



ATLANTIC WALK RESEARCH

1/15/2026

Butterfly Network, Inc.
(NYSE: BFLY)

J.P. Morgan Healthcare Update

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Butterfly Network, Inc. - J.P. Morgan Healthcare Update 1/15/2026

Initiation Date:
12/11/2025

Initiation Price:
\$3.06

Current Price:
\$4.55

Target Price:
\$6.97

Key Changes:

- Confirmed 27 companies developing apps, validating ARPU vector
- Confirmed harmonics capabilities in gen 5.1 chip
- Highlighted 17% 2025 Revenue Growth and med-tech bottom, expect continued sales growth



Platform Validation and Technology De-Risking

Management disclosures at the J.P. Morgan Healthcare Conference materially reduced uncertainty around several debated elements of the investment thesis, including the maturity of the application ecosystem, the competitiveness of Butterfly's semiconductor architecture relative to piezoelectric incumbents, and the scope of long-term TAM expansion.

Management confirmed that 27 companies are actively developing applications for the Butterfly Garden ecosystem, validating the depth of third-party engagement and reframing Butterfly Garden from an early-stage app marketplace into a credible platform layer. This level of developer participation strengthens the long-term margin profile of the business and supports the view that application-driven ARPU expansion can scale efficiently as the installed base grows.

Management also discussed product and API expansion that could further widen the developer surface area over time. Butterfly has announced plans to release its Beam Steering API in the first half of 2026, which would make previously internal capabilities available to external developers within its Butterfly Garden and Ultrasound-on-Chip programs, including features such as iQ Slice and iQ Fan. If executed, this would increase the scope of third-party AI innovation and deepen software-level stickiness.

On market opportunity, management outlined a \$2 billion handheld ultrasound opportunity, a \$6.5 billion hospital ultrasound opportunity, and a \$1 billion home-care opportunity. They noted cumulative device sales of approximately 150,000 units, with annual sales averaging 20,000 to 30,000 units, and highlighted a direct-to-clinician addressable population of roughly 27 million doctors and nurses globally. Management reiterated confidence in Butterfly's ability to penetrate these markets over time, particularly as imaging capabilities expand into higher-acuity workflows.

This TAM expansion is increasingly underpinned by progress in the semiconductor technology stack. Management confirmed that the 5.1 chip delivers approximately 2x the processing power of the fourth-generation chip and supports harmonic imaging, a capability historically viewed by piezoelectric incumbents as unattainable with semiconductor-based architectures. Commercial availability of the 5.1 chip was reaffirmed for early 2027. Management also disclosed ongoing development of the sixth-generation Apollo chip, which they confirmed to have harmonic imaging capabilities, and will deliver approximately 20x the processing power of the IQ3 platform, materially expanding the addressable clinical use cases over time.



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Management also reiterated the economics of the Midjourney partnership, which includes \$15 million in upfront cash, \$50 million paid quarterly over five years, and \$9 million in milestone payments, for a total potential value of \$74 million. Importantly, management emphasized that multiple additional Octiv partnerships are in progress and noted that partners are funding development costs associated with products built on Butterfly's semiconductor stack. To the extent these partner-funded development efforts convert into commercial launches, this model extends Butterfly's technology into new use cases without requiring Butterfly to bear the full R&D burden.

Finally, management highlighted 17% revenue growth in Q4, characterizing the period as a potential inflection point following a prolonged med-tech downturn. They expressed confidence that sales momentum is improving and that demand trends are stabilizing across both hardware and software offerings.

Overall, we view Butterfly Network's J.P. Morgan presentation as meaningfully de-risking several pillars of the thesis. Developer engagement at scale reduces uncertainty around Butterfly Garden as a sustainable ARPU lever. Confirmation of harmonic imaging and material gains in processing capability strengthens confidence in the semiconductor roadmap and its ability to encroach on higher-acuity workflows. Combined with expanding TAM disclosures and validated licensing economics, the platform narrative appears increasingly substantiated.

Net Operating Losses and Cash Tax Shield

Beginning Balance	\$T	-	461,681	595,299	667,823	701,611	712,593	680,917	591,181
(+) NOLs Created	\$T	461,681	133,618	72,524	33,788	10,982	-	-	-
(-) NOLs Used	\$T	-	-	-	-	-	(31,676)	(89,736)	(169,446)
Ending Balance	\$T	461,681	595,299	667,823	701,611	712,593	680,917	591,181	421,735

An additional support to the investment case is Butterfly's substantial net operating loss carryforwards. These NOLs are expected to **defer cash tax payments well into the period of margin inflection**, materially enhancing the conversion of EBIT to free cash flow as profitability emerges. This dynamic amplifies the operating leverage embedded in the model and improves the risk-adjusted attractiveness of the valuation, particularly in scenarios where software and licensing revenue scale faster than expected.

In practical terms, the NOL position allows Butterfly to reinvest incremental operating cash flow into platform expansion without the near-term friction of cash tax obligations. As margins improve and earnings turn positive, the tax shield meaningfully enhances free cash flow generation during the critical early years of profitability, reinforcing the asymmetry of the upside scenario.

Atlantic Walk Research Disclosure: We currently hold a long position in Butterfly Network (BFLY) and may add to or reduce this position at any time without further notice. This research reflects our independent analysis and judgment. We are not compensated by Butterfly Network or any other company mentioned in this report, and we maintain no financial or business relationships with them. This report is provided solely for informational and research purposes and should not be interpreted as investment advice or a recommendation to buy or sell any security. Investors should conduct their own due diligence and consider their individual financial circumstances before making investment decisions. All opinions and estimates expressed herein reflect our views as of the date of publication and are subject to change without notice.