expansion. A second trial, which we plan to begin in 2020, is currently being designed.

We are expanding our commercial operations into France with an initial focus on developing key opinion leader relationships in GBM and establishing a path to reimbursement.

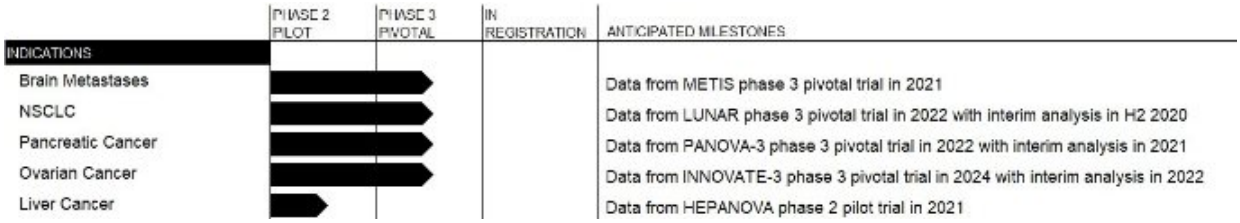
In May 2019, NovoTTF-100L received approval by the FDA under the Humanitarian Device Exemption ("HDE") pathway to treat unresectable, locally advanced or metastatic malignant pleural mesothelioma ("MPM") in combination with standard chemotherapies based upon the results of our STELLAR trial. In October 2019, results from our STELLAR trial were published in The Lancet Oncology. We have initiated a phased launch for MPM shaped by our learnings from our GBM rollout. Our initial launch efforts are focused on certifying radiation oncologists and on supporting the required Institutional Review Board ("IRB") approval process at the approximately 40 centers that we believe see the majority of U.S. MPM patients. As of September 30, 2019, prescribers were certified at 10 centers across the U.S. and two centers had successfully completed the required IRB approval process. The first MPM commercial patient started therapy in September 2019. We are currently exploring the appropriate regulatory pathway for MPM in our currently active markets outside of the U.S.

We expect to begin a dialogue with payers around access to NovoTTF-100L for patients with MPM in future quarters. We anticipate that MPM claims during the early launch phase will go through an appeal process with payers, similar to our early experience with GBM.

In March 2019, we enrolled the first patient in our ENGOT-ov50/INNOVATE-3 trial, a phase 3 pivotal trial testing the effectiveness of Tumor Treating Fields with paclitaxel in patients with recurrent, platinum-resistant ovarian cancer. The protocol specifies overall survival as primary endpoint and an event-driven interim analysis, which we anticipate will occur in 2022. The European Network for Gynaecological Oncological Trial groups ("ENGOT") and The GOG Foundation, Inc. ("GOG"), third-party clinical trial networks, are collaborating with us on the trial. ENGOT and GOG were involved in the development of the trial and the collaborations are intended to facilitate enrollment of INNOVATE-3 at leading cancer centers in Europe and the United States.

Currently, we are conducting phase 3 pivotal trials evaluating the use of Tumor Treating Fields in brain metastases, non-small-cell lung cancer, pancreatic cancer and ovarian cancer. We are also conducting a phase 2 pilot trial evaluating the use of Tumor Treating Fields in liver cancer. We anticipate expanding our clinical pipeline over time to study the safety and efficacy of Tumor Treating Fields for additional solid tumor indications.

The table below presents the current status of the ongoing or completed clinical trials in our pipeline and our expected next milestone for each. We now expect data from the HEPANOVA phase 2 pilot trial in 2021.



We believe we have a diverse intellectual property portfolio that includes over 145 issued patents and pending patent applications as well as numerous trade secrets. We believe these intellectual property assets provide expansive commercialization rights to our products in the oncology space.

In 2018, we granted Zai Lab (Shanghai) Co., Ltd. ("Zai") a license to commercialize Optune in China, Hong Kong, Macau and Taiwan under a License and Collaboration Agreement (the "Zai Agreement"). The Chinese regulatory authorities designated Optune as an Innovative Medical Device and have accepted the Marketing Authorization Application for the GBM indication in China. Zai is pursuing a clinical trial waiver and, should a clinical trial waiver be granted, Zai intends to launch Optune in China before the end of 2019. On the clinical development front, Zai is working to finalize the protocol for a phase 2 pilot trial in gastric cancer and is collaborating closely with our clinical teams to initiate trials in other key indications in China.

Financial Overview. We view our operations and manage our business in one operating segment. For the three and nine months ended September 30, 2019, our net revenues were $92.1 million and $252.1 million, respectively. Our net income (loss) for the three and nine months ended September 30, 2019 was $1.9 million and $(11.5) million, respectively. As of September 30, 2019, we had an accumulated deficit of $655.1 million.

Critical Accounting Policies and Estimates

In accordance with U.S. generally accepted accounting principles ("GAAP"), in preparing our financial statements, we must make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of net revenues and expenses during the reporting period. We develop and periodically change these estimates and assumptions based on historical experience and on various other factors that we believe are reasonable under the circumstances. Actual results may differ from these estimates.

The critical accounting policies requiring estimates, assumptions and judgments that we believe have the most significant impact on our consolidated financial statements can be found in our Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (the "2018 10-K"). For additional information, see Note 1 to our Unaudited Consolidated Financial Statements. There were no other material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in our 2018 10-K.

Commentary on Results of Operations

Net revenues. Our revenues are primarily derived from patients using Optune in our currently active markets. We charge for treatment with Optune and NovoTTF-100L on a monthly basis. Our potential net revenues per patient are determined by our ability to secure payment, the monthly fee we collect and the number of months that the patient remains on therapy.

We also recognized revenue pursuant to the Zai Agreement in each quarter of 2019. For additional information regarding the Zai Agreement, see Note 12 to the Consolidated Financial Statements in our 2018 10-K.

Cost of revenues. We contract with third-party manufacturers that manufacture our products. Our cost of revenues is primarily comprised of the following:

- disposable transducer arrays;
- depreciation expense for the field equipment, including the electric field generator used by patients; and
- personnel, warranty and overhead costs such as facilities, freight and depreciation of property, plant and equipment associated with managing our inventory, warehousing and order fulfillment functions.

Operating expenses. Our operating expenses consist of research, development and clinical trials, sales and marketing and general and administrative expenses. Personnel costs are a significant component for each category of operating expenses and consist of wages, benefits and bonuses. Personnel costs also include share-based compensation.

Financial expenses, net. Financial expenses, net primarily consists of credit facility interest expense and related debt issuance costs, interest income from cash balances and short-term investments and gains (losses) from foreign currency transactions. Our reporting currency is the U.S. dollar. We have historically held substantially all of our cash balances in U.S. dollar denominated accounts to minimize the risk of translational currency exposure.

Results of Operations

The following table includes certain commercial patient operating statistics for and as of the end of the periods presented.

	September 30,	
Operating statistics	**2019**	**2018**
Active patients at period end (1)		
United States	1,860	1,602
EMEA (*)	731	581
Japan	160	69
Total	2,751	2,252
(*) including Germany	499	399

	Three months ended September 30,		Nine months ended September 30,	
	2019	**2018**	**2019**	**2018**
Gross billings (in millions)	$ 171.4	$ 139.2	$ 499.4	$ 401.0
Prescriptions received in period (2)				
United States	917	907	2,831	2,800
EMEA (*)	318	288	947	835
Japan	84	48	213	110
Total	1,319	1,243	3,991	3,745
(*) including Germany	218	235	696	635

1. An “active patient” is a patient who is receiving treatment under a commercial prescription order as of the measurement date, including patients who may be on a temporary break from treatment and who plan to resume treatment in less than 60 days.

2. A "prescription received" is a commercial order for Optune or NovoTTF-100L that is received from a physician certified to treat patients for a patient not previously on Optune or NovoTTF-100L. Orders to renew or extend treatment are not included in this total.

Prescriptions for newly diagnosed GBM represented 82% of total prescriptions for the three months ended September 30, 2019, compared to 75% for the same period in 2018.

Three months ended September 30, 2019 compared to three months ended September 30, 2018

	Three months ended September 30,			
	2019	2018	Change	% Change
Net revenues	$ 92,062	$ 64,756	$ 27,306	42 %

Net revenues. Net revenues increased $27.3 million, or 42%, to $92.1 million for the three months September 30, 2019 from $64.8 million for the three months ended September 30, 2018. This was primarily due to an increase of 499 active patients in our currently active markets, representing 22% growth, and an improvement in the net revenues booked per active patient. The increase in net revenues per active patient benefited from continued improvements in reimbursement rates in both the U.S. and EMEA. In addition, under the newly defined coverage policy effective as of September 1, 2019, we recognized the initial benefit from Medicare with $0.5 million in third quarter net revenues.

	Three months ended September 30,			
	2019	2018	Change	% Change
Cost of revenues	$ 22,900	$ 18,949	$ 3,951	21 %

Cost of revenues. Our cost of revenues increased by $4.0 million, or 21%, to $22.9 million for the three months ended September 30, 2019 from $18.9 million for the three months ended September 30, 2018. The increase in cost of revenues was primarily due to the cost of shipping transducer arrays to a higher volume of commercial patients partially offset by a reduction in the cost of goods per active patient driven by ongoing efficiency initiatives and scale. Gross margin was 75% for the three months ended September 30, 2019 and 71% for the three months ended September 30, 2018.

Operating Expenses.

	Three months ended September 30,			
	2019	2018	Change	% Change
Research, development and clinical trials	$ 18,766	$ 13,074	$ 5,692	44 %
Sales and marketing	23,830	19,124	4,706	25 %
General and administrative	22,711	18,855	3,856	20 %
Total operating expenses	$ 65,307	$ 51,053	$ 14,254	28 %

Research, development and clinical trials expenses. Research, development and clinical trials expenses increased $5.7 million, or 44%, to $18.8 million for the three months ended September 30, 2019 from $13.1 million for the three months ended September 30, 2018. The change is primarily due to an increase in clinical trial and personnel expenses for our phase 3 pivotal trials and an increase in costs associated with medical affairs, regulatory matters and engineering.

Sales and marketing expenses. Sales and marketing expenses increased $4.7 million, or 25%, to $23.8 million for the three months ended September 30, 2019 from $19.1 million for the three months ended September 30, 2018. The change was primarily due to increased marketing expenses and personnel costs to support our growing commercial business.

General and administrative expenses. General and administrative expenses increased $3.9 million, or 20%, to $22.7 million for the three months ended September 30, 2019 from $18.9 million for the three months ended September 30, 2018. The change was primarily due to an increase in personnel costs and an increase in professional services.

	Three months ended September 30,			
	2019	2018	Change	% Change
Financial expenses (income), net	$ 2,555	$ 2,397	$ 158	7 %

Financial expenses, net. Financial expenses increased $0.2 million, or 7%, to $2.6 million for the three months ended September 30, 2019 from $2.4 million for the three months ended September 30, 2018. The change was primarily due to interest income and the unfavorable impact of foreign exchange.

	Three months ended September 30,			
	2019	2018	Change	% Change
Income taxes	$ (630)	$ 4,051	$ (4,681)	(116)%

Income taxes. Income taxes decreased $4.7 million, or 116%, to a benefit of $0.6 million for the three months ended September 30, 2019 from $4.1 million for the three months ended September 30, 2018. The change was primarily a result of the mix of applicable statutory tax rates in certain active jurisdictions. We also recorded an income tax benefit of approximately $1.5 million in the quarter ended September 30, 2019 as a result of research and development credits claimed in the U.S.

Nine months ended September 30, 2019 compared to nine months ended September 30, 2018

	Nine months ended September 30,			
	2019	2018	Change	% Change
Net revenues	$ 252,084	$ 178,395	$ 73,689	41 %

Net revenues. Net revenues increased $73.7 million, or 41%, to $252.1 million for the nine months ended September 30, 2019 from $178.4 million for the nine months ended September 30, 2018. This was primarily due to an increase of 499 active patients in our currently active markets, representing 22% growth, and an improvement in the net revenues booked per active patient.

	Nine months ended September 30,			
	2019	2018	Change	% Change
Cost of revenues	$ 63,820	$ 57,020	$ 6,800	12 %

Cost of revenues. Our cost of revenues increased by $6.8 million, or 12%, to $63.8 million for the nine months ended September 30, 2019 from $57.0 million for the nine months ended September 30, 2018. The increase in cost of revenues was primarily due to the cost of shipping transducer arrays to a higher volume of commercial patients partially offset by a reduction in the cost of goods per active patient driven by ongoing efficiency initiatives and scale. Gross margin was 75% for the nine months ended September 30, 2019 and 68% for the nine months ended September 30, 2018.

Operating Expenses.

	Nine months ended September 30,			
	2019	2018	Change	% Change
Research, development and clinical trials	$ 55,262	$ 35,540	$ 19,722	55 %
Sales and marketing	69,871	56,455	13,416	24 %
General and administrative	64,198	54,388	9,810	18 %
Total operating expenses	$ 189,331	$ 146,383	$ 42,948	29 %

Research, development and clinical trials expenses. Research, development and clinical trials expenses increased $19.7 million, or 55%, to $55.3 million for the nine months ended September 30, 2019 from $35.5 million for the nine months ended September 30, 2018. The change is primarily due to an increase in clinical trial and personnel expenses for our phase 3 pivotal trials and an increase in costs associated with medical affairs, regulatory matters and engineering.

Sales and marketing expenses. Sales and marketing expenses increased $13.4 million, or 24%, to $69.9 million for the nine months ended September 30, 2019 from $56.5 million for the nine months ended September 30, 2018. The change was primarily due to increased marketing expenses related to the launch of NovoTTF-100L for MPM and increases in our personnel costs associated with a larger sales force globally.

General and administrative expenses. General and administrative expenses increased $9.8 million, or 18%, to $64.2 million for the nine months ended September 30, 2019 from $54.4 million for the nine months ended September 30, 2018. The change was primarily due to an increase in personnel costs and an increase in professional services.

	Nine months ended September 30,			
	2019	2018	Change	% Change
Financial expenses (income), net	$ 6,165	$ 10,110	$ (3,945)	(39) %

Financial expenses, net. Financial expenses decreased $3.9 million, or 39%, to $6.2 million for the nine months ended September 30, 2019 from $10.1 million for the nine months ended September 30, 2018. The change was primarily due to the 2018 accelerated amortization costs triggered by the repayment of our 2015 term loan credit facility, interest income and the favorable impact of foreign exchange, partially offset by interest expenses on our new $150 million term loan credit facility. For additional information, see Note 10 to our Consolidated Financial Statements in our 2018 10-K.

	Nine months ended September 30,			
	2019	2018	Change	% Change
Income taxes	$ 4,258	$ 12,810	$ (8,552)	(67) %

Income taxes. Income taxes decreased $8.6 million, or 67%, to $4.3 million for the nine months ended September 30, 2019 from $12.8 million for the nine months ended September 30, 2018. The change was primarily a result of the mix of applicable statutory tax rates in certain active jurisdictions. We also recorded an income tax benefit of approximately $1.5 million in the quarter ended September 30, 2019 as a result of research and development credits claimed in the U.S.

Liquidity and Capital Resources

We have incurred significant losses and cumulative negative cash flows from operations since our founding in 2000. As of September 30, 2019, we had an accumulated deficit of $655.1 million. To date, we have primarily financed our operations through the issuance and sale of equity and the proceeds from long-term loans. At September 30, 2019, we had $312.6 million in cash, cash equivalents and short-term investments, an increase of $66.7 million compared to $245.9 million at December 31, 2018. The increase in our cash, cash equivalents and short-term investments was primarily due to cash flow from operations and the exercise of options.

We believe our cash, cash equivalents and short-term investments as of September 30, 2019 are sufficient for our operations for at least the next 12 months based on our existing business plan and our ability to control the timing of significant expense commitments. We anticipate continuing to incur significant costs associated with commercializing our products for approved indications. We expect our research and development expenses to increase in connection with our ongoing activities and as we continue to fund investments in our clinical pipeline and technology development. Such expenses may outpace our gross profit. As a result, we may need to raise additional capital to fund our operations.

Sources of Liquidity

Since inception, we have financed our operations primarily through the issuance and sale of equity and the proceeds from long-term loans. As of September 30, 2019, we had received a total of $839.8 million from these activities.

	Nine months ended September 30,			
	2019	2018	Change	% Change
Net cash provided by (used in) operating activities	$ 19,658	$ (18,679)	$ 38,337	(205)%

Operating activities. Net cash provided by (used in) operating activities primarily represents our net income (loss) for the periods presented. Adjustments to net income (loss) for non-cash items include share-based compensation, depreciation and amortization, accrued interest and impairments. Operating cash flows are also impacted by changes in working capital, principally trade receivables, prepaid expenses, inventories, trade payables and accrued expenses.

Net cash provided by operating activities was $19.7 million for the nine months ended September 30, 2019, as compared to $18.7 million used in operating activities for the nine months ended September 30, 2018. Gross profit increased by $66.9 million for the nine months ended September 30, 2019 versus the nine months ended September 30, 2018, fully funding incremental investments of $19.7 million in research and development and $23.2 million in sales, marketing, general and administrative expenses. The transition to positive cash flow from operations, with a $38.3 million increase in cash provided by operating activities, was primarily driven by a decrease in net loss, an increase in share-based compensation and an increase in trade receivables.

	Nine months ended September 30,			
	2019	2018	Change	% Change
Net cash provided by (used in) investing activities	(4,911)	(3,704)	$ (1,207)	33 %

Investing activities. Our investing activities consist primarily of capital expenditures to purchase property and equipment and field equipment, as well as investments in and redemptions of our short-term investments.

Net cash used in investing activities was $4.9 million for the nine months ended September 30, 2019, compared to $3.7 million for the nine months ended September 30, 2018. The increased net cash used in investing activities was primarily attributable to the purchase of property and equipment to support our growing commercial business partially offset by net proceeds generated from the sale of investments for cash needs.

	Nine months ended September 30,			
	2019	2018	Change	% Change
Net cash provided by (used in) financing activities	53,095	66,804	$ (13,709)	(21) %

Financing activities. To date, our primary financing activities have been the sale of equity and the proceeds from long-term loans.

Net cash provided by financing activities was $53.1 million for the nine months ended September 30, 2019, as compared to $66.8 million for the nine months ended September 30, 2018. The year-over-year decrease in cash provided by financing activities was primarily related to the 2018 principal amount of our credit facility and partially offset by proceeds from the exercise of options.

Our material outstanding indebtedness consists of our term loan credit facility. As of September 30, 2019, the aggregate principal balance of amounts outstanding under the term loan credit facility was $150.0 million. We may prepay the term loan, in full, at any time. We must prepay the term loan (i) in full or in part upon the entry into certain licensing arrangements and (ii) in full in the event of a change of control. In each case, any prepayment (whether permitted or mandatory) is subject to a prepayment premium and/or make-whole payment. The prepayment fee if we prepay outstanding loan amounts prior to February 7, 2021 is 2.0% and is 1.0% if made after the February 7, 2021 but prior to February 7, 2022. If we prepay outstanding loan amounts prior to August 7, 2020, we must pay a make-whole amount equal to the amount of interest that would have accrued on the amount of all principal we prepaid from the date of such prepayment through February 7, 2021.

All obligations under the term loan credit facility are guaranteed by certain of our current and future domestic direct and indirect subsidiaries. In addition, the obligations under the term loan credit facility are secured by a first-priority security interest in substantially all of the property and assets of, as well as the equity interests owned by, us and the other guarantors. The term loan credit facility contains other customary covenants.

Contractual Obligations and Commitments

There have been no material changes from the information disclosed in our 2018 10-K.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements as defined under U.S. Securities and Exchange Commission ("SEC") rules.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes from the information disclosed in our 2018 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2019. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a

company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2019, our Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2019, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during the quarter ended September 30, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

There have been no material changes to our legal proceedings disclosed in the 2018 10-K except as noted below.

In February 2019, a civil claim was filed in the District Court in Haifa, Israel (the "Court"), by Ofir Paz ("Paz"), a former member of our Board of Directors, and EES Investments Ltd., a company wholly owned by Paz (together with Paz, "Plaintiff") against us and Prof. Yoram Palti ("Respondents"). Plaintiff claims that he is entitled to 210,000 ordinary shares (adjusted for share capital splits since 2003) from Respondents pursuant to an alleged 2003 verbal agreement between Plaintiff and Prof. Palti, who was also a member of our Board of Directors at that time, for Plaintiff's contribution to the advancement of our business and the consummation of a third party investment in our company. In May 2019, we filed a motion to dismiss the claim that is still pending. In September 2019, Plaintiff filed a motion to amend the claim, requesting that Asaf Danziger be added as a Respondent. That motion is still pending. We believe that the complaint is without merit and plan to defend against this claim vigorously. We have not accrued any amounts in respect of these claims, as we believe liability is not probable and the amount of any potential liability cannot be reasonably estimated.

Item 1A. Risk Factors

There have been no material changes to our risk factors disclosed in Part I, Item 1A "Risk Factors" to our Form 10-Q filed with the Securities and Exchange Commission on July 25, 2019.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
31.1	Certification of Principal Executive Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended				X
31.2	Certification of Principal Financial Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended				X
32.1*	Certification of Principal Executive Officer Required Under Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350				X
32.2*	Certification of Principal Financial Officer Required Under Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350				X
101.INS	Inline XBRL Instance Document				X
101.SCH	Inline XBRL Taxonomy Extension Schema Document				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE	Inline XBRL Extension Presentation Linkbase Document				X
104	Cover Page Interactive Date File (formatted as Inline XBRL and contained in Exhibit 101)				

* The certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of NovoCure Limited 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 Form 10-Q, irrespective of any general incorporation language contained 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.

NovoCure Limited

Date: October 31, 2019

/s/ Wilco Groenhuysen

Wilco Groenhuysen
Chief Financial Officer
(principal financial and accounting officer
and duly authorized officer)

Exhibit 31.1

CERTIFICATIONS

I, Asaf Danziger, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of NovoCure Limited;

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)) 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.

5. The registrant's other certifying officers 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 controls over financial reporting.

Date: October 31, 2019

/s/ Asaf Danziger

Asaf Danziger

Chief Executive Officer and Director

Exhibit 31.2

CERTIFICATIONS

I, Wilco Groenhuysen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of NovoCure Limited;

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)) 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.

5. The registrant's other certifying officers 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 controls over financial reporting.

Date: October 31, 2019

/s/ Wilco Groenhuysen

Wilco Groenhuysen

Chief Financial Officer

(Principal Accounting and Financial Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of NovoCure Limited (the "Company") on Form 10-Q for the quarter ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Asaf Danziger, Chief Executive Officer (Principal Executive Officer) of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Asaf Danziger

Asaf Danziger
Chief Executive Officer
(Principal Executive Officer)

Date: July 25, 2019

A signed original 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 on request.

This certification accompanies the Report to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of NovoCure Limited 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 the Report), irrespective of any general incorporation language contained in such filing.

Exhibit 32.2

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

In connection with the Quarterly Report of NovoCure Limited (the "Company") on Form 10-Q for the quarter ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Wilco Groenhuysen, Chief Financial Officer (Principal Financial and Accounting Officer) of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Wilco Groenhuysen

Wilco Groenhuysen

Chief Financial Officer

(Principal Financial and Accounting Officer)

Date: October 31, 2019

A signed original 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 on request.

This certification accompanies the Report to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of NovoCure Limited 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 the Report), irrespective of any general incorporation language contained in such filing.