

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

FORM 10-K

trademark

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For fiscal year ended December 31, 2022

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: 000-50644

**CUTERA, INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

77-0492262  
(I.R.S. Employer  
Identification No.)

3240 Bayshore Blvd., Brisbane, California 94005  
(Address of principal executive offices)

(415) 657-5500  
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock (\$0.001 par value)	CUTR	The NASDAQ Stock Market, LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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, smaller reporting company, or an emerging growth company. See the 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes  No

If securities are registered pursuant to Section 12(b) of the Act, indicate by checkmark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of the registrant's common stock, held by non-affiliates of the registrant as of June 30, 2022 (which is the last business day of registrant's most recently completed second fiscal quarter) based upon the closing price of such stock on the NASDAQ Global Select Market on June 30, 2022, was approximately \$670 million.

The number of shares of Registrant's common stock issued and outstanding as of April 4, 2023 was 19,788,358

**DOCUMENTS INCORPORATED BY REFERENCE**

Part III incorporates by reference certain information from the registrant's definitive proxy statement for the 2023 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2022.

## TABLE OF CONTENTS

	<u>Page</u>
<b><u>PART I</u></b>	
Item 1. <a href="#">Business</a>	4
Item 1A. <a href="#">Risk Factors</a>	23
Item 1B. <a href="#">Unresolved Staff Comments</a>	53
Item 2. <a href="#">Properties</a>	54
Item 3. <a href="#">Legal Proceedings</a>	54
Item 4. <a href="#">Mine Safety Disclosures</a>	54
<b><u>PART II</u></b>	
Item 5. <a href="#">Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</a>	55
Item 6. <a href="#">Reserved</a>	57
Item 7. <a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>	58
Item 7A. <a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	69
Item 8. <a href="#">Financial Statements and Supplementary Data</a>	72
Item 9. <a href="#">Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</a>	119
Item 9A. <a href="#">Controls and Procedures</a>	119
Item 9B. <a href="#">Other Information</a>	121
Item 9C. <a href="#">Disclosure Regarding Foreign Jurisdictions that Prevent Inspections</a>	121
<b><u>PART III</u></b>	
Item 10. <a href="#">Directors, Executive Officers and Corporate Governance</a>	121
Item 11. <a href="#">Executive Compensation</a>	121
Item 12. <a href="#">Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a>	121
Item 13. <a href="#">Certain Relationships and Related Transactions, and Director Independence</a>	122
Item 14. <a href="#">Principal Accounting Fees and Services</a>	122
<b><u>PART IV</u></b>	
Item 15. <a href="#">Exhibits, Financial Statement Schedules</a>	123
Item 16. <a href="#">Form 10K Summary</a>	125

**FORWARD-LOOKING STATEMENTS**

This Annual Report on Form 10-K contains “forward-looking statements” that involve risks and uncertainties. The Company’s actual results could differ materially from those discussed in the forward-looking statements. The statements contained in this report that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Forward-looking statements are often identified by the use of words such as, but not limited to, “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “might,” “expect,” “intend,” “may,” “plan,” “project,” “seek,” “should,” “strategy,” “target,” “will,” “would” or variations of these terms and similar expressions, or the negative of these terms or similar expressions intended to identify forward-looking statements. Forward-looking statements are necessarily based on estimates and assumptions that, while considered reasonable by the Company and its management based on their knowledge and understanding of the business and industry, are inherently uncertain. Forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in the section titled “Risk Factors” included under Part I, Item 1A below. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, the Company undertakes no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

The following discussion and analysis should be read in conjunction with and are qualified in their entirety by reference to the discussions included in Item 1A - Risk Factors, Item 7 - Management’s Discussion & Analysis of Financial Condition and Results of Operations, and elsewhere in this Annual Report on Form 10-K.

In this Annual Report on Form 10-K, unless the context otherwise requires, references to the “Company,” “Cutera,” “we,” “us” and “the Company’s” refers to Cutera, Inc.

**PART I****ITEM 1. BUSINESS**

In this Annual Report on Form 10-K, “Cutera,” “the Company,” “we,” “us,” and “the Company’s” refer to Cutera, Inc. and its consolidated subsidiaries.

**Company Background**

Cutera was formed in 1998 as a Delaware corporation and is a global provider of aesthetic and dermatology solutions for medical practitioners worldwide. The Company develops, manufactures, and markets energy-based product platforms for use by medical practitioners, enabling them to offer safe and effective treatments to their customers. In addition, the Company distributes third-party manufactured skincare products. The Company currently markets the following key platforms: *AviClear*, *enlighten*, *excel*, *truSculpt*, *Secret PRO*, *Secret RF*, and *xeo* — each of which enables medical practitioners to perform safe and effective procedures, including treatment for acne, body contouring, skin resurfacing and revitalization, hair and tattoo removal, removal of benign pigmented lesions, and vascular conditions. Several of the Company’s systems offer multiple hand pieces and applications, providing customers the flexibility to upgrade their systems. The Company’s ongoing research and development activities primarily focus on developing new products and improving and enhancing the Company’s portfolio of existing products within dermatology and aesthetics. The Company also explores ways to expand the Company’s product offerings through alternative arrangements with other companies, such as distribution arrangements for third party developed products, as well as through mergers, acquisitions and investments. The Company introduced *Secret RF* in January 2018, *enlighten SR* in April 2018, *truSculpt* in July 2018, *excel V+* in February 2019 and *truFlex* in June 2019, *Secret PRO* in July 2020, and a product extension of *excel V+* during the fourth quarter of 2020. In 2021, the Company introduced *truFlex+*, a treatment mode that decreased the treatment time from approximately 45 minutes to 15 minutes. In March 2022, the Company received 510(k) clearance from the U.S. Food and Drug Administration for the *AviClear* acne treatment device (“*AviClear*”). *AviClear* is a laser treatment that offers a safe, prescription-free solution for acne.

The Company’s trademarks include: “CUTERA®,” “AVI360®,” “AVICARE®,” “AVICLEAR®,” “AVICOOOL®,” “ACUTIP 500®,” “COOLGLIDE®,” “CUCF®,” “CUTERA UNIVERSITY CLINICAL FORUM®,” “ENLIGHTEN®,” “EXCEL HR®,” “EXCEL V®,” “EXCEL V+™,” “GENESIS®,” “LASER GENESIS®,” “LIMELIGHT®,” “MYQ®,” “PEARL®,” “PICO GENESIS®,” “PROWAVE 770®,” “SOLERA®,” “TITAN®,” “TRUBODY®,” “TRUFLEX™,” “TRUSCULPT®,” “TRUSCULPT ID®,” “TRUSCULPT FLEX®,” “VANTAGE®,” and “XEO®.” The Company’s logo and other Company trade names, trademarks, and service marks appearing in this document are the Company’s property. Other trade names, trademarks, and service marks appearing in this Annual Report on Form 10-K are the property of their respective owners. Solely for convenience, the Company’s trade names, trademarks and service marks referred to in this Annual Report on Form 10-K appear without the ® or TM symbols, but those references are not intended to indicate, in any way, that the Company will not assert, to the fullest extent under applicable law, the Company’s rights, or the right of the applicable licensor to these trade names, trademarks, and service marks.

A description of each of the Company’s devices and a summary of the features of the Company’s primary platforms are as follows:

- **AviClear** - In March 2022, *AviClear* was cleared by the United States (“U.S.”) Food and Drug Administration (“FDA”) for the treatment of mild, moderate, and severe inflammatory acne vulgaris. *AviClear* significantly eliminates acne in three, 30-minute treatments. *AviClear* treats active acne and helps prevent future acne by suppressing the sebaceous glands. *AviClear* was designed with the *AviCool™* contact cooling technology that allows for a safe and comfortable treatment experience. *AviClear* offers a long-term durable solution for all severities of acne.
- **Secret PRO** – In 2020, the Company expanded its distribution of the *Secret PRO* device. *Secret PRO* features two proven technologies – RF microneedling and fractional CO2. *Secret PRO* utilizes fractional CO2 for skin resurfacing and radio frequency microneedling for deep dermal remodeling. The pairing of technologies provides practitioners the ability to tailor each treatment for a patient’s individual skin concerns. Used individually or in combination for best outcomes with minimal downtime. Each time a procedure is performed, the physician must use a new handpiece tip. The sale of the replacement tip results in recurring revenue.
- **truFlex** – In June 2019, the Company introduced the *truFlex* for the muscle-sculpting market. This product is a bio-electrical muscle stimulation device designed to strengthen, firm and tone the abdomen, buttocks and thighs, and can treat patients at all fitness levels. The *truFlex* delivers Multi-Direction Stimulation with *truControl*, inducing muscle hypertrophy and hyperplasia. Johari Digital Healthcare Ltd. (the Company’s contract manufacturing organization) received 510(k) clearance from the FDA for muscle conditioning in 2013. It is sold in the USA, Canada, Japan, certain Asia Pacific markets, and the European Union (“EU”) and is expected to be sold to a broader international customer base upon required regulatory approvals. The *truFlex* includes a consumable handpiece that needs to be “refilled” after a set number of treatments are

- performed, resulting in recurring revenue. In 2021, the company introduced truFlex+, a treatment mode that decreased the treatment time from approximately 45 minutes to 15 minutes.
- **excel V+** – In February 2019, the Company introduced the excel V+, a new iteration of the excel V vascular platform originally introduced in 2011. Excel V+, is a high-performance, vascular and benign pigmented lesion treatment platform explicitly designed for the market of dermatologists and plastic surgeons. The excel V+ has 50% more power than its predecessor and provides a greater range of parameters for faster, more customizable treatments. The excel V and excel V+ are solid-state laser platforms providing a combination of the 532 nanometers (“nm”) green laser with 1064 nm Nd:YAG technology to provide a single, compact and efficient system that treats the entire range of cosmetic vascular and benign pigmented lesion conditions. In Q4 of 2020, the Company introduced a product extension to its excel V+ platform, which included a new, 1 mm Dermastat handpiece and expanded specifications. The new excel V+, expanded treatment capabilities and provided dermatologists and aesthetic providers a higher level of precision and versatility for vascular and pigmented lesions. The excel V+ continues to boast 50% more power than its predecessor (excel V) and provides a greater range of parameters for faster, more customizable treatments. excel V+ is a solid-state laser platform combining the 532 nanometers (“nm”) green laser with 1064 nm Nd:YAG technology to provide a single, compact and efficient system that treats the entire range of cosmetic vascular and benign pigmented lesion conditions. The excel V+ device includes Cutera’s signature laser genesis treatment, and introduced the ‘green genesis’ treatment – a micro-pulsed 532 treatment.
  - **truSculpt** – In July 2018, the Company introduced a hands-free version of the Company’s truSculpt platform, the truSculpt, for the non-surgical body sculpting market. It includes consumable cycles that need to be ordered by the practitioner after a set number of treatments are performed, resulting in recurring revenue. This product is a high-powered radio frequency (“RF”) system designed for circumferential reduction, lipolysis, and deep tissue heating and can treat all body and skin types. The truSculpt delivers targeted energy at 2 MHz, causing subcutaneous adipose tissue lipolysis. The Company received 510(k) clearance from the FDA for lipolysis of abdominal fat in 2018. Prior truSculpt platforms include the truSculpt 3D, a 2 MHz device for tissue heating and circumferential reduction of fat in the abdomen and flank, and the original truSculpt platform launched in August 2012 and delivered treatments at 1 MHz. In December 2016, the Company received 510(k) clearance from the FDA to market the truSculpt platform for the temporary reduction in circumference of the abdomen. The truSculpt 3D includes a consumable handpiece that needs to be “refilled” after a set number of treatments are performed, resulting in recurring revenue.
  - **Secret RF** – In January 2018, the Company introduced a new fractional RF microneedling device that delivers heat into the deeper layers of the skin using controlled RF energy. The targeted energy revitalizes the tissue, via hemostasis, and coagulation of the tissue, minimizing downtime. Each time a procedure is performed, the physician must use a new handpiece tip. The sale of the replacement tip results in recurring revenue. The Company is the distributor of Secret RF.
  - **enlighten** – In December 2014, the Company introduced the enlighten laser platform with a dual wavelength (1064 nm + 532 nm). In December 2016, the Company introduced a three wavelength model (1064 nm + 532 nm + 670 nm), enlighten III. The enlighten system is a dual pulse duration (750 picoseconds, or “ps,” and two nanoseconds, or “ns”) laser system cleared for multi-colored tattoo removal and the treatment of benign pigmented lesions and acne scars. In 2018, the Company introduced an expanded performance enlighten III, and in April 2018, the Company introduced enlighten SR, a lighter version of enlighten with reduced optical performance. Clinical studies were conducted to support an FDA clearance in October 2018 for treatment of acne scars on patients with Fitzpatrick skin types II-V when used with the PICO Genesis FX Micro Lens Array (“MLA”) handpiece attachment.
  - **excel HR** – In June 2014, the Company introduced the excel HR platform, a premium hair removal solution for all skin types, combining the Company’s proven long-pulse 1064 nm Nd:YAG laser and a high-power 755 nm Alexandrite laser with sapphire contact cooling.
  - **xeo** – In 2003, the Company introduced the xeo platform, which combines intense pulsed light technology with laser applications in a single system. The xeo is a multi-application platform on which a customer can purchase hand piece applications for the removal of unwanted hair, treatment of vascular lesions, and skin revitalization by treating discoloration, fine lines, and laxity.

In addition to the above-mentioned primary systems, the Company generates revenue from the distribution of skincare products, which are manufactured by ZO Skin Health, Inc. (“ZO”), and sold in the Japanese market. The Company also generates revenue from the sale of post-warranty services.

The Company offers its customers the ability to select the systems and applications that best fit their practice and subsequently upgrade their systems to add new applications. This upgrade path allows the Company’s customers to cost-effectively build their aesthetic practices and provides the Company with a source of incremental revenue.

#### **The Market for Non-Surgical Aesthetic Procedures**

The Company believes several factors are contributing to the global growth of aesthetic treatment procedures and aesthetic laser equipment sales, including:

- **Growing Improvement in Economic Environment, Aesthetic Accessibility, and Expanded Practitioner Base** – The last decade has seen an increased demand for aesthetic procedures, which has resulted in an expanding practitioner base to satisfy the demand. Despite worsening recent economic conditions, underlying market feedback continues to support steady patient traffic. An expanding practitioner base paired with digital and mobile advancements has led to a broader range of accessibility options for potential patients.
- **Aging Demographics of Industrialized Countries** – The aging population of industrialized countries, the amount of discretionary income available to the “baby boomer” demographic segment – ages 59 to 77 as of 2023 – and their desire to retain a youthful appearance contribute to the increased demand for aesthetic procedures. With millennials entering their 40’s the demand and preference for non-invasive aesthetic treatments are also rising. Millennials who are currently entering their 30’s, including those in their 30’s, have been earlier adopters of aesthetic treatments in comparison to older generations.
- **Broader Range of Safe and Effective Treatments** – Technical developments and an increase in treatable conditions due to new product introductions, have led to safe, effective, easy-to-use, and low-cost treatments with fewer side effects, resulting in broader adoption of aesthetic procedures by practitioners. In addition, technical advancements enable practitioners to offer a broader range of treatments. These technical developments reduce treatment and recovery times, leading to greater patient demand.
- **Broader Base of Customers** – Managed care and government payor reimbursement restrictions motivate physicians to establish or expand their elective aesthetic practices with procedures paid for directly by patients. As a result, in addition to core practitioners such as dermatologists and plastic surgeons, many other practitioners, such as gynecologists, family practitioners, primary care physicians, physicians performing aesthetic treatments in non-medical offices, and other qualified practitioners (“non-core practitioners”) expanded their practices to offer aesthetic procedures.
- **Reductions in Cost per Procedure** – Due partly to increased competition in the aesthetic market, the cost per procedure has decreased in the past few years. This attracts a broader base of customers and patients seeking aesthetic procedures.
- **Wide Acceptance of Aesthetic Procedures and Increased Focus on Body Image and Appearance** – According to the American Society for Aesthetic Plastic Surgery survey in 2019, both surgical and non-surgical procedures increased compared to 2015. Surgical procedures increased by 6.2%, while non-surgical procedures increased by 13.3% over this four-year period.

#### **Non-Surgical Aesthetic Procedures for Improving the Body and/or Skin’s Appearance and Their Limitations**

Many alternative therapies are available for improving a person’s appearance by treating specific structures within the skin. These procedures utilize injections or abrasive agents to reach different depths of the dermis and the epidermis. In addition, non-invasive and minimally invasive treatments have been developed that employ laser and other energy-based technologies to achieve similar therapeutic results. Some of these common aesthetic procedures and their limitations are described below.

**Acne** – Treatments for acne include over-the-counter (“OTC”) and prescription topicals, washes, oral antibiotics, and oral isotretinoin. Acne affects an estimated 50 million Americans according to the American Academy of Dermatology. Previously, lasers have been used to treat acne albeit with varying levels of success. Many treatments have not demonstrated a durable response, while new approaches like AviClear, which target the sebaceous gland, offer renewed promise for treating acne at its source.

**Non-Invasive Body Contouring** – Treatments for non-invasive body sculpting can be done utilizing a variety of technologies, including radio frequency, laser, cooling, and ultrasound. Procedures address the reduction of unwanted fat on the abdomen, flanks, arms, thighs, submentum, and back and can require one or more treatments. Systems with the ability to induce non-invasive lipolysis (breakdown of fat) offer a more permanent solution with an average fat reduction of more than 20%. Common side effects of this approach may include paradoxical hyperplasia with cooling devices, and nodules which typically resolve over time and the risk of burning the treatment area with radiofrequency devices. In June 2019, the Company introduced the *truFlex*, a bio-electrical muscle stimulation device designed to strengthen, firm, and tone the abdomen, buttocks, and thighs. In 2021 the Company introduced *truFlex+*, a treatment mode that decreased the treatment time from approximately 45 minutes to 15 minutes.

**Tattoo removal** – The most effective way to remove tattoos on the body is to utilize laser systems that deliver very short pulse durations with high peak power in order to break up the ink particles that comprise tattoos.

The global tattoo removal market was valued at \$122.8 million in 2019 and is projected to reach \$219.0 million by 2026. According to market research, people tend to remove their tattoos due to career choices, social conditions, personal situations, and more, which have been the key drivers for the tattoo removal market. Despite the effectiveness of lasers for tattoo removal, common complaints concerning laser tattoo removal include a low rate of complete clearance (sometimes no better than 50% after several treatments) as well as the high number of treatments for satisfactory clearance (often 10 or more treatments spaced four to eight weeks apart). However, the latest generation of tattoo removal lasers produce picosecond pulse durations, (a

trillionth of a second) and thereby, can meaningfully improve tattoo clearance and reduce the total number of treatments. The Company introduced the *enlighten* system, a dual pulse duration laser system, that was cleared for multi-colored tattoo removal.

**Hair Removal** – Techniques for hair removal include waxing, depilatories, tweezing, shaving, electrolysis, laser as well as other energy-based hair removal modalities. The only techniques that provide a long-lasting solution are electrolysis, laser, and other energy-based technology such as Intense Pulsed Light (“IPL”). Electrolysis is usually painful, time-consuming and expensive for large areas, but is the most common method for removing light-colored hair. During electrolysis, an electrologist inserts a needle directly into a hair follicle and activates an electric current in the needle. Since electrolysis only treats one hair follicle at a time, the treatment of an area as small as an upper lip may require numerous visits and many hours of treatment. In addition, electrolysis can cause blemishes and infection related to needle use. In comparison, lasers can quickly treat large areas with a high degree of safety and efficacy. In 2003, the Company introduced the *xeo* system platform utilized for hair removal, which combines intense pulse light technology with laser applications in a single system. In 2014, the Company introduced the *excel HR* platform, a premium hair removal solution for all skin types, combining the Company’s proven long-pulse 1064 nm Nd:YAG laser and a high-power 755 nm Alexandrite laser with sapphire contact cooling.

**Skin Revitalization** – Skin revitalization treatments include a broad range of popular alternatives, including Botox and collagen injections, chemical peels, microdermabrasion, radio frequency treatment and laser and other energy-based treatments. With these treatments, patients hope to improve overall skin tone and texture, reduce pore size, tighten skin and remove other signs of aging, including mottled pigmentation, diffuse redness and wrinkles. All of these procedures are temporary solutions and must be repeated within several weeks or months to sustain their effect, thereby increasing the cost and inconvenience to patients. For example, the body absorbs Botox and collagen, and patients require supplemental injections every three to six months to maintain the benefits of these treatments.

Other skin revitalization treatments, such as chemical peels and microdermabrasion, can have undesirable side effects. Chemical peels use acidic or caustic solutions to peel away the epidermis, and microdermabrasion generally utilizes sand crystals to resurface the skin. These techniques can lead to stinging, redness, irritation and scabbing. In addition, more serious complications, such as changes in skin color, can result from deeper chemical peels.

With many modalities available today for skin revitalization and resurfacing, the Company has developed a range of clinically proven solutions uniquely paired with a patient’s lifestyle and skin concerns, such as *Secret PRO*, which utilizes fractional CO<sub>2</sub> for skin resurfacing and radio frequency microneedling for deep dermal remodeling and *Secret RF*, a novel fractional RF microneedling system for tissue coagulation and hemostasis designed to stimulate and remodel collagen and address the common signs of aging.

**RF Microneedling** – Also known as collagen induction therapy, microneedling is a minimally invasive revitalization treatment that involves using fine needles to create hundreds of tiny, invisible puncture wounds in the top layer of the skin, which stimulates the body’s natural wound healing processes, resulting in cell turnover and increased collagen and elastin production via hemostasis and tissue coagulation. In January 2018, the Company introduced *Secret RF* product, a RF fractional microneedling system. In 2020, the Company released the *Secret PRO*, which included the dual modality treatment options of RF microneedling and CO<sub>2</sub> laser.

**Leg and Facial Veins** – Current aesthetic treatment methods for leg and facial veins include sclerotherapy, as well as laser and other energy-based treatments. With these treatments, patients seek to eliminate visible veins, and improve overall skin appearance. Sclerotherapy requires a skilled practitioner to inject a saline or detergent-based solution into the target vein, which breaks down the vessel causing it to collapse and be absorbed into the body. The need to correctly position the needle on the inside of the vein makes it difficult to treat smaller veins, which limits the treatment of facial vessels and small leg veins. In 2019, the Company introduced the *excel V+*, a high-performance, vascular and benign pigmented lesion treatment platform designed specifically for the core-market of dermatologists and plastic surgeons, which treats the entire range of cosmetic vascular and benign pigmented lesion conditions.

Laser and other energy-based non-surgical treatments for hair removal, veins, skin revitalization and body contouring are discussed in the following section.

#### **Laser and Other Energy-Based Aesthetic Treatments**

Laser and other energy-based aesthetic treatments can achieve therapeutic results by affecting structures within the skin. The development of safe and effective aesthetic treatments has resulted in a well-established market for these procedures.

Practitioners can use laser and other energy-based technologies to selectively target hair follicles, veins, melanin as well as other chromophores within the epidermis and dermis, without damaging surrounding tissue. Practitioners can also use these

technologies to safely remove portions of the epidermis and deliver heat to the dermis as a means of generating new collagen growth. Ablative skin resurfacing improves the appearance of the skin by removing the outer layers of the skin. Ablative skin resurfacing procedures are considered invasive or minimally invasive, depending on how much of the epidermis is removed during a treatment. Non-ablative skin resurfacing improves the appearance of the skin by treating the underlying structure of the skin.

Safe and effective laser and energy-based treatments require an appropriate combination of four parameters:

- **Energy Level** – the amount of light or radio frequency emitted to heat a target;
- **Pulse Duration** – the time interval over which the energy is delivered;
- **Spot Size or Electrode Size** – the diameter of the energy beam, which affects treatment depth and area; and
- **Wavelength or Frequency** – the position in the electromagnetic spectrum which impacts the absorption and the effective depth of the energy delivered.

For example, in the case of hair removal, by utilizing the correct combination of these parameters, a practitioner can use a laser or other light source to selectively target melanin within the hair follicle to absorb the laser energy and destroy the follicle, without damaging other delicate structures in the surrounding tissue.

#### **Technology and Design of the Company's Systems**

The Company's *enlighten*, *excel*, *Secret PRO*, *Secret RF*, *truSculpt* and *xeo* platforms provide the long-lasting benefits of laser and other energy-based aesthetic treatments. The Company's technology allows for a wide variety of applications in a single system. Key features of the Company's solutions include:

- **Multiple Applications Available in a Single System** – Many of the Company's platforms feature multiple-applications that enable practitioners to perform a variety of aesthetic procedures using a single device. These procedures include hair removal, vascular treatments and skin revitalization, which address discoloration, fine lines, and uneven texture. Because practitioners can use the Company's systems for multiple indications, the investment in a unit is spread across a greater number of patients and procedures, and the acquisition cost may be more rapidly recovered.
- **Technology and Design Leadership** – The Company's innovative laser technology combines multiple wavelengths, adjustable energy levels, variable spot sizes and a wide range of pulse durations, allowing practitioners to customize treatments for each patient and condition. The Company's proprietary pulsed light hand pieces for the treatment of discoloration, hair removal and vascular treatments optimize the wavelength used for treatments and incorporate a monitoring system to increase safety. The Company's *Titan* hand piece utilizes a novel light source not previously used for aesthetic treatments. The Company's *Pearl* and *Pearl Fractional* hand pieces, with proprietary YSGG technology, represent the first application of the 2790 nm wavelength for minimally invasive cosmetic dermatology.
- **Upgradeable Platform** – The Company's *xeo*, *excel V* and *truFlex* products allow the Company's customers to upgrade their system to the Company's newest technologies or add new applications to their system, each of which provide the Company with a source of incremental revenue. The Company believes that product upgradeability allows customers to take advantage of the Company's latest product offerings and provide additional treatment options to their patients, thereby expanding the opportunities for their aesthetic practices.
- **Treatments for Broad Range of Skin Types and Conditions** – For hair removal, the Company's products are safe and effective on patients of all skin types, including harder-to-treat patients with dark or tanned skin. In addition, the wide parameter range of the Company's systems allows practitioners to effectively treat patients with both fine and coarse hair. Practitioners may use the Company's products to treat spider veins on the leg; to treat facial veins; and perform skin revitalization procedures for discoloration, texture, fine lines and wrinkles on any type of skin. The ability to customize treatment parameters based on skin type enables practitioners to offer safe and effective therapies to a broad base of their patients.
- **Ease of Use** – The Company designs its products to be easy to use. The Company's proprietary hand pieces are lightweight and ergonomic, minimize user fatigue, and facilitate clear views of the treatment area, reducing the possibility of unintended damage and increasing the speed of application. The Company's control console contains an intuitive user interface with simple, independently adjustable controls from which to select a wide range of treatment parameters to suit each patient's profile. For instance, the clinical navigation user interface on the *xeo* platform provides recommended clinical treatment parameter ranges based on patient criteria entered. The Company's *Pearl* and *Pearl Fractional* hand pieces include a scanner



with multiple scan patterns to allow simple and fast treatments of the face. Finally, the Company's *truSculpt* embodies the best of many of the above features. Unlike other body sculpting treatments on the market that require certain body types, or pinchable fat, *truSculpt* is "body agnostic" with the ability to customize treatments to the patient's needs and body type. In addition, the Company's proprietary algorithms and navigation enable the practitioner to treat a 300cm<sup>2</sup> area in only 15 minutes.

## Business Strategy

The Company's vision and mission is to continue developing innovative solutions that harness the power of science and nature to advance health, beauty, and wellness. To achieve this goal, the Company plans on executing a strategic plan encompassing the following opportunities:

- **Capture Market Share in Acne and Capitalize on the Building Momentum in AviClear** – In March 2022, the FDA announced the 510(k) clearance of AviClear, the first energy-based device receiving designation for the treatment of mild, moderate, and severe acne. In the US, there are an estimated 50 million acne sufferers with only about 6.5 million seeking physician treatment. As a revolutionary first-mover solution, AviClear is well-positioned to disrupt the large and growing acne market with its robust clinical findings and promising positive results to-date. The Company announced official launch in November 2022 after a limited commercial release in April 2022. The device is now available broadly in the US as well as in Canada where Health Canada has approved the device for the treatment of mild, moderate, and severe acne along with additional approval in Canada for the treatment of acne scars. As of December 31, 2022, the Company has performed over 5,000 AviClear acne treatments. The Company has also introduced Avi360, a partnership-driven offering with tools, support, and education, and a rewards program for customers and expanded financing options for patients. These efforts are intended to drive support and increase access to care for both customers and patients.
- **Continue to Expand the Company's Product Portfolio with Innovative Solutions** – Though the Company believes that its current portfolio of products is comprehensive, the Company's research and development group has a pipeline of potential products under development. The Company launched excel V in 2011, truSculpt in 2012, ProWave LX in 2013, and excel HR and enlighten in 2014. In addition, the Company continues to expand offerings on the Company's current platforms with further enhancement such as the enlighten III launched in 2016, truSculpt 3D launched in 2017, enlighten SR launched in April 2018, truSculpt launched in July 2018, excel V+ launched in February 2019 and truFlex launched in June 2019. The Company also introduced Secret RF, in January 2018, and Secret PRO, a fractional CO2 and RF microneedling device, in September 2020. In 2021, the company introduced truSculpt flex+, a treatment mode that decreased the treatment time from approximately 45 minutes to 15 minutes. More recently, in March 2022, the Company launched AviClear to treat mild, moderate, and severe acne. The Company's research and development strategy remains focused on developing innovative, first-mover solutions to solve unmet and evolving needs of customers across the aesthetic and dermatologic fields while ensuring adequate updates and upgrades of current portfolio offerings to maintain high-quality products and outcomes for customers and patients.
- **Focus on Continued Investment of Clinical, Commercial Excellence, and Training Expertise** – The Company believes one of its differentiators and contributors to the Company's leading position in the aesthetic and dermatology industry is its commitment and continued investment in its clinical and regulatory capabilities, medical education, and customer success teams. The Company's product portfolio is supported by robust and thoughtful clinical research, an internal clinic at the Company's headquarters for clinical studies, and targeted digital marketing strategies such as direct-to-patient and consumer marketing, tradeshows and workshops, clinical forums and symposiums, Cutera University, and webinars. In addition, the Company is committed to the commercial excellence of the customers through collaboration with key opinion leaders and expert customers around the world to foster valued partnerships and stay apprised of the latest trends and development in the industry.
- **Leverage Comprehensive Portfolio for Cross-Selling Opportunities and Deepen Customer Relationships** – The Company has a track record of 20 years delivering innovation, which has contributed to its robust and comprehensive portfolio offerings across several main franchises such as face and skin, body contouring, and medical dermatology. With the introduction of enlighten, excel V, excel HR, xeo, truSculpt, SecretPro, Secret RF, and AviClear, the Company can effectively offer additional platforms into the existing installed base. In addition, each of these platforms allows for potential future upgrades that offer additional capabilities. The Company believes the expansive breadth and depth of the Company's portfolio offerings is a one-stop shop for customers seeking a range of treatments that can be performed in their practices. Practitioner customers can increase their patient's wallet share, stickiness, and satisfaction with each visit while the Company can generate additional revenue through cross-selling products to existing customers. The Company believes this aligned value proposition will help grow the Company's categorical leadership and gain market share while deepening relationships with current and new customers.

- **Expand the Company's Global Presence and Footprint in Existing and Attractive New Markets** – The Company currently serves over 40 countries and 10,000 customers with a global installed base of over 12,000 units through the Company's clinically-focused and robust sales infrastructure of direct sales and distribution networks. While the Company is continuing to strengthen its leadership position in the US, there presents significant opportunities abroad in areas such as APAC, particularly Japan, Europe, New Zealand, Australia, and other intercontinental locations. The Company believes that the market for aesthetic systems will continue to grow and offer whitespace opportunities in these geographic regions. As a result, the Company will continue to build brand recognition through new product introductions, invest in commercial infrastructure, and grow and optimize international sales channels and distribution networks to increase global footprint and revenue.
- **Increase Revenue and Improve Productivity** – The Company believes that there is a significant opportunity to grow revenue across its core and recurring revenue segments. With a comprehensive aesthetic and dermatologic portfolio, the Company has the opportunity to cross-sell to drive greater repeat repurchases from the current installed base. As the Company grows its leadership position in current and new therapeutic areas, the Company can accelerate market share gains across franchises and product categories. The Company's innovative business model with AviClear represents a driver of more predictable and consistent revenue generation. The attractive financial profile – high recurring revenue and profitability margins – associated with this business model can serve to mitigate against any potential macroeconomic and industry headwinds and volatility. The Company also plans to generate increased recurring revenue from services and refillable, consumable, and hand pieces. The Company's Titan, truSculpt 3D, truSculpt and truFlex cycle and pulsed-light handpieces are refillable products, while the Company's single use disposable tips applicable to Secret PRO, and Secret RF are consumable products. Each provides the Company with the opportunity for greater participation in the economics of high volume-based procedures from the Company's existing customers. The Company also offers post-warranty services to its customers either through extended service contracts to cover preventive maintenance or through direct billing for parts and labor. These post-warranty services serve as additional sources of revenue. In addition, the Company generates revenue from distribution of third-party manufactured skincare products in Japan. These skincare products are purchased from a third-party manufacturer and sold to licensed physicians and other end users. Along with a focus on increasing operating efficiencies, gross margin expansion, and other financial improvements, the Company believes that this will build a foundation for a highly scalable business with strong top-line and bottom-line growth and increased long-term profitability.
- **Strategically Engage in Attractive and Synergistic Opportunities** – The Company plans to explore opportunities that can augment and differentiate the Company's product portfolio and research and development strategy, expand current leadership position, strengthen competitive positioning, penetrate new or adjacent markets, and present long-term financial benefits. Such opportunities may include, but are not limited to, acquisitions, strategic partnerships, licensing, or collaboration of competitive, commercial, distributor, supplier, or manufacturer relationships. With a global brand, footprint, and commercial expertise, the Company can be a key strategic partner on various opportunities that can bring significant growth and value creation.

## Products

The Company's *enlighten*, *excel*, *Secret PRO*, *Secret RF*, *truSculpt*, and *xeo platforms* allow for the delivery of laser light and/or RF energy for aesthetic applications from a single system. With the Company's *xeo* platform, practitioners can purchase customized systems with a variety of the Company's multi-technology applications. Each of the Company's products consists of a control console and one or more hand pieces, depending on the model.

The following table lists the Company’s currently offered products. Each checked box represents the applications included in the product in the years noted.

Applications:		Skin Revitalization								Noninvasive Body Contouring*
System Platforms	Products	Year	Energy Source	Hair Removal	Vascular Lesions	BPL's Dyschromia & Melasma	Texture, Lines and Wrinkles	Acne Scars	Tattoo Removal	Lipolysis*
xeo	Nd:YAG	2003	(a)	x	x		x			
	ProWave 770	2005	(b)	x						
	AcuTip 500	2005	(b)		x					
	Titan XL	2006	(c)							
	LimeLight	2006	(b)		x	x				
	Pearl	2007	(d)			x	x			
	Pearl Fractional	2008	(d)			x	x	x		
excel V	ProWave LX	2013	(b)	x						
		2011	(e)	x	x	x	x			
truSculpt		2012	(f)							x
excel HR		2014	(g)	x	x	x				
enlighten(dual wavelength)		2014	(h)			x			x	
enlighten III (MLA)		2016	(i)			x	x	x	x	
truSculpt 3D		2017	(f)							x
Secret RF		2018	(j)				x			
truSculpt		2018	(f)							x*
truFlex		2019	(f)							x*
excel V+		2019	(e)	x	x	x	x			
Secret PRO		2020	(k)				x**			
AviClear		2022	(l)					x		

**Energy Sources:**

- (a) 1064 nm Nd:YAG laser;
- (b) Visible and near-infrared Intense Pulsed Light;
- (c) Infrared Intense Pulsed Light;
- (d) 2790 nm Er:YSGG laser;
- (e) Combined frequency-doubled 532 nm and 1064 nm Nd:YAG laser;
- (f) Radio frequency at 1 & 2 MHz – mono-polar
- (g) Combined 755 nm Alexandrite laser and 1064 nm Nd:YAG laser;
- (h) Dual wavelength 532 nm and 1064 nm Nd:YAG picosecond laser;
- (i) Three wavelength 532 nm, 670 nm, and 1064 nm Nd:YAG picosecond laser;
- (j) Radio frequency at 2 MHz mono-polar; and
- (k) Radio frequency at 2 MHz Bi-polar.
- (l) 1726nm wavelength

\* The Company’s CE Mark allows it to market truSculpt in the European Union, Australia and certain other countries outside the U.S. for fat reduction, body shaping and body contouring. In the U.S. the Company has 510(k) clearance for the reduction in circumference of the abdomen, non-invasive lipolysis (breakdown of fat) of the abdomen and elevating tissue temperature for the treatment of selected medical conditions such as relief of pain, muscle spasms, increase in local circulation, and the temporary improvement in the appearance of cellulite.

\*\* Via Hemostasis and Coagulation

**Upgrades**

The Company’s xeo, excel V and truFlex products, are designed to allow customers to cost-effectively upgrade to the Company’s newest technologies or add applications to their system, each of which provides the Company with a source of additional revenue.

## **Extended Contract Services and Support**

The Company offers post-warranty services to its customers through extended service contracts that cover parts and labor for terms of one to four years. The Company also offers services on a time-and-materials basis for systems and detachable hand piece replacements. Revenue related to services performed on a time-and-materials basis is recognized when performed. These post-warranty services serve as additional sources of recurring revenue from the Company's installed product base.

The Company's products are engineered to enable quick and efficient service and support. There are several separate components of the Company's products, each of which can be removed and replaced. The Company believes that quick and effective delivery of service is important to its customers. As of December 31, 2022, the Company had 56 Field Service employees.

In countries where the Company is represented by distribution partners, customers are serviced through the distributor. Distributors are generally provided warranty coverage for parts only, with labor customarily provided to the end customer by the distributor. The Company's *Titan*, *truSculpt 3D*, *truSculpt*, and *truFlex* hand pieces generally include a warranty for a set number of shots, rather than for a period of time.

## **Training**

Sales of systems to customers, except system sales through distributors, include training on the use of the system to be provided within 180 days of purchase. Training is also sold separately from systems. The Company recognizes revenue for training once the training has been provided.

## **Consumables (Other accessories)**

The Company treats its customers' purchases of replacement cycles for *truSculpt* and *truFlex*, as well as replacement *Titan* and *truSculpt 3D* hand pieces, as consumable revenue, which provides the Company with a source of recurring revenue from existing customers. The *Secret RF* and *Secret PRO* products have single use disposable tips, which must be replaced after every treatment. Sales of these consumable tips further enhance the Company's recurring revenue.

## **Applications and Procedures**

The Company's products are designed to allow the practitioner to select an appropriate combination of energy level, spot size and pulse duration for each treatment. The ability to manipulate the combinations of these parameters allows the Company's customers to treat the broadest range of conditions available with a single energy-based system.

*Non-Invasive Body Contouring* – The Company's *truSculpt* technology allows practitioners to apply a hand piece directly to the skin and deliver high-powered RF energy that results in the deep and uniform heating of the subcutaneous fat tissue at sustained therapeutic temperatures. This heating can cause selective destruction of fat cells, which are eliminated from the treatment area through the body's natural wound healing processes. The treatment takes approximately 15 minutes and two or more treatments may be required to obtain the desired aesthetic results. The Company's CE Mark allows the Company to market *truSculpt* in the EU, Australia and certain other countries outside the U.S. for fat reduction, body shaping, body contouring and circumferential reduction. In the U.S., *truSculpt* has 510(k) clearance for topical heating for the purpose of elevating tissue temperature for the treatment of selected medical conditions, such as relief of pain and muscle spasms and increase in local circulation. Additionally, the 2 MHz setting for the 40 cm<sup>2</sup> hand piece is indicated for reduction in circumference of the abdomen and non-invasive lipolysis (breakdown of fat) of the abdomen. The *truSculpt* massage device is intended to provide a temporary reduction in the appearance of cellulite.

*Tattoo Removal* – The Company's *enlighten* systems, delivering picosecond or dual picosecond and nanosecond pulse durations are used for tattoo removal, the treatment of benign pigmented lesions, and a laser skin toning procedure that the Company refers to as *PICO Genesis*.

*Hair Removal* – The Company has two platforms, *excelHR* and *xeo*, which address hair removal for all skin types as well as hair thicknesses. The Company's *xeo* platform allows practitioners to select between the 1064 nm mode for darker, course hair, and the *ProWave LX* hand piece designed to address finer, vellus hair. Contact cooling is present on both hand pieces for epidermal protection. *excelHR* employs both a 1064 nm Nd:YAG as well as a 755 nm Alexandrite for hair removal. Like the *xeo*, the 1064 nm wavelength addresses darker, course hair while the 755 nm wavelength is used for finer, lighter hair. Both wavelengths are transmitted through the same *CoolView* hand piece with spot sizes up to 18 mm for the 755 nm wavelength and up to 18 mm for the 1064 nm wavelength. The *CoolView* hand piece employs sapphire as a means of contact cooling – epidermal protection. Both platforms are cleared for treating all skin types.

**Vascular Lesions** – Both the Company's *xeo* as well as *excel V* and *excel V+* platforms are capable of treating a wide range of aesthetic vein conditions, including spider and reticular veins, and small facial veins. *xeo* employs the *LimeLight* hand piece for addressing small veins as well as vascular lesions while the Nd:YAG is appropriate for deeper, larger vessels. *LimeLight* is a fixed spot size IPL while the Nd:YAG has adjustable spot sizes up to 10mm. The *excel V* and *excel V+* devices are a dual wavelength laser – 1064 nm and 532 nm – with adjustable spot sizes ranging from 2 mm to 12 mm for *excel V* and 1 mm - 16 mm for the *excel V+*. The 532 nm and 1064 wavelength can be used to treat over 20 conditions ranging from small veins and vessels to a variety of vascular lesions. For both of these devices, patients receive on average between one and six treatments, with six weeks or longer between treatments.

**Skin Revitalization** – The Company's *xeo*, *excel V*, *excel HR* and *enlighten* platforms, utilizing an Nd:YAG laser, allow the Company's customers to perform non-invasive and minimally-invasive treatments that reduce redness, dyschromia, fine lines, improve skin texture, and treat other aesthetic conditions. When using a 1064 nm Nd:YAG laser to improve skin texture and treat fine lines, cooling is not applied and the hand piece is held directly above the skin. A large number of pulses are directed at the treatment site, repeatedly covering an area, such as the cheek. By delivering many pulses of laser light to a treatment area, a gentle heating of the dermis occurs and collagen growth is stimulated to rejuvenate the skin and reduce wrinkles. Patients typically receive four to six treatments for this procedure. The treatment typically takes less than a half hour with a spacing of two to four weeks between treatments. Skin revitalization was expanded with introduction of 'green genesis', a micro-pulsed 532 nm treatment on the *excelV+*.

**Texture, Lines and Wrinkles** – The *xeo* platform can address fine lines and wrinkles using the *Pearl* and *Pearl Fractional* hand pieces. When treating fine lines, texture and wrinkles with a *Pearl* hand piece, the hand piece is held at a controlled distance from the skin and the scanner delivers a preset pattern of spots to the treatment area. Cooling is not applied to the epidermis during the treatment. The energy delivered by the hand piece ablates a portion of the epidermis while leaving a coagulated portion that will gently peel off over the course of a few days. Heat is also delivered into the dermis, which can result in the production of new collagen. Treatment of the full face can usually be performed in approximately 15 to 30 minutes. Patients receive on average between one and three treatments at monthly intervals.

Additionally, the Company's *Secret RF* and *Secret PRO* platforms feature Radio Frequency microneedling device that employs fractionated RF energy (2 MHz) delivered at different pre-programmed depths in the dermis to produce new collagen. The *Secret devices* come with four treatment tips: a 25-pin tip, both insulated and semi-insulated, and a semi-insulated 64-pin tip. The treatment has minimal side effects, negligible downtime and results in improved skin tone and texture as well as improvement in acne scars.

**Dyschromia** – The Company's pulsed-light technologies allow the Company's customers to safely and effectively treat red and brown dyschromia (skin discoloration), benign pigmented lesions, and rosacea. The practitioner delivers a narrow spectrum of light to the surface of the skin through the Company's *LimeLight* hand pieces. These hand pieces include one of the Company's proprietary wavelength filters, which reduce the energy level required for therapeutic effect and minimize the risk of skin injury.

The 532 nm wavelength green laser option of the *excel V* and *enlighten* systems, as well as the 755 nm infrared wavelength of the *excel HR*, can be used to treat benign pigmented lesions in substantially the same way.

In treating benign pigmented lesions, the hand piece is placed directly on the skin and then the pulse is triggered. The cells forming the pigmented lesion absorb the light energy, darken and then flake off over the course of two to three weeks. Several treatments may be required to completely remove the lesion. The treatment takes a few minutes per area treated and there are typically three to four weeks between treatments.

Practitioners can also treat dyschromia and other skin conditions with the Company's *Pearl* hand piece. During these treatments, the heat delivered by the *Pearl* hand piece will remove the outer layer of the epidermis while coagulating a portion of the epidermis. That coagulated portion will gently peel off over the course of a few days, revealing a new layer of skin underneath. Treatment of the full face can usually be performed in 15 to 30 minutes. Patients receive on average between one and three treatments at monthly intervals.

**Skin Quality** – The Company's *Titan* technology allows the Company's customers to use deep dermal heating to tighten lax skin. The practitioner delivers a spectrum of light to the skin through the Company's *Titan* hand piece. This hand piece includes the Company's proprietary light source and wavelength filter which tailors the delivered spectrum of light to provide heating at the desired depth in the skin.

In treating compromised skin, the hand piece is placed directly on the skin and then the light pulse is triggered. A sustained pulse causes significant heating in the dermis. This heating can cause immediate collagen contraction while also stimulating

long-term collagen regrowth. Several treatments may be required to obtain the desired degree of tightening of the skin. The treatment of a full face can take over an hour and there are typically four weeks between treatments.

The Company's CE Mark allows the Company to market the *Titan* in the EU, Australia and certain other countries outside the U.S. for the treatment of wrinkles through skin tightening. However, in the U.S. the Company has a 510(k) clearance only for deep dermal heating.

*Acne* – The Company's acne solution, *AviClear*, is a prescription-free, drug-free laser treatment that is safe for all skin types and tones and FDA-cleared for the treatment of mild to severe acne. The device can provide lasting clearance without significant side effects in three 30-minute treatment sessions. Acne forms when sebum, the oily substance on skin, combines with dead skin cells and clogs pores. The Company's treatment uses a 100-watt laser device with a 1726 nm wavelength to treat acne at the source by selectively targeting and down-regulating the sebaceous glands. Research has indicated that at 1726 nm, pure sebum absorbs twice as much energy as compared to water. *AviClear* selectively targets this exact frequency to damage the sebocytes and down-regulate sebum production. Additionally, *AviClear* is equipped with the *AviCool™* sapphire skin cooling and smart sensory controls that maintain the skin's temperature during treatment for a more comfortable and safe experience. After an *AviClear* treatment, patients can resume activities immediately. In addition, patients will produce less oil, helping improve the acne, and experience shorter breakouts with fewer and less intense flare-ups. Acne clearance results are expected to continue to improve over time, demonstrating the long-term efficacy of this treatment.

### **Sales and Marketing**

The Company markets, sells, and services the Company's products through direct sales and service employees in North America (including Canada), Australia, Austria, Belgium, France, Germany, Hong Kong, Japan, the Netherlands, Spain, Switzerland and the United Kingdom. International sales and services outside of these direct markets are made through a network of distributors in over 37 countries, as well as a direct international sales force. The Company internally manages its U.S. and Canadian sales organization as one North American sales region.

The Company also sells certain items like hand piece refills, cycle refills, consumable tips, and marketing brochures through the Company's web site [www.mycutera.com](http://www.mycutera.com).

Customers generally demand quality, performance, ease of use and high productivity in relation to the cost of ownership. The Company responds to these customer demands by introducing new products focused on these requirements in the markets it serves. Specifically, the Company believes it introduces new products and applications that are innovative, address the specific aesthetic procedures in demand, and are upgradeable on its customers' existing systems. In addition, the Company provides attractive upgrade pricing to new product families. To increase market penetration, the Company also markets to non-core practitioners in addition to the Company's core specialties of plastic surgeons and dermatologists.

The Company seeks to establish strong ongoing relationships with its customers through the upgradeability of the Company's products, sales of extended service contracts, hand piece refills and replacement disposable tips, ongoing training and support, and by distributing skincare products in Japan. The Company primarily targets its marketing efforts to practitioners through office visits, workshops, trade shows, webinars and trade journals. The Company also markets to potential patients through brochures, workshops and its website. In addition, the Company offers clinical forums with recognized expert panelists to promote advanced treatment techniques using the Company's products to further enhance customer loyalty and uncover new sales opportunities.

### **Competition**

The industry in which the Company operates is subject to intense competition. The Company's products compete against conventional non-energy-based treatments, such as electrolysis, Botox and collagen injections, chemical peels, microdermabrasion and sclerotherapy. The products also compete against laser and other energy-based products offered by other public companies, such as Abbvie (acquired Allergan and its division Zeltiq), Bausch Health (formerly Valeant Pharmaceuticals), Vieve, Soliton, InMode and Lutronic, as well as private companies, including Sisram, Candela (formerly Syneron Candela, acquired in 2017 by an affiliate of private equity funds advised by Apax Partners), Sciton, BTL Industries and several others. In late 2019, Clayton, Dubilier & Rice entered into an agreement under which its managed funds acquired Cynosure, LLC, a leader in medical aesthetics systems and technologies, from Hologic, Inc. Cynosure develops, manufactures, and markets medical aesthetic treatment systems for dermatologists, plastic surgeons, medical spas and other healthcare practitioners, with sales and distribution worldwide. In early 2020, the affiliated private equity funds of Baring Private Equity Asia completed the acquisition of Lumenis, a provider of specialty energy-based medical devices across the fields of aesthetics, urology, ophthalmology, ENT and gynecology, with an international presence.

Competition among providers of laser and other energy-based devices for the aesthetic market is characterized by extensive research and development efforts, and innovative technology. While the Company attempts to protect its products through patents and other intellectual property rights, there are few barriers to entry that would prevent new entrants or existing competitors from developing products that would compete directly with the Company. There are many companies, both public and private, that are developing devices that use both energy-based and alternative technologies. Some of these competitors have greater resources than the Company does or product applications for certain sub-markets in which the Company does not participate. Additional competitors may enter the market, and the Company is likely to compete with new companies in the future. To compete effectively, the Company has to demonstrate that the Company's products are attractive alternatives to other devices and treatments by differentiating the Company's products on the basis of performance, brand name, service and price. The Company has encountered, and expects to continue to encounter, potential customers who, due to existing relationships with the Company's competitors, are committed to, or prefer, the products offered by these competitors. Competitive pressures may result in price reductions and reduced margins for the Company's products.

The Company also sells skincare products in Japan under the exclusive distribution agreement with ZO which granted the Company the exclusive right to promote, market, sell, and distribute the products produced by ZO in Japan. ZO's skincare products compete against other Physician-dispensed skincare brands developed and marketed by other companies, such as Environ, Navision and Revision Skincare, among others.

#### **Research and Development**

The Company focuses its research and development efforts on innovation and improvement for products and services that align with its mission. The Company consistently strives to understand its customers' expectations for total excellence. The Company accomplishes this by its commitment to continuous improvement in design, manufacturing, and service, which the Company believes provides for superior products and services to ensure on going customer satisfaction, trust and loyalty. The Company seeks to comply with all applicable domestic and international regulations to maintain the highest quality.

The Company's research and development activities are conducted by employees with a broad base of experience in lasers, optoelectronics, software, and other related disciplines. The Company develops working relationships with outside contract engineering and design consultants, giving the Company's team additional technical and creative breadth. The Company works closely with thought leaders and customers, to understand unmet needs and emerging applications in aesthetic medicine.

#### **Acquisitions, Investments, and Distribution Agreements**

The Company's strategy of providing a broad range of therapeutic capabilities requires a wide variety of technologies, products, and capabilities. The rapid pace of technological development in the aesthetic device industry and the specialized expertise required in different areas make it challenging for the Company to develop a broad portfolio of technological solutions. In addition to internally generated growth through research and development efforts, the Company has considered, and expects to continue to consider, acquisitions, investments, and distribution agreements to provide access to new products and technologies in both new and existing markets.

The Company expects to further the Company's strategic objectives and strengthen its existing businesses by making future acquisitions and investments, or by entering into new distribution agreements in areas that the Company believes it can acquire or stimulate the development of new technologies and products. Mergers and acquisitions of medical technology companies, as well as distribution relationships, are inherently risky and no assurance can be given that any acquisition will be successful or will not materially adversely affect the Company's consolidated operations, financial condition and cash flows.

#### **Manufacturing**

The Company manufactures its products with components and subassemblies supplied by vendors and assembles and tests each of its products at the Brisbane, California facility, and at third-party contract manufacturers' facilities. Quality control, cost reduction and inventory management are top priorities of the manufacturing operations.

The Company purchases certain components, subassemblies, and assembled systems from a limited number of suppliers. All Secret RF systems are manufactured by Ilooda Co. Ltd, who also manages all related regulatory activities. The Company has flexibility with its suppliers to adjust the number of components and subassemblies as well as the delivery schedules. The forecasts are based on historical demands and sales projections. Lead times for components and subassemblies may vary significantly depending on the size of the order, time required to fabricate and test the components or subassemblies, specific supplier requirements and current market demand for the components and subassemblies. The potential for disruption of supply is reduced by maintaining sufficient inventories and identifying additional suppliers. The time required to qualify new suppliers

for some components, or to redesign them, could cause delays in the Company's manufacturing. To date, the Company has not experienced significant delays in obtaining any of its components or subassemblies.

### **Patents and Proprietary Technology**

The Company relies on a combination of patent, copyright, trademark and trade secret laws, and non-disclosure, confidentiality, and invention assignment agreements to protect the Company's intellectual property rights. As of March 8, 2023, the Company had 29 issued and unexpired U.S. patents, 10 pending U.S. patent applications, and 4 pending international applications under the Patent Cooperation Treaty (PCT) or other national or regional patent offices. The Company intends to file for additional patents and trademarks to continue to strengthen the Company's intellectual property rights. Patents typically have a 20-year term from the application filing date. There can be no assurance that pending patent applications will result in the issuance of patents, that patents issued to or licensed by the Company will not be challenged or circumvented by competitors, or that these patents will be found to be valid or sufficiently broad to protect the Company's technology or to provide the Company with a competitive advantage. The Company has also obtained certain trademarks and trade names for the Company's products and maintain certain details about the Company's processes, products, and strategies as trade secrets. In the U.S. and several foreign countries, the Company registers its Company name and certain of its product names as trademarks, including *Cutera*, *AVI360*, *AviCare*, *AviClear*, *AviCool*, *AcuTip 500*, *CoolGlide*, *CUCF*, *Cutera University Clinical Forum*, *Enlighten*, *Excel HR*, *Excel V*, *Genesis*, *Laser Genesis*, *LimeLight*, *myQ*, *Pearl*, *PICO Genesis*, *ProWave 770*, *Solera*, *Titan*, *truBody*, *truSculpt*, *truSculpt iD*, *truSculpt Flex*, *Vantage*, and *xeo*. The Company may have common law rights in other product names, including *excel V+*, and *truFlex*.

The Company relies on non-disclosure and non-competition agreements with employees, technical consultants, and other parties to protect, in part, trade secrets and other proprietary technology. The Company also requires them to agree to disclose and assign to the Company all inventions conceived in connection with the relationship. There can be no assurance that these agreements will not be breached, that the Company will have adequate remedies for any breach, that others will not independently develop equivalent proprietary information or that third parties will not otherwise gain access to the Company's trade secrets and proprietary knowledge.

For additional information, please refer to Item 1A. Risk Factors of this Annual Report on Form 10-K, under the section entitled "Risk Factors - Intellectual property rights may not provide adequate protection for some or all of the Company's products, which may permit third parties to compete against the Company more effectively, and the Company may be involved in future costly intellectual property litigation, which could impact the Company's future business and financial performance."

### **Government Regulation**

#### ***United States***

The Company's products are medical devices subject to regulation by numerous government agencies, including the FDA and counterpart agencies outside the U.S. To varying degrees, each of these agencies require the Company to comply with laws and regulations governing the research, development, testing, manufacturing, labeling, pre-market clearance or approval, marketing, distribution, advertising, promotion, record keeping, reporting, tracking, and importing and exporting of medical devices. In the U.S., FDA regulations govern the following activities that the Company performs and will continue to perform to ensure that medical products distributed domestically or exported internationally are safe and effective for their intended uses:

- product design and development;
- product testing;
- product manufacturing;
- product safety;
- product labeling;
- product storage;
- record keeping;
- pre-market clearance or approval;
- advertising and promotion;
- production;
- product sales and distribution; and
- complaint handling.

#### ***FDA's Pre-market Clearance Requirements***

Unless an exemption applies, each medical device the Company wishes to commercially distribute in the U.S. will require either prior 510(k) clearance, or de novo approval from the FDA. The FDA classifies medical devices into one of three classes. Devices deemed to pose lower risks are placed in either Class I or II. For Class II, the manufacturer must submit to the FDA a



pre-market notification requesting permission to commercially distribute the device. This process is known as 510(k) clearance. Some low risk devices are exempted from this requirement. Devices deemed by the FDA to pose the greatest risk, such as life-sustaining, life-supporting or implantable devices, or devices deemed not substantially equivalent to a previously cleared 510(k) device, are placed in Class III, requiring more rigorous pre-market approval. All of the Company's current products are Class II devices.

***510(k) Clearance Pathway***

When 510(k) clearance is required, the Company must submit a pre-market notification demonstrating that the Company's proposed device is substantially equivalent to a previously cleared 510(k) device or a device that was in commercial distribution before May 28, 1976 for which the FDA has not yet called for the submission of Pre-Market Approval, or "PMA", applications. By regulation, the FDA is required to clear or deny 510(k), pre-market notification within 90 days of submission of the application. As a practical matter, clearance may take significantly longer, as FDA may require additional information. Laser devices used for aesthetic procedures, such as hair removal, have generally qualified for clearance under 510(k) procedures.

The following table details the indications for which the Company received a 510(k) clearance for the Company's products and when these clearances were received.

<b>FDA Marketing Clearances:</b>	<b>Date Received:</b>
<b>Laser-based products:</b>	
- treatment of vascular lesions	June 1999
- hair removal	March 2000
- permanent hair reduction	January 2001
- treatment of benign pigmented lesions and pseudo folliculitis barbae, commonly referred to as razor bumps, and for the reduction of red pigmentation in scars	June 2002
- treatment of wrinkles	October 2002
- treatment to increase clear nail in patients with onychomycosis	April 2011
- expanded spot size to 5 mm for clear nail in patients with onychomycosis	May 2013
- addition of Alexandrite 755 nm laser wavelength for hair removal, permanent hair reduction, treatment of vascular, benign pigmented lesions and treatment of wrinkles	December 2013
- addition of treatment of mild to moderate inflammatory acne vulgaris	March 2016
- enlighten picosecond and nanosecond 532/1064 nm for the treatment of benign pigmented lesions	August 2014
- enlighten picosecond and nanosecond 532/1064 nm for multi-colored tattoo removal	November 2014
- enlighten III picosecond and nanosecond 532/1064 nm for multi-colored tattoo removal and treatment of benign pigmented lesion and picosecond 670 nm for benign pigmented lesions	October 2016
- enlighten III higher performance specifications for 532/1064 nm; addition of nanosecond mode for 670nm	April 2016
- enlighten III addition of tattoo removal for lighter colored inks (green and blue) for 670 nm	October 2017
- enlighten Micro Lens Array (MLA) for treatment of acne scars	December 2018
- treatment of acne	March 2022
<b>Pulsed-light technologies:</b>	
- treatment of pigmented lesions	March 2003
- hair removal and vascular treatments	March 2005
<b>Infrared Titan technology</b> for deep dermal heating for the temporary relief of minor muscle and joint pain and for the temporary increase in local circulation where applied	February 2004
<b>Solera tabletop console:</b>	
- for use with the Titan hand piece	October 2004
- for use with the Company's pulsed-light hand pieces	January 2005
<b>Pearl product for the treatment of wrinkles</b>	March 2007
<b>Pearl Fractional product for skin resurfacing and coagulation</b>	August 2008
<b>truSculpt radio frequency product:</b>	
- for topical heating to elevate tissue temperature for the treatment of selected medical conditions such as relief of pain and muscle spasms and increase in local circulation; massage device for temporary reduction in the appearance of cellulite	April 2008
- Temporary reduction in circumference of the abdomen	December 2016
- Reduction in circumference of the abdomen	August 2017
- truSculpt: For non-invasive lipolysis of the abdomen and for reduction in circumference of the abdomen	June 2018
- truFlex: For improvement of abdominal tone, strengthening of abdominal muscles, and development of firmer abdomen; and strengthening, toning, and firming of buttocks and thighs	June 2019

### **Product Modifications**

Pursuant to FDA regulations, after a device receives 510(k) clearance, any modification that could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use, labeling and biocompatibility, requires a new clearance. The FDA requires manufacturers to make this determination initially, but the FDA can review any such decision and may disagree with a manufacturer's determination. To date, the Company has modified aspects of the Company's products after receiving regulatory clearance and determined that new 510(k) clearances are not required for these modifications. If the FDA disagrees with the Company's determination not to seek a new 510(k) clearance, the FDA may retroactively require the Company to seek 510(k) clearance.

### **Clinical Trials**

When FDA approval of a Class II device requires human clinical trials, only approval from the Institutional Review Board ("IRB") is required to proceed with the planned and IRB approved clinical trial/study.

The Company is required to manufacture the Company's products in compliance with the FDA's Quality System Regulation ("QSR") and the international quality management standard for medical systems ISO 13485:2016. The QSR and ISO 13485 cover the methods and documentation of the design, testing, control, manufacturing, labeling, quality assurance, packaging, storage and shipping of the Company's products. Since 2017, the Company has been enrolled in the Medical Device Single Audit Program ("MDSAP"). The MDSAP allows a single audit of a medical device manufacturer's Quality Management System ("QMS"), which satisfies the requirements of five regulatory jurisdictions (FDA - US, Health Canada - Canada, Therapeutic Goods Administration ("TGA") - Australia, Pharmaceuticals and Medical Devices Agency ("PMDA") - Japan, and Agência Nacional de Vigilância Sanitária ("ANVISA") - Brazil); and for the EU under Europäische Norm ("EN") International Standards Organization ("ISO") 13485:2016 and Medical Device Directive (MDD)/EU Medical Device Regulation ("MDR").

MDSAP re-certification occurs every three years with a surveillance audit taking place annually. Major findings during these audits or an increase in field reportable events could trigger regulatory enforcement action including by the FDA. The Company's manufacturing facility is ISO 13485 certified. The Company had a successful MDSAP re-certification audit in January 2021. There were no significant findings or observations as a result of this audit. However, the Company's failure to maintain compliance with the QSR requirements could result in the shutdown of the Company's manufacturing operations and the recall of the Company's products, which would have a material adverse effect on the Company's business. In the event that one of the Company's suppliers fails to maintain compliance with specified quality requirements, the Company may have to qualify a new supplier and could experience manufacturing delays as a result. The Company has opted to maintain quality assurance and quality management certifications to enable the Company to market the Company's products in the U.S., the member states of the EU, the European Free Trade Association and countries which have entered into Mutual Recognition Agreements with the EU.

### **Pervasive and Continuing Regulation**

After a device is placed on the market, numerous regulatory requirements apply. These include:

- Quality system regulations, which require manufacturers, including third-party manufacturers, to follow stringent design, testing, control, documentation and other quality assurance procedures during all aspects of the manufacturing process;
- Labeling regulations and FDA prohibitions against the promotion of products for un-cleared, unapproved or "off-label" uses;
- Medical device reporting regulations, which require that manufacturers report to the FDA if their device may have caused or contributed to a death or serious injury or malfunctioned in a way that would likely cause or contribute to a death or serious injury if the malfunction were to recur; and
- Post-market surveillance regulations, which apply when necessary to protect the public health or to provide additional safety and effectiveness data for the device.

The FDA has broad post-market and regulatory enforcement powers. The Company is subject to unannounced inspections by the FDA and the Food and Drug Branch of the California Department of Health Services (or "CDHS"), to determine the Company's compliance with the QSR and other applicable regulations, which may include the manufacturing facilities of the Company's subcontractors. In the past, the Company's current manufacturing facility has been inspected by the FDA and the CDHS. The FDA and the CDHS noted observations, but there were no findings that involved a material violation of regulatory requirements. The Company's responses to those observations have been accepted by the FDA and CDHS.

The Company is also regulated under the Radiation Control for Health and Safety Act, which requires laser products to comply with performance standards, including design and operation requirements, and manufacturers to certify in product labeling and in reports to the FDA that their products comply with all such standards. The regulations also require laser manufacturers to file

new product and annual reports, maintain manufacturing, testing and sales records, and report product defects. Various warning labels must be affixed and certain protective devices installed, depending on the class of the product.

Failure to comply with applicable regulatory requirements can result in enforcement action by the FDA, which may include any of the following sanctions:

- Warning letters, fines, injunctions, consent decrees and civil penalties;
- Repair, replacement, recall or seizure of the Company's products;
- Operating restrictions or partial suspension or total shutdown of production;
- Refusing the Company's requests for 510(k) clearance of new products, new intended uses, or modifications to existing products;
- Withdrawing 510(k) clearance that have already been granted; and
- Criminal prosecution and penalties.

The FDA also has the authority to require the Company to repair, replace or refund the cost of any medical device that it has manufactured or distributed. If any of these events were to occur, they could have a material adverse effect on the Company's business.

The Company is also subject to a wide range of federal, state and local laws and regulations, including those related to the environment, health and safety, land use and quality assurance. The Company believes that compliance with these laws and regulations as currently in effect will not have a material adverse effect on the Company's capital expenditures, earnings and competitive and financial position.

### **International**

International sales of medical devices are subject to foreign governmental regulations, which vary substantially from country to country. The time required to obtain clearance or approval by a foreign country may be different than that required for FDA clearance. And the clearance or approval requirements may be different from those in the U.S.

In Japan, the Company is actively seeking approvals for products to supplement the Company's existing approvals for *enlighten*, *enlighten III*, *excel HR*, and *xeo*.

In the European Economic Area ("EEA"), which is composed of the 27 Member States of the EU plus Norway, Liechtenstein and Iceland, a single regulatory approval process exists, and conformity with the legal requirements is represented by the CE mark. The Company's products are regulated in the EU as medical devices per the EU Medical Devices Regulation ("MDR"). The Company's current CE marks on systems sold in the EU are set to expire on April 15, 2023, and a new CE marking under the MDR designation is required after April 15, 2023. The Company intends to obtain MDR certification for its principal products sold in the EU ahead of the April 15, 2023 expiration date. From January 1, 2021, the UK Conformity Assessed (UKCA) mark replaced the CE mark as the new product conformity marking requirement in England, Wales, and Scotland. Medical devices will have until July 1, 2024, to comply. The CE mark continues to be required for goods sold in Northern Ireland. Other countries, such as Switzerland, have entered into Mutual Recognition Agreements and allow the marketing of medical devices that meet EU requirements. The EU has adopted numerous directives and European Standardization Committees have promulgated voluntary standards regulating the design, manufacture, clinical trials, labeling and adverse event reporting for medical devices. Devices that comply with the requirements of a relevant directive will be entitled to bear CE conformity marking, indicating that the device conforms to the essential requirements of the applicable directives and, accordingly, can be commercially distributed throughout the EEA and countries which have entered into a Mutual Recognition Agreement. The method of assessing conformity varies depending on the type and class of the product, but normally involves a combination of self-assessment by the manufacturer and a third-party assessment by a Notified Body, an independent and neutral institution appointed by a country to conduct the conformity assessment. This third-party assessment may consist of an audit of the manufacturer's quality system and specific testing of the manufacturer's device. An assessment by a Notified Body in one member state of the EEA, or one country which has entered into a Mutual Recognition Agreement is required in order for a manufacturer to commercially distribute the product throughout these countries. ISO 9001 and ISO 13845 certification are voluntary harmonized standards. Compliance establishes the presumption of conformity with the essential requirements for a CE Marking. In February 2000, the Company's facility was awarded the ISO 9001 and EN 46001 certification.

In January 2018, the Company conducted the Company's recertification audit to the requirements of ISO 13485:2003 under the MDSAP for the five regulatory jurisdictions signatory to MDSAP (FDA - US, Health Canada - Canada, TGA - Australia, PMDA - Japan, and ANVISA - Brazil); and for the EU under EN ISO 13485:2016 and MDD 93/42/EEC. In January 2021, the Company passed the recertification audit re-confirming compliance with ISO13485:2016 and MDSAP. The MDSAP and EU

certification can be used to demonstrate compliance with GMP/QSR/QMS requirements for all five regulatory jurisdictions, replacing routine audits from each regulatory jurisdiction. For cause audits can still occur.

#### ***Applicability of Anti-Corruption Laws and Regulations***

The Company's worldwide business is subject to the U.S. Foreign Corrupt Practices Act of 1977 (the "FCPA"), the United Kingdom Bribery Act of 2010 (the "UK Bribery Act") and other anti-corruption laws and regulations applicable in the jurisdictions where the Company operates. The FCPA can be used to prosecute companies in the U.S. for arrangements with physicians, or other parties outside the U.S., if the physician or party is a government official of another country and the arrangement violates the law of that country. The UK Bribery Act prohibits both domestic and international bribery, as well as bribery across both public and private sectors. There are similar laws and regulations applicable to the Company outside the U.S., all of which are subject to evolving interpretations. For additional information, please refer to Item 1A. Risk Factors of this Annual Report on Form 10-K, under the sections entitled "Risk Factors – the Company's failure to comply with rules relating to bribery, foreign corrupt practices and privacy and security laws may subject the Company to penalties and adversely impact the Company's reputation and business operations."

#### ***Patient Privacy and Security Laws***

Various laws worldwide protect the confidentiality of certain patient health and other consumer information, including patient medical records, and restrict the use and disclosure of patient health information by healthcare providers. Privacy standards in Europe and Asia are becoming increasingly strict, enforcement action and financial penalties related to privacy in the EU are growing, and new laws and restrictions are being passed. The management of cross-border transfers of information among and outside of EU member countries is becoming more complex, which may complicate the Company's clinical research and commercial activities, as well as product offerings that involve transmission or use of data. The Company will continue its efforts to comply with those requirements and to adapt the Company's business processes to those standards.

In the U.S., the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), as amended by the Health Information Technology and Clinical Health Act ("HITECH") and their respective implementing regulations, including the final omnibus rule published on January 25, 2013, imposes specified requirements relating to the privacy, security and transmission of individually identifiable health information. Among other things, HITECH makes HIPAA's privacy and security standards directly applicable to "business associates," defined as independent contractors or agents of covered entities that create, receive, maintain or transmit protected health information in connection with providing a service for or on behalf of a covered entity. HITECH also increased the civil and criminal penalties that may be imposed against covered entities, business associates and possibly other persons, and gave state attorneys new general authority to file civil actions for damages or injunctions in federal court to enforce the federal HIPAA laws and seek attorney's fees and costs associated with pursuing federal civil actions. In addition, state laws govern the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways, thus complicating compliance efforts. The Company potentially operates as a business associate to covered entities in a limited number of instances. In those cases, the patient data that the Company receives may include protected health information, as defined under HIPAA. Enforcement actions can be costly and interrupt regular operations of its business. While the Company has not been named in any such actions, if a substantial breach or loss of data from the Company's records were to occur, the Company could become a target of such litigation.

In the EU, Regulation 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data ("General Data Protection Regulation" or "GDPR") came into effect on May 25, 2018. The GDPR replaces Directive 95/46/EC ("Data Protection Directive"). While many of the principles of the GDPR reflect those of the Data Protection Directive, for example in relation to the requirements relating to the privacy, security and transmission of individually identifiable health information, there are a number of changes. In particular: (1) pro-active compliance measures are introduced, such as the requirement to carry out a Privacy Impact Assessment and to appoint a Data Protection Officer where health data is processed on a "large scale;" and (2) the administrative fines that can be levied are significantly increased, the maximum being the higher of €20 million, or 4%, of the total worldwide annual turnover of the group in the previous financial year. The Company will continue its efforts to comply with the GDPR requirements and to adapt the Company's business processes to those requirements.

#### ***Environmental Health and Safety Laws***

The Company is also subject to various environmental health and safety laws and regulations worldwide. Like other medical device companies, the Company's manufacturing and other operations involve the use and transportation of substances regulated under environmental health and safety laws including those related to the transportation of hazardous materials. To the best of the Company's knowledge at this time, the Company does not expect that compliance with environmental protection laws will have a material impact on the Company's consolidated results of operations, financial position or cash flows.

## **Employees and Human Capital**

As of December 31, 2022, the Company had 540 employees, compared to 461 employees as of December 31, 2021. The Company believes that its future success will depend in part on the Company's continued ability to attract, hire and retain qualified personnel. None of the Company's employees are represented by a labor union, and the Company believes its employee relations are good. The Company is committed to fostering a diverse and inclusive workplace that attracts and retains exceptional talent. Through ongoing employee development, comprehensive compensation and benefits, and a focus on health, safety and employee well-being, the Company strives to help its employees in all aspects of their lives so they can do their best work.

### ***Diversity, Equity and Inclusion***

The Company is committed to create and maintain a diverse and safe work environment to capture the ideas and perspectives that fuel innovation and enable its workforce, customers, and communities to succeed in creating the future of medical aesthetics. The Company strives to create an inclusive workplace where people can design, manufacture, and market a comprehensive portfolio of aesthetic laser and energy-based products that enable its customers (the practitioner) to provide safe and effective treatments. Its commitment to diversity and inclusion starts at the highest levels of the Company.

### ***Employee Engagement***

The Company regularly collects feedback to better understand and improve the employee experience and identify opportunities to continually strengthen its culture. The Company wants to know what is working well, what the Company can do better and how well its employees understand and practice the Company's cultural values. In 2022, nearly 97% of its employees participated in its annual employee survey.

### ***Leadership development and training***

The Company's leaders learn with Cutera, grow with Cutera and reach their potential through challenging job experiences. The Company provides learning opportunities by offering valuable training resources for employees in order to ensure its people have everything they need to succeed both personally and professionally. The Company's employees are encouraged to take responsibility for their own development and create learning plans that best fit their needs and development goals.

### ***Health, Safety and Wellness***

The physical health, financial well-being, life balance and mental health of its employees is vital to its success. The Company sponsors wellness initiatives designed to enhance physical, financial, and mental well-being for all employees. The Company has successfully implemented a number of safety and social distancing measures within its premises to protect the health and safety of associates who are required to be on-premise to support its business.

### **Available Information**

The Company makes its periodic and current reports, including the Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as well as its charters for the Company's Audit, Compensation, Nominating and Corporate Governance, and Enterprise Risk Committees and its Code of Ethics, Corporate Governance Guidelines, By-Laws, and Certificate of Incorporation, available free of charge, on the Company's website as soon as practicable after such material is electronically filed or furnished with the Securities and Exchange Commission (the "SEC"). The Company's website address is [www.cutera.com](http://www.cutera.com) and the reports are filed under "SEC Filings," under "Financials" on the Investor Relations portion of the Company's website. These reports and other information concerning the Company may be accessed through the SEC's website at [www.sec.gov](http://www.sec.gov).

## ITEM 1A. RISK FACTORS

The Company operates in a rapidly changing economic and technological environment that presents numerous risks, many of which are driven by factors that the Company cannot control or predict. The Company's business, financial condition and results of operations may be impacted by a number of factors. In addition to the factors discussed elsewhere in this report, the following risks and uncertainties could materially harm the Company's business, financial condition or results of operations, including causing the Company's actual results to differ materially from those projected in any forward-looking statements. The following list of significant risk factors is not all-inclusive or necessarily in order of importance. Additional risks and uncertainties not presently known to the Company, or that the Company currently deems immaterial, also may materially adversely affect the Company in future periods. You should carefully consider these risks and uncertainties before investing in the Company's securities.

### Summary of Risk Factors

The Company's business, financial condition, operating results and cash flows are subject to numerous risks and uncertainties that are summarized below. The below summary of risk factors should be read together with the more detailed discussion of risks set forth following this section under the heading "Risk Factors," as well as elsewhere in this Annual Report on Form 10-K.

#### Risks Related to the Company's Business and its Industry

- Global supply chain disruptions and inflation may have a material adverse effect on the Company's business, financial condition and results of operations.
- The increase in sales of skincare products in Japan in 2020 and 2021 may have been temporary, and sales of skincare products may continue to decline in the future.
- The trading price of the Company's common stock may fluctuate substantially.
- The Company has a relatively limited number of shares of common stock outstanding, which could result in an increase in volatility of its stock price.
- The Company's ability to report timely and accurate information could be negatively impacted by its recent implementation of a new accounting and enterprise resource planning ("ERP") system.
- Reliance on contract manufacturers increases the risk that the Company will not have sufficient supply or that such supply will not be available to the Company at an acceptable cost.
- The Company's annual and quarterly operating results may fluctuate in the future, which may cause the Company's trading price to decline.
- Any defects in the design, material or workmanship of its products, defective design, material or workmanship or misuse of its products will cause additional costs, including product recalls and product liability suits, and harm the Company's reputation.
- The success and continuing development of the Company's products depends, in part, upon maintaining strong relationships with physicians and other healthcare professionals.
- Failure in hiring, training and retaining sales professionals and skilled and experienced personnel, or changes to management could adversely affect the Company's operations and financial results.
- The Company depends on skilled and experienced personnel to operate its global business effectively.
- Inability for the Company's new energy-based solution for the treatment of Acne to be widely adopted by customers or their patients.
- The aesthetic equipment market is characterized by rapid innovation and high competition, which may adversely affect the Company if it does not continue to innovate and develop new products and applications.
- The Company competes against companies that offer alternative solutions to its products, have greater resources, or have a larger customer base and broader product offerings than the Company's offerings.
- The Company's business is subject to regulatory requirements, laser performance standards, federal regulatory reforms, FDA and other government agencies' regulation and oversight which may negatively affect its business, financial condition and results of operations if the Company fails to comply with them.
- The Company's products may cause or contribute to adverse medical events or be subject to failures or malfunctions that would be subject to sanctions that could harm its reputation, business, financial condition and results of operations.
- The Company may be unable to obtain or maintain international regulatory qualifications or approvals for its current or future products and indications, which could harm its business.
- Failure in international expansion and economic and other risks associated with international sales and operations could adversely affect the Company's business.
- Some of the Company's manufacturing operations are dependent upon third-party suppliers, making it vulnerable to supply shortages and price fluctuations, which could harm its business.
- Reduction or interruption in supply and an inability to develop alternative sources for supply may adversely affect the Company's manufacturing operations and related product sales.

- If the Company fails to maintain or renew any of its distribution agreements before they expire, its revenues and cash flow may be adversely affected.
- To successfully market and sell third-party products internationally, the Company must address many issues that are unique to the related distribution arrangements, which could reduce the Company's available cash reserves and negatively impact the Company's profitability.
- The Company's distribution agreement with ZO requires certain economic requirements to be met by the Company. If the Company does not meet these minimum requirements, the Company could lose the distribution rights to the skincare products.
- If customers are not trained and/or the Company's products are used by non-licensed practitioners, it could result in product misuse and adverse treatment outcomes, which could harm the Company's reputation, result in product liability litigation, distract management and result in additional costs, all of which could harm the Company's business.
- The Company's products are sometimes subject to clinical trial processes which are lengthy and expensive and have uncertain outcomes. Delays or failures in the Company's clinical trials will prevent it from commercializing any modified or new products.
- Intellectual property rights may not provide adequate protection for some or all the Company's products, or the Company may be involved in future costly intellectual property litigation.
- The expense and potential unavailability of insurance coverage for the Company's customers could adversely affect its ability to sell its products, and therefore adversely affect its financial condition.
- Any acquisitions that the Company makes could result in operating difficulties, dilution, and other consequences that may adversely impact the Company's business and results of operations.
- Adverse developments affecting the banking industry, such as actual events or concerns involving liquidity, defaults or non-performance, could adversely affect the Company's operations and liquidity.
- Cash, cash equivalents and marketable securities could be adversely affected by the failure of Silicon Valley Bank or other financial institutions.
- Inability to access credit on favorable terms for the funding of the Company's operations and capital projects may be limited due to changes in credit markets.
- Security breaches, cyber-security incidents and other disruptions could compromise the Company's information and impact the Company's business, financial condition or results of operations.
- Macroeconomic political and market conditions, and catastrophic events may adversely affect the Company's business, results of operations, financial condition and the trading price of the Company's stock.
- Disaster or other similar events could cause damage to the Company's facilities and equipment, which may require the Company to cease or curtail sales of these sole sourced platforms.
- Income tax audits or similar proceedings or changes in accounting standards may have a material adverse effect on the Company's results of operations and financial position.
- The Company may be adversely affected by changes in U.S. tax laws, importation taxes and other changes that may be imposed by the current administration.
- Changes in accounting standards and estimates could have a material adverse effect on the Company's results of operations and financial position.
- The Company has identified a material weakness in its internal control over financial reporting related to information technology general controls ("ITGCs"), inventory controls, and accounting for expense related to equity-based awards, which could, if not remediated, result in material misstatements in the Company's financial statements.
- Economic and other risks associated with international sales and operations could adversely affect the Company's business.
- The Company offers credit terms to some qualified customers and also to leasing companies to finance the purchase of its products. In the event that any of these customers default on the amounts payable to the Company, its earnings may be adversely affected.
- The Company's ability to effectively compete and generate additional revenue from new and existing products depends upon the Company's ability to distinguish the Company and its products from the competitors and their products, and to develop and effectively market new and existing products.
- If there is not sufficient consumer demand for the procedures performed with the Company's products, practitioner demand for its products could be inhibited, resulting in unfavorable operating results and reduced growth potential.
- If the Company modifies one of its FDA-cleared devices, it may need to seek a new clearance, which, if not granted, would prevent the Company from selling its modified products or cause it to redesign its products.
- If the Company cannot obtain and maintain Medical Device Regulation approvals, the Company will not be able to sell its products in the European Union.
- Any defects in the design, material or workmanship of its products may not be discovered prior to shipment to customers, which could materially increase its expenses, adversely impact profitability and harm its business.
- The Company's products may in the future be subject to product recalls that could harm its reputation, business and financial results.



- The results of the Company's clinical trials may not support its products claims or may result in the discovery of adverse side effects.
- Product liability suits could be brought against the Company due to a defective design, material or workmanship or misuse of its products and could result in expensive and time-consuming litigation, payment of substantial damages and an increase in its insurance rates.
- Certain of the Company's product platforms such as Enlighten and excel HR are only capable of being produced at the single site in Brisbane, and as such the occurrence of a catastrophic disaster or other similar event could cause damage to its facilities and equipment, which might require the Company to cease or curtail sales of these sole sourced platforms.
- The Company may be involved in future costly intellectual property litigation, which could impact its future business and financial performance.
- The Company's failure to comply with rules relating to bribery, foreign corrupt practices, and privacy and security laws may subject the Company to penalties and adversely impact its reputation and business operations.

#### **Risks Related to the Convertible Notes**

- Servicing the Company's debt, including the notes, may require a significant amount of cash, and the Company may not have sufficient cash flow from its business to pay its indebtedness.
- The Company may not have the ability to raise the funds necessary to settle conversions of the notes in cash or to repurchase the notes upon a fundamental change, and its future debt may contain limitations on its ability to pay cash upon conversion or repurchase of the notes.
- The conditional conversion feature of the notes, if triggered, may adversely affect the Company's financial condition and operating results.
- Transactions relating to the notes may affect the value of the Company's common stock.
- The Company is subject to counterparty risk with respect to the capped call transactions.

#### **Risks Related to Ownership of the Company's Common Stock**

- Anti-takeover provisions contained in the Company's amended and restated certificate of incorporation and amended and restated bylaws, as well as provisions of Delaware law, could impair a takeover attempt.
- The Company's business could be negatively affected by activist shareholders.
- If securities or industry analysts do not publish or cease publishing research or reports about the Company, its business, its market or its competitors, or if they adversely change their recommendations regarding the Company's common stock, the market price and trading volume of its common stock could decline.
- The Company does not expect to declare any dividends on its common stock in the foreseeable future.
- If the Company raises additional capital through the sale of shares of the Company's common stock, convertible securities or debt in the future, its stockholders' ownership in the Company could be diluted and restrictions could be imposed on the Company's business.
- The Company has implemented "sell-to-cover" in which shares of its common stock are sold into the market on behalf of RSU and PSU holders upon vesting of RSUs and PSUs to cover tax withholding liabilities and such sales will result in dilution to its stockholders.

#### **Risks Related to the Company's Business and its Industry**

*Global supply chain disruptions and inflation may have a material adverse effect on the Company's business, financial condition and results of operations.*

Recent disruptions to the global economy have impeded global supply chains and resulted in longer lead times and increased component costs and freight expenses. In some instances, the Company depends on a sole source supplier arrangement, and alternative suppliers may not be readily available. The supply of these components is critical to the Company's manufacturing needs. There can be no assurances that unforeseen future events in the global supply chain, and inflationary pressures, will not have a material adverse effect on its business, financial condition, and results of operations.

*The increase in sales of skincare products in Japan in 2020 and 2021 may have been temporary, and sales of skincare products may continue to decline in the future.*

During 2020 and 2021, the Company experienced a significant increase in sales of skincare products under the exclusive distribution agreement with ZO, which allows the Company to sell ZO's skincare products in Japan. The reason for the increase in skincare products sales may have been the result of changes in customers' spending habits to purchase more aesthetic treatments which could be applied at home due to limitations on in-person aesthetic procedures, social distancing and mask wearing requirements resulting from the COVID-19 pandemic. In 2022, the Company experienced a decrease in skincare revenue, mainly

as a result of a significant weakening of the Japanese Yen. Future growth in sales of skincare products depends on the customers' spending habits, which may revert to original spending habits after the COVID-19 pandemic, and strengthening of the Yen. If sales in Japan do not recover to their previous levels, the Company's revenue, operating results and cash flows will be adversely affected.

***The trading price of the Company's common stock may fluctuate substantially due to several factors, some of which are outside of its control. Further, the Company has a relatively limited number of shares of common stock outstanding, a large portion of which is held by a small number of investors, which could result in the increase in volatility of its stock price.***

There has been recent volatility in the price of the Company's common stock. The Company believes this is due in part to the overall impact of COVID-19 on the aesthetic industry and its partial recovery, and other factors discussed below. As a result of the Company's relatively limited public float, its common stock may be less liquid than the stock of companies with broader public ownership. Among other things, trading of a relatively small volume of the Company's common stock may have a greater impact on the trading price for the Company's shares than would be the case if the Company's public float were larger. The public market price of the Company's common stock has in the past fluctuated substantially and, due to the current concentration of stockholders, the trading price of the common stock may continue to do so in the future. The market price for the Company's common stock could also be affected by a number of other factors, including the general market conditions unrelated to the Company's operating performance, including market volatility as a result of the COVID-19 outbreak.

The market price for the Company's common stock could also be affected by a number of other factors, including:

- the general market conditions unrelated to the Company's operating performance;
- sales of large blocks of the Company's common stock, including sales by the Company's executive officers, directors and large institutional investors;
- quarterly variations in the Company's, or the Company's competitors', results of operations;
- actual or anticipated changes or fluctuations in the Company's results of operations;
- actual or anticipated changes in analysts' estimates, investors' perceptions, recommendations by securities analysts or the Company's failure to achieve analysts' estimates;
- the announcement of new products, service enhancements, distributor relationships or acquisitions by the Company;
- the announcement of the departure of a key employee or executive officer by the Company or the Company's competitors;
- regulatory developments or delays concerning the Company's, or the Company's competitors' products; and
- the initiation of any litigation by the Company or against the Company, including the lawsuit initiated by the Company on January 31, 2020 in Federal District Court in California against Lutronic Aesthetics, Inc. as previously disclosed on February 3, 2020, or against the Company.

Actual or perceived instability or volatility in the Company's stock price could reduce demand from potential buyers of the Company's stock, thereby causing the trading price of the Company's notes and stock to either remain depressed or to decline further. In addition, if the market for medical-device company stocks or the stock market in general experiences a loss of investor confidence, the trading price of the Company's notes and stock could decline for reasons unrelated to the Company's business, results of operations or financial condition. The trading price of the Company's notes and common stock might also decline in reaction to events that affect other companies in the Company's industry even if these events do not directly affect us. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. Any future securities litigation could result in substantial costs and divert the Company's management's attention and resources from the Company's business, which could have a material adverse effect on the Company's business, results of operations and financial condition.

***The Company's ability to report timely and accurate information could be negatively impacted by its recently implemented accounting and enterprise resource planning ("ERP") system.***

The Company recently completed the implementation of a new accounting and ERP system. If aspects of the implementation were not executed successfully, then the Company's ability to report timely and accurate information could be negatively impacted. Such events could have a material adverse effect on the Company's consolidated financial position and results of operation.

***The Company relies on third-party contract manufacturers ("CMs") to produce certain systems. This reliance on CMs increases the risk that the Company will not have sufficient supply or that such supply will not be available to it at an acceptable cost, which may have a material adverse effect on its business.***

The Company has entered into arrangements with third-party contract manufacturers to produce and deliver fully assembled systems ready for direct shipment to its customers. The Company may experience supply shortfalls or delays in shipping products

to its customers if its contract manufacturers experience delays, disruptions, quality control problems in their manufacturing operations, or if the Company has to change or add manufacturers or contract manufacturing locations. Even if products are available, the Company may be unable to obtain sufficient quantities at an acceptable cost or quality. The Company may not have adequate time to transition all of its manufacturing needs to an alternative manufacturer under comparable commercial terms. Additionally, a significant portion of the Company's manufacturing is performed in foreign countries and is therefore subject to risks associated with doing business outside of the U.S., including import restrictions, export restrictions, disruptions to its supply chain, cyberattacks, pandemics, regional climate-related events, or regional conflicts. The failure by the Company or its CMs to produce sufficient quantities at acceptable cost and quality may have a material adverse effect on its business.

***The Company's annual and quarterly operating results may fluctuate in the future, which may cause the Company's trading price for the shares to decline.***

The Company's net sales, expenses and operating results may vary significantly from year to year and quarter to quarter for several reasons, including, without limitation:

- the ability of the Company's sales force to effectively market and promote the Company's products, and the extent to which those products gain market acceptance;
- the inability to meet the Company's debt repayment obligations under its senior credit facility due to insufficient cash;
- the possibility that cybersecurity breaches, data breaches, and other disruptions could compromise the Company's information or result in the unauthorized disclosure of confidential information;
- the existence and timing of any product approvals or changes;
- the rate and size of expenditures incurred on the Company's clinical, manufacturing, sales, marketing, and product development efforts;
- the Company's ability to attract and retain personnel;
- the availability of key components, materials and contract services, which depends on the Company's ability to forecast sales, among other things;
- investigations of the Company's business and business-related activities by regulatory or other governmental authorities;
- variations in timing and quantity of product orders;
- temporary manufacturing interruptions or disruptions;
- the timing and success of new product and new market introductions, as well as delays in obtaining domestic or foreign regulatory approvals for such introductions;
- increased competition, patent expirations or new technologies or treatments;
- product recalls or safety alerts;
- litigation, including product liability, patent, employment, securities class action, stockholder derivative, general commercial and other lawsuits;
- volatility in the global market and worldwide economic conditions;
- changes in tax laws, including changes domestically and internationally, or exposure to additional income tax liabilities;
- the impact of the EU privacy regulations (GDPR) on the Company's resources;
- the financial health of the Company's customers and their ability to purchase the Company's products in the current economic environment;
- other unusual or non-operating expenses, such as expenses related to mergers or acquisitions, may cause operating results to vary; and
- an epidemic or pandemic, such as the COVID-19 pandemic.

As a result of any of these factors, the Company's consolidated results of operations may fluctuate significantly, which may in turn cause the trading price of the shares to fluctuate.

***If defects are discovered in the Company's products, the Company may incur additional unforeseen costs, customers may not purchase the Company's product and the Company's reputation may suffer.***

The Company's success depends on the quality and reliability of its products. The Company's products incorporate different components including optical components, and other medical device software, any of which may contain errors or exhibit failures, especially when products are first introduced. In addition, new products or enhancements may contain undetected errors or performance problems that, despite testing, are discovered only after commercial shipment. Because the Company's products are designed to be used to perform complex surgical procedures, due to the serious and costly consequences of product failure, the Company and its customers have an increased sensitivity to such defects. In the past, the Company has voluntarily recalled certain products. The Company cannot provide assurance that its products will not experience component aging, errors, or performance problems. If the Company experiences product flaws or performance problems, any or all of the following could occur:

- delays in product shipments;

- loss of revenue;
- delay in market acceptance;
- diversion of the Company's resources;
- damage to the Company's reputation;
- product recalls;
- regulatory actions;
- increased service or warranty costs; or
- product liability claims.

Costs associated with product flaws or performance problems could have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

***The success and continuing development of the Company's products depends, in part, upon maintaining strong relationships with physicians and other healthcare professionals.***

If the Company fails to maintain the Company's working relationships with physicians and other ancillary healthcare and aesthetic professionals, the Company's products may not be developed and marketed in line with the needs and expectations of the professionals who use and support the Company's products. Physicians assist the Company as researchers, marketing consultants, product consultants, and public speakers, and the Company relies on these professionals to provide the Company with considerable knowledge and experience. If the Company is unable to maintain these strong relationships, the development and marketing of the Company's products could suffer, which could have a material adverse effect on the Company's consolidated financial condition and results of operations.

***The Company relies heavily on its sales professionals to market and sell its products worldwide. If the Company is unable to hire, effectively train, manage, improve the productivity of, and retain the Company's sales professionals, the Company's business will be harmed, which would impair its future revenue and profitability.***

The Company's success largely depends on the Company's ability to hire, train, manage, and improve the productivity levels of its sales professionals worldwide. Because of the Company's focus on non-core practitioners in the past, several of its sales professionals do not have established relationships with the core market, consisting of dermatologists and plastic surgeons, or where those relationships exist, they are not appropriately strong.

Competition for sales professionals who are familiar with, and trained to sell in, the aesthetic equipment market continues to be robust. As a result, the Company occasionally loses its sales people to competitors. The Company's industry is characterized by a few established companies that compete vigorously for talented sales professionals. Some of its sales professionals leave the Company for jobs that they perceive to be better opportunities, both within and outside of the aesthetic industry.

The ability to enforce measures to protect the Company's proprietary and confidential information when employees leave the Company varies from jurisdiction to jurisdiction and the Company must make a case-by-case decision regarding legal enforcement action. For instance, covenants not-to-compete are not allowed in many states, and if allowed, are difficult to enforce in many jurisdictions. Furthermore, such legal enforcement actions are expensive and the Company cannot give any assurance that these enforcement actions will be successful.

However, the Company also continues to hire and train new sales people, including several from the Company's competitors. When the Company's sales employees and sales management are newly hired or transferred into different roles, and it takes time for them to be fully trained to improve their productivity. In addition, due to the competition for sales professionals in the Company's industry, the Company also recruits sales professionals from outside the industry. Sales professionals from outside the industry typically take longer to train and become familiar with the Company's products and the procedures in which they are used. As a result of a lack of industry knowledge, these sales professionals may take longer to become productive members of the Company's sales force.

Measures the Company implements in an effort to recruit, retain, train and manage the Company's sales professionals, strengthen their relationships with core market physicians, and improve their productivity may not be successful and may instead contribute to instability in its operations, additional departures from the Company's sales organization, or further reduce the Company's revenue and harm the Company's business. If the Company is not able to improve the productivity and retention of the Company's North American and international sales professionals, then the Company's total revenue, profitability and stock price may be adversely impacted.

***The Company depends on skilled and experienced personnel to operate its global business effectively. Changes to management or the inability to recruit, hire, train and retain qualified personnel, could harm the Company's ability to successfully manage, develop and expand its business, which would impair the Company's future revenue and profitability.***

The Company's success largely depends on the skills, experience and efforts of the Company's senior management and other key employees. The loss of any of the Company's executive officers could weaken its management expertise and harm the Company's business, and it may not be able to find adequate replacements on a timely basis, or at all. Except for Change of Control and Severance Agreements for the Company's executive officers and a few key employees, the Company does not have employment contracts with any of its officers or other key employees. Any of the Company's senior management and other key employees may terminate their employment at any time, with or without notice and their knowledge of the Company's business and industry may be difficult to replace. The Company does not have a succession plan in place for each of its senior management and key employees. In addition, the Company does not maintain "key person" life insurance policies covering any of the Company's employees.

In addition to dependence on the Company's executive officers and key employees, the Company is highly dependent on other sales and scientific personnel. For example, in the first quarter of 2020 the Company experienced turnover of its sales professionals, including several people in key sales leadership positions. Most of these sales professionals went to work for a competitor. Additionally, the Company's product development plans depend, in part, on the Company's ability to attract and retain engineers with experience in medical devices. Attracting and retaining qualified personnel will be critical to the Company's success, and competition for qualified personnel is intense. The Company may not be able to attract and retain personnel on acceptable terms given the competition for such personnel among technology and healthcare companies and universities. The loss of any of these persons or the Company's inability to attract, train and retain qualified personnel could harm the Company's business and the Company's ability to compete and become profitable.

To induce valuable employees to remain at the Company, in addition to salary and cash incentives, the Company has provided stock options and restricted stock unit awards that vest over time, and, for the Company's executive officers and certain key employees, performance stock unit awards that vest based on achievement of performance-based vesting conditions. The value to employees of such equity awards may be significantly affected by movements in the Company's stock price that are beyond its control, and may at any time be insufficient to counteract more lucrative offers from other companies.

***The Company recently launched AviClear, an energy-based solution for the treatment of Acne and can provide no assurance that the device will be widely adopted by customers or their patients.***

The Company brought AviClear, an energy-based device for Acne, to market in 2022. This launch required, and any future sales expansion for AviClear may require, a considerable investment in resources, including technical, financial, legal, sales, information technology and operation systems. Additionally, market acceptance of AviClear will be affected by a variety of factors, including but not limited to usability, performance, reliability and customer preference. It is possible that demand for this device will not be as strong as anticipated. The Company may be unable to establish and manage a sufficient or effective sales force in a timely or cost-effective manner, and any sales force the Company does establish may not be capable of generating demand for AviClear, therefore hindering the Company's ability to generate revenues and achieve or sustain profitability from AviClear.

***The aesthetic equipment market is characterized by rapid innovation. To compete effectively, the Company must develop and/or acquire new products, seek regulatory clearance, market them successfully, and identify new markets for the Company's technology.***

The aesthetic light and energy-based treatment system industry is subject to continuous technological development and product innovation. If the Company does not continue to innovate and develop new products and applications, the Company's competitive position will likely deteriorate as other companies successfully design and commercialize new products and applications or enhancements to the Company's current products. The Company created products to apply the Company's technology to body contouring, hair removal, treatment of veins, tattoo removal and skin revitalization, including the treatment of diffuse redness, fine lines and wrinkles through hemostasis and coagulation, skin texture, pore size and benign pigmented lesions, etc. For example, the Company introduced Secret RF, a fractional RF microneedling device for skin revitalization, in January 2018, enlighten SR in April 2018, truSculpt in July 2018, excel V+ in February 2019, truFlex in June 2019, and the Secret Pro, a device combining the benefits of RF microneedling with the capabilities of a fractional, ablative CO<sub>2</sub> laser in September of 2020. In 2021, the Company introduced truFlex+, a treatment mode that decreased the treatment time from approximately 45 minutes to 15 minutes. To grow in the future, the Company must continue to develop and/or acquire new and innovative aesthetic products and applications, identify new markets, and successfully launch the newly acquired or developed product offerings.

To successfully expand the Company's product offerings, the Company must, among other things:

- develop or otherwise acquire new products that either add to or significantly improve the Company's current product offerings;
- obtain regulatory clearance for these new products;
- convince the Company's existing and prospective customers that the Company's product offerings are an attractive revenue-generating addition to their practice;
- sell the Company's product offerings to a broad customer base;
- identify new markets and alternative applications for the Company's technology;
- protect the Company's existing and future products with defensible intellectual property; and
- satisfy and maintain all regulatory requirements for commercialization.

Historically, product introductions have been a significant component of the Company's financial performance. To be successful in the aesthetics industry, the Company believes it needs to continue to innovate. The Company's business strategy is based, in part, on its expectation that the Company will continue to increase or enhance its product offerings. The Company needs to continue to devote substantial research and development resources to make new product introductions, which can be costly and time consuming to its organization.

The Company also believes that, to increase revenue from sales of new products, the Company needs to continue to develop its clinical support, further expand and nurture relationships with industry thought leaders, and increase market awareness of the benefits of its new products. However, even with a significant investment in research and development, the Company may be unable to continue to develop, acquire or effectively launch and market new products and technologies regularly, or at all. If the Company fails to successfully commercialize new products or enhancements, its business may be harmed.

There are few barriers to entry that would prevent new entrants or existing competitors from developing products that compete directly with the Company's. The Company expects that any competitive advantage the Company may enjoy from current and future innovations may diminish over time as companies successfully respond to the Company's, or create their own, innovations. Consequently, the Company believes that it will have to continuously innovate and improve the Company's products and technology to compete successfully. If the Company is unable to innovate successfully, its products could become obsolete and its revenue could decline as its customers and prospective customers purchase its competitors' products.

***Demand for the Company's products in any of the Company's markets could be weakened by several factors, including:***

- inability to develop and market the Company's products to the core market specialties of dermatologists and plastic surgeons;
- poor financial performance of market segments that attempt to introduce aesthetic procedures to their businesses;
- the inability to differentiate the Company's products from those of the Company's competitors;
- competitive threat from new innovations and product introductions;
- reduced patient demand for elective aesthetic procedures;
- failure to build and maintain relationships with key opinion leaders within the various market segments; and
- the lack of credit financing, or an increase in the cost of borrowing, for some of the Company's potential customers.

If the Company does not achieve anticipated demand for the Company's products, there could be a material adverse effect on its total revenue, profitability, employee retention and stock price.

***The Company competes against companies that offer alternative solutions to its products, have greater resources, or have a larger installed base of customers and broader product offerings than the Company's. In addition, increased consolidation in the Company's industry may lead to increased competition. If the Company is not able to effectively compete with these companies, it may harm its business.***

The medical technology and aesthetic product markets are highly competitive and dynamic and are characterized by rapid and substantial technology development and product innovations. The Company's products compete against conventional non-energy-based treatments, such as electrolysis, Botox and collagen injections, chemical peels, microdermabrasion and sclerotherapy. The Company's products also compete against laser and other energy-based products offered by other companies. Further, other companies could introduce new products that are in direct competition with the Company's products. The Company may also face competition from manufacturers of pharmaceutical and other products that have not yet been developed. Competition with these companies could result in reduced selling prices, reduced profit margins and loss of market share, any of which would harm the Company's business, financial condition and results of operations.

There has been consolidation in the aesthetic industry leading to companies combining their resources, which increases competition and could result in increased downward pressure on the Company's product prices. Consolidations have created newly-combined entities with greater financial resources, deeper sales channels and greater pricing flexibility than the Company. Rumored or actual consolidation of the Company's partners and competitors could cause uncertainty and disruption to the Company's business and can cause the Company's stock price to fluctuate.

***The Company's products and its operations are subject to extensive government regulation and oversight in the United States. If the Company fails to obtain or maintain necessary regulatory clearances or approvals for its products, or if approvals or clearances for future products are delayed or not issued, it will negatively affect its business, financial condition and results of operations.***

The Company's laser products are medical devices subject to extensive regulation in the United States and elsewhere, including by the FDA and its foreign counterparts. Government regulations specific to medical devices are wide ranging and govern, among other things:

- product design, development, manufacture, and release;
- laboratory and clinical testing, labeling, packaging, storage and distribution;
- product safety and efficacy;
- pre-marketing clearance or approval;
- service operations;
- record keeping;
- product marketing, promotion and advertising, sales and distribution;
- post-marketing surveillance, including reporting of deaths or serious injuries and recalls and correction and removals;
- post-market approval studies; and
- product import and export.

The FDA classifies medical devices into one of three classes on the basis of the intended use of the device, the risk associated with the use of the device for that indication, as determined by the FDA, and on the controls deemed by the FDA to be necessary to reasonably ensure their safety and effectiveness.

Class I includes devices with the lowest risk to the patient and are those for which safety and effectiveness can be assured by adherence to the FDA's General Controls for medical devices, which include compliance with the applicable portions of the QSR facility registration and product listing, reporting of adverse medical events, and truthful and non-misleading labeling, advertising, and promotional materials. Class II devices are subject to the FDA's General Controls, and special controls as deemed necessary by the FDA to ensure the safety and effectiveness of the device. These special controls can include performance standards, post-market surveillance, patient registries and FDA guidance documents.

While most Class I devices are exempt from the premarket notification requirement, manufacturers of most Class II devices are required to submit to the FDA a premarket notification under Section 510(k) of the FDCA requesting permission to commercially distribute the device. The FDA's permission to commercially distribute a device subject to a 510(k) premarket notification is generally known as 510(k) clearance. Devices deemed by the FDA to pose the greatest risks, such as life sustaining, life supporting or some implantable devices, or devices that have a new intended use, or use advanced technology that is not substantially equivalent to that of a legally marketed device, are placed in Class III, requiring approval of a PMA application. Some pre-amendment devices are unclassified, but are subject to FDA's premarket notification and clearance process in order to be commercially distributed. The Company's currently marketed products are Class II devices subject to 510(k) clearance, which the Company has obtained from the FDA.

Before a new medical device, or a new intended use of, claim for, or significant modification to an existing device, can be marketed in the United States, a company must first submit an application for and receive either 510(k) clearance pursuant to a premarket notification submitted under Section 510(k) of the FDCA, or PMA approval from the FDA, unless an exemption applies. The 510(k), or PMA processes can be expensive, lengthy and unpredictable. The FDA's 510(k) clearance process usually takes from three to 12 months, but can last longer. The process of obtaining a PMA approval is much more costly and uncertain than the 510(k) clearance process and generally takes from one to three years, or even longer, from the time the application is filed with the FDA. In addition, a PMA approval generally requires the performance of one or more clinical trials. Despite the time, effort and cost, a device may not be approved or cleared by the FDA. Any delay or failure to obtain necessary regulatory clearances or approvals could harm its business. Furthermore, even if the Company is granted regulatory clearances or approvals, they may include significant limitations on the indicated uses for the device, which may limit the market for the device.

The Company has obtained 510(k) clearances to market its products. The FDA or other regulators could delay, limit, or deny clearance or approval of a device for many reasons, including:

- the Company's inability to demonstrate to the satisfaction of the FDA or the applicable regulatory entity or notified body that the Company's currently marketed devices, or any other future device, and any accessories are substantially equivalent to a legally marketed predicate device or safe or effective for their proposed intended uses;
- the disagreement of the FDA with the design or implementation of any clinical trials or the interpretation of data from preclinical studies or clinical trials;
- serious and unexpected adverse device effects experienced by participants in its clinical trials;
- the insufficiency of the data from preclinical studies or clinical trials to support clearance or approval, where required;
- the Company's inability to demonstrate that the clinical and other benefits of the device outweigh the risks;
- the failure of its manufacturing process or facilities to meet applicable requirements; and
- the potential for approval policies or regulations of the FDA or applicable foreign regulatory bodies to change significantly in a manner rendering its clinical data or regulatory filings insufficient for clearance or approval.

The regulations to which the Company is subject are complex and have tended to become more stringent over time. Regulatory changes could result in restrictions on the Company's ability to carry on or expand its operations, higher than anticipated costs or lower than anticipated sales. The FDA enforces these regulatory requirements through, among other means, periodic unannounced inspections. The Company does not know whether it will be found compliant in connection with any future regulatory inspections. Moreover, the FDA and state authorities have broad enforcement powers. Its failure to comply with applicable regulatory requirements could result in enforcement action by any such agency. If any of these events were to occur, it would negatively affect the Company's business, financial condition and results of operations.

***If the Company fails to comply with applicable regulatory requirements, it could result in enforcement action by the U.S. FDA, federal and state agencies or international regulatory bodies and the Company's commercial operations would be harmed.***

The Company's products are medical devices that are subject to extensive regulation in the U.S. by the FDA for manufacturing, labeling, sale, promotion, distribution and shipping. The FDA, state authorities and international regulatory bodies have broad enforcement powers. If the Company fails to comply with any U.S. law or any of the applicable regulatory requirements of the FDA, or federal or state agencies, or one of the international regulatory bodies, it could result in enforcement action by the agencies, which may include any of the following sanctions:

- warning letters, fines, injunctions, consent decrees and civil penalties;
- repair, replacement, recall or seizure of the Company's products;
- operating restrictions or partial suspension or total shutdown of production;
- refusing the Company's requests for 510(k) clearance of new products, new intended uses, or modifications to existing products;
- withdrawing 510(k) clearance or pre-market approvals that have already been granted; and
- criminal prosecution.

***Federal regulatory reforms and changes occurring at the FDA could adversely affect the Company's ability to sell its products profitably and financial condition.***

From time to time, legislation is drafted and introduced in Congress that could significantly change the statutory provisions governing the clearance or approval, manufacture and marketing of a device. It is impossible to predict whether legislative changes will be enacted or FDA regulations, guidance or interpretations changed, and what the impact of such changes, if any, may be.



In addition, FDA regulations and guidance are often revised or reinterpreted by the agency in ways that may significantly affect the Company's business and the Company's products. Changes in FDA regulations may lengthen the regulatory approval process for medical devices and require additional clinical data to support regulatory clearance for the sale and marketing of the Company's new products. In addition, it may require additional safety monitoring, labeling changes, restrictions on product distribution or use, or other measures after the introduction of the Company's products to market. Either of these changes lengthen the duration to market, increase the Company's costs of doing business, adversely affect the future permitted uses of approved products, or otherwise adversely affect the market for its products.

The Company supports any action that helps ensure patient safety going forward. The Company has a robust, multi-functional process that reviews its promotional claims and materials to ensure they are truthful, not misleading, fair and balanced, and supported by sound scientific evidence.

***If the Company fails to comply with the FDA's Quality System Regulation and laser performance standards, the Company's manufacturing operations could be halted, and its business would suffer.***

The Company is currently required to demonstrate and maintain compliance with the FDA's Quality System Regulation (the "QSR"). The QSR is a complex regulatory scheme that covers the methods and documentation of the design, testing, control, manufacturing, labeling, quality assurance, packaging, storage and shipping of the Company's products. Because the Company's products involve the use of lasers, the Company's products also are covered by a performance standard for lasers set forth in FDA regulations. The laser performance standard imposes specific record-keeping, reporting, product testing and product labeling requirements. These requirements include affixing warning labels to laser products, as well as incorporating certain safety features in the design of laser products.

The FDA enforces the QSR and laser performance standards through periodic unannounced inspections. The Company has had multiple quality system inspections by the FDA, as well as audits the Company's Notified Body, and other foreign regulatory agencies, with the most recent inspection by the FDA occurring under the Medical Device Single Audit Program in January 2021. There were no significant findings or observations as a result of this audit. Failure to take satisfactory corrective action in response to an adverse QSR inspection or its failure to comply with applicable laser performance standards could result in enforcement actions, including a public warning letter, a shutdown of the Company's manufacturing operations, a recall of its products, civil or criminal penalties, or other sanctions, such as those described in the preceding paragraph, which would cause its sales and business to suffer.

The Company is subject to the FDA's Bioresearch Monitoring (BIMO) program. As such, the BIMO audits the Company and the Company is also subject to FDA regulations relating to the design and conduct of clinical trials. The Company is subject to unannounced BIMO audits, with the most recent inspection by FDA completed over five years ago in August 2016. There were no significant findings and only two observations as a result of this audit. The Company's responses to these observations were accepted by the FDA. Failure to take satisfactory corrective action in response to an adverse BIMO inspection or the Company's failure to comply with Good Clinical Practices could result in the Company no longer being able to sponsor Biomedical Research, the reversal of 510(k) clearances previously granted based on the results of clinical trials conducted to gain clinical data to support those 510(k) clearances, or enforcement actions, including a public warning letter, civil or criminal penalties, or other sanctions, such as those described in the preceding paragraph, which would cause the Company's sales and business to suffer.

***The Company's products may cause or contribute to adverse medical events or be subject to failures or malfunctions that the Company is required to report to the FDA, and if the Company fails to do so, the Company would be subject to sanctions that could harm its reputation, business, financial condition and results of operations. The discovery of serious safety issues with its products, or a recall of the Company's products either voluntarily or at the direction of the FDA or another governmental authority, could have a negative impact on the Company.***

The Company is subject to the FDA's medical device reporting regulations and similar foreign regulations, which require the Company to report to the FDA when the Company receives or becomes aware of information that reasonably suggests that one or more of its products may have caused or contributed to a death or serious injury or malfunctioned in a way that, if the malfunction were to recur, it could cause or contribute to a death or serious injury. The timing of its obligation to report is triggered by the date the Company becomes aware of the adverse event as well as the nature of the event. The Company may fail to report adverse events of which it becomes aware within the prescribed timeframe. The Company may also fail to recognize that it has become aware of a reportable adverse event, especially if it is not reported to the Company as an adverse event or if it is an adverse event that is unexpected or removed in time from the use of the product. If the Company fails to comply with its reporting obligations, the FDA could take action, including warning letters, untitled letters, administrative actions, criminal prosecution, imposition of civil monetary penalties, revocation of its device clearance or approval, seizure of its products or delay in clearance or approval of future products.

The FDA and foreign regulatory bodies have the authority to require the recall of commercialized products in the event of material deficiencies or defects in design or manufacture of a product or in the event that a product poses an unacceptable risk to health. The FDA's authority to require a recall must be based on a finding that there is reasonable probability that the device could cause serious injury or death. The Company may also choose to voluntarily recall a product if any material deficiency is found. A government-mandated or voluntary recall by the Company could occur as a result of an unacceptable risk to health, component failures, malfunctions, manufacturing defects, labeling or design deficiencies, packaging defects or other deficiencies or failures to comply with applicable regulations. Product defects or other errors may occur in the future.

Depending on the corrective action the Company takes to redress a product's deficiencies or defects, the FDA may require, or the Company may decide, that it will need to obtain new clearances or approvals for the device before the Company may market or distribute the corrected device. Seeking such clearances or approvals may delay its ability to replace the recalled devices in a timely manner. Moreover, if the Company does not adequately address problems associated with its devices, the Company may face additional regulatory enforcement action, including FDA warning letters, product seizure, injunctions, administrative penalties or civil or criminal fines.

Companies are required to maintain certain records of recalls and corrections, even if they are not reportable to the FDA. The Company may initiate voluntary withdrawals or corrections for its products in the future that the Company determines do not require notification of the FDA. If the FDA disagrees with its determinations, it could require the Company to report those actions as recalls and the Company may be subject to enforcement action. A future recall announcement could harm its reputation with customers, potentially lead to product liability claims against the Company and negatively affect its sales. Any corrective action, whether voluntary or involuntary, as well as defending itself in a lawsuit, will require the dedication of its time and capital, will distract management from operating its business and may harm its reputation and financial results.

***The Company may be unable to obtain or maintain international regulatory qualifications or approvals for its current or future products and indications, which could harm its business.***

Sales of the Company's products outside the U.S. are subject to foreign regulatory requirements that vary widely from country to country. In addition, exports of medical devices from the U.S. are regulated by the FDA. Complying with international regulatory requirements can be an expensive and time-consuming process and approval is not certain. The time required for obtaining clearance or approvals, if required by other countries, may be longer than that required for FDA clearance or approvals, and requirements for such clearances or approvals may significantly differ from FDA requirements. The Company may be unable to obtain or maintain regulatory qualifications, clearances or approvals in other countries. The Company may also incur significant costs in attempting to obtain and in maintaining foreign regulatory approvals or qualifications. If the Company experience delays in receiving necessary qualifications, clearances or approvals to market its products outside the U.S., or if the Company fails to receive those qualifications, clearances or approvals, the Company may be unable to market its products or enhancements in international markets effectively, or at all, which could have a material adverse effect on the Company's business and growth strategy.

***To successfully market and sell the Company's products internationally, the Company must address many issues that are unique to the Company's international business. Furthermore, international expansion is a key component of the Company's growth strategy, although the Company's international operations and foreign transactions expose the Company to additional operational challenges that the Company might not otherwise face.***

The Company is focused on international expansion as a key component of its growth strategy and has identified specific areas of opportunity in various international markets. Revenue from customers outside of North America is a material component of the Company's business strategy and represented 49% of its total revenue in 2021 compared to 53% of the Company's total revenue in 2020. The Company employs a direct sales force in the major markets throughout Europe as well as Canada, Japan and Australia/New Zealand while using third-party distributors to sell its products in several other country in the Middle East, Asia, and South America in particular. The Company may be unable to increase or maintain its level of international revenue due to supply chain disruptions or loss of distributor relationship.

While the Company continues to have a direct sales and service organization in Australia, New Zealand, Japan, France, Belgium, Spain, Germany, Switzerland and the United Kingdom, a significant portion of its international revenue is generated through its network of distributors. Though the Company continues to evaluate and replace non-performing distributors and has recently brought greater focus to collaboration with its distribution partners, there can be no assurance given that these initiatives will result in improved international revenue or profitability in the future.

To grow the Company's business, it is essential to improve productivity in current sales territories and expand into new territories. However, direct sales productivity may not improve and distributors may not accept the Company's business or commit the necessary resources to market and sell the Company's products at the Company's expectations. If the Company is not able to

increase or maintain international revenue growth, the Company's total revenue, profitability and stock price may be adversely impacted.

***The Company's manufacturing operations are dependent upon third-party suppliers, making its vulnerable to supply shortages and price fluctuations, which could harm its business.***

Many of the components and materials that comprise the Company's products are currently manufactured by a limited number of suppliers. In addition, all of the Company's skincare products are manufactured by its sole supplier, ZO. A supply interruption or an increase in demand beyond the Company's current suppliers' capabilities could harm the Company's ability to manufacture its products until a new source of supply is identified and qualified. The Company's reliance on these suppliers subjects the Company to a number of risks that could harm its business, including:

- interruption of supply resulting from modifications to or discontinuation of a supplier's operations;
- delays in product shipments resulting from uncorrected defects, reliability issues or a supplier's variation in a component;
- lack of long-term supply arrangements for key components with the Company's suppliers;
- inability to obtain adequate supply in a timely manner, or on reasonable terms;
- inability to redesign one or more components in the Company's systems in the event that a supplier discontinues manufacturing such components and the Company's inability to source it from other suppliers on reasonable terms;
- difficulty locating and qualifying alternative suppliers for the Company's components in a timely manner;
- production delays related to the evaluation and testing of products from alternative suppliers and corresponding regulatory qualifications; and delay in supplier deliveries.

Any interruption in the supply of components or materials, or the Company's inability to obtain substitute components or materials from alternate sources at acceptable prices in a timely manner, could impair its ability to meet the demand of the Company's customers, which would have an adverse effect on the Company's business.

***Risks related to the reduction or interruption in supply and an inability to develop alternative sources for supply may adversely affect the Company's manufacturing operations and related product sales.***

The Company maintains manufacturing operations at its facility in Brisbane, California, and purchases many of the components and raw materials used in manufacturing these products from numerous suppliers in various countries. Any problem affecting a supplier (whether due to external or internal causes) could have a negative impact on the Company.

In limited cases, specific components and raw materials are purchased from primary or main suppliers (or in some cases, a single supplier) for reasons related to quality assurance, cost-effectiveness ratio and availability. While the Company works closely with its suppliers to ensure supply continuity, the Company cannot guarantee that its efforts will always be successful. Moreover, due to strict standards and regulations governing the manufacture and marketing its products, it may not be able to quickly locate new supply sources in response to a supply reduction or interruption, with negative effects on its ability to manufacture its products effectively and in a timely fashion.

***If the Company fails to maintain or renew any of its distribution agreements before they expire, its revenues and cash flow may be adversely affected.***

The Company distributes its products primarily through independent distributors in many countries outside of North America. The Company's business may suffer if any of its distribution partners terminates or otherwise fails to renew its distribution agreement with the Company and the Company is otherwise unable to replace such agreement with a distribution agreement containing similar terms. The distributors may sell competitors' products, and if they favor competitors' products for any reason, they may fail or reduce their effort to market and sell the Company's products as effectively or to devote resources necessary to provide effective sales, which would adversely affect its financial performance.

The financial health of the Company's distributors and its continuing relationships with them are important to the Company's success. Some of these distributors, particularly smaller firms with limited working capital and resources, may not be able to withstand adverse changes in business conditions or mitigate the negative impact of a prolonged economic downturn or recession, including the impact of the COVID-19 pandemic. The failure of the Company's distributors to maintain financial health and success will impact its ability to generate revenues. In addition, these distributors order the Company's products and maintain their inventory based on forecasts of potential demands from end customers, and distributors may not be able to forecast such demand accurately, which may adversely affect the Company's ability to generate sales and revenue in a timely manner. In some cases, distributors may delay ordering systems until they receive confirmation of orders from end customers, and this delay may cause disruption and make it more difficult for the Company to fill their orders timely and effectively, which may adversely affect the Company's revenue and sales.

Furthermore, the Company's relationship with distributors may change or terminate due to other factors beyond its control, including but are not limited to, acquisition of distributors by third parties may not be willing to continue the relationship with us; internal restructuring or a refocus of business strategies; and changes in management, all of which may negatively impact its ability to continue to sell to such distributors. Finally, the Company generally does not have long-term agreements with distributors who purchase its products primarily through purchase orders. Without an agreement, the Company is not able to guarantee that such distributors will not discontinue or terminate their relationship with the Company at any time, and any loss of distributor will negatively impact the Company's financial condition and results of operations.

***To successfully market and sell third-party products internationally, the Company must address many issues that are unique to the related distribution arrangements, which could reduce the Company's available cash reserves and negatively impact the Company's profitability.***

The Company has entered into distribution arrangements pursuant to which the Company utilizes its sales force and distributors to sell products manufactured by other companies. The Company also has an exclusive agreement with ZO to distribute certain of their proprietary skincare products in Japan. Each of these agreements requires the Company to purchase annual minimum dollar amounts of their products. Additionally, the Company has entered into distribution arrangements with other companies to promote and sell the Secret RF products.

Each of these distribution agreements presents its own unique risks and challenges. For example, to sell skincare products the Company needs to invest in creating a sales structure that is experienced in the sale of such products and not in capital equipment. The Company needs to commit resources to train the Company's sales force, obtain regulatory licenses, and develop new marketing materials to promote the sale of these products. In addition, the minimum commitments and other costs of distributing products manufactured by these companies may exceed the incremental revenue that the Company derives from the sale of their products, thereby negatively impacting the Company's profitability and reducing the Company's available cash reserves.

If the Company does not make the minimum purchases required in the distribution contracts, or if the third-party manufacturer revokes the Company's distribution rights, the Company could lose the distribution rights of the products, which would adversely affect the Company's future revenue, results of operations, cash flows and its stock price.

***The Company's distribution agreement with ZO requires certain economic requirements to be met by the Company. If the Company does not meet these minimum requirements, the Company could lose the distribution rights to the skincare products.***

The Company has an exclusive agreement with ZO to distribute ZO's proprietary skincare products in Japan. There are certain economic requirements in the agreement that were not met for the 2022 fiscal year because of global economic factors, such as the unprecedented decline in the value of the Japanese Yen compared to the U.S. Dollar over the course of 2022. ZO therefore has the option to terminate the distribution agreement notwithstanding certain conditions. If ZO terminates the Company's distribution rights, or forces the Company to amend the terms of its distribution agreement, this would adversely affect the Company's future revenue, results of operations, cash flows and its stock price.

***If customers are not trained and/or the Company's products are used by non-licensed practitioners, it could result in product misuse and adverse treatment outcomes, which could harm the Company's reputation, result in product liability litigation, distract management and result in additional costs, all of which could harm the Company's business.***

If the Company's products are used by non-licensed or untrained practitioners, it could result in product misuse and adverse treatment outcomes, which could harm the Company's reputation and the Company's business. U.S. federal regulations allow the Company to sell the Company's products to or on the order of "licensed practitioners." The definition of "licensed practitioners" varies from state to state. As a result, the Company's products may be purchased or operated by physicians with varying levels of training, and in many states, by non-physicians, including nurse practitioners, chiropractors and technicians. Outside the U.S., many jurisdictions do not require specific qualifications or training for purchasers or operators of its products. The Company does not supervise the procedures performed with the Company's products, nor does the Company require that direct medical supervision occur that is determined by state law. The Company and its distributors generally offer but do not require product training to the purchasers or operators of the Company's products. In addition, the Company sometimes sells its systems to companies that rent its systems to third parties and that provide a technician to perform the procedures. The lack of training and the purchase and use of its products by non-physicians may result in product misuse and adverse treatment outcomes, which could harm the Company's reputation and its business, and, in the event these actions result in product liability litigation, distract management and subject the Company to liability, including legal expenses.

***Clinical trials may be necessary to support future product submissions to the FDA. The clinical trial process is lengthy and expensive with uncertain outcomes, and often requires the enrollment of large numbers of patients, and suitable patients may***

*be difficult to identify and recruit. Delays or failures in the Company's clinical trials will prevent it from commercializing any modified or new products and will adversely affect its business, operating results and prospects.*

The Company has conducted clinical trials in the past and will likely conduct clinical trials in the future. Initiating and completing clinical trials necessary to support any future products, will be time-consuming and expensive and the outcome, uncertain. Moreover, the results of early clinical trials are not necessarily predictive of future results, and any product the Company advances into clinical trials may not have favorable results in later clinical trials. The results of preclinical studies and clinical trials of its products conducted to date and ongoing or future studies and trials of its current, planned or future products may not be predictive of the results of later clinical trials, and interim results of a clinical trial do not necessarily predict final results. The Company's interpretation of data and results from its clinical trials do not ensure that the Company will achieve similar results in future clinical trials. In addition, preclinical and clinical data are often susceptible to various interpretations and analyses, and many companies that have believed their products performed satisfactorily in preclinical studies and earlier clinical trials have nonetheless failed to replicate results in later clinical trials. Products in later stages of clinical trials may fail to show the desired safety and efficacy despite having progressed through nonclinical studies and earlier clinical trials. Failure can occur at any stage of clinical testing. The Company's clinical studies may produce negative or inconclusive results, and it may decide, or regulators may require us, to conduct additional clinical and non-clinical testing in addition to those the Company has planned.

- the Company may be required to submit an IDE application to the FDA, which must become effective prior to commencing certain human clinical trials of medical devices, and the FDA may reject the Company's IDE application and notify the Company that it may not begin clinical trials;
- regulators and other comparable foreign regulatory authorities may disagree as to the design or implementation of its clinical trials;
- regulators and/or an IRB, or other reviewing bodies may not authorize the Company or its investigators to commence a clinical trial, or to conduct or continue a clinical trial at a prospective or specific trial site;
- the Company may not reach agreement on acceptable terms with prospective contract research organizations, or CROs, and clinical trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- clinical trials may produce negative or inconclusive results, and the Company may decide, or regulators may require the Company to conduct additional clinical trials or abandon product development programs;
- the number of subjects or patients required for clinical trials may be larger than the Company anticipates, enrollment in these clinical trials may be insufficient or slower than the Company anticipates, and the number of clinical trials being conducted at any given time may be high and result in fewer available patients for any given clinical trial, or patients may drop out of these clinical trials at a higher rate than the Company anticipates;
- the Company's third-party contractors, including those manufacturing products or conducting clinical trials on the Company's behalf, may fail to comply with regulatory requirements or meet their contractual obligations to the Company in a timely manner, or at all;
- the Company might have to suspend or terminate clinical trials for various reasons, including a finding that the subjects are being exposed to unacceptable health risks;
- the Company may have to amend clinical trial protocols or conduct additional studies to reflect changes in regulatory requirements or guidance, which it may be required to submit to an IRB and/or regulatory authorities for re-examination;
- regulators, IRBs, or other parties may require or recommend that the Company or its investigators suspend or terminate clinical research for various reasons, including safety signals or noncompliance with regulatory requirements;
- the cost of clinical trials may be greater than the Company anticipates;
- clinical sites may not adhere to the clinical protocol or may drop out of a clinical trial;
- the Company may be unable to recruit a sufficient number of clinical trial sites;
- regulators, IRBs, or other reviewing bodies may fail to approve or subsequently find fault with its manufacturing processes or facilities of third-party manufacturers with which the Company enters into agreement for clinical and commercial supplies, the supply of devices or other materials necessary to conduct clinical trials may be insufficient, inadequate or not available at an acceptable cost, or the Company may experience interruptions in supply;
- approval policies or regulations of the FDA or applicable foreign regulatory agencies may change in a manner rendering the Company's clinical data insufficient for approval;
- the Company's current or future products may have undesirable side effects or other unexpected characteristics; and
- impacts of regional or global public health crises including the ongoing COVID-19 pandemic could adversely affect any clinical trials the Company is conducting or plan to conduct, including delays or difficulties in enrolling or onboarding patients, initiating clinical sites, or obtaining the requisite regulatory approvals, interruption of key clinical trial activities, or supply chain disruptions that delay or make it more difficult or costly to obtain the supplies and materials the Company needs for clinical trials.

Any of these occurrences may significantly harm the Company's business, financial condition and prospects. In addition, many of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of its products.

Clinical trials must be conducted in accordance with the laws and regulations of the FDA and other applicable regulatory authorities' legal requirements, regulations or guidelines, and are subject to oversight by these governmental agencies and IRBs at the medical institutions where the clinical trials are conducted. Conducting successful clinical studies will require the enrollment of large numbers of patients, and suitable patients may be difficult to identify and recruit. Patient enrollment in clinical trials and completion of patient participation and follow-up depends on many factors, including the size of the patient population, the nature of the trial protocol, the attractiveness of, or the discomforts and risks associated with, the treatments received by enrolled subjects, the availability of appropriate clinical trial investigators, support staff, and proximity of patients to clinical sites and able to comply with the eligibility and exclusion criteria for participation in the clinical trial and patient compliance. For example, patients may be discouraged from enrolling in its clinical trials if the trial protocol requires them to undergo extensive post-treatment procedures or follow-up to assess the safety and effectiveness of its products or if they determine that the treatments received under the trial protocols are not attractive or involve unacceptable risks or discomforts.

The Company depends on its collaborators and on medical institutions and CROs to conduct its clinical trials in compliance with good clinical practice ("GCP") requirements. To the extent its collaborators or the CROs fail to enroll participants for its clinical trials, fail to conduct the study to GCP standards or are delayed for a significant time in the execution of trials, including achieving full enrollment, the Company may be affected by increased costs, program delays or both. In addition, clinical trials that are conducted in countries outside the United States may subject the Company to further delays and expenses as a result of increased shipment costs, additional regulatory requirements and the engagement of non-U.S. CROs, as well as expose the Company to risks associated with clinical investigators who are unknown to the FDA, and different standards of diagnosis, screening and medical care.

Development of sufficient and appropriate clinical protocols to demonstrate safety and efficacy are required and the Company may not adequately develop such protocols to support clearance and approval. Further, the FDA may require the Company to submit data on a greater number of patients than the Company originally anticipated and/or for a longer follow-up period or change the data collection requirements or data analysis applicable to the Company's clinical trials. Delays in patient enrollment or failure of patients to continue to participate in a clinical trial may cause an increase in costs and delays in the approval and attempted commercialization of its products or result in the failure of the clinical trial. In addition, despite considerable time and expense invested in its clinical trials, the FDA may not consider the Company's data adequate to demonstrate safety and efficacy. Such increased costs and delays or failures could adversely affect its business, operating results and prospects.

***Intellectual property rights may not provide adequate protection for some or all of the Company's products, which may permit third parties to compete against the Company more effectively.***

The Company relies on patent, copyright, trade secret and trademark laws and confidentiality agreements to protect the Company's technology and products. As of January 19, 2023, the Company had 28 issued and unexpired U.S. patents, 10 pending U.S. patent applications, and four pending international applications under the Patent Cooperation Treaty ("PCT") or other national or regional patent offices. Some of the Company's components, such as the Company's laser module, electronic control system and high-voltage electronics, are not, and in the future may not be, protected by patents. Additionally, the Company's patent applications may not issue as patents or, if issued, may not issue in a form that will be advantageous to us. Any patents the Company obtains may be challenged, invalidated or legally circumvented by third parties. Consequently, competitors could market products and use manufacturing processes that are substantially similar to, or superior to, the Company's. The Company may not be able to prevent the unauthorized disclosure or use of the Company's technical knowledge or other trade secrets by consultants, vendors, former employees or current employees, despite the existence generally of confidentiality agreements and other contractual restrictions. Monitoring unauthorized uses and disclosures of the Company's intellectual property is difficult, and the Company does not know whether the steps it has taken to protect the Company's intellectual property will be effective. Moreover, the laws of many foreign countries will not protect the Company's intellectual property rights to the same extent as the laws of the U.S.

The absence of complete intellectual property protection exposes the Company to a greater risk of direct competition. Competitors could purchase one of the Company's products and attempt to replicate some or all of the competitive advantages the Company derives from the Company's development efforts, design around the Company's protected technology, or develop their own competitive technologies that fall outside of the Company's intellectual property rights. If the Company's intellectual property is not adequately protected against competitors' products and methods, the Company's competitive position and its business could be adversely affected.

***The expense and potential unavailability of insurance coverage for the Company's customers could adversely affect its ability to sell its products, and therefore adversely affect its financial condition.***

Some of the Company's customers and prospective customers have had difficulty procuring or maintaining liability insurance to cover their operation and use of its products. Medical malpractice carriers are withdrawing coverage in certain states or substantially increasing premiums. If this trend continues or worsens, the Company's customers may discontinue using the Company's products and potential customers may opt against purchasing laser-based products due to the cost or inability to procure insurance coverage. The unavailability of insurance coverage for the Company's customers and prospects could adversely affect its ability to sell its products, and that could harm its financial condition.

***Any acquisitions that the Company makes could result in operating difficulties, dilution, and other consequences that may adversely impact the Company's business and results of operations.***

While the Company from time to time evaluates potential acquisitions of businesses, products and technologies, and anticipates continuing to make these evaluations, the Company has no present understandings, commitments or agreements with respect to any material acquisitions or collaborative projects. The Company may not be able to identify appropriate acquisition candidates or strategic partners, or successfully negotiate, finance or integrate any businesses, products or technologies that the Company acquire.

The Company has limited experience as a team with acquiring companies and products. Furthermore, the integration of any acquisition and management of any collaborative project may divert management's time and resources from the Company's core business and disrupt the Company's operations and it may incur significant legal, accounting and banking fees in connection with such a transaction. Acquisitions could diminish the Company's available cash balances for other uses, result in the incurrence of debt, contingent liabilities, or amortization expenses, and restructuring charges. Also, the anticipated benefits or value of its acquisitions or investments may not materialize and could result in an impairment of goodwill and/or purchased long-lived assets.

The Company's failure to address these risks or other problems encountered in connection with the Company's past or future acquisitions and investments could cause the Company to fail to realize the anticipated benefits of such acquisitions

***Adverse developments affecting the banking industry, such as actual events or concerns involving liquidity, defaults or non-performance, could adversely affect the Company's operations and liquidity.***

Actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds, have in the past and may in the future lead to market-wide liquidity problems. For example, on March 10, 2023, Silicon Valley Bank, or SVB, was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation, or the FDIC, as receiver.

Although the U.S. Department of the Treasury, the Federal Reserve and the FDIC stated that all depositors of SVB would have access to all of their deposits and the Company and other depositors with SVB received such access on March 13, 2023, uncertainty and liquidity concerns in the broader financial services industry remain. Inflation and rapid increases in interest rates have led to a decline in the trading value of previously issued government securities with interest rates below current market interest rates. The U.S. Department of Treasury, FDIC and Federal Reserve Board have announced a program to provide up to \$25 billion of loans to financial institutions secured by such government securities held by financial institutions to mitigate the risk of potential losses on the sale of such instruments. However, widespread demands for customer withdrawals or other needs of financial institutions for immediate liquidity may exceed the capacity of such program. There is no guarantee that the U.S. Department of Treasury, FDIC and Federal Reserve Board will provide access to uninsured funds in the future in the event of the closure of other banks or financial institutions in a timely fashion or at all.

The Company's customers' and vendors' access to cash and cash equivalents in amounts adequate to finance their operations could be significantly impaired by the financial institutions with which they have arrangements directly facing liquidity constraints or failures. Any material decline in available funding could impact the payment of invoices and the Company's supply chain.

***The Company's cash, cash equivalents and marketable securities could be adversely affected by the failure of SVB or other financial institutions.***

Defaults, non-performance, bankruptcy, receivership or other adverse developments that affect banking institutions where the Company has deposited its funds or other financial institutions, or concerns or rumors about any events of these kinds or other similar risks, may result in liquidity issues for the Company. On March 10, 2023, California regulators closed Silicon Valley Bank

(“SVB”), and the FDIC was appointed as SVB’s receiver. On March 26, 2023, the FDIC announced that it had entered into a purchase and assumption agreement with First-Citizens Bank & Trust Company under which all deposits of the former Silicon Valley Bank were assumed by First-Citizens Bank & Trust Company. Approximately \$305 million of the Company’s total cash, cash equivalents, and marketable securities balance of \$317 million at December 31, 2022, was at SVB or SVB Asset Management. The Company now maintains these accounts and custodial arrangements with or through First-Citizens Bank & Trust Company.

Currently, the Company has full access to all funds in deposit accounts or other money management arrangements with First-Citizens Bank & Trust Company and other banks. However, those funds in bank deposit accounts in excess of the standard FDIC insurance limits are uninsured and subject to the risk of bank failure. Future adverse developments with respect to specific financial institutions or the broader financial services industry may also lead to market-wide liquidity shortages. The failure of any bank in which the Company deposits its funds could reduce the amount of cash the Company has available for its operations or delay its ability to access such funds. Any such failure may increase the possibility of a sustained deterioration of financial market liquidity, or illiquidity at clearing, cash management and/or custodial financial institutions. In the event the Company has a commercial relationship with a bank that has failed or is otherwise distressed, the Company may experience delays or other issues in meeting its financial obligations. If other banks and financial institutions enter receivership or become insolvent in the future in response to financial conditions affecting the banking system and financial markets, the Company’s ability to access its cash and cash equivalents may be threatened and could have a material adverse effect on the Company’s business and financial condition.

***The Company’s ability to access credit on favorable terms, if necessary, for the funding of the Company’s operations and capital projects may be limited due to changes in credit markets.***

The Company is party to a Loan and Security Agreement (the “Loan and Security Agreement”) with First-Citizens Bank & Trust Company (as successor to SVB). The Loan and Security Agreement provides for a four-year secured revolving loan facility in an aggregate principal amount of up to \$30.0 million (the “Revolving Line of Credit”). The Revolving Line of Credit matures on July 9, 2024. As of December 31, 2022, the Company had not drawn on this credit facility. On March 13, 2023, the Company violated one of the terms of the credit facility by transferring funds from Silicon Valley Bank. The Company received a waiver from First-Citizens Bank & Trust Company for this violation. A future violation of any of the covenants could result in a default under the Loan and Security Agreement that would permit First-Citizens Bank & Trust Company to restrict the Company’s ability to further access the Revolving Line of Credit for loans and letters of credit and require the immediate repayment of any outstanding loans under the agreement. In addition, these covenants are subject to renegotiation at the beginning of each fiscal year, which further reduces the Company’s ability to anticipate whether this source of capital will continue to be available in the near term.

Additionally, in the past, the credit markets and the financial services industry have experienced disruption characterized by the bankruptcy, failure, collapse or sale of various financial institutions, increased volatility in securities prices, diminished liquidity and credit availability and intervention from the U.S. and other governments. Continued concerns about the systemic impact of potential long-term or widespread downturn, energy costs, geopolitical issues, the availability and cost of credit, the global commercial and residential real estate markets and related mortgage markets and reduced consumer confidence have contributed to increased market volatility. The cost and availability of credit has been and may continue to be adversely affected by these conditions. The Company cannot be certain that funding for the Company’s capital needs will be available from the Company’s existing financial institutions and the credit markets if needed, and if available, to the extent required and on acceptable terms. The Loan and Security Agreement terminates on July 9, 2024 and if the Company cannot renew or refinance this facility or obtain funding when needed, in each case on acceptable terms, such conditions may have an adverse effect on the Company’s revenues and results of operations.

***Security breaches, cyber-security incidents and other disruptions could compromise the Company’s information and impact the Company’s business, financial condition or results of operations.***

The Company relies on networks, information management software and other technology, or information systems, including the Internet and third-party hosted services, to support a variety of business processes and activities, including procurement and supply chain, manufacturing, distribution, invoicing, order processing and collection of payments. The Company uses information systems to process financial information and results of operations for internal reporting purposes and to comply with regulatory financial reporting, legal and tax requirements. In addition, the Company depends on information systems for digital marketing activities and electronic communications among the Company’s locations around the world and between company personnel as well as customers and suppliers. Because information systems are critical to many of the Company’s operating activities, the Company’s business processes may be impacted by system shutdowns or service disruptions. These disruptions may be caused by failures during routine operations such as system upgrades or user errors, as well as network or hardware failures, malicious or disruptive software, computer hackers, geopolitical events, natural disasters, failures or impairments of telecommunications networks, or other catastrophic events. These events could result in unauthorized disclosure of material confidential information.



If the Company's information systems suffer severe damage, disruption or shutdown and the Company business continuity plans do not effectively resolve the issues in a timely manner, the Company could experience delays in reporting the Company's financial results and the Company may lose revenue and profits as a result of the Company's inability to timely manufacture, distribute, invoice and collect payments. Misuse, leakage or falsification of information could result in a violation of data privacy laws and regulations and damage the Company's reputation and credibility, and could expose the Company to liability. The Company may also be required to spend significant financial and other resources to remedy the damage caused by a security breach or to repair or replace networks and information systems. Like most major corporations, the Company's information systems are a target of attacks.

A cyber security attack or other incident that bypasses the Company's information systems security could cause a security breach which may lead to a material disruption to the Company's information systems infrastructure or business and may involve a significant loss of business or patient health information. If a cyber security attack or other unauthorized attempt to access the Company's systems or facilities were successful, it could result in the theft, destruction, loss, misappropriation or release of confidential information or intellectual property, and could cause operational or business delays that may materially impact the Company's ability to provide various healthcare services. Any successful cyber security attack or other unauthorized attempt to access the Company's systems or facilities also could result in negative publicity which could damage the Company's reputation or brand with the Company's patients, referral sources, payors or other third parties and could subject the Company to a number of adverse consequences, the vast majority of which are not insurable, including but not limited to disruptions in the Company's operations, regulatory and other civil and criminal penalties, fines, investigations and enforcement actions (including, but not limited to, those arising from the SEC, Federal Trade Commission, Office of Civil Rights, the Office of Inspector General or state attorneys general), fines, private litigation with those affected by the data breach, loss of customers, disputes with payors and increased operating expense, which either individually or in the aggregate could have a material adverse effect on the Company's business, financial position, results of operations and liquidity.

There can be no assurance that disruptions to the Company's information systems that have materially affected its business, financial condition or results of operations to the Company's may occur and have a material adverse effect on the Company in the future.

***Macroeconomic political and market conditions, and catastrophic events may adversely affect the Company's business, results of operations, financial condition and the trading price of the stock.***

The Company's business is influenced by a range of factors that are beyond the Company's control, including:

- general macro-economic and business conditions in the Company's key markets of North America, Japan, Asia Pacific, the Middle East, Europe and Australia;
- the lack of credit financing, or an increase in the cost of borrowing, for some of the Company's potential customers due to increasing interest rates and lending requirements;
- the overall demand for the Company's products by the core market specialties of dermatologists and plastic surgeons;
- the timing and success of new product introductions by the Company or the Company's competitors or any other change in the competitive landscape of the market for non-surgical aesthetic procedures, including consolidation among the Company's competitors;
- the level of awareness of aesthetic procedures and the market adoption of the Company's products;
- changes in the Company's pricing policies or those of the Company's competitors;
- governmental budgetary constraints or shifts in government spending priorities;
- general political developments, both domestic and in the Company's foreign markets, including economic and political uncertainty caused by elections;
- natural disasters and public health events;
- tax law changes;
- currency exchange rate fluctuations; and
- any trade restrictions or higher import taxes that may be imposed by foreign countries against products sold internationally by U.S. companies.

Macroeconomic developments, like global recessions and financial crises could negatively affect the Company's business, operating results, or financial condition which, in turn, could adversely affect the Company's stock price. A general weakening of, and related declining corporate confidence in, the global economy or the curtailment in government or corporate spending could cause current or potential customers to reduce their budgets or be unable to fund product or upgrade application purchases, which could cause customers to delay, decrease or cancel purchases of the Company's products and services or cause customers not to pay the Company or to delay paying the Company for previously purchased products and services.

In addition, political unrest in regions like the Middle East, terrorist attacks around the globe and the potential for other hostilities in various parts of the world, potential public health crises and natural disasters continue to contribute to a climate of economic and political uncertainty that could adversely affect the Company's results of operations and financial condition, including the Company's revenue growth and profitability.

Macroeconomic declines, negative political developments, including volatile market conditions due to investor concerns regarding inflation and Russia's invasion of Ukraine, adverse market conditions and catastrophic events may cause a decline in the Company's revenue, negatively affect the Company's operating results, adversely affect the Company's cash flow and could result in a decline in the Company's stock price.

***Certain of the Company's product platforms such as Enlighten and excel HR are only capable of being produced at the single site in Brisbane, and as such the occurrence of a catastrophic disaster or other similar event could cause damage to its facilities and equipment, which might require the Company to cease or curtail sales of these sole sourced platforms.***

The Company is vulnerable to damage from various types of disasters, including fires, earthquakes, terrorist acts, floods, power losses, communications failures, pandemics and similar events. If any such disaster were to occur, the Company may not be able to operate the Company's business at the Company's facility in Brisbane, California. Before the Company could manufacture products from a replacement facility, the Company's manufacturing facilities which require regulatory agency approval, could require significant delays to obtain regulatory agency's approval. The insurance the Company maintains may not be adequate to cover the Company's losses resulting from disasters or other business interruptions. Therefore, any such catastrophe could seriously harm the Company's business and consolidated results of operations.

***From time to time the Company may become subject to income tax audits or similar proceedings, and as a result the Company may incur additional costs and expenses or owe additional taxes, interest and penalties that may negatively impact its operating results.***

The Company is subject to income taxes in the U.S. and certain foreign jurisdictions where it operates through a subsidiary, including Australia, Belgium, Canada, France, Germany, Hong Kong, Japan, Spain, Switzerland, Italy and the United Kingdom. The Company's determination of its tax liability is subject to review by applicable domestic and foreign tax authorities.

The Company had sales and income tax audits in the past. The final timing and resolution of any future tax examinations are subject to significant uncertainty and could result in the Company's having to pay amounts to the applicable tax authority in order to resolve examination of its tax positions. An increase or decrease of tax related to tax examination resolution could result in a change in the Company's income tax accrual and could negatively impact its financial position, results of operations or cash flows.

***The Company may be adversely affected by changes in U.S. tax laws, importation taxes and other changes that may be imposed by the current administration.***

The Company is subject to taxes in the U.S. and other jurisdictions. Tax rates in these jurisdictions may be subject to significant change due to economic and/or political conditions. A number of other factors may also impact the Company's future effective tax rate including:

- the jurisdictions in which profits are determined to be earned and taxed;
- the resolution of issues arising from tax audits with various tax authorities;
- changes in valuation of the Company's deferred tax assets and liabilities;
- increases in expenses not deductible for tax purposes, including write-offs and impairment of goodwill in connection with acquisitions;
- changes in availability of tax credits, tax holidays, and tax deductions;
- changes in share-based compensation; and
- changes in tax laws or the interpretation of such tax laws and changes in generally accepted accounting principles.

***Changes in accounting standards and estimates could have a material adverse effect on the Company's results of operations and financial position.***

Generally accepted accounting principles and the related authoritative guidance for many aspects of the Company's business, including revenue recognition, inventories, warranties, leases, income taxes, expected credit losses, fair-value measurements, and stock-based compensation, are complex and involve subjective judgments. Changes in these rules or changes in the underlying estimates, assumptions or judgments by the Company's management could have a material adverse effect on the Company's results of operations and may retroactively affect previously reported results.

***The Company has identified a material weakness in its internal control over financial reporting related to information technology general controls ("ITGCs"), inventory controls, and accounting for expense related to equity-based awards, which could, if not remediated, result in material misstatements in the Company's financial statements.***

The Company is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act. As disclosed in Item 9A of this Annual Report on Form 10-K, the Company identified material weaknesses in its internal control over financial reporting relating to ITGCs, inventory controls, and controls related to accounting for equity awards. A material weakness is defined as a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. As a result of these material weaknesses, the Company concluded that its internal control over financial reporting was not effective based on criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-An Integrated Framework (2013).

The Company has begun the process of designing and implementing effective internal control measures to improve its internal controls over financial reporting and remediate these material weaknesses. The Company's efforts include implementing additional controls designed to detect potential material misstatements that may arise as a result of control weaknesses over ITGC controls, inventory controls, and review procedures concerning accounting for equity-based awards. If these remedial measures are insufficient to address the material weakness, or if additional material weaknesses or significant deficiencies in the Company's internal control over financial reporting are discovered or occur in the future, the Company's consolidated financial statements may contain material misstatements, and the Company could be required to restate its financial results. In addition, if the Company is unable to successfully remediate the material weakness and is unable to produce accurate and timely financial statements, its stock price may be adversely affected.

***Economic and other risks associated with international sales and operations could adversely affect the Company's business.***

In 2022, 49% of the Company's total revenue was from customers outside of North America. The Company expects its sales from international operations and export sales to continue to be a significant portion of the Company's revenue. The Company has placed a particular emphasis on increasing its growth and presence in international markets. The Company's international operations and sales are subject, in varying degrees, to risks inherent in doing business outside the U.S. These risks include:

- changes in trade protection measures, including embargoes, tariffs and other trade barriers, and import and export regulations and licensing requirements;
- instability and uncertainties arising from the global geopolitical environment, such as economic nationalism, populism, protectionism and anti-global sentiment;
- changes in tax laws and potential negative consequences from the interpretation, application and enforcement by governmental tax authorities of tax laws and policies;
- unanticipated changes in other laws and regulations or in how such provisions are interpreted or administered;
- reduced protection for intellectual property rights in some countries and practical difficulties of enforcing intellectual property and contract rights abroad;
- possibility of unfavorable circumstances arising from host country laws or regulations, including those related to infrastructure and data transmission, security and privacy;
- currency exchange rate fluctuations and restrictions on currency repatriation;
- difficulties and expenses related to implementing internal control over financial reporting and disclosure controls and procedures;
- disruption of sales from labor and political disturbances;
- regional safety and security considerations;
- increased costs and risks in developing, staffing and simultaneously managing global sales operations as a result of distance as well as language and cultural differences;
- increased management, travel, infrastructure and legal compliance costs associated with having multiple international operations;
- lengthy payment cycles and difficulty in collecting accounts receivable;
- preference for locally-produced products, as well as protectionist laws and business practices that favor local companies;
- outbreak or escalation of insurrection, armed conflict, terrorism or war; and
- supply chain disruption or the loss of distributor relationships.

Changes in the geopolitical or economic environments in the countries in which the Company operates could have a material adverse effect on the Company's financial condition, results of operations or cash flows. For example, changes in U.S. policy regarding international trade, including import and export regulation and international trade agreements, could also negatively impact the Company's business. The U.S. has imposed tariffs on certain goods imported from China and certain other countries,

which has resulted in retaliatory tariffs by China and other countries. Additional tariffs imposed by the U.S. on a broader range of imports, or further retaliatory trade measures taken by China or other countries in response, could adversely impact the Company's financial condition and results of operations.

The Company's global operations are required to comply with the U.S. Foreign Corrupt Practices Act of 1977, as amended ("FCPA"), Chinese anti-corruption laws, U.K. Bribery Law, and similar anti-bribery laws in other jurisdictions, and with U.S. and foreign export control, trade embargo and customs laws. If the Company fails to comply with any of these laws, the Company could suffer civil and criminal sanctions.

In the European Economic Area ("EEA"), which is composed of the 27 Member States of the EU plus Norway, Liechtenstein and Iceland, a single regulatory approval process exists, and conformity with the legal requirements is represented by the CE mark. The Company's products are regulated in the EU as medical devices per the EU Medical Devices Regulation ("MDR"). The Company's current CE marks on systems sold in the EU are set to expire on April 15, 2023, and a new CE marking under the MDR designation is required after April 15, 2023. The Company intends to obtain MDR certification for its principal products sold in the EU ahead of the April 15, 2023, expiration date. From January 1, 2021, the Medicines and Healthcare Products Regulatory Agency ("MHRA") has been responsible for the UK medical device market. New regulations require medical devices to be registered with the MHRA. Manufacturers based outside the UK need to appoint a UK Responsible Person to register devices with the MHRA. By July 1, 2024, in the United Kingdom, all medical devices will require a UKCA (UK Conformity Assessed) mark, but CE marks issued by EU notified bodies will remain valid until this time. However, UKCA marking alone will not be recognized in the EU.

In addition to the general risks that the Company faces outside the U.S., the Company's operations in emerging markets could involve additional uncertainties for us, including risks that governments may impose withholding or other taxes on remittances and other payments to us, or the amount of any such taxes may increase; governments may seek to nationalize the Company's assets; or governments may impose or increase investment barriers or other restrictions affecting the Company's business. In addition, emerging markets pose other uncertainties, including the difficulty of enforcing agreements, challenges collecting receivables, protection of the Company's intellectual property and other assets, pressure on the pricing of the Company's products and services, higher business conduct risks, ability to hire and retain qualified talent and risks of political instability. The Company cannot predict the impact such events might have on the Company's business, financial condition and results of operations.

In addition, compliance with laws and regulations applicable to the Company's international operations increases the Company's cost of doing business in foreign jurisdictions. The Company may be unable to keep current with changes in foreign government requirements and laws as they change from time to time. Failure to comply with these regulations could have adverse effects on the Company's business. In many foreign countries it is common for others to engage in business practices that are prohibited by the Company's internal policies and procedures or U.S. regulations applicable to us. In addition, although the Company has implemented policies and procedures designed to ensure compliance with these laws and policies, there can be no assurance that all of the Company's employees, contractors, distributors and agents will comply with these laws and policies. Violations of laws or key control policies by the Company's employees, contractors, distributors or agents could result in delays in revenue recognition, financial reporting misstatements, fines, penalties, or the prohibition of the importation or exportation of the Company's offerings and could have a material adverse effect on the Company's business operations and financial results.

***The Company offers credit terms to some qualified customers and also to leasing companies to finance the purchase of its products. In the event that any of these customers default on the amounts payable to the Company, its earnings may be adversely affected.***

The Company generally offers credit terms of 30 to 90 days to qualified customers. In addition, from time to time, it offers certain key international distributors, with whom the Company has had an extended period of relationship and payment history, payment terms that are significantly longer than the regular 30 to 90 day terms. This allows such international distribution partners to have its products in stock and provide its products to customers on a timely basis.

While the Company believes it has an adequate basis to ensure that it collects its accounts receivable, the Company cannot provide any assurance that the financial position of customers to whom it has provided payment terms will not change adversely before the Company receives payment. In the event that there is a default by any of the customers to whom the Company has provided credit terms, the Company may recognize a credit loss provision write-off charge in the Company's general and administrative expenses. If this write-off charge is material, it could negatively affect the Company's future results of operations, cash flows and its stock price.

Additionally, in the event of deterioration of general business conditions or the availability of credit, the financial strength and stability of the Company's customers and potential customers may deteriorate over time, which may cause them to cancel or delay their purchase of its products. In addition, the Company may be subject to increased risk of non-payment of its accounts receivables. The Company may also be adversely affected by bankruptcies or other business failures of the Company's customers and potential customers. A significant delay in the collection of funds or a reduction of funds collected may impact the Company's liquidity or result in credit losses.

***The Company's ability to effectively compete and generate additional revenue from new and existing products depends upon the Company's ability to distinguish the Company and its products from the competitors and their products, and to develop and effectively market new and existing products. The Company's success is dependent on many factors, including the following:***

- speed of new and innovative product development;
- effective strategy and execution of new product launches;
- identification and development of clinical support for new indications of the Company's existing products;
- product performance;
- product pricing;
- quality of customer support;
- development of successful distribution channels, both domestically and internationally; and
- intellectual property protection.

To compete effectively, the Company has to demonstrate that its new and existing products are attractive alternatives to other devices and treatments, by differentiating the Company's products on the basis of such factors as innovation, performance, brand name, service, and price. This is difficult to do, especially in a crowded aesthetic market. Some of the Company's competitors have newer or different products and more established customer relationships than the Company does, which could inhibit the Company's market penetration efforts. For example, the Company has encountered, and expects to continue to encounter, situations where, due to pre-existing relationships, potential customers decide to purchase additional products from the Company's competitors. Potential customers also may need to recoup the cost of products that they have already purchased from the Company's competitors and may decide not to purchase the Company's products, or to delay such purchases. If the Company is unable to increase the Company's market penetration or compete effectively, its revenue and profitability will be adversely impacted.

***If there is not sufficient consumer demand for the procedures performed with the Company's products, practitioner demand for its products could be inhibited, resulting in unfavorable operating results and reduced growth potential.***

Continued expansion of the global market for laser and other-energy-based aesthetic procedures is a material assumption of the Company's business strategy. Most procedures performed using the Company's products are elective procedures not reimbursable through government or private health insurance, with the costs borne by the patient. The decision to utilize the Company's products may therefore be influenced by a number of factors, including:

- consumer disposable income and access to consumer credit, which as a result of an unstable economy, may be significantly impacted;
- the cost, safety and effectiveness of alternative treatments, including treatments which are not based upon laser or other energy-based technologies and treatments which use pharmaceutical products;
- the success of the Company's sales and marketing efforts; and
- the education of the Company's customers and patients on the benefits and uses of the Company's products, compared to competitors' products and technologies.

If, as a result of these factors, there is not sufficient demand for the procedures performed with the Company's products, practitioner demand for the Company's products could be reduced, which could have a material adverse effect on the Company's business, financial condition, revenue and result of operations.

***If the Company modifies one of its FDA-cleared devices, it may need to seek a new clearance, which, if not granted, would prevent the Company from selling its modified products or cause it to redesign its products.***

Any modifications to an FDA-cleared device that could significantly affect its safety or effectiveness or that would constitute a major change in its intended use would require a new 510(k) clearance or possibly a pre-market approval. The Company may not be able to obtain additional 510(k) clearance or premarket approvals for new products or for modifications to, or additional indications for, its existing products in a timely fashion, or at all. Delays in obtaining future clearance would adversely affect its ability to introduce new or enhanced products in a timely manner, which in turn would harm its revenue and future profitability.

The Company has made modifications to its devices in the past and may make additional modifications in the future that it believes do not or will not require additional clearance or approvals. If the FDA disagrees, and requires new clearances or approvals for the modifications, the Company may be required to recall and to stop marketing the modified devices, which could harm the Company's operating results and require it to redesign its products.

***If the Company cannot obtain and maintain Medical Device Regulation approvals, the Company will not be able to sell its products in the European Union.***

The Company's products are regulated in the European Union ("EU") as medical devices per the Medical Device Regulation (Regulation (EU) 2017/745) ("MDR"). The Company's current CE marks on systems sold in the EU are set to expire on April 15, 2023 and a new MDR designation is required after April 15, 2023. The Company intends to obtain MDR certification for its principal products sold in the EU ahead of the April 15, 2023, expiration date. On February 16, 2023, the European Parliament voted to extend the MDR transition periods to avoid a shortage of medical devices in the EU economic region. Under this provision, the Company's current certification may be extended until December 31, 2028, subject to meeting certain conditions.

Additionally, the Company is subject to local rules and regulations implemented by each EU Member State where it conducts business, which can increase the burden of compliance and expose the Company to greater liabilities. If the Company is not successful in meeting the conditions for extension of its current certification in accordance with MDR and local rules and regulations, the Company may be required to remove applicable medical devices from the EU market until they are certified under the MDR, which would adversely impact the Company's revenue and results of operations in Europe.

***Any defects in the design, material or workmanship of its products may not be discovered prior to shipment to customers, which could materially increase its expenses, adversely impact profitability and harm its business.***

The design of the Company's products is complex. To manufacture them successfully, the Company must procure quality components and employ individuals with a significant degree of technical expertise. If the Company's designs are defective, or the material components used in its products are subject to wearing out, or if suppliers fail to deliver components to specification, or if its employees fail to properly assemble, test and package its products, the reliability and performance of its products could be adversely impacted.

If the Company's products contain defects that cannot be repaired easily, inexpensively, or on a timely basis, the Company may experience:

- damage to the Company's brand reputation;
- loss of customer orders and delay in order fulfillment;
- increased costs due to product repair or replacement;
- inability to attract new customers;
- diversion of resources from the Company's manufacturing and research and development departments into the Company's service department;
- changes in share-based compensation; and
- legal action.

The occurrence of any one or more of the foregoing could materially increase expenses, adversely impact profitability and harm the Company's business.

***The Company's products may in the future be subject to product recalls that could harm its reputation, business and financial results.***

Medical devices can experience performance problems in the field that require review and possible corrective action. The occurrence of component failures, manufacturing errors, software errors, design defects or labeling inadequacies affecting a medical device could lead to a government-mandated or voluntary recall by the device manufacturer, in particular when such deficiencies may endanger health. The FDA requires that certain classifications of recalls be reported to the FDA within 10 working days after the recall is initiated. Companies are required to maintain certain records of recalls, even if they are not reportable to the FDA. The Company may initiate voluntary recalls involving its products in the future that the Company determines do not require notification of the FDA. If the FDA disagrees with its determinations, they could require the Company to report those actions as recalls. Product recalls may divert management attention and financial resources, expose the Company to product liability or other claims, harm its reputation with customers and adversely impact its business, financial condition and results of operations.

***The results of the Company's clinical trials may not support its products claims or may result in the discovery of adverse side effects.***

The Company cannot be certain that the results of its future clinical trials will support its future product claims or that the FDA will agree with its conclusions regarding them. Success in pre-clinical studies and early clinical trials does not ensure that later clinical trials will be successful, and the Company cannot be sure that the later trials will replicate the results of prior trials and pre-clinical studies. The clinical trial process may fail to demonstrate that its products are safe and effective for the proposed indicated uses, which could cause the Company to abandon a product and may delay development of others. Any delay or termination of the Company's clinical trials will delay the filing of its product submissions and, ultimately, its ability to commercialize its products and generate revenues. It is also possible that patients enrolled in clinical trials will experience adverse side effects that are not currently part of the future product's profile.

***Product liability suits could be brought against the Company due to a defective design, material or workmanship or misuse of its products and could result in expensive and time-consuming litigation, payment of substantial damages and an increase in its insurance rates.***

If the Company's products are defectively designed, manufactured or labeled, contain defective components or are misused, the Company may become subject to substantial and costly litigation by the Company's customers or their patients. Misusing the Company's products or failing to adhere to operating guidelines could cause significant eye and skin damage, and underlying tissue damage. In addition, if its operating guidelines are found to be inadequate, the Company may be subject to liability. The Company has been involved, and may in the future be involved, in litigation related to the use of its products. Product liability claims could divert management's attention from its core business, be expensive to defend and result in sizable damage awards against the Company. The Company may not have sufficient insurance coverage for all future claims. The Company may not be able to obtain insurance in amounts or scope sufficient to provide the Company with adequate coverage against all potential liabilities. Any product liability claims brought against the Company, with or without merit, could increase the Company's product liability insurance rates or prevent the Company from securing continuing coverage, could harm its reputation in the industry and could reduce product sales. In addition, the Company historically experienced steep increases in its product liability insurance premiums as a percentage of revenue. If its premiums continue to rise, the Company may no longer be able to afford adequate insurance coverage.

***Certain of the Company's product platforms such as Enlighten and excel HR are only capable of being produced at the single site in Brisbane, and as such the occurrence of a catastrophic disaster or other similar event could cause damage to its facilities and equipment, which might require the Company to cease or curtail sales of these sole sourced platforms.***

The Company is vulnerable to damage from various types of disasters, including fires, earthquakes, terrorist acts, floods, power losses, communications failures, pandemics and similar events. If any such disaster were to occur, the Company may not be able to operate the Company's business at the Company's facility in Brisbane, California. Before the Company could manufacture products from a replacement facility, the Company's manufacturing facilities which require regulatory agency approval, could require significant delays to obtain regulatory agency's approval. The insurance the Company maintains may not be adequate to cover the Company's losses resulting from disasters or other business interruptions. Therefore, any such catastrophe could seriously harm the Company's business and consolidated results of operations.

***The Company may be involved in future costly intellectual property litigation, which could impact its future business and financial performance.***

The Company's competitors or other patent holders may assert that the Company's present or future products and the methods the Company employs are covered by their patents. In addition, the Company does not know whether its competitors or other patent holders own or will obtain patents that they may claim prevent, limit or interfere with the Company's ability to make, use, sell or import the Company's products. For example, Serendia, LLC, filed patent infringement complaints in March 2023 against the Company with the International Trade Commission and in U.S. District Court for the District of Delaware alleging infringement of six Serendia patents by the Secret RF and Secret Pro products, which the Company distributes in the United States on behalf of ILOODA Co. Ltd. If the Company is unable to resolve this matter, it may have to discontinue selling the Secret RF and Secret Pro products and may become involved in litigation or liable for damages as a result of its sales of the Secret RF and Secret Pro products. Although the Company may seek to resolve any potential future claims or actions such as this one, it may not be able to do so on reasonable terms, or at all. If, following a successful third-party action for infringement, the Company cannot obtain a license or redesign the Company's products, it may have to stop selling the applicable products and the Company's business would suffer as a result. In addition, a court could require the Company to pay substantial damages and prohibit the Company from using technologies essential to the Company's products, any of which would have a material adverse effect on the Company's business, results of operations and financial condition.

The Company may also become involved in litigation not only as a result of alleged infringement of a third party's intellectual property rights but also to protect the Company's own intellectual property. For example, the Company has been involved in litigation to protect the trademark rights associated with its company name or the names of its products. Infringement and other

intellectual property claims, with or without merit, can be expensive and time-consuming to litigate, and could divert management's attention from its core business.

***The Company's failure to comply with rules relating to bribery, foreign corrupt practices, and privacy and security laws may subject the Company to penalties and adversely impact its reputation and business operations.***

The Company's business is subject to regulation and oversight worldwide including:

- the FCPA, which prohibits corporations and individuals from paying, offering to pay or authorizing the payment of anything of value to any foreign government official, government staff member, political party or political candidate in an attempt to obtain or retain business or to otherwise influence a person working in an official capacity;
- the UK Bribery Act, which prohibits both domestic and international bribery, as well as bribery across both public and private sectors; and bribery provisions contained in the German Criminal Code, which, pursuant to draft legislation being prepared by the German government, may make the corruption and corruptibility of physicians in private practice and other healthcare professionals a criminal offense;
- Health Insurance Portability and Accountability Act of 1996, as amended by The Health Information Technology for Economic and Clinical Health Act, which governs the conduct of certain electronic healthcare transactions and protects the security and privacy of protected health information; and
- analogous state and foreign law equivalents of each of the above laws, such as state laws that require device companies to comply with the industry's voluntary compliance guidelines and the applicable compliance guidance promulgated by the federal government; and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts.

The risk of being found in violation of these laws is increased by the fact that many of them have not been fully interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of interpretations. Because of the breadth of these laws and the narrowness of the statutory exceptions and safe harbors available under such laws, it is possible that some of the Company's business activities, including the Company's relationships with practitioners and thought leaders worldwide, some of whom recommend, purchase and/or use the Company's devices, as well as the Company's sales agents and distributors, could be subject to challenge under one or more of such laws. The Company is also exposed to the risk that the Company's employees, independent contractors, principal investigators, consultants, vendors, independent sales agents and distributors may engage in fraudulent or other illegal activity. While the Company has policies and procedures in place prohibiting such activity, misconduct by these parties could include, among other infractions or violations, intentional, reckless and/or negligent conduct or unauthorized activity that violates FDA regulations, including those laws that require the reporting of true, complete and accurate information to the FDA, manufacturing standards, laws that require the true, complete and accurate reporting of financial information or data or other commercial or regulatory laws or requirements. It is not always possible to identify and deter misconduct by the Company's employees and other third parties, and the precautions the Company takes to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations.

There are similar laws and regulations applicable to the Company outside the U.S., all of which are subject to evolving interpretations. Global enforcement of anti-corruption laws, including but not limited to the UK Bribery Act, the Brazil Clean Companies Act, and continued enforcement in the Europe, Middle East and Asia Pacific has increased substantially in recent years, with more frequent voluntary self-disclosures by companies, aggressive investigations and enforcement proceedings by governmental agencies, and assessment of significant fines and penalties against companies and individuals. The Company's operations create the risk of unauthorized payments or offers of payments by one of its employees, consultants, sales agents, or distributors because these parties are not always subject to its control. It is the Company's policy to implement safeguards to discourage these practices; however, its existing safeguards and any future improvements may prove to be less than effective, and its employees, consultants, sales agents, or distributors may engage in conduct for which the Company might be held responsible. Any alleged or actual violations of these regulations may subject the Company to government scrutiny, severe criminal or civil sanctions and other liabilities, and could negatively affect its business, reputation, operating results, and financial condition.

In March 2021, the United Kingdom's Financial Conduct Authority announced that it intends to stop persuading or compelling banks to submit LIBOR rates after June 30, 2023. These reforms may cause LIBOR to cease to exist, new methods of calculating LIBOR to be established or the establishment of an alternative reference rate(s). These consequences cannot be entirely predicted and could have an adverse impact on the market value for or value of LIBOR-linked securities, loans, and other financial obligations or extensions of credit held by the Company. Changes in market interest rates may influence returns on financial investments and could reduce its earnings and cash flows.



There can be no assurance that the policies and procedures will be followed at all times or will effectively detect and prevent violations of the applicable laws by one or more of its employees, consultants, agents or partners and, as a result, the Company may be subject to penalties and material adverse consequences on its business, financial condition or results of operations.

### **Risks Related to the Company's Convertible Senior Notes**

***Servicing the Company's debt, including the notes, may require a significant amount of cash, and the Company may not have sufficient cash flow from its business to pay its indebtedness.***

As of December 31, 2022, the Company had \$429.1 million aggregate principal amount of the notes outstanding. The Company's ability to make scheduled payments of the principal of, to pay interest on or to refinance its indebtedness, including the notes, depends on its future performance, which is subject to economic, financial, competitive, and other factors beyond the Company's control. The Company's business may not generate cash flow from operations in the future sufficient to service its debt and make necessary capital expenditures. If the Company is unable to generate such cash flow, it may be required to adopt one or more alternatives, such as selling assets, restructuring debt, or obtaining additional debt financing or equity capital on terms that may be onerous or highly dilutive. The Company's ability to refinance any future indebtedness will depend on the capital markets and its financial condition at such time. The Company may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on its debt obligations. In addition, any of the Company's future debt agreements may contain restrictive covenants that may prohibit the Company from adopting any of these alternatives. The Company's failure to comply with these covenants could result in an event of default which, if not cured or waived, could result in the acceleration of its debt.

In addition, the Company's indebtedness, combined with its other financial obligations and contractual commitments, could have other important consequences. For example, it could:

- make the Company more vulnerable to adverse changes in general U.S. and worldwide economic, industry, and competitive conditions and adverse changes in government regulation;
- limit the Company's flexibility in planning for, or reacting to, changes in its business and industry;
- place the Company at a disadvantage compared to its competitors who have less debt;
- limit the Company's ability to borrow additional amounts to fund acquisitions, for working capital, and for other general corporate purposes; and
- make an acquisition of the Company less attractive or more difficult.

Any of these factors could harm the Company's business, results of operations, and financial condition. In addition, if the Company incurs additional indebtedness, the risks related to its business and its ability to service or repay its indebtedness would increase.

***The Company may not have the ability to raise the funds necessary to settle conversions of the notes in cash or to repurchase the notes upon a fundamental change, and its future debt may contain limitations on its ability to pay cash upon conversion or repurchase of the notes.***

Holders of the notes have the right to require the Company to repurchase all or a portion of their notes of the applicable series upon the occurrence of a fundamental change (as defined in the applicable indenture governing such series of notes) before the applicable maturity date at a repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest, if any. In addition, upon conversion of the notes, unless the Company elects to deliver solely shares of its common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), the Company will be required to settle a portion or all of its conversion obligation in respect of the notes being converted in cash. Moreover, the Company will be required to repay the notes in cash at their maturity unless earlier converted, redeemed or repurchased. However, the Company may not have enough available cash or be able to obtain financing at the time the Company is required to make repurchases of notes surrendered therefor or pay cash with respect to notes being converted or at their maturity.

In addition, the Company's ability to repurchase notes or to pay cash upon conversions of notes or at their maturity may be limited by law, regulatory authority or agreements governing its future indebtedness. The Company's failure to repurchase the notes of a series at a time when the repurchase is required by the applicable indenture or to pay cash upon conversions of notes or at their maturity as required by such indenture would constitute a default under such indenture. A default under the indenture governing a series of notes or the fundamental change itself could also lead to a default under agreements governing the Company's existing and future indebtedness. Moreover, the occurrence of a fundamental change under the indenture governing a series of notes could constitute an event of default under any such agreement. If the payment of the related indebtedness were to be accelerated after any applicable notice or grace periods, the Company may not have sufficient funds to repay the indebtedness. Any failure by the Company to repay indebtedness and repurchase the notes or make cash payments upon conversion thereof, in each case, when

required to do so pursuant to the terms of the applicable indenture, could have a material adverse effect on the Company's business, financial condition, and results of operations.

***The conditional conversion features of the notes, if triggered, may adversely affect the Company's financial condition and operating results.***

During the second, third, and fourth quarters of 2021 and the third and fourth quarters of 2022, a conversion feature related to the sale price of the Company's common stock was triggered. No conversion requests were submitted by the holders of any series of notes related to these triggering events. In the event the conditional conversion features of a series of notes are triggered, holders of the applicable series of notes will be entitled to convert their notes at any time during specified periods at their option. If one or more holders elect to convert their notes, unless the Company elects to satisfy the Company's conversion obligation by delivering solely shares of its common stock (other than paying cash in lieu of delivering any fractional share), the Company would be required to settle a portion or all of its conversion obligation in cash, which could adversely affect the company's liquidity. In addition, even if holders of notes do not elect to convert their notes, the Company could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the notes as a current rather than long-term liability, which would result in a material reduction of its net working capital.

***Transactions relating to the notes may affect the value of the Company's common stock.***

The conversion of some or all of the notes would dilute the ownership interests of the Company's existing stockholders to the extent the Company elects satisfy its conversion obligation by delivering shares of the Company's common stock upon any conversion of such notes. The notes may become convertible at the option of their holders under certain circumstances set forth in the applicable indenture. If holders of the notes elect to convert their notes, the Company may settle its conversion obligation by delivering to them a significant number of shares of the Company's common stock, which would cause dilution to the existing stockholders.

In connection with the pricing of the notes, the Company entered into capped call transactions with the applicable option counterparties. The capped call transactions cover, subject to customary adjustments, the number of shares of the Company's common stock initially underlying the applicable series of notes (excluding the 2028 notes issued to Voce Capital Management LLC). The capped call transactions are expected generally to reduce the potential dilution to the Company's common stock upon any conversion of such notes and/or offset any cash payments the Company may be required to make in excess of the principal amount of such converted notes, as the case may be, with such reduction and/or offset subject to a cap.

In connection with establishing their initial hedges of the capped call transactions, the applicable option counterparties or their respective affiliates entered into various derivative transactions with respect to the Company's common stock and/or purchased shares of the Company's common stock concurrently with or shortly after the pricing of the applicable series of notes. From time to time, the option counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to the Company's common stock and/or purchasing or selling the Company's common stock or other securities of the Company in secondary market transactions prior to the maturity of the applicable series of notes (and are likely to do so following any conversion, repurchase, or redemption of such notes, to the extent the Company exercises the relevant election under the applicable capped call transactions). This activity could also cause a decrease and/or increased volatility in the market price of the Company's common stock.

***The Company is subject to counterparty risk with respect to the capped call transactions.***

The counterparties to the capped call transactions that the Company entered into in connection with the pricing of the notes are financial institutions, and the Company will be subject to the risk that one or more of the counterparties may default or otherwise fail to perform, or may exercise certain rights to terminate, their obligations under the capped call transactions. The Company's exposure to the credit risk of the counterparties will not be secured by any collateral.

Global economic conditions have in the past resulted in the actual or perceived failure or financial difficulties of many financial institutions. If a counterparty to one or more capped call transactions becomes subject to insolvency proceedings, the Company will become an unsecured creditor in those proceedings with a claim equal to its exposure at the time under such transaction. The Company's exposure will depend on many factors but, generally, its exposure will increase if the market price or the volatility of the Company's common stock increases. In addition, upon a default or other failure to perform, or a termination of obligations, by a counterparty, the counterparty may fail to deliver the consideration required to be delivered to the Company under the capped call transactions and it may experience more dilution than the Company currently anticipates with respect to its common stock. The Company can provide no assurances as to the financial stability of the counterparties.

**Risks Related to Ownership of the Company's Common Stock**

***Anti-takeover provisions contained in the Company's amended and restated certificate of incorporation and amended and restated bylaws, as well as provisions of Delaware law, could impair a takeover attempt.***

The Company's amended and restated certificate of incorporation, amended and restated bylaws and Delaware law contain provisions which could have the effect of rendering more difficult, delaying or preventing an acquisition deemed undesirable by the Company's board of directors. Among other things, the Company's amended and restated certificate of incorporation and amended and restated bylaws include provisions:

- authorizing “blank check” preferred stock, which could be issued by the Company's board of directors without stockholder approval and may contain voting, liquidation, dividend and other rights superior to its common stock;
- limiting the liability of, and providing indemnification to, its directors and officers;
- limiting the ability of its stockholders to call and bring business before special meetings;
- requiring advance notice of stockholder proposals for business to be conducted at meetings of the Company's stockholders and for nominations of candidates for election to its board of directors; and
- controlling the procedures for the conduct and scheduling of board of directors and stockholder meetings.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in the Company's management.

As a Delaware corporation, the Company is also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law (the “DGCL”), which prevents certain stockholders holding more than 15% of its outstanding capital stock from engaging in certain business combinations without approval of the holders of at least two-thirds of the Company's outstanding common stock not held by such stockholder.

Any provision of the Company's amended and restated certificate of incorporation, amended and restated bylaws or Delaware law that has the effect of delaying, preventing or deterring a change in control could limit the opportunity for its stockholders to receive a premium for their shares of the Company's capital stock, and could also affect the price that some investors are willing to pay for its common stock.

***The Company's business could be negatively affected by activist shareholders.***

Responding to actions by activist shareholders could be costly and time-consuming, disrupt the Company's operations and divert the attention of management and its employees. Additionally, perceived uncertainties as to the Company's future direction as a result of shareholder activism or changes to the composition of its board of directors may lead to the perception of a change in the direction of its business or other instability, which may be exploited by its competitors, cause concern to the Company's current or potential customers, and make it more difficult to attract and retain qualified personnel. If customers choose to delay, defer or reduce transactions with the Company or do business with its competitors instead of the Company, then the Company's business, financial condition and operating results would be adversely affected. In addition, the share price of its common stock could experience periods of increased volatility as a result of shareholder activism.

***If securities or industry analysts do not publish or cease publishing research or reports about the Company, its business, its market or its competitors, or if they adversely change their recommendations regarding the Company's common stock, the market price and trading volume of its common stock could decline.***

The trading market for the Company's common stock will be influenced, to some extent, by the research and reports that securities or industry analysts publish about the Company, its business, its market or its competitors. If any of the analysts who cover the Company adversely change their recommendations regarding its common stock or provide more favorable recommendations about its competitors, the market price of the Company's common stock would likely decline. If any of the analysts who cover the Company cease coverage of the company or fail to regularly publish reports on it, the Company could lose visibility in the financial markets, which in turn could cause the market price and trading volume of its common stock to decline.

***The Company does not expect to declare any dividends on its common stock in the foreseeable future.***

The Company does not anticipate declaring any cash dividends to holders of its common stock in the foreseeable future. Consequently, investors may need to rely on sales of its common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors seeking cash dividends should not purchase shares of its common stock.

***If the Company raises additional capital through the sale of shares of the Company's common stock, convertible securities or debt in the future, its stockholders' ownership in the Company could be diluted and restrictions could be imposed on the Company's business.***

The Company may issue shares of its common stock or securities convertible into its common stock to raise additional capital in the future. To the extent the Company issues such securities, its stockholders may experience substantial dilution and the trading price of the Company's common stock could decline. If the Company obtains funds through a credit facility or through the issuance of debt or preferred securities, such debt or preferred securities could have rights senior to the existing stockholders' rights as a common shareholder, which could impair the value of the Company's common stock.

***The Company has implemented "sell-to-cover" in which shares of its common stock are sold into the market on behalf of RSU and PSU holders upon vesting of RSUs and PSUs to cover tax withholding liabilities and such sales will result in dilution to its stockholders.***

Under U.S. tax laws, employment tax withholding and remittance obligations for restricted stock units, or RSUs, and performance stock units, or PSUs, arise in connection with their vesting. To fund the tax withholding and remittance obligations arising in connection with the vesting of RSUs, the Company uses the "sell-to-cover" method, under which shares with a market value equivalent to the tax withholding obligation are sold by a broker on behalf of the holder of the RSUs or PSUs upon vesting to cover the tax withholding liability and the cash proceeds from such sales will be remitted by the Company to the taxing authorities. The tax withholding due in connection with such RSU or PSU vesting is based on the then-current value of the underlying shares of the Company's common stock. Such sales do not result in the expenditure of additional cash by the Company to satisfy the tax withholding obligations for RSUs or PSUs, but do cause dilution to the Company's stockholders and, to the extent a large number of shares are sold in connection with any vesting event, such sales volume may cause the Company's stock price to fluctuate.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

Not applicable.

**ITEM 2. PROPERTIES**

The Company occupies 66,000 square feet for its U.S. corporate office in Brisbane, California, under a lease which extends through January 31, 2028. The original lease expired on December 31, 2017, and the Company entered into a Second Amendment on July 6, 2017 that extended the term of the lease to January 31, 2023 and a Third Amendment on July 9, 2020 that extended the term of the lease to January 31, 2028. The amendment provides for the following: a) the extension of the lease term, with the extended term to begin on February 1, 2023 and continue until January 31, 2028; b) the abatement of the monthly base rent for the four month period beginning September 1, 2020 and ending December 31, 2020; c) the amendment of monthly base rent during the extension term to approximately \$0.2 million for January 2021 with annual increases of 3.5% thereafter; and d) the waiver by the Company of its early termination right in the lease. Pursuant to the terms of the Third Amendment to the Lease Agreement, the Company has the option to extend the term of the lease by an additional 60 months.

In addition, the Company has leased office facilities in certain countries as follows:

<b>Country</b>	<b>Square Footage</b>	<b>Lease termination or Expiration</b>
Japan	Approximately 10,760	Four leases, expiring between December 2023 and March 2024.
France	Approximately 2,239	One lease, which expires in June 2031.
Spain	Approximately 680	One lease, which expires in December 2023.
Belgium	Approximately 151	One lease, which expires in November 2023.

**ITEM 3. LEGAL PROCEEDINGS**

From time to time, the Company may be involved in legal and administrative proceedings and claims of various types. For a description of material pending legal and regulatory proceedings and settlements as of December 31, 2022, please see Note 13 to the Company's consolidated financial statements entitled "Commitments and Contingencies," Part II Item 8, included in this Annual Report on Form 10-K.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

### ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### *Stock Exchange Listing*

The Company's common stock trades on the NASDAQ Global Select Market under the symbol "CUTR." As of April 4, 2023, the closing sale price of its common stock was \$23.05 per share.

#### *Common Stockholders*

The Company had five stockholders of record as of February 22, 2023. The Company believes the actual number of stockholders is greater than this number of record holders and includes stockholders who are beneficial owners, but whose shares are held in "street" name by brokers and other nominees. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

#### *Issuer Purchases of Equity Securities*

There were no repurchases of the Company's common stock in 2022 under the Company's Stock Repurchase Program.

#### *Sales of Unregistered Securities*

The Company issued \$138.3 million aggregate principal amount of convertible notes in a private placement offering on March 5, 2021. The notes bear interest at a rate of 2.25% per year. In connection with issuance of the notes, the Company entered into capped call transactions with certain option counterparties. The capped call transactions are generally expected to reduce the potential dilution of the Company's common stock upon any conversion of the notes. The capped calls were purchased for \$16.1 million.

On May 27, 2022, the Company issued \$240.0 million aggregate principal amount of convertible notes (the "2028 Notes"). The notes bear interest at a rate of 2.25% per year. A total of \$230.0 million of aggregate principal amount of 2028 Notes was issued in a private placement offering to persons reasonably believed to be qualified institutional buyers pursuant to Rule 144A under the Securities Act and concurrently with this private placement, the Company entered into a purchase agreement with Voce Capital Management LLC ("Voce") pursuant to Section 4(a)(2) of the Securities Act, an entity affiliated with J. Daniel Plants, the Company's Executive Chairperson, pursuant to which the Company issued to Voce \$10.0 million aggregate principal amount of 2028 Notes on the same terms and conditions. The aggregate proceeds from the offering of 2028 Notes were approximately \$232.4 million, net of issuance costs, including initial purchasers' fees. The notes will mature on June 1, 2028, unless earlier converted, repurchased or redeemed. The initial conversion rate will be 18.9860 shares of the Company's common stock per \$1,000 principal amount of notes (equivalent to an initial conversion price of approximately \$52.67 per share of common stock). In connection with issuance of the notes, the Company entered into capped call transactions with certain option counterparties. The capped call transactions are generally expected to reduce the potential dilution of the Company's common stock upon any conversion of the notes. The capped calls were purchased for \$32.0 million, inclusive of issuance costs.

On December 12, 2022, the Company issued \$120.0 million aggregate principal amount of convertible notes (the "2029 Notes") in a private placement offering to persons reasonably believed to be qualified institutional buyers pursuant to Rule 144A under the Securities Act. The 2029 Notes bear interest at a rate of 4.00% per year. Upon conversion, the 2029 Notes will be convertible into either cash, shares of the Company's common stock or a combination thereof, at the Company's election. The 2029 Notes are presented as convertible notes, net of unamortized debt issuance costs, on the consolidated balance sheet. The aggregate proceeds from the offering were approximately \$115.8 million, net of issuance costs, including initial purchasers' fees. The notes will mature on June 1, 2029, unless earlier converted, repurchased or redeemed. The initial conversion rate will be 17.1378 shares of the Company's common stock per \$1,000 principal amount of notes (equivalent to an initial conversion price of approximately \$58.35 per share of common stock). In connection with issuance of the 2029 Notes, the Company entered into capped call transactions with certain option counterparties. The capped call transactions are generally expected to reduce the potential dilution of the Company's common stock upon any conversion of the notes. The capped calls were purchased for \$25.1 million, inclusive of issuance costs.

#### *Dividends*

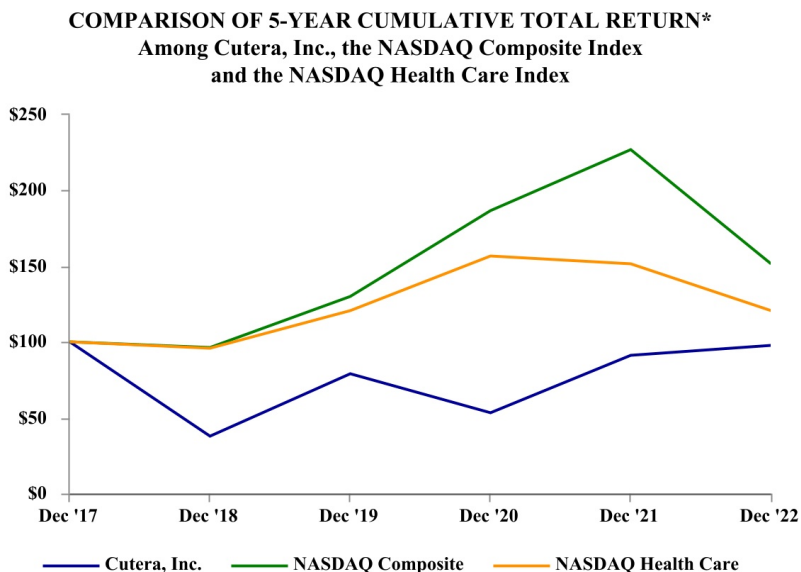
For a discussion regarding the Company's intentions with respect to dividends, see the section titled "Stock-based Compensation Expense" set forth in Part II Item 7 of this Annual Report on Form 10-K.

#### *Securities Authorized for Issuance under Equity Compensation Plans*

The information required by this Item regarding equity compensation plans is incorporated by reference to the information set forth in Part III Item 12 of this Annual Report on Form 10-K.

**Performance Graph**

The graph below compares Cutera, Inc.'s cumulative 5-Year total shareholder return on common stock with the cumulative total returns of the NASDAQ Composite index and the NASDAQ Health Care index. The graph tracks the performance of a \$100 investment in the Company's common stock and in each index (with the reinvestment of all dividends) from December 31, 2017 to December 31, 2022.



\*\$100 invested on December 31, 2017 in stock or index, including reinvestment of dividends.

In accordance with SEC rules, the information contained under "Performance Graph" shall not be deemed to be "soliciting material," or to be "filed" with the SEC or subject to the SEC's Regulation 14A or 14C, other than as provided under Item 201(e) of Regulation S-K, or to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically request that the information be treated as soliciting material or specifically incorporate it by reference into a document filed under the Securities Act, or the Securities Exchange Act of 1934, as amended.



**ITEM 6. [RESERVED]**

## ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion should be read in conjunction with the Company’s audited financial statements and notes thereto for the fiscal year ended December 31, 2022. This Annual Report on Form 10-K, including the following sections, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Throughout this Report, and particularly in this Item 7, the forward-looking statements are based upon the Company’s current expectations, estimates and projections and that reflect the Company’s beliefs and assumptions based upon information available to the Company at the date of this Report. In some cases, you can identify these statements by words such as “may,” “might,” “could,” “will,” “should,” “expects,” “plans,” “anticipates,” “likely,” “believes,” “estimates,” “intends,” “forecasts,” “foresees,” “predicts,” “potential” or “continue,” and other similar terms. These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties, and assumptions that are difficult to predict. The Company’s actual results, performance or achievements could differ materially from those expressed or implied by the forward-looking statements. The forward-looking statements include, but are not limited to, statements relating to the Company’s future financial performance, the ability to grow the Company’s business, increase the Company’s revenue, manage expenses, generate additional cash, achieve and maintain profitability, develop and commercialize existing and new products and applications, improve the performance of the Company’s worldwide sales and distribution network, and to the outlook regarding long term prospects. The Company cautions you not to place undue reliance on these forward-looking statements, which reflect management’s analysis only as of the date of this Annual Report on Form 10-K. The Company undertakes no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this Form 10-K.*

*Some of the important factors that could cause the Company’s results to differ materially from those in the Company’s forward-looking statements, and a discussion of other risks and uncertainties, are discussed in Item 1A—Risk Factors. The Company encourages you to read that section carefully as well as other risks detailed from time to time in the Company’s filings with the SEC.*

### Introduction

The Management’s Discussion and Analysis (“MD&A”) is organized as follows:

- Executive Summary. This section provides a general description and history of the Company’s business, a brief discussion of the Company’s product lines and the opportunities, trends, challenges and risks the Company focuses on in the operation of the Company’s business.
- Critical Accounting Policies and Estimates. This section describes the key accounting policies that are affected by critical accounting estimates.
- Results of Operations. This section provides the Company’s analysis and outlook for the significant line items on the Company’s Consolidated Statements of Operations.
- Liquidity and Capital Resources. This section provides an analysis of the Company’s liquidity and cash flows, as well as a discussion of the Company’s commitments that existed as of December 31, 2022.

The Company has omitted discussion of 2020 results where it would be redundant to the discussion previously included in Management’s Discussion and Analysis of Financial Condition and Results of Operations on Form 10-K for the year ended December 31, 2021, which has been filed with the SEC.

### Executive Summary

#### Company Description

Cutera, Inc. (“Cutera” or the “Company”) develops, manufactures, distributes, and markets energy-based product platforms for medical practitioners, enabling them to offer safe and effective treatments to their customers. In addition, the Company distributes third-party manufactured skincare products. The Company currently markets the following system platforms: AviClear, enlighten, excel, truSculpt, Secret PRO, Secret RF, and xeo — each of which enables medical practitioners to perform safe and effective procedures, including treatment for acne, body contouring, skin resurfacing and revitalization, hair and tattoo removal, removal of benign pigmented lesions, and vascular conditions. Several of the Company’s systems offer multiple hand pieces and applications, providing customers the flexibility to upgrade their systems.

The Company’s corporate headquarters and U.S. operations are located in Brisbane, California, where the Company conducts manufacturing, warehousing, research and development, regulatory, sales and marketing, service, and administrative activities. The Company also maintains regional distribution centers (“RDCs”) in selection locations across the U.S. These RDCs serve as forward warehousing for systems and service parts in various geographies. The Company markets and services the Company’s products through direct sales and service employees in North America (including Canada), Australia, Austria,

Belgium, France, Germany, Hong Kong, Japan, the Netherlands, Spain, Switzerland, and the United Kingdom. Sales and services outside of these direct markets are made through a worldwide distributor network in over 37 countries. The consolidated financial statements include the accounts of the Company and its subsidiaries. All inter-company transactions and balances have been eliminated.

The Company's trademarks include: "CUTERA®," "AVI360®," "AVICARE®," "AVICLEAR®," "AVICOOOL®," "ACUTIP 500®," "COOLGLIDE®," "CUCF®," "CUTERA UNIVERSITY CLINICAL FORUM®," "ENLIGHTEN®," "EXCEL HR®," "EXCEL V®," "EXCEL V+™," "GENESIS®," "LASER GENESIS®," "LIMELIGHT®," "MYQ®," "PEARL®," "PICO GENESIS®," "PROWAVE 770®," "SOLERA®," "TITAN®," "TRUBODY®," "TRUFLEX™," "TRUSCULPT®," "TRUSCULPT ID®," "TRUSCULPT FLEX®," "VANTAGE®," and "XEO®." The Company's logo and other Company trade names, trademarks, and service marks appearing in this document are the Company's property. Other trade names, trademarks, and service marks appearing in this Annual Report on Form 10-K are the property of their respective owners. Solely for convenience, the Company's trade names, trademarks and service marks referred to in this Annual Report on Form 10-K appear without the ® or TM symbols, but those references are not intended to indicate, in any way, that the Company will not assert, to the fullest extent under applicable law, the Company's rights, or the right of the applicable licensor to these trade names, trademarks and service marks.

### **Products and Services**

The Company derives revenue from the sale of products and services. Product revenue includes revenue from the sale of systems, hand pieces and upgrade of systems (collectively "Systems" revenue), leasing of AviClear devices for acne treatment ("AviClear" revenue), replacement hand pieces, truSculpt cycle refills, and truFlex cycle refills, as well as single use disposable tips applicable to Secret RF ("Consumables" revenue); and the sale of third-party manufactured skincare products ("Skincare" revenue). A system consists of a console that incorporates a universal graphic user interface, a laser and (or) an energy-based module, control system software and high voltage electronics, as well as one or more hand pieces. However, depending on the application, the laser or other energy-based module is sometimes contained in the hand piece such as with the Company's Pearl and Pearl Fractional applications instead of within the console.

The Company currently markets the following key platforms: AviClear, enlighten, excel, truSculpt, Secret PRO, Secret RF, and xeo — each of which enables medical practitioners to perform safe and effective procedures, including treatment for acne, body contouring, skin resurfacing and revitalization, hair and tattoo removal, removal of benign pigmented lesions, and vascular conditions.

Several of the Company's systems offer multiple hand pieces and applications, providing customers the flexibility to upgrade their systems whenever they choose and provides the Company with a source of additional Systems revenue.

Skincare revenue relates to the distribution of ZO's skincare products in Japan. The skincare products are purchased from a third-party manufacturer and sold to medical offices and licensed physicians. The Company acts as the principal in this arrangement, as the Company determines the price to charge customers for the skincare products and controls the products before they are transferred to the customer.

Service includes prepaid service contracts, and labor, time and material on out-of-warranty products.

### **Significant Business Trends**

The Company believes that the ability to grow revenue will be primarily impacted by the following:

- capturing market share in the Acne space and capitalizing on the momentum in AviClear;
- continuing to expand the Company's product offerings, both through internal development and sourcing from other vendors;
- ongoing investment in the Company's global sales and marketing infrastructure;
- use of clinical results to support new aesthetic products and applications;
- enhanced luminary development and reference selling efforts (to develop a location where Company's products can be displayed and used to assist in selling efforts);
- customer demand for the Company's products;
- consumer demand for the application of the Company's products;
- marketing to physicians in the core dermatology and plastic surgeon specialties, as well as outside those specialties; and
- generating recurring revenue from the Company's growing installed base of customers through the sale of system upgrades, services, hand piece refills, truSculpt cycles, skincare products and replacement tips for Secret RF products.

For a detailed discussion of the significant business trends impacting the Company's business, please see the section titled "Results of Operations" below.

***Critical Accounting Policies and Use of Estimates***

The preparation of the Company's audited consolidated financial statements and related notes requires the Company to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The Company has based its estimates on historical experience and on various other assumptions that the Company believes to be reasonable under the circumstances. The Company periodically reviews its estimates and makes adjustments when facts and circumstances dictate. To the extent that there are material differences between these estimates and actual results, its financial condition or results of operations will be affected.

An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the consolidated financial statements. The Company believes that its critical accounting policies reflect the more significant estimates and assumptions used in the preparation of its audited consolidated financial statements.

The Company's critical accounting policies are described in Note 1 "Summary of significant accounting policies". The following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of the Company's condensed consolidated financial statements.

***Inventory Valuation***

The Company estimates an excess and obsolete inventory reserve based on expected inventory usage. The Company's estimate of inventory consumption is based on historic consumption patterns, expected future sales and production, anticipated manufacturing capacity, and planned product releases. The Company develops an estimate of these factors through analysis of historic and budgeted data, and enquiries of departmental leaders. The Company evaluates the excess and obsolete model and the resulting reserve on a quarterly basis.

***Income Taxes and Valuation Allowance***

The Company estimates whether a valuation allowance is necessary for the Company's deferred tax assets by evaluating evidence of the existence of sufficient taxable income within the permitted carryback and carryforward periods. The most significant deferred tax assets relate to the Company's accumulated net operating losses of \$133.0 million at December 31, 2022, and unutilized tax credit balance of \$14.9 million at December 31, 2022. The Company considers positive and negative evidence in evaluating the likelihood that these net operating losses and tax credits can be utilized and places greatest reliance on the most objective available evidence, including the Company's recent operating loss history or profitability by tax jurisdiction, the timing of the expiration of net operating losses, and credit carryforwards and potential reversal of deferred tax liabilities that would give rise to future taxable income.

**Results of Operations**

The following table sets forth selected consolidated financial data expressed as a percentage of net revenue.

	<b>Year Ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Net revenue	100 %	100 %	100 %
Cost of revenue	45 %	42 %	49 %
Gross margin	55 %	58 %	51 %
<b>Operating expenses:</b>			
Sales and marketing	42 %	33 %	36 %
Research and development	10 %	9 %	10 %
General and administrative	18 %	14 %	20 %
Total operating expenses	71 %	57 %	65 %
Income/(Loss) from operations	(15)%	1 %	(15)%
Amortization of debt issuance costs	(1)%	— %	— %
Interest on convertible notes	(2)%	(1)%	— %
Gain on extinguishment of PPP loan	— %	3 %	— %
Other income (expense), net	(1)%	(1)%	— %
Income (loss) before income taxes	(19)%	2 %	(15)%
Income tax expense	1 %	1 %	— %
Net income (loss)	(20)%	1 %	(16)%

### Net Revenue

The following table sets forth selected consolidated revenue by major geographic area and product category with changes thereof.

(Dollars in thousands)	Year Ended December 31,				
	2022	% Change	2021	% Change	2020
<b>Revenue mix by geography:</b>					
North America	\$ 128,418	15 %	\$ 111,621	61 %	\$ 69,455
Japan	64,921	(8)%	70,235	62 %	43,265
Rest of World	59,060	20 %	49,414	41 %	34,963
Consolidated total revenue	\$ 252,399	9 %	\$ 231,270	57 %	\$ 147,683
<i>North America as a percentage of total revenue</i>	51 %		48 %		47 %
<i>Japan as a percentage of total revenue</i>	26 %		31 %		29 %
<i>Rest of World as a percentage of total revenue</i>	23 %		21 %		24 %
<b>Revenue mix by product category:</b>					
Systems - North America	\$ 98,345	14 %	\$ 86,100	70 %	\$ 50,721
Systems - Rest of World (including Japan)	65,292	22 %	53,533	34 %	40,045
<i>Total Systems</i>	163,637	17 %	139,633	54 %	90,766
AviClear	4,456	N/A	—	N/A	—
Consumables	18,203	11 %	16,401	77 %	9,286
Skincare	42,500	(14)%	49,669	98 %	25,061
<i>Total Products</i>	228,796	11 %	205,703	64 %	125,113
Service	23,603	(8)%	25,567	13 %	22,570
<i>Total Net revenue</i>	\$ 252,399	9 %	\$ 231,270	57 %	\$ 147,683

### Total Net Revenue

The Company's total revenue increased by \$21.1 million, or 9%, for the year ended December 31, 2022, compared to 2021, due to an increase in revenue from system sales of \$24.0 million reflecting an increase in systems volume across all geographies. Consumables growth increased by \$2.6 million driven by an increased system installed base.

These increases were partially offset by a decrease in Skincare revenue of \$7.2 million due to devaluation of the Japanese Yen. Foreign currency devaluation in Japan, Europe and Australia adversely impacted total revenue in 2022 by approximately \$15.1 million.

### Revenue by Geography

The Company's North America revenue increased by \$16.8 million, or 15%, for the year ended December 31, 2022, compared to 2021. This increase is due to an increase of \$12.2 million in systems revenue, attributable to investments in the Company's sales force, and AviClear revenue of \$4.5 million reflecting the commercialization of the AviClear device in 2022.

The Company's revenue in Japan decreased \$5.3 million, or 8%, for the year ended December 31, 2022, compared to 2021. This decrease was driven by a \$7.2 million decrease in Skincare revenue due to a significant devaluation in the Japanese Yen in 2022.

The Company's Rest of World revenue increased \$9.6 million, or 20%, for the year ended December 31, 2022, compared to 2021, driven by continued sales process improvements and development efforts from the sales team resulting in a \$9.8 million increase in systems revenue.

## Revenue by Product Type

### Systems Revenue

Systems revenue in North America increased by \$12.2 million, or 14%, for the year ended December 31, 2022, compared to 2021, due to strong market conditions and investments in the North American sales force. The Rest of the World systems revenue increased by \$11.8 million, or 22%, compared to 2021. The increase in Rest of the World revenue was due to increased sales across all international sales regions.

### AviClear Revenue

The Company received FDA clearance related to its AviClear device in March 2022. From April 2022 through November 2022, the Company earned revenue from a limited commercial release and after November 2022 earned revenue from a full commercial release. The AviClear revenue consists of \$0.9 million of lease revenue related to the fixed annual license fee and variable lease revenue of \$3.5 million related to treatments performed by the lessee.

### Consumables Revenue

Consumables revenue increased \$1.8 million, or 11%, for the year ended December 31, 2022, compared to 2021. The increase in consumables revenue was primarily due to the increased installed base of truSculpt, Secret RF, truSculpt iD and truFlex, each of which have a consumable element.

### Skincare Revenue

The Company's revenue from Skincare products in Japan decreased \$7.2 million, or 14%, for the year ended December 31, 2022, compared to 2021. This decrease was mainly due to significant devaluation of the Japanese Yen in 2022.

### Service Revenue

The Company's Service revenue decreased \$2.0 million, or 8%, for the year ended December 31, 2022, compared to 2021. This decrease was due to supply chain constraints on service parts as well as foreign currency devaluation in Japan, Europe, and Australia.

## Gross Profit

(Dollars in thousands)	Year Ended December 31,				
	2022	Change	2021	Change	2020
<b>Gross profit</b>	\$ 139,829	\$ 6,724	\$ 133,105	\$ 57,333	\$ 75,772
As a percentage of total net revenue	55.4 %	(2.2)%	57.6 %	6.2 %	51.3 %

Gross profit as a percentage of revenue for the year ended December 31, 2022, was 55.4%, compared to 57.6% in 2021. The decrease in gross profit as a percentage of revenue was driven by foreign currency devaluation contributing to a 2.0 percentage point decrease and the increased manufacturing overhead due to the AviClear launch contributing to a 1.5 percentage point decrease. These decreases were partially offset by an increase in sales volume, which improved the Company's leverage on fixed costs and provided an increase of 1.3 percentage points to the Company's gross profit percentage.

## Sales and Marketing

(Dollars in thousands)	Year Ended December 31,				
	2022	Change	2021	Change	2020
<b>Sales and marketing</b>	\$ 106,947	\$ 30,185	\$ 76,762	\$ 23,996	\$ 52,766
As a percentage of total net revenue	42.4 %	9.2 %	33.2 %	(2.5)%	35.7 %

Sales and marketing expenses consist primarily of personnel expenses, expenses associated with customer-attended workshops and trade shows, post-marketing studies, advertising, and training. Sales and marketing expenses for the year ended December 31, 2022, increased \$30.2 million, or 39%, compared to 2021. This increase was primarily driven by an investment in AviClear sales and marketing resources and an increase in commission expense due to increased sales. This investment in AviClear and increase in commission expense resulted in an increase in labor expenses of \$15.1 million. Also contributing to

the increase in sales and marketing expenses was a \$6.2 million increase in marketing costs and a \$4.2 million increase due to the resumption of travel activities.

#### Research and Development (“R&D”)

(Dollars in thousands)	Year Ended December 31,				
	2022	Change	2021	Change	2020
<b>Research and development</b>	\$ 25,155	\$ 3,587	\$ 21,568	\$ 7,246	\$ 14,322
As a percentage of total net revenue	10.0 %	0.6 %	9.3 %	(0.4)%	9.7 %

R&D expenses consist primarily of personnel expenses, clinical research, regulatory and material costs. R&D expenses increased by \$3.6 million, or 17%, for the year ended December 31, 2022, compared to 2021. The increase in expense was due primarily to \$1.9 million related to an investment in skin revitalization technology, and a \$1.3 million increase in salaries and benefits.

#### General and Administrative (“G&A”)

(Dollars in thousands)	Year Ended December 31,				
	2022	Change	2021	Change	2020
<b>General and administrative</b>	\$ 45,917	\$ 12,972	\$ 32,945	\$ 1,433	\$ 31,512
As a percentage of total net revenue	18.2 %	3.9 %	14.2 %	(5.8)%	20.0 %

G&A expenses consist primarily of personnel expenses, legal, accounting, audit and tax consulting fees, as well as other general and administrative expenses. G&A expenses increased by \$13.0 million, or 39%, for the year ended December 31, 2022, compared to 2021. The increase in expenses was due primarily to a \$9.6 million increase in professional fees, mainly related to the implementation of a new ERP in 2022, a \$2.2 million increase in credit loss and other administrative expense, and a \$1.5 million increase in labor-related expenses driven by an increase in headcount.

#### Interest and Other Income (Expense), Net

Interest and other income (expense), net, consists of the following:

(Dollars in thousands)	Year Ended December 31,				
	2022	Change	2021	Change	2020
Amortization of debt issuance costs	\$ (1,355)	\$ (645)	\$ (710)	\$ (710)	\$ —
Interest on Convertible notes	(5,658)	(3,144)	(2,514)	(2,514)	—
Loss on extinguishment of convertible notes	(34,423)	(34,423)	—	—	—
Gain on extinguishment of PPP loan	—	(7,185)	7,185	7,185	—
Interest income (expense), net	2,600	3,161	(561)	86	(647)
Other expense, net	(3,676)	(1,831)	(1,845)	(1,913)	68
<b>Interest and other income (expense), net</b>	<b>\$ (42,512)</b>	<b>\$ (44,067)</b>	<b>\$ 1,555</b>	<b>\$ 2,134</b>	<b>\$ (579)</b>

Interest and other income (expense), net, changed from a net income of \$1.6 million in 2021 to a net expense of \$42.5 million in 2022. This change is primarily due to the loss on extinguishment of the 2026 Notes and the increased convertible debt costs in 2022 from the issuance of the 2028 and 2029 Notes. The increased expense was partially offset by interest income of \$2.6 million generated from marketable investments. Other expense, net, mainly consists of realized and unrealized foreign exchange losses. The increase in the loss in 2022 reflects the devaluation of the Japanese Yen.

#### Income Tax Provision

(Dollars in thousands)	Year Ended December 31,				
	2022	Change	2021	Change	2020
<b>Income tax provision</b>	\$ 1,638	\$ 315	\$ 1,323	\$ 853	\$ 470



Income tax provision increased \$0.3 million, or 24%, for the year ended December 31, 2022, compared to 2021. This increase reflects higher net earnings from the Company's foreign subsidiaries.

### Segment Results of Operations

(Dollars in thousands)	Year Ended December 31, 2022			Year Ended December 31, 2021		
	Cutera Core	AviClear	Total	Cutera Core	AviClear	Total
<b>Revenue</b>	\$ 247,943	\$ 4,456	\$ 252,399	\$ 231,270	\$ —	\$ 231,270
<b>Income (loss) from operations</b>	\$ (6,905)	\$ (31,285)	\$ (38,190)	\$ 11,528	\$ (9,698)	\$ 1,830
Interest and other income (expense), net			(42,512)			1,555
Income (loss) before income taxes			\$ (80,702)			\$ 3,385

#### Cutera Core

The Company's Cutera Core reportable segment consists of the Company's systems, consumables, skincare, and service businesses. The Cutera Core segment develops and manufactures energy-based systems for medical practitioners in addition to distributing third-party manufactured skincare products in Japan. The installed base of systems provides opportunities for the segment to earn revenues through service contracts, consumables and replacement handpieces.

The Cutera Core segment's revenue increased by \$16.7 million for the year ended December 31, 2022, compared to 2021. This increase mainly reflected an increase in system sales of \$24.0 million due to volume increases across all geographies. This increase was partially offset by a \$7.2 million decrease in Skincare revenue due mainly to a devaluation of the Japanese Yen.

The Cutera Core segment recorded a loss from operations of \$6.9 million in the year ended December 31, 2022, compared to income from operations of \$11.5 million in 2021. This \$18.4 million adverse change reflects an increase in operating expenses of \$26.0 million, partially offset by an increase in gross margin of \$7.6 million due to the increase in revenue. The increase in operating expenses reflects an increase of \$13.8 million in professional fees and outside consulting, mainly related to the implementation of a new ERP in 2022, an increase in payroll-related expense of \$4.3 million, and an increase of \$3.7 million related to the resumption of travel activities and conferences.

#### AviClear

The Company's AviClear reportable segment consists of the AviClear business. The Company's acne solution, AviClear, is a prescription-free, drug-free laser treatment for the treatment of mild to severe acne. The Company began earning revenue from its AviClear device following FDA approval in 2022. The Company leases the AviClear device to customers in North America and receives a fixed annual license fee over the term of the arrangement and revenue related to treatments performed by the lessee.

In the year ended December 31, 2022, the Company earned \$0.9 million in lease license fee revenue and \$3.5 million in treatment revenue.

The AviClear segment recorded a loss from operations of \$31.3 million in the year ended December 31, 2022, compared to a loss from operations of \$9.7 million in 2021. This \$21.6 million adverse change mainly reflects a \$19.5 million increase in sales and marketing expense associated with the commercialization of the AviClear device. An increase in sales-related headcount in the AviClear segment resulted in an increase in payroll expenses of \$10.5 million and promotional and travel expenses related to the AviClear commercialization accounted for a further \$7.3 million of the increase in sales and marketing expense.

### Liquidity and Capital Resources

#### Sources and Uses of Cash

The Company's principal source of liquidity is cash generated from the issuance of convertible notes. The Company actively manages its cash usage and investment of liquid cash to ensure the maintenance of sufficient funds to meet its daily needs. The majority of the Company's cash is held in U.S. banks and its foreign subsidiaries maintain a limited amount of cash in their local banks to cover their short-term operating expenses.

As of December 31, 2022 and December 31, 2021, the Company had \$345.4 million and \$175.8 million of working capital, respectively. Cash and cash equivalents decreased by \$18.2 million to \$145.9 million as of December 31, 2022, from \$164.2 million as of December 31, 2021, due to the net proceeds from the issuance of the convertible notes, offset by purchases of capped calls and marketable investments, the acquisition of property and equipment and cash used for operations.

#### **Cash, Cash Equivalents, Restricted Cash and Marketable Investments**

The following table summarizes the Company's cash, cash equivalents and restricted cash (in thousands):

(Dollars in thousands)	Year ended December 31,		
	2022	2021	Change
Cash and cash equivalents	\$ 145,924	\$ 164,164	\$ (18,240)
Restricted cash	700	700	—
Marketable investments	171,390	—	171,390
<b>Cash and cash equivalents</b>	<b>\$ 318,014</b>	<b>\$ 164,864</b>	<b>\$ 153,150</b>

#### **Consolidated Cash Flow Data**

In summary, the Company's cash flows were as follows:

(Dollars in thousands)	Year ended December 31,		
	2022	2021	2020
Cash flows provided by (used in):			
Operating activities	\$ (66,995)	\$ 1,235	\$ (16,934)
Investing activities	(194,182)	(944)	6,389
Financing activities	242,937	117,526	31,276
<b>Net increase in cash and cash equivalents</b>	<b>\$ (18,240)</b>	<b>\$ 117,817</b>	<b>\$ 20,731</b>

#### **Cash Flows from Operating Activities**

Net cash used in operating activities for the year ended December 31, 2022, was \$67.0 million, which reflected net loss, adjusted for non-cash items of \$21.0 million, and changes in assets and liabilities of \$46.0 million.

The change in assets and liabilities was driven by increases in accounts receivable and inventory, reflecting an increase in revenue and purchases of inventory parts to mitigate global supply shortages, respectively. These increases were partially offset by an increase in accounts payable.

#### **Cash Flows from Investing Activities**

Net cash used in investing activities for the year ended December 31, 2022, was \$194.2 million, due to net purchases of marketable investments of \$171.5 million and purchases of property, and equipment of \$22.7 million.

#### **Cash Flows from Financing Activities**

Net cash provided by financing activities for the year ended December 31, 2022, was \$242.9 million, which was primarily due to the proceeds from the issuance of convertible notes, net of issuance costs, partially offset by the cash used for the purchase of capped calls, and the partial extinguishment of the 2026 Notes.

#### **Adequacy of Cash Resources to Meet Future Needs**

The Company had cash and cash equivalents, including marketable securities, of \$317.3 million, as of December 31, 2022. The Company believes that the existing cash resources are sufficient to meet the Company's anticipated cash needs for working capital and capital expenditures through at least the next 12 months from the date the financial statements are issued, but there can be no assurances.

#### **Debt**

In March 2021, the Company issued \$138.3 million aggregate principal amount of 2026 Notes in a private placement offering. The 2026 Notes bear interest at a rate of 2.25% per year payable semiannually in arrears on March 15 and September 15 of each year. Upon conversion, the 2026 Notes will be convertible into either cash, shares of the Company's common stock or a

combination thereof, at the Company's election. The convertible notes are presented as convertible notes, net of unamortized debt issuance costs, on the consolidated balance sheet. The aggregate proceeds from the offering were approximately \$133.6 million, net of issuance costs, including initial purchasers' fees.

In May 2022, the Company issued \$240.0 million aggregate principal amount of 2028 Notes. The 2028 Notes bear interest at a rate of 2.25% per year payable semiannually in arrears on June 1 and December 1 of each year. A total of \$230.0 million of aggregate principal amount of 2028 Notes was issued in a private placement offering and concurrently with this private placement, the Company entered into a purchase agreement with Voce Capital Management LLC, an entity affiliated with J. Daniel Plants, the Company's Executive Chairperson, pursuant to which the Company issued to Voce \$10.0 million aggregate principal amount of 2028 Notes on the same terms and conditions. The aggregate proceeds from the offering of 2028 Notes were approximately \$232.4 million, net of issuance costs, including initial purchasers fees.

In December 2022, the Company issued \$120.0 million aggregate principal amount of 2029 Notes in a private placement offering. The 2029 Notes bear interest at a rate of 4.00% per year payable semiannually in arrears on June 1 and December 1 of each year. Upon conversion, the 2029 Notes will be convertible into either cash, shares of the Company's common stock or a combination thereof, at the Company's election. The Convertible notes are presented as Convertible notes, net of unamortized debt issuance costs, on the consolidated balance sheet. The aggregate proceeds from the offering were approximately \$115.8 million, net of issuance costs, including initial purchasers fees.

On July 9, 2020, the Company entered into the Loan and Security Agreement for the Revolving Line of Credit. See Note 14 – Debt in the accompanying notes to consolidated financial statements for more information.

The Loan and Security Agreement contains customary affirmative covenants, such as financial statement reporting requirements and delivery of borrowing base certificates, as well as customary covenants that restrict the Company's ability to, among other things, incur additional indebtedness, sell certain assets, guarantee obligations of third parties, declare dividends, or make certain distributions, and undergo a merger or consolidation or certain other transactions. The Loan and Security Agreement also contains certain financial condition covenants.

On March 4, 2021, the Loan and Security Agreement was amended to (i) permit the Company to issue the 2026 Notes, and (ii) to permit the related capped call transactions.

On May 27, 2021, the Loan and Security Agreement was amended. The amendment removed the quarterly minimum revenue requirement but kept in place the other financial covenants.

On May 24, 2022, the Loan and Security Agreement was amended. The amendment increased the permitted indebtedness by \$230,000,000 and provided for the 2026 Notes Exchange and issuance of the capped call transactions related to the 2028 Notes.

On August 10, 2022, the Loan and Security Agreement was amended. The amendment to the Loan and Security Agreement waived a violation of a covenant and revised the Loan Agreement to permit the issuance of the 2028 Notes.

On December 7, 2022, the Loan and Security Agreement was amended. The amendment to the Loan and Security Agreement waived a violation of a covenant and revised the Loan Agreement to permit the issuance of the 2029 Notes.

As of December 31, 2022, the Company had not drawn on the Revolving Line of Credit and the Company is in compliance with all financial covenants of the Revolving Line of Credit.

On March 10, 2023, Silicon Valley Bank was closed by the California Department of Financial Protection and Innovation, and the FDIC was appointed receiver. On March 26, 2023, the FDIC announced that it had entered into a purchase and assumption agreement with First-Citizens Bank & Trust Company under which all deposits of the former Silicon Valley Bank were assumed by First-Citizens Bank & Trust Company. In addition, under the purchase and assumption agreement, First-Citizens Bank & Trust Company assumed Silicon Valley Bank's obligations under the Company's credit facility. On March 13, 2023, the Company violated one of the terms of the credit facility agreement by transferring funds from Silicon Valley Bank. The Company received a waiver from First-Citizens Bank & Trust Company for this violation.

#### **Purchase Commitments**

The Company maintains certain open inventory purchase commitments with its suppliers to ensure a smooth and continuous supply for key components. The Company's liability in these purchase commitments is generally restricted to an agreed-upon period. Such time periods can vary among different suppliers. The Company believes it has adequate funds to fulfill any such commitments in the future using the sources discussed in this Item 7 – Management's Discussion & Analysis of Financial Condition and Results of Operations.

**Other**

In the normal course of business, the Company enters into agreements that contain a variety of representations, warranties, and indemnification obligations. For example, the Company has entered into indemnification agreements with each of the Company's directors and executive officers. The Company's exposure under the various indemnification obligations is unknown and not reasonably estimable as they involve future claims that may be made against us. As such, the Company has not accrued any amounts for such obligations.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

**The conditional conversion feature of the convertible notes, if triggered, may adversely affect the Company's financial condition and operating results.**

### 2026 Notes:

Holders may convert their Notes at their option prior to the close of business on the business day immediately preceding December 15, 2025, in multiples of \$1,000 principal amount, only under the following circumstances:

- During any fiscal quarter commencing after the fiscal quarter ended on June 30, 2021 (and only during such fiscal quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on and including, the last trading day of the immediately preceding fiscal quarter, is greater than or equal to 130% of the conversion price for the convertible notes on each applicable trading day;
- During the five-business day period after any five consecutive trading day period (the "measurement period") in which the "trading price" per \$1,000 principal amount of convertible notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day;
- The Company calls such convertible notes for redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date; or
- Upon the occurrence of specified corporate events.

On or after December 15, 2025, and until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their Notes, in multiples of \$1,000 principal amount, at the option of the holder regardless of the foregoing circumstances.

The circumstances described in the first bullet of the paragraph above were met during the third and fourth quarter of 2022. As of December 31, 2022, the 2026 Notes are convertible and this condition will remain until March 31, 2023. The 2026 Notes may also become convertible in future periods. Upon any conversion requests of the 2026 Notes, the Company would be required to pay or deliver cash, shares of its common stock, or a combination of cash and shares of its common stock, at the Company's election with respect to such conversion requests. To the extent there are any conversion requests during the twelve months ending December 31, 2023, the Company intends to settle such conversion requests in shares of common stock. Therefore, as of December 31, 2022, the 2026 Notes have been included as Long-term debt on the consolidated balance sheet.

If one or more holders elect to convert their convertible notes, unless the Company elects to satisfy its conversion obligation by delivering solely shares of its common stock, the Company would be required to settle a portion or all of its conversion obligation through the payment of cash, which could adversely affect the Company's liquidity.

### 2028 Notes:

Holders may convert their 2028 Notes at their option prior to the close of business on the business day immediately preceding March 1, 2028, in multiples of \$1,000 principal amount, only under the following circumstances:

- During any fiscal quarter commencing after the fiscal quarter ending on September 30, 2022 (and only during such fiscal quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on and including, the last trading day of the immediately preceding fiscal quarter, is greater than or equal to 130% of the conversion price for the 2028 Notes on each applicable trading day;
- During the five-business day period after any five consecutive trading day period (the "measurement period") in which the "trading price" per \$1,000 principal amount of 2028 Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day;
- The Company calls such convertible notes for redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date; or
- Upon the occurrence of specified corporate events.

On or after March 1, 2028, and until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their 2028 Notes, in multiples of \$1,000 principal amount, at the option of the holder regardless of the foregoing circumstances.

The circumstances described in the bullets in the paragraph above were not met during the fourth quarter of 2022. As of December 31, 2022, the 2028 Notes are not convertible and this condition will remain until March 31, 2023. The 2028 Notes may become convertible in future periods. Upon any conversion requests of the 2028 Notes, the Company would be required to pay or deliver, as the case may be, cash, shares of its common stock, or a combination of cash and shares of its common stock, at the Company's election with respect to such conversion requests. To the extent there are any conversion requests during the twelve months ending December 31, 2023, the Company intends to settle such conversion requests in shares of common stock. Therefore, as of December 31, 2022, the 2028 Notes have been included as Long-term debt on the consolidated balance sheet.

The Company may not redeem the 2028 Notes prior to June 5, 2025. On or after June 5, 2025, the Company may redeem for cash all or any portion of the 2028 Notes, at the Company's option, if the last reported sale price of the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the 2028 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. If the Company elects to redeem fewer than all of the outstanding 2028 Notes, at least \$100.0 million aggregate principal amount of 2028 Notes must be outstanding and not subject to redemption as of the relevant redemption notice date.

If a specified corporate event occurs, note holders have the option to require the Company to repurchase any portion or all of their 2028 Notes in \$1,000 principal increments for cash. The price for such repurchase is calculated as 100% of the principal amounts of 2028 Notes, plus accrued and unpaid interest to the day immediately preceding the Fundamental Change repurchase date. Additionally, holders of the 2028 Notes who convert in connection with a fundamental change are, under certain circumstances, entitled to an increase in conversion rate.

The 2028 Notes are general senior unsecured obligations that rank senior to any of the Company's indebtedness that is explicitly subordinated to the 2028 Notes. The 2028 Notes have equal rank in right of payment with all existing and future unsecured indebtedness that is not subordinated to the 2028 Notes (including the 2026 Notes). The 2028 Notes will be junior to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness. The 2028 Notes do not contain any financial or operating covenants or any restrictions on the payment of dividends, the issuance of other indebtedness or the issuance or repurchase of securities by the Company.

**2029 Notes:**

Holders may convert their 2029 Notes at their option prior to the close of business on the business day immediately preceding March 1, 2029, in multiples of \$1,000 principal amount, only under the following circumstances:

- During any fiscal quarter (and only during such fiscal quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on and including, the last trading day of the immediately preceding fiscal quarter, is greater than or equal to 130% of the conversion price for the 2029 Notes on each applicable trading day;
- During the five-business day period after any five consecutive trading day period (the "measurement period") in which the "trading price" per \$1,000 principal amount of 2029 Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day;
- The Company calls such 2029 Notes for redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date; or
- Upon the occurrence of specified corporate events.

On or after March 1, 2029, and until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their 2029 Notes, in multiples of \$1,000 principal amount, at the option of the holder regardless of the foregoing circumstances.

The circumstances described in the bullets in the paragraph above were not met during the fourth quarter of 2022. As of December 31, 2022, the 2029 Notes are not convertible and this condition will remain until March 31, 2023. The 2029 Notes may become convertible in future periods. Upon any conversion requests of the 2029 Notes, the Company would be required to pay or deliver, as the case may be, cash, shares of its common stock, or a combination of cash and shares of its common stock, at the Company's election with respect to such conversion requests. To the extent there are any conversion requests during the twelve months ending December 31, 2023, the Company intends to settle such conversion requests in shares of common stock. Therefore, as of December 31, 2022, the 2029 Notes have been included as Long-term debt on the consolidated balance sheet.

The Company may not redeem the 2029 Notes prior to December 5, 2025. On or after December 5, 2025, the Company may redeem for cash all or any portion of the 2029 Notes, at the Company's option, if the last reported sale price of the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the 2026 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. If the Company elects to redeem fewer than all of the outstanding 2029 Notes, at least \$100.0 million aggregate principal amount of 2029 Notes must be outstanding and not subject to redemption as of the relevant redemption notice date.

If a specified corporate event occurs, 2029 Note holders have the option to require the Company to repurchase any portion or all of their 2029 Notes in \$1,000 principal increments for cash. The price for such repurchase is calculated as 100% of the principal amounts of 2029 Notes, plus accrued and unpaid interest to the day immediately preceding the Fundamental Change repurchase date. Additionally, holders of the 2029 Notes who convert in connection with a fundamental change are, under certain circumstances, entitled to an increase in conversion rate.

The 2029 Notes are general senior unsecured obligations that rank senior to any of the Company's indebtedness that is explicitly subordinated to the 2029 Notes. The 2029 Notes have equal rank in right of payment with all existing and future unsecured indebtedness that is not subordinated to the 2029 Notes (including the 2026 Notes and 2028 Notes). The 2029 Notes will be junior to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness. The 2029 Notes do not contain any financial or operating covenants or any restrictions on the payment of dividends, the issuance of other indebtedness or the issuance or repurchase of securities by the Company.

#### ***Interest Rate and Market Risk***

As of December 31, 2022, the Company had not drawn on the Revolving Line of Credit, as amended. Overall interest rate sensitivity is primarily influenced by any amount borrowed on the line of credit and the prevailing interest rate on the line of credit facility. The effective interest rate on the line of credit facility is based on a floating per annum rate equal to the Prime rate. The Prime rate was 7.50% as of December 31, 2022, and accordingly the Company may incur additional expenses if the Company has an outstanding balance on the line of credit and the Prime rate increases in future periods.

#### ***Inflation***

The Company experienced inflationary pressure on its business, but the impact was mitigated through ongoing cost improvement initiatives. If the Company's costs were to become subject to significant inflationary pressures, the Company may not be able to fully offset such higher costs through price increases. The Company's inability or failure to do so could harm the Company's business, financial condition, and results of operations.

#### ***Foreign Exchange Fluctuations***

The Company generates revenue in Japanese Yen, Euros, Australian Dollars, Canadian Dollars, British Pounds, and Swiss Francs. Additionally, a portion of the Company's operating expenses, and assets and liabilities are denominated in each of these currencies. Therefore, fluctuations in these currencies against the U.S. dollar could materially and adversely affect the Company's results of operations upon translation of the Company's revenue denominated in these currencies, as well as the re-measurement of the Company's international subsidiaries' financial statements into U.S. dollars.

In 2022, the Company experienced an adverse impact on revenues and net loss of devaluations in the currencies of Japan, Europe and Australia. These devaluations adversely impacted total revenue and net loss in 2022 by approximately \$15 million and \$11 million, respectively. As of December 31, 2022, the effect of a hypothetical 10% unfavorable change in exchange rates on currencies denominated in other than their functional currency would result in a potential reduction of future revenue and increase in the Company's net loss in the consolidated statement of operations of approximately \$10 million and \$6 million, respectively.

The Company will continue to be exposed to fluctuations in the exchange rate between U.S. Dollars and Japanese Yen, as the Company's skincare revenue is denominated in Japanese Yen. In July 2022, the Company implemented a hedging program to mitigate this exposure to the Japanese Yen fluctuation against the U.S. Dollar.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CUTERA, INC. AND SUBSIDIARY COMPANIES

ANNUAL REPORT ON FORM 10-K

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

The following Consolidated Financial Statements of the Registrant and its subsidiaries are required to be included in Item 8:

	<u>Page</u>
<a href="#">Reports of Independent Registered Public Accounting Firm</a> (BDO USA, LLP; San Francisco, California; PCAOB ID#243)	73
<a href="#">Consolidated Balance Sheets</a>	77
<a href="#">Consolidated Statements of Operations</a>	78
<a href="#">Consolidated Statements of Comprehensive Income (Loss)</a>	79
<a href="#">Consolidated Statements of Stockholders' Equity</a>	80
<a href="#">Consolidated Statements of Cash Flows</a>	81
<a href="#">Notes to Consolidated Financial Statements</a>	82
<a href="#">Schedule II -Valuation and Qualifying Accounts</a>	118

All other required schedules are omitted because of the absence of conditions under which they are required or because the required information is given in the Consolidated Financial Statements or the Notes thereto.



## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors  
Cutera, Inc.  
Brisbane, California

### Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Cutera, Inc. (the “Company”) as of December 31, 2022 and 2021, the related consolidated statements of operations and comprehensive income (loss), stockholders’ equity (deficit), and cash flows for each of the three years in the period ended December 31, 2022, and the related notes and schedule (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated April 7, 2023 expressed an adverse opinion thereon.

### Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

### Revenue Recognition – Contracts with International Distributors

The Company recognized total net revenue of approximately \$252.4 million for the year ended December 31, 2022. As described in Note 1 to the consolidated financial statements, the Company recognizes revenue in a manner that best depicts the transfer of control of promised products or services to the customer, in an amount that reflects the consideration to which the Company expects to be entitled. The Company’s contracts with customers may include, individually, or in combination, systems, extended service contracts, training, marketing support and accessories. Certain of the Company’s contracts, which include some with international distributors, can include non-standard payment and other sales terms that can impact management’s conclusions as to the determination of the transaction price and/or whether control has transferred to the customer. Management applies significant effort and judgment in evaluating the impact of these non-standard payment and sales terms on revenue recognition.

We identified the accounting for revenue recognition in the Company's contracts with international distributors as a critical audit matter. The principal considerations for our determination are the judgments related to the identification and, if present, the evaluation of: (i) non-standard payment terms, and (ii) certain other sales terms related to the transfer of control. Auditing these elements involved subjective auditor judgment due to the nature and extent of audit effort required to address these matters.

The primary procedures we performed to address this critical audit matter included:

- Examining certain international distributor contracts, including amendments or modifications, for non-standard payment terms, and where such terms are present, assessing the impact on the determination of the transaction price, based on a consideration of indicators of the international distributor's collection and credit memo history.
- Examining certain international distributor contracts, including amendments or modifications, for non-standard terms governing transfer of control, and where such terms are present, assessing the transfer of control based on considerations including whether the international distributor has physical possession and legal title to the product, whether the Company has a present right to payment, and other factors relevant to the determination of whether the international distributor has the ability to direct the use of and obtain substantially all of the remaining benefit from the product.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2014.

San Francisco, California

April 7, 2023

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors  
Cutera, Inc.  
Brisbane, California

### Opinion on Internal Control over Financial Reporting

We have audited Cutera, Inc.'s (the "Company's") internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on the COSO criteria.

We do not express an opinion or any other form of assurance on management's statements referring to any corrective actions taken by the Company after the date of management's assessment.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2022 and 2021, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 2022, and the related notes and schedule (collectively referred to as "the financial statements") and our report dated April 7, 2023 expressed an unqualified opinion thereon.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. Material weaknesses have been identified and described in Management's assessment. These material weaknesses related to Management's failure to design and maintain effective controls over financial reporting, specifically related to the following: (1) information technology controls ("ITGCs") including segregation of duties, user access, and reports produced by, certain information technology ("IT") systems that support the Company's financial reporting process including those related to implementation of a new Enterprise Resource Planning ("ERP") system; (2) existence, completeness and cut-off for inventory held at third parties, in transit, and held by field representatives and sales personnel, and calculation of adjustments to inventory cost for items considered excessive or obsolete; (3) completeness and accuracy of expense for routine and non-routine equity-based awards.

These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2022 financial statements, and this report does not affect our report dated April 7, 2023 on those financial statements.

### Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the

company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, LLP  
San Francisco, California  
April 7, 2023

**CUTERA, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share and per share data)

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 145,924	\$ 164,164
Marketable investments	171,390	—
Accounts receivable, net of allowance for credit losses of \$2,497 and \$899, respectively	45,562	31,449
Inventories, net	63,628	39,503
Other current assets and prepaid expenses	24,036	14,545
Restricted cash	700	—
Total current assets	451,240	249,661
Property and equipment, net	40,368	3,019
Deferred tax assets	590	778
Operating lease right-of-use assets	12,831	14,627
Goodwill	1,339	1,339
Other long-term assets	14,620	10,169
Restricted cash	—	700
Total assets	<u>\$ 520,988</u>	<u>\$ 280,293</u>
<b>Liabilities and Stockholders' Equity (Deficit)</b>		
Current liabilities:		
Accounts payable	\$ 33,736	\$ 7,891
Accrued liabilities	57,452	54,100
Operating lease liabilities	2,810	2,419
Deferred revenue	11,841	9,490
Total current liabilities	105,839	73,900
Deferred revenue, net of current portion	1,657	1,335
Operating lease liabilities, net of current portion	11,352	13,483
Convertible notes, net of unamortized debt issuance costs of \$12,666 and \$4,007, respectively	416,459	134,243
Other long-term liabilities	862	763
Total liabilities	536,169	223,724
Commitments and contingencies (Note 13).		
Stockholders' equity (deficit):		
Common stock, \$0.001 par value: Authorized: 50,000,000 shares; Issued and outstanding: 19,668,603 and 17,995,344 shares at December 31, 2022 and 2021, respectively	20	18
Additional paid-in capital	125,406	114,724
Accumulated other comprehensive loss	(94)	—
Accumulated deficit	(140,513)	(58,173)
Total stockholders' equity (deficit)	(15,181)	56,569
Total liabilities and stockholders' equity (deficit)	<u>\$ 520,988</u>	<u>\$ 280,293</u>

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

**CUTERA, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share data)

	Year Ended December 31,		
	2022	2021	2020
Net revenue:			
Products	\$ 228,796	\$ 205,703	\$ 125,113
Service	23,603	25,567	22,570
Total net revenue	<u>252,399</u>	<u>231,270</u>	<u>147,683</u>
Cost of revenue:			
Products	100,254	83,048	58,325
Service	12,316	15,117	13,586
Total cost of revenue	<u>112,570</u>	<u>98,165</u>	<u>71,911</u>
Gross profit	<u>139,829</u>	<u>133,105</u>	<u>75,772</u>
Operating expenses:			
Sales and marketing	106,947	76,762	52,766
Research and development	25,155	21,568	14,322
General and administrative	45,917	32,945	31,512
Total operating expenses	<u>178,019</u>	<u>131,275</u>	<u>98,600</u>
Income (loss) from operations	<u>(38,190)</u>	<u>1,830</u>	<u>(22,828)</u>
Interest and other income (expense), net:			
Amortization of debt issuance costs	(1,355)	(710)	—
Interest on Convertible notes	(5,658)	(2,514)	—
Loss on extinguishment of convertible notes	(34,423)	—	—
Gain on extinguishment of PPP loan	—	7,185	—
Interest income (expense), net	2,600	(561)	(647)
Other income (expense), net	(3,676)	(1,845)	68
Total interest and other income (expense), net	<u>(42,512)</u>	<u>1,555</u>	<u>(579)</u>
Income (loss) before income taxes	<u>(80,702)</u>	<u>3,385</u>	<u>(23,407)</u>
Income tax provision	1,638	1,323	470
Net income (loss)	<u>\$ (82,340)</u>	<u>\$ 2,062</u>	<u>\$ (23,877)</u>
Net income (loss) per share:			
Basic	\$ (4.39)	\$ 0.12	\$ (1.43)
Diluted	\$ (4.39)	\$ 0.11	\$ (1.43)
Weighted-average number of shares used in per share calculations:			
Basic	18,747	17,891	16,691
Diluted	18,747	18,362	16,691

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

**CUTERA, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**(in thousands)**

	<b>Year Ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Net income (loss)	\$ (82,340)	\$ 2,062	\$ (23,877)
Other comprehensive income (loss):			
Available-for-sale investments			
Net change in unrealized gain (loss) on available-for-sale investments	(94)	—	(3)
Less: Reclassification adjustment for net losses on investments recognized during the year	—	—	63
Total change in unrealized gain (loss) on available-for-sale investments	(94)	—	60
Other comprehensive income (loss), net of tax	(94)	—	60
Comprehensive income (loss)	<u>\$ (82,434)</u>	<u>\$ 2,062</u>	<u>\$ (23,817)</u>

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

**CUTERA, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)**  
(in thousands, except share amounts)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit)
	Shares	Amount				
Balance at December 31, 2019	14,315,586	\$ 14	\$ 82,346	\$ (36,358)	\$ (60)	\$ 45,942
Issuance of common stock for employee purchase plan	56,751	—	632	—	—	632
Exercise of stock options	73,227	—	947	—	—	947
Issuance of common stock in connection with public offering, net of issuance costs of \$2,303	2,742,750	3	26,492	—	—	26,495
Issuance of common stock in settlement of restricted and performance stock units, net of shares withheld for employee taxes	490,918	1	(3,429)	—	—	(3,428)
Stock-based compensation expense	—	—	10,109	—	—	10,109
Net loss	—	—	—	(23,877)	—	(23,877)
Net change in unrealized gain on available-for-sale investments	—	—	—	—	60	60
Balance at December 31, 2020	17,679,232	\$ 18	\$ 117,097	\$ (60,235)	\$ —	\$ 56,880
Issuance of common stock for employee purchase plan	59,635	—	1,184	—	—	1,184
Exercise of stock options	71,798	—	1,581	—	—	1,581
Purchase of capped call	—	—	(16,134)	—	—	(16,134)
Issuance of common stock in settlement of restricted and performance stock units, net of shares withheld for employee taxes	184,679	—	(2,176)	—	—	(2,176)
Stock-based compensation expense	—	—	13,172	—	—	13,172
Net income	—	—	—	2,062	—	2,062
Balance at December 31, 2021	17,995,344	\$ 18	\$ 114,724	\$ (58,173)	\$ —	\$ 56,569
Issuance of common stock for employee purchase plan	49,306	—	1,873	—	—	1,873
Exercise of stock options	39,960	—	850	—	—	850
Purchase of capped call, inclusive of issuance costs of \$452	—	—	(57,132)	—	—	(57,132)
Issuance of common stock in settlement of restricted and performance stock units, net of shares withheld for employee taxes	229,645	—	(5,256)	—	—	(5,256)
Stock-based compensation expense	—	—	14,400	—	—	14,400
Issuance of common stock in repayment of convertible notes	1,354,348	2	55,947	—	—	55,949
Net loss	—	—	—	(82,340)	—	(82,340)
Net change in unrealized loss on available-for-sale investments	—	—	—	—	(94)	(94)
Balance at December 31, 2022	19,668,603	\$ 20	\$ 125,406	\$ (140,513)	\$ (94)	\$ (15,181)

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



CUTERA, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands)

	Year Ended December 31,		
	2022	2021	2020
<b>Cash flows from operating activities:</b>			
Net income (loss)	\$ (82,340)	\$ 2,062	\$ (23,877)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Stock-based compensation	14,400	13,172	10,109
Depreciation and amortization	2,621	1,344	1,394
Amortization of contract acquisition costs	3,200	1,857	2,593
Amortization of debt issuance costs	1,355	710	—
Unrealized loss on foreign exchange forward	558	—	—
Impairment of capitalized cloud computing costs	—	182	805
Change in deferred tax assets	188	(135)	(220)
Provision for credit losses	1,787	87	2,144
Loss on sale of property and equipment	168	—	—
Gain on extinguishment of PPP loan	—	(7,185)	—
Change in right-of-use asset	2,653	2,292	2,522
Loss on extinguishment of convertible notes	34,423	—	—
Other	—	1	513
Changes in assets and liabilities:			
Accounts receivables	(15,900)	(9,574)	(2,550)
Inventories	(36,305)	(10,936)	5,413
Other current assets and prepaid expenses	(10,049)	(5,766)	(3,164)
Other long-term assets	(8,091)	(7,128)	(2,067)
Accounts payable	20,979	1,207	(6,034)
Accrued liabilities	3,282	21,608	161
Operating lease liabilities	(2,597)	(2,151)	(1,598)
Deferred revenue	2,673	(412)	(2,985)
Income tax liability	—	—	(93)
Net cash provided by (used in) operating activities	(66,995)	1,235	(16,934)
<b>Cash flows from investing activities:</b>			
Acquisition of property and equipment	(22,698)	(1,015)	(1,279)
Disposal of property and equipment	—	71	30
Proceeds from sales of marketable investments	—	—	5,648
Proceeds from maturities of marketable investments	158,000	—	28,050
Purchase of marketable investments	(329,484)	—	(26,060)
Net cash provided by (used in) investing activities	(194,182)	(944)	6,389
<b>Cash flows from financing activities:</b>			
Proceeds from exercise of stock options and employee stock purchase plan	2,723	2,765	1,579
Purchase of capped call	(56,680)	(16,134)	—
Payment of issuance costs of capped call	(352)	—	—
Proceeds from PPP loan	—	—	7,167
Proceeds from issuance of convertible notes	360,000	138,250	—
Payment of issuance costs of convertible notes	(11,202)	(4,717)	—
Extinguishment of convertible notes	(45,776)	—	—
Gross proceeds from equity offering	—	—	28,798
Issuance costs on the public offering	—	—	(2,303)
Taxes paid related to net share settlement of equity awards	(5,256)	(2,176)	(3,428)
Payments on finance lease obligation	(520)	(462)	(537)
Net cash provided by financing activities	242,937	117,526	31,276
Net increase (decrease) in cash, cash equivalents, and restricted cash	(18,240)	117,817	20,731
Cash, cash equivalents, and restricted cash at beginning of year	164,864	47,047	26,316
Cash, cash equivalents, and restricted cash at end of year	\$ 146,624	\$ 164,864	\$ 47,047
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid for interest	\$ 5,486	\$ 1,663	\$ 63
Cash paid (refunded) for income taxes, net of (refunds) payments	\$ 2,004	\$ 891	\$ (1)
<b>Supplemental non-cash investing and financing activities:</b>			
Issuance of common stock in repayment of convertible notes	\$ 55,947	—	—
Assets acquired under finance lease	\$ 689	\$ 828	\$ 43
Assets acquired under operating lease	\$ 908	\$ 123	\$ 11,735
Gain on extinguishment of PPP loan	\$ —	\$ 7,185	\$ —
Debt issuance cost accrued	\$ 635	\$ —	\$ —
Capped call costs accrued	\$ 100	\$ —	\$ —
Transfer of inventory to property and equipment	\$ 12,180	\$ —	\$ —
Acquisition of property, equipment and software	\$ 4,131	\$ —	\$ —

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

CUTERA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*****Description of Operations and Principles of Consolidation***

Cutera, Inc. (“Cutera” or the “Company”) develops, manufactures, distributes, and markets energy-based product platforms for medical practitioners, enabling them to offer treatments to their customers. In addition, the Company distributes third-party manufactured skincare products. The Company currently markets the following system platforms: *AviClear*, *enlighten*, *excel*, *truSculpt*, *Secret PRO*, *Secret RF*, and *xeo* — each of which enables medical practitioners to perform procedures including treatment for acne, body contouring, skin resurfacing and revitalization, hair and tattoo removal, removal of benign pigmented lesions, and vascular conditions. Several of the Company’s systems offer multiple hand pieces and applications, providing customers the flexibility to upgrade their systems. The sales of (i) systems, system upgrades, and hand pieces (collectively “Systems” revenue); (ii) leasing of *AviClear* devices for acne treatment (“AviClear” revenue); (iii) replacement hand pieces, *Titan*, *truSculpt 3D*, *truSculpt* and *truFlex* cycle refills, as well as single use disposable tips applicable to *Secret PRO*, and *Secret RF* (“Consumables” revenue); and (iv) the distribution of third-party manufactured skincare products (“Skincare” revenue); are collectively classified as “Products” revenue. In addition to Products revenue, the Company generates revenue from the sale of post-warranty service contracts, parts, detachable hand piece replacements (except for *Titan*, *truSculpt 3D*, *truSculpt* and *truFlex*) and service labor for the repair and maintenance of products that are out of warranty, all of which are collectively classified as “Service” revenue.

The Company’s corporate headquarters and U.S. operations are located in Brisbane, California, where the Company conducts manufacturing, warehousing, research and development, regulatory, sales and marketing, service, and administrative activities. The Company also maintains regional distribution centers (“RDCs”) in selection locations across the U.S. These RDCs serve as forward warehousing for systems and service parts in various geographies. The Company markets, sells and services the Company’s products through direct sales and service employees in North America (including Canada), Australia, Austria, Belgium, France, Germany, Hong Kong, Japan, the Netherlands, Spain, Switzerland, and the United Kingdom. Sales and services outside of these direct markets are made through a worldwide distributor network in over 37 countries. The consolidated financial statements include the accounts of the Company and its subsidiaries. All inter-company transactions and balances have been eliminated.

***Basis of Presentation***

The Consolidated Financial Statements have been prepared in conformity with generally accepted accounting principles in the United States of America (“U.S. GAAP”).

***Use of Estimates***

The preparation of consolidated financial statements in conformity with GAAP requires the Company’s management to make estimates and assumptions that affect the amounts reported of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the accompanying notes, and the reported amounts of revenue and expenses during the reported periods. Actual results could differ materially from those estimates.

On an ongoing basis, management evaluates its estimates, including those related to warranty obligations, sales commissions, allowance for credit losses, sales allowances, valuation of inventories, fair value of goodwill, useful lives of property and equipment, impairment testing for long-lived-assets, assumptions regarding variables used in calculating the fair value of the Company’s equity awards, expected achievement of performance based vesting criteria, management performance bonuses, the standalone selling price of the Company’s products and services, the period of benefit used to capitalize and amortize contract acquisition costs, variable consideration, contingent liabilities, recoverability of deferred tax assets, assumptions used in operating and sales-type lease classification, implicit and incremental borrowing rates related to the Company’s leases, residual value of leased equipment, lease term and effective income tax rates. Management bases estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

***Risks and Uncertainties***

The Company’s future results of operations involve a number of risks and uncertainties. Factors that could affect the Company’s future operating results and cause actual results to vary materially from expectations include, but are not limited to, rapid technological change, continued acceptance of the Company’s products, stability of global financial markets, cybersecurity

breaches and other disruptions that could compromise the Company's information or results, business disruptions that are caused by natural disasters or pandemic events, management of international activities, competition from substitute products and larger companies, ability to obtain and maintain regulatory approvals, government regulations and oversight, patent and other types of litigation, ability to protect proprietary technology from counterfeit versions of the Company's products, the successful execution of new product launches, strategic relationships and dependence on key individuals.

#### **Recently Adopted Accounting Pronouncements**

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, Financial Instruments-Credit Losses (Topic 326): "Measurement of Credit Losses on Financial Instruments", which replaces the incurred loss methodology with an expected credit loss methodology that is referred to as the current expected credit loss (CECL) methodology. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The amendments in this update are required to be applied using the modified retrospective method with an adjustment to accumulated deficit and are effective for the Company beginning with fiscal year 2020, including interim periods. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables, available for sale securities and held-to-maturity debt securities. An entity with available for sale securities and trade receivables will be required to use historical loss information, current conditions, and reasonable and supportable forecasts to determine expected lifetime credit losses. Pooling of assets with similar risk characteristics is also required. The Company adopted ASU 2016-13 on January 1, 2020 on a modified retrospective basis. Upon adoption, the standard did not have a material impact on the consolidated financial statements.

The Company identified trade receivables and available-for-sale debt securities as impacted by the new guidance. However, the Company determined that the historical losses related to these available-for-sale debt securities are not material as the Company invests in high grade short-term securities.

The Company establishes an allowance for credit losses on trade receivables based on the credit quality of clients, current economic conditions, the age of the accounts receivable balances, historical loss information, and current conditions and forecasted information, and write-off amounts against the allowance when they are deemed uncollectible.

In August 2018, the FASB issued ASU No. 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework- Changes to the Disclosure Requirements for Fair Value Measurement", to improve the fair value measurement reporting of financial instruments. The amendments in this update require, among other things, added disclosure of the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. The amendments in this update eliminate, among other things, disclosure of the reasons for and amounts of transfers between Level 1 and Level 2 for assets and liabilities that are measured at fair value on a recurring basis and an entity's valuation processes for Level 3 fair value measurements. The amendments in this update became effective for the Company beginning with fiscal year 2020. Retrospective application is required for all amendments in this update except the added disclosures, which should be applied prospectively. The adoption of the amendments in this update did not have a material impact on the Company's consolidated financial position and results of operations.

In December 2019, the FASB issued ASU No. 2019-12 "Income Taxes (Topic 740)-Simplifying the Accounting for Income Taxes," to remove certain exceptions and improve consistency of application, including, among other things, requiring that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. The Company adopted this guidance starting January 1, 2021. The adoption of this guidance did not have a material impact on the Company's consolidated financial position and results of operations.

In August 2020, the FASB issued ASU No. 2020-6, *Debt – Debt with Conversion and Other Options (Topic 470) and Derivatives and Hedging – Contracts in Entity's Own Equity (Topic 815)*, to simplify the accounting for convertible debt instruments by removing the beneficial conversion and cash conversion separation models for convertible instruments. Under the amendment, the embedded conversion features are no longer separated from the host contract for convertible instruments with conversion features that are not required to be accounted for as derivatives or that do not result in substantial premiums accounted for as paid-in capital. The update also amends the accounting for certain contracts in an entity's own equity that are currently accounted for as derivatives because of specific settlement provisions. In addition, the new guidance modifies how particular convertible instruments and certain contracts that may be settled in cash or shares impact the computation of diluted earnings per share. The Company early adopted the guidance on a prospective basis effective January 1, 2021. See section Computation of Net Income (Loss) per Share.

### ***Recently Issued Accounting Pronouncements Not Yet Adopted by the Company***

The Company reviewed all recently issued, but not yet effective, accounting pronouncements and does not expect the future adoption of any such pronouncements will have a material impact on the Company's consolidated financial statements.

### ***Revenue recognition***

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for promised goods or services. The Company's performance obligations are satisfied either over time or at a point in time. Revenue from performance obligations that are transferred to customers over time accounted for approximately 8%, 11% and 15%, respectively, of the Company's total revenue for the years ended December 31, 2022, 2021 and 2020.

The Company has certain system sale arrangements that contain multiple products and services. For these bundled sale arrangements, the Company accounts for individual products and services as separate performance obligations if they are distinct. The Company's products and services are distinct if a customer can benefit from the product or service on its own or with other resources that are readily available to the customer, and if the Company's promise to transfer the products or service to the customer is separately identifiable from other promises in the sale arrangements. The Company's system sale arrangements can include all or a combination of the following performance obligations: the system and software license (considered as one performance obligation), system accessories (hand pieces), training, other accessories, extended service contracts, marketing services, and time and materials services.

For the Company's system sale arrangements that include an extended service contract, the period of service commences at the expiration of the Company's standard warranty offered at the time of the system sale. The Company considers the extended service contracts terms in the arrangements that are legally enforceable to be performance obligations. Other than extended service contracts and marketing services, which are satisfied over time, the Company generally satisfies all performance obligations at a point in time. Systems, system accessories (hand pieces), service contracts, training, and time and materials services are also sold on a stand-alone basis, and these performance obligations are satisfied at a point in time. For contracts with multiple performance obligations, the Company allocates the transaction price of the contract to each performance obligation on a relative standalone selling price basis.

The Company leases the AviClear device to customers and receives a fixed annual license fee over the term of the arrangement and revenue related to treatments performed by the lessee.

### ***Nature of Products and Services***

#### ***Systems***

Systems revenue is generated from the sale of systems and from the sale of upgrades to existing systems. A system consists of a console that incorporates a universal graphic user interface, a laser or other energy-based module, control system software and high voltage electronics, as well as one or more hand pieces. In certain applications, the laser or other energy-based module is contained in the hand piece, such as with the Company's *Pearl* and *Pearl Fractional* applications, rather than within the console.

The Company offers customers the ability to select the system that best fits their practice at the time of purchase and then to cost-effectively add applications to their system as their practice grows. This provides customers the flexibility to upgrade their systems whenever they choose and provides the Company with a source of additional Systems revenue.

The system or upgrade and the right to use the embedded software represent a single performance obligation as the software license is integral to the functionality of the system or upgrade.

For systems sold directly to end-customers that are credit approved, revenue is recognized when the Company transfers control to the end-customer, which occurs when the product is shipped to the customer or when the customer receives the product, depending on the nature of the arrangement. When collectability is not established in advance of receipt of payment from the customer, revenue is recognized upon the later of the receipt of payment or the satisfaction of the performance obligation. For systems sold through credit approved distributors, revenue is recognized at the time of shipment to the distributor.

The Company typically receives payment for its system consoles and other accessories within 30 days of shipment. Certain international distributor arrangements allow for longer payment terms.

#### *AviClear*

The Company leases the AviClear device to customers and receives a fixed annual license fee over the term of the arrangement and variable lease income related to treatments performed by the lessee. The Company classifies its lease income as product revenue and classifies the AviClear contracts as operating leases. The fixed annual license fee is recognized evenly over the period of the lease contract on a straight-line basis. The treatment fee is recognized in the period the treatment protocol is initiated.

#### *Consumables and other accessories*

The Company classifies its customers' purchases of replacement cycles for *truSculpt* and *truFlex*, as well as replacement hand pieces, *xeo* and *truSculpt 3D* hand pieces, and single use disposable tips applicable to *Secret PRO*, and *Secret RF* as Consumable revenue. The *Secret PRO* and *Secret RF* products' single use disposable tips must be replaced after every treatment. The Company's systems offer multiple hand pieces and applications, which allow customers to upgrade their systems.

#### *Skincare products*

The Company sells third-party manufactured skincare products in Japan. The skincare products are purchased from a third-party manufacturer and sold to medical offices and licensed physicians. The Company warrants that the skincare products are free of significant defects in workmanship and materials for 90 days from shipment. The Company acts as the principal in this arrangement, as the Company determines the price to charge customers for the skincare products and controls the products before they are transferred to the customer. The Company recognizes revenue for skincare products at a point in time upon shipment.

#### *Extended service contract*

The Company offers post-warranty services to its customers through extended service contracts that cover parts and labor for a term of one to three years. Service contract revenue is recognized over time, using a time-based measure of progress, as customers benefit from the service throughout the service period. The Company also offers services on a time-and-materials basis for systems and detachable hand piece replacements. Revenue related to services performed on a time-and-materials basis is recognized when performed.

#### *Training*

Sales of systems to customers include training on the use of the system to be provided within 180 days of purchase. The Company considers training a separate performance obligation as customers can immediately benefit from the training together with the customer's system. Training is also sold separately from systems. The Company recognizes revenue for training when the training is provided.

#### **Significant Judgments**

The Company determines standalone selling price ("SSP") for each performance obligation as follows:

- Systems: The SSPs for systems are based on directly observable sales in similar circumstances to similar customers.
- Extended warranty/Service contracts: SSP is based on observable price when sold on a standalone basis to similar customers.

#### **Loyalty Program**

The Company operates a customer loyalty program for qualified customers located in the U.S. and Canada. Under the loyalty program, customers accumulate points based on their purchasing levels which can be redeemed for such rewards as the right to attend the Company's advanced training event for a product, or a ticket for the Company's annual forum. A customer's account must be in good standing to receive the benefits of the rewards program. Rewards are earned on a quarterly basis and must be used in the following quarter. All unused rewards are forfeited. The fair value of the reward earned by loyalty program members is included in accrued liabilities and recorded as a reduction of net revenue at the time the reward is earned. As of December 31, 2022, and December 31, 2021, the accrual for the loyalty program included in accrued liabilities was \$0.3 million, and \$0.5, respectively.

### ***Deferred Sales Commissions***

Incremental costs of obtaining a contract related to the sale of a system, which consist primarily of commissions and related payroll taxes, are capitalized, and amortized on a straight-line basis over the expected period of benefit, except for costs that are recognized when product is sold. The Company uses the portfolio method to recognize the amortization expense related to these capitalized costs related to initial contracts and such expense is recognized over a period associated with the revenue of the related portfolio, which is generally two to three years.

Total capitalized costs for the year ended December 31, 2022 and December 31, 2021 were \$2.0 million and \$2.7 million, respectively. Amortization expenses for these assets were \$2.4 million, \$1.9 million and \$2.6 million, respectively, during the years ended December 31, 2022, 2021 and 2020 and were included in sales and marketing expense in the Company's consolidated statement of operations. Total capitalized costs as of December 31, 2022 and December 31, 2021 were \$3.8 million and \$4.2 million, respectively, and are included in Other long-term assets in the Company's consolidated balance sheet.

### ***Cash and Cash Equivalents***

The Company invests its cash primarily in money market funds. All highly liquid investments with stated maturities of three months or less from date of purchase are classified as cash equivalents; all highly liquid investments with stated maturities of greater than three months are classified as marketable investments. Credit card receivables, that are collected in a short period of time are also classified as cash and cash equivalents. The majority of the Company's cash and investments are held in U.S. banks and the Company's foreign subsidiaries maintain a limited amount of cash in their local banks to cover short term operating expenses.

### ***Fair Value of Financial Instruments***

Fair value is an exit price representing the amount that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy contains three levels of inputs that may be used to measure fair value, in accordance with ASC 820, as follows:

- Level 1: inputs, which include quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs, which include observable inputs other than Level 1 inputs, such as quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability. For available-for-sale securities, the Company reviews trading activity and pricing as of the measurement date. When sufficient quoted pricing for identical securities is not available, the Company uses market pricing and other observable market inputs for similar securities obtained from various third-party data providers. These inputs either represent quoted prices for similar assets in active markets or have been derived from observable market data; and
- Level 3: inputs, which include unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the underlying asset or liability. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies, or similar valuation techniques, as well as significant management judgment or estimation.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

### ***Allowance for Sales Returns and Credit Losses***

The allowance for sales returns represents the Company's estimates of potential future product returns and other allowances related to current period product revenue. The Company analyzes historical returns and is based on the Company's analysis of current economic trends.

The allowance for credit losses on trade receivables is based on the credit quality of customers, current economic conditions, the age of the accounts receivable balances, historical loss information, current conditions and forecasted information. The Company writes off trade receivables when they are deemed uncollectible.

### ***Concentration of Credit Risk and Other Risks and Uncertainties***

The Company operates in markets that are highly competitive and rapidly changing. Significant technological changes, shifting customer needs, the emergence of competitive products or services with new capabilities and other factors could negatively impact the Company's operating results.

The Company is also subject to risks related to changes in the value of the Company's significant balance of financial instruments. Financial instruments that potentially subject the Company to concentrations of risk consist principally of cash, cash equivalents, marketable investments, and accounts receivable. The Company's cash and cash equivalents are primarily invested in deposits and money market accounts with two major financial institutions in the U.S. In addition, the Company has operating cash balances in banks in each of the international locations in which it operates. Deposits in these banks may exceed the federally insured limits or any other insurance provided on such deposits, if any. The Company has accounts with SVB. On March 10, 2023, California regulators shut down SVB and the FDIC was appointed as SVB's receiver.

On March 26, 2023, the FDIC announced that it had entered into a purchase and assumption agreement with First-Citizens Bank & Trust Company under which all deposits of the former Silicon Valley Bank were assumed by First-Citizens Bank & Trust Company. To date, the Company has not experienced any losses on its deposits of cash, cash equivalents, and marketable investments and continues to have access to these funds.

Accounts receivable are recorded net of an allowance for credit losses and are typically unsecured and are derived from revenue earned from worldwide customers. The Company controls credit risk through credit approvals, credit limits, and monitoring procedures. The Company performs credit evaluations of its customers and maintains an allowance for potential credit losses. As of December 31, 2022, and 2021, no customer represented more than 10% of the Company's net accounts receivable. During the years ended December 31, 2022, 2021, and 2020, domestic revenue accounted for 43%, 42% and 41%, respectively, of total revenue, while international revenue accounted for 57%, 58% and 59%, respectively, of total revenue. No single customer represented more than 10% of total revenue for any of the years ended December 31, 2022, 2021 and 2020.

#### **Supplier concentration**

The Company relies on third parties for the supply of components of its products, as well as third-party logistics providers. In instances where these parties fail to perform their obligations, the Company may be unable to find alternative suppliers or satisfactorily deliver its products to its customers. The Company largest supplier provided approximately 10%, 14% and 9% of the Company's total purchases in the years ended December 31, 2022, 2021 and 2020, respectively.

#### **Inventories**

Inventories are stated at the lower of cost and net realizable value, cost being determined on a standard cost basis which approximates actual cost on a first-in, first-out basis. Net realizable value is the estimated selling prices in the ordinary course of the Company's business, less reasonably predictable costs of completion, disposal, and transportation. The cost basis of the Company's inventory is reduced for any products that are considered excessive or obsolete based upon assumptions about future demand and market conditions.

The Company includes demonstration units within inventories. Demonstration units are carried at cost and amortized over an estimated economic life of two years. Amortization expense related to demonstration units is recorded in products cost of revenue or in the respective operating expense line based on which function and purpose for which the demonstration units are being used. Proceeds from the sale of demonstration units are recorded as revenue and all costs incurred to refurbish the systems prior to sale are charged to product cost of revenue. As of December 31, 2022 and 2021, demonstration inventories, net of accumulated depreciation, included in finished goods inventory was \$5.7 million and \$3.7 million, respectively.

#### **Property and Equipment**

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation expense recognized is on a straight-line basis over the estimated useful lives of the assets, generally as follows:

	<b>Useful Lives</b>
Leasehold improvements	Lesser of useful life or term of lease
Equipment leasing	4.5
AviClear devices	7
Office equipment and furniture	3
Machinery and equipment	3

Upon sale or retirement of property and equipment, the costs and related accumulated depreciation and amortization are removed from the balance sheet and the resulting gain or loss is reflected in operating expenses. Maintenance and repairs are charged to operations as incurred.

Depreciation expense related to property and equipment for 2022, 2021 and 2020, was \$2.2 million, \$1.3 million, and \$1.4 million, respectively. Amortization expense for vehicles leased under capital leases is included in depreciation expense.

#### ***Capitalized Cloud Computing Set-up Cost***

The Company capitalizes certain set-up costs for the Company's cloud computing arrangements. The capitalized implementation costs are then amortized over the term of the cloud computing arrangement inclusive of expected contract renewals, which are generally three years to ten years. As of December 31, 2022 and 2021, the Company had capitalized cloud computing set-up costs with a carrying amount of \$0.4 million in Other current assets and prepaid expenses and \$3.5 million in Other long-term assets. As of and during the year ended December 31, 2022 and 2021, there was \$0.4 million, and no accumulated amortization and amortization expense recorded, respectively. The Company periodically assesses the capitalized asset for impairment and, when required, will record an associated impairment loss.

#### ***Goodwill and Intangible Assets***

Goodwill and intangible assets with indefinite useful lives are not amortized but are tested for impairment at least annually during the fourth quarter of the Company's fiscal year, or if circumstances indicate their value may no longer be recoverable. Goodwill represents the excess of the purchase price over the fair value of net identifiable assets and liabilities.

Beginning in the fourth quarter of 2022, the Company segregated its operations into two reportable business segments: (i) Cutera Core and (ii) AviClear. Goodwill was tested for impairment at the segment level. As of December 31, 2022, there has been no impairment of goodwill. All acquired intangible assets have been fully amortized as of December 31, 2022.

#### ***Warranty Obligations***

The Company provides a 12-month warranty for direct sales to customers. For sales to distributors, the Company generally provides a 14-month warranty for parts only, with labor being provided to the end customer by the distributor.

After the original warranty period, maintenance and support are offered on an extended service contract basis or on a time and materials basis.

#### ***Accounting for Leases as a Lessee***

Effective January 1, 2019, the Company adopted ASC 842, which established a right-of-use ("ROU") model requiring lessees to record a right-of-use asset ("ROU asset") and lease obligations on the balance sheet for all leases with terms longer than 12 months. The Company determines if an arrangement is a lease at inception. Where an arrangement is a lease the Company determines if it is an operating lease or a finance lease. At lease commencement, the Company records a lease liability and corresponding ROU asset. Lease liabilities represent the present value of the Company's future lease payments over the expected lease term which includes options to extend or terminate the lease when it is reasonably certain those options will be exercised. The present value of the Company's lease liability is determined using its incremental collateralized borrowing rate at lease inception. ROU assets represent its right to control the use of the leased asset during the lease and are recognized in an amount equal to the lease liability for leases with an initial term greater than 12 months. Over the lease term (operating leases only), the Company uses the effective interest rate method to account for the lease liability as lease payments are made and the ROU asset is amortized to consolidated statement of operations in a manner that results in straight-line expense recognition. The Company does not apply lease recognition requirements for short-term leases. Instead, the Company recognizes payments related to these arrangements in the consolidated statement of operations as lease costs on a straight-line basis over the lease term.

#### ***Accounting for Leases as a Lessor***

The Company leases the AviClear device to customers and receives a fixed annual license fee over the term of the arrangement and variable lease income related to treatments performed by the lessee. The Company classifies its lease income as product revenue and classifies the AviClear contracts as operating leases. The fixed annual license fee is recognized evenly over the period of the lease contract on a straight-line basis. The treatment fee is recognized in the period the lessee has the ability to perform the patient treatment.

See Note 13 to the consolidated financial statements for more information regarding leasing arrangements.



### **Cost of Revenue**

Cost of revenue consists primarily of material, finished and semi-finished products purchased from third-party manufacturers, labor, stock-based compensation expenses, overhead involved in the Company's internal manufacturing processes, service contracts, technology license amortization and royalties, costs associated with equipment leasing, costs associated with product warranties and any inventory write-downs.

The Company's system sales include a control console, universal graphic user interface, control system software, high voltage electronics and a combination of applications (referred to as "hand pieces"). Hand pieces are programmed to have a limited number of uses to ensure the safety of the device to patients. The Company sells refurbished hand pieces, or "refills," of its *Titan* and *truSculpt 3D* products and provides for the cost of refurbishment of these hand pieces as part of cost of revenue. When customers purchase a replacement hand piece or are provided a replacement hand piece under a warranty or service contract, the Company ships the customer a previously refurbished unit. Upon the receipt of the expended hand piece from the customer, the Company capitalizes the expended hand piece as inventory at the estimated fair value. Cost of service revenue includes the costs incurred to refurbish hand pieces.

### **Research and Development Expenditures**

Research and development costs are expensed as incurred and include costs related to research, design, development, testing of products, salaries, benefits and other headcount related costs, facilities, material, third-party contractors, regulatory affairs, clinical and development costs.

### **Advertising Costs**

Advertising costs are included as part of sales and marketing expense and are expensed as incurred. Advertising expenses for 2022, 2021 and 2020 were \$4.9 million, \$2.1 million and \$1.2 million, respectively.

### **Stock-based Compensation**

The Company accounts for share-based employee compensation plans using the fair value recognition and measurement provisions under U.S. GAAP. The Company's share-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized as expense on a straight-line basis over the requisite service period. To estimate the fair value of an award, the Company uses the Black-Scholes option pricing model. The following inputs are used in this model:

**Expected Term:** The expected term represents the weighted-average period that the stock options are expected to be outstanding prior to being exercised. The Company determines expected term based on historical exercise patterns and its expectation of the time it will take for employees to exercise options still outstanding.

**Expected Volatility:** For the underlying stock price volatility of the Company's stock, the Company estimates volatility solely based on the historical volatility of the Company's stock price.

**Forfeitures:** The amount of stock-based compensation recognized during a period is based on the value of the portion of the awards that are ultimately expected to vest. Under ASC 718, the Company has made an accounting policy to estimate forfeitures at the time awards are granted and revises, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

**Risk-Free Interest Rate:** The risk-free interest rate is based on the U.S. treasury yield curve in effect at the time of grant for the expected term of the stock option.

The fair value of stock options ("options") on the grant date is estimated using the Black-Scholes option-pricing model using the single-option approach. The Black-Scholes option pricing model requires the use of highly subjective and complex assumptions, including the option's expected term and the price volatility of the underlying stock, to determine the fair value of award. The Company accounts for all stock options awarded to non-employees at the fair value of the award issued on the day of the grant.

The fair value of restricted stock units ("RSUs") granted are measured on the grant date. The quantity of the RSUs units granted is calculated by dividing a fixed award amount determined by the Board on the grant date by the average closing price of the Company's common stock over the 50-day period ending on the day of the grant.

The fair value of Performance Stock Units ("PSUs") that have operational measurement goals are measured on the grant date using the closing price of the Company's common shares on the grant date. The quantity of the PSUs granted is calculated by

dividing a fixed award amount determined by the Board on the grant date by the average closing price of the Company's common stock over the 50-day period ending on the day of the grant.

See Note 8 - "Stockholders' Equity, Stock Plans and Stock-Based Compensation Expense" for a detailed discussion of the Company's stock plans and share-based compensation expense.

### ***Income Taxes***

The Company is subject to income taxes in the United States and several foreign jurisdictions. Significant judgment is required in determining the Company's provision (benefit) for income taxes and income tax assets and liabilities, including evaluating uncertainties in the application of accounting principles and complex tax laws.

The Company records a provision (benefit) for income taxes for the anticipated tax consequences of the reported results of operations using the asset and liability method. Under this method, the Company recognizes deferred income tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as for loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to taxable income for the years in which those tax assets and liabilities are expected to be realized or settled. The Company recognizes the deferred income tax effects of a change in tax rates in the period of enactment. The Company records a valuation allowance to reduce the Company's deferred tax assets to the net amount that the Company believes is more likely than not to be realized.

The Company recognizes tax benefits from uncertain tax positions if the Company believes that it is more likely than not that the tax position will be sustained upon examination by the taxing authorities based on the technical merits of the position. Although the Company believes it has adequately reserved for the Company's uncertain tax positions (including net interest and penalties), the Company can provide no assurance that the final tax outcome of these matters will not be different. The Company makes adjustments to these reserves in accordance with income tax accounting guidance when facts and circumstances change, such as the closing of a tax audit. To the extent that the final tax outcome of these matters is different from the amounts recorded, such differences may impact the provision (benefit) for income taxes in the period in which such determination is made. The Company records interest and penalties related to the Company's uncertain tax positions in the Company's provision (benefit) for income taxes.

The Company's effective tax rates have differed from the statutory rate primarily due to changes in the valuation allowance, foreign operations, research and development tax credits, state taxes, and certain benefits realized related to stock option activity. The Company's current effective tax rate does not assume U.S. taxes on undistributed profits of foreign subsidiaries. These earnings could become subject to incremental foreign withholding or U.S. federal and state taxes, should they either be deemed or actually remitted to the U.S. The Company's future effective tax rates could be adversely affected by earnings being lower in countries where the Company has lower statutory rates and being higher in countries where the Company has higher statutory rates, or by changes in tax laws, accounting principles, interpretations thereof, net operating loss carryback, research and development tax credits, and due to changes in the valuation allowance of its U.S. deferred tax assets. In addition, the Company is subject to the examination of the Company's income tax returns by the Internal Revenue Service and other tax authorities. The Company regularly assesses the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of the Company's provision for income taxes.

Undistributed earnings of the Company's foreign subsidiaries at December 31, 2022 are considered to be indefinitely reinvested and, accordingly, no provision for state income taxes has been provided thereon. Due to the Transition Tax and Global Intangible Low-Tax Income ("GILTI") regimes as enacted by the 2017 Tax Act, those foreign earnings will not be subject to federal income taxes when actually distributed in the form of a dividend or otherwise. The Company, however, could still be subject to state income taxes and withholding taxes payable to various foreign countries. The amounts of taxes which the Company could be subject to are not material to the accompanying financial statements.

On March 27, 2020, the U.S. federal government enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The CARES Act changed several of the existing U.S. corporate income tax laws by, among other things, increasing the amount of deductible interest, allowing companies to carry back certain Net Operating Losses ("NOLs") and increasing the amount of NOLs that corporations can use to offset income. The CARES Act did not have a material impact on the Company's income tax provision, deferred tax assets and liabilities, and related taxes payable.

***Computation of Net Income (Loss) per Share***

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted net income per share is computed based on the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method and the if-converted method. Dilutive potential common shares include outstanding stock options, restricted stock units, performance stock units, employee stock purchase plan (ESPP) shares and conversion shares under the convertible notes. On January 1, 2021, the Company adopted the accounting standard update to simplify the accounting for convertible debt instruments. The Company now uses the if-converted method for its convertible notes in calculating the diluted net income (loss) per share, and includes the effect of potential share settlement for the convertible notes, if the effect is dilutive. The diluted net income per share is computed with the assumption that the Company will settle the convertible debt in shares, rather than cash.

Diluted earnings per share is the same as basic earnings per share for the periods in which the Company had a net loss because the inclusion of outstanding common stock equivalents would be anti-dilutive.

***Comprehensive Income (Loss)***

Comprehensive income (loss) includes all changes in stockholders' equity except those resulting from investments or contributions by stockholders. For the periods presented, the accumulated other comprehensive income (loss) consisted solely of the unrealized gains or losses on the Company's available-for-sale investments, net of tax.

***Foreign Currency***

The U.S. Dollar is the functional currency of the Company's subsidiaries and the Company's reporting currency. Monetary assets and liabilities are re-measured into U.S. Dollars at the applicable period end exchange rate. Sales and operating expenses are re-measured at average exchange rates in effect during each period. Losses resulting from foreign currency transactions are included in net income (loss) are \$3.6 million and \$1.8 million in the year ended December 31, 2022 and 2021, respectively, and were insignificant for the year ended December 31, 2020. The effect of exchange rate changes on cash and cash equivalents was insignificant for each of the three years ended December 31, 2022.

***Segments***

The Company operates in two segments. Revenue is attributed to a geographic region based on the location of the end customer. See Note 12 – "Segment Information and Revenue by Geography and Products" for details relating to revenue by geography.

**NOTE 2-CASH, CASH EQUIVALENTS, MARKETABLE SECURITIES, AND RESTRICTED CASH**

The Company determines the appropriate classification of its investments in marketable securities at the time of purchase and re-evaluates such designation at each balance sheet date. The Company's marketable securities have been classified and accounted for as available-for-sale securities. Investments with remaining maturities of more than one year are viewed by the Company as available to support current operations and are classified as current assets under the caption marketable investments in the accompanying consolidated balance sheets. Investments in available-for-sale debt securities are measured at fair value under the guidance in ASC 320. Credit losses on impaired available-for-sale debt securities are recognized through an allowance for credit losses. Under ASC 326, credit losses recognized on an available-for-sale debt security should not reduce the net carrying amount of the available-for-sale debt security below its fair value. Any changes in fair value unrelated to credit are recognized as an unrealized gain or loss in other comprehensive income.

The following table summarizes the Company's cash and cash equivalents and marketable investments (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
<b>December 31, 2022</b>				
Cash and cash equivalents	N/A	N/A	N/A	\$ 145,924
Current restricted cash	N/A	N/A	N/A	700
Cash, cash equivalents, and restricted cash as reported within the Consolidated Statements of Cash Flows	N/A	N/A	N/A	146,624
Marketable investments - U.S. Treasury	171,484	8	(102)	171,390
Total	<u>\$ 171,484</u>	<u>\$ 8</u>	<u>\$ (102)</u>	<u>\$ 318,014</u>
<b>December 31, 2021</b>				
Cash and cash equivalents				\$ 164,164
Non-current restricted cash				700
Cash, cash equivalents, and restricted cash as reported within the Consolidated Statements of Cash Flows				<u>\$ 164,864</u>

At December 31, 2022 and December 31, 2021, the net unrealized losses were \$0.1 million and nil, respectively, and were related to interest rate changes on available-for-sale marketable investments. The Company has concluded that it is more-likely-than-not that the securities will be held until maturity or the recovery of their cost basis. No securities were in an unrealized loss position for more than 12 months. The restricted cash balance relates to an outstanding letter of credit for \$0.7 million provided to a supplier.

All of the marketable investments will mature less than one year from December 31, 2022.

### NOTE 3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company measures certain financial assets at fair value, including cash and cash equivalents.

The fair value hierarchy contains the following three levels of inputs that may be used to measure fair value, in accordance with ASC 820:

- Level 1 inputs, which include quoted prices in active markets for identical assets or liabilities;
- Level 2 inputs, which include observable inputs other than Level 1 inputs, such as quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability. When sufficient quoted pricing for identical securities is not available, the Company uses market pricing and other observable market inputs for similar securities obtained from various third-party data providers. These inputs either represent quoted prices for similar assets in active markets or have been derived from observable market data; and
- Level 3 inputs, which include unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the underlying asset or liability. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies, or similar valuation techniques, as well as significant management judgment or estimation.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considering counterparty credit risk in its assessment of fair value.

As of December 31, 2022, financial assets and liabilities measured and recognized at fair value on a recurring basis and classified under the appropriate level of the fair value hierarchy as described above were as follows (in thousands):

<b>December 31, 2022</b>	<b>Level 1</b>		<b>Level 2</b>	
<b>Cash equivalents:</b>				
Money market funds	\$	26,408	\$	—
<b>Marketable investments:</b>				
Available-for-sale securities		171,390		—
<b>Derivative liabilities:</b>				
Foreign exchange forward	\$	—	\$	(558)
<b>Total</b>	<b>\$</b>	<b>197,798</b>	<b>\$</b>	<b>(558)</b>

At December 31, 2021, the Company had no money market funds or marketable investments.

See Note 14 - Debt for the carrying amount and estimated fair value of the Company's 2.25% Convertible Senior Notes due 2026 (the "2026 Notes"), 2.25% Convertible Senior Notes due 2028 (the "2028 Notes") and, 4.00% Convertible Senior Notes due 2029 (the "2029 Notes"), together with the 2026 Notes and 2028 Notes, (the "Convertible Notes").

#### **NOTE 4—DERIVATIVE INSTRUMENTS**

The Company uses foreign currency exchange forward contracts to manage the impact of currency exchange fluctuations on earnings and cash flow. The Company does not enter into derivative instruments for speculative purposes. The Company is exposed to potential credit loss in the event of nonperformance by counterparties on its outstanding derivative instruments but the Company does not anticipate nonperformance by any of its counterparties. Should a counterparty default, the Company's maximum loss exposure would be the potential asset balance of the instrument.

The cash flow effect of the derivative instruments settlement is recorded in cash flow from operations.

Dollar amounts in thousands:

<b>December 31, 2022</b>	<b>Classification</b>	<b>Foreign Exchange Forward</b>	
<b>(Dollars in thousands)</b>			
Gross notional amount	N/A	\$	6,128
Fair value	Accrued liabilities	\$	558
Unrealized loss	Other income (expense), net	\$	(558)

**NOTE 5—BALANCE SHEET DETAIL*****Inventories, net***

Valuation adjustments for excess and obsolete inventory, reflected as a reduction of inventory at December 31, 2022 and 2021, were \$3.6 million and \$4.9 million, respectively. Inventories, net of these adjustments, consist of the following (in thousands):

	December 31,	
	2022	2021
Raw materials	\$ 36,323	\$ 24,035
Work in process	2,117	2,124
Finished goods	25,188	13,344
Total	<u>\$ 63,628</u>	<u>\$ 39,503</u>

***Other current assets and prepaid expenses***

Other current assets and a prepaid expenses, consists of the following (in thousands):

	December 31,	
	2022	2021
Deposits with vendors	\$ 13,917	\$ 4,389
Foreign tax receivable	7,147	7,612
Prepayments	2,972	2,544
Total	<u>\$ 24,036</u>	<u>\$ 14,545</u>

***Property and Equipment, net***

Property and equipment, net, consists of the following (in thousands):

	December 31,	
	2022	2021
Leasehold improvements	\$ 793	\$ 826
Equipment leasing	—	107
AviClear devices	19,904	—
Office equipment and furniture	1,936	1,527
Machinery and equipment	5,106	3,983
Assets under construction	17,876	—
	<u>45,615</u>	<u>6,443</u>
Less: Accumulated depreciation	<u>(5,247)</u>	<u>(3,424)</u>
Property and equipment, net	<u>\$ 40,368</u>	<u>\$ 3,019</u>

Materials related to the AviClear acne treatment device were classified as inventories at December 31, 2021. The Company received 510(k) clearance from the U.S. Food and Drug Administration in March 2022 and in April 2022 placed the first devices in service. Beginning in April 2022, the materials used in the construction of the AviClear device have been classified as Assets under construction and the manufactured devices, including devices available for lease and devices placed in service, have been classified as AviClear devices.

***Goodwill***

Goodwill is related to the acquisition of Iridex's aesthetic business unit, and customer relationships in the Benelux countries acquired from a former distributor in 2013. Goodwill was \$1.3 million as of December 31, 2022 and 2021. There were no impairments or additions to goodwill during the years ended December 31, 2022 or 2021.

### Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	December 31,	
	2022	2021
Bonus and payroll-related accruals	\$ 18,951	\$ 21,649
Accrued sales tax	9,066	9,110
Liability for inventory in transit	7,028	4,265
Sales and marketing accruals	5,347	4,808
Product warranty	3,254	3,947
Other accrued liabilities	13,806	10,321
<b>Total</b>	<b>\$ 57,452</b>	<b>\$ 54,100</b>

### NOTE 6— PRODUCT WARRANTY

The Company has a direct field service organization in North America (including Canada). Internationally, the Company provides direct service support in Australia, Austria, Belgium, France, Germany, Hong Kong, Japan, the Netherlands, and Switzerland, as well as through third-party service providers in Spain and the United Kingdom. In several other countries, where the Company does not have a direct presence, the Company provides service through a network of distributors and third-party service providers.

After the original warranty period, maintenance and support are offered on an extended service contract basis or on a time and materials basis. The Company provides the estimated cost to repair or replace products under standard warranty at the time of sale. Costs in connection with extended service contracts are recognized at the time when costs are incurred. The following table provides the changes in the product standard warranty accrual for the years ended December 31, 2022 and 2021 (in thousands):

	December 31,	
	2022	2021
Balance at beginning of year	\$ 3,947	\$ 4,124
Add: Accruals for warranties issued during the period	3,710	5,135
Less: Settlements made during the period	(4,403)	(5,312)
Balance at end of year	<b>\$ 3,254</b>	<b>\$ 3,947</b>

### NOTE 7—DEFERRED REVENUE

The Company records deferred revenue when revenue is to be recognized subsequent to invoicing. For extended service contracts, the Company generally invoices customers at the beginning of the extended service contract term. The Company's extended service contracts typically have one to three-year terms. The Company leases the AviClear device to customers and receives a fixed annual license fee over the term of the arrangement and variable lease income related to treatments performed by the lessee. The fixed annual license fee is recognized evenly over the period of the lease contract on a straight-line basis. Deferred revenue also includes payments for training. Approximately 88% of the Company's deferred revenue balance of \$13.5 million as of December 31, 2022, will be recognized over the next 12 months.

The following table provides changes in the deferred revenue balance for the years ended December 31, 2022 and 2021 (in thousands):

	December 31,	
	2022	2021
Balance at beginning of year	\$ 10,825	\$ 11,237
Add: Payments received	21,984	17,139
Less: Revenue recognized from current period sales	(9,928)	(7,006)
Less: Revenue recognized from beginning balance	(9,383)	(10,545)
Balance at end of year	<b>\$ 13,498</b>	<b>\$ 10,825</b>

Costs for extended service contracts were \$6.3 million, \$8.3 million and \$8.2 million, respectively, for the years ended December 31, 2022, 2021 and 2020.

**NOTE 8—STOCKHOLDERS' EQUITY, STOCK PLANS AND STOCK-BASED COMPENSATION EXPENSE**

As of December 31, 2022, the Company had one class of issued common stock with a par value of \$0.001. Authorized capital stock consists of 55,000,000 shares comprised of two classes: (i) 50,000,000 shares of Common Stock, of which 19,668,603 shares are issued and outstanding as of December 31, 2022, and (ii) 5,000,000 shares of preferred stock, par value \$0.001 per share ("Preferred Stock"), of which no shares are issued and outstanding.

***Issuances of Common Stock***

On April 21, 2020, the Company issued and sold an aggregate of 2,742,750 shares of the Company's common stock, par value \$0.001 per share at a price to the public of \$10.50 per share. The shares include the full exercise of the underwriter's option to purchase an additional 357,750 shares of common stock. The Company received net proceeds from the offering of approximately \$26.5 million, after deducting underwriting discounts, commissions and offering expenses of \$2.3 million.

As of December 31, 2022, the Company had the following stock-based employee compensation plans:

***2004 Equity Incentive Plan***

In 1998, the Company adopted the 1998 Stock Plan, or 1998 Plan, under which 4,650,000 shares of the Company's common stock were reserved for issuance to employees, directors and consultants.

In 2004, the Board of Directors ("the Board") adopted the 2004 Equity Incentive Plan. A total of 1,750,000 shares of common stock were originally reserved for issuance pursuant to the 2004 Equity Incentive Plan. In addition, the shares reserved for issuance under the 2004 Equity Incentive Plan included shares reserved but un-issued under the 1998 Plan and shares returned to the 1998 Plan as the result of termination of options or the repurchase of shares. In 2012 the stockholders approved a "fungible share" provision whereby each full-value award issued under the 2004 Equity Incentive Plan results in a requirement to subtract 2.12 shares from the shares reserved under the Plan.

***2019 Equity Incentive Plan***

At the Company's Annual Meeting of Stockholders in 2019, the Company's stockholders approved the 2019 Equity Incentive Plan, which is an amendment and restatement of the 2004 Equity Incentive Plan. The 2004 Equity Incentive Plan was amended to: (i) increase the number of shares available for future grant by 700,000 (in addition to the 9,701,192 shares provided under the 2004 Equity Incentive Plan); (ii) extend the term of the 2004 Equity Incentive Plan to the date of the Annual Meeting of the Company's stockholders in 2029; (iii) amend the 2004 Equity Incentive Plan to eliminate the requirement for awards granted on or after June 14, 2019 that any shares subject to awards with an exercise price less than fair market value on the date of such grant will be counted against the Plan as 2.12 shares for each full value share awarded in accordance with the 2004 Equity Incentive Plan; (iv) amend the 2004 Equity Incentive Plan to remove the requirement that any shares subject to awards with an exercise price less than fair market value on the date of such grant will be counted against the Plan as 2.12 shares for each full value share awarded; (v) amend the 2004 Equity Incentive Plan to remove certain provisions relating to the "performance based compensation" exception under Section 162(m) of the Internal Revenue Code of 1986, as amended; (vi) include a minimum one-year vesting period with respect to awards granted under the 2004 Equity Incentive Plan.

Also in 2019, the Board also amended the Company's Stock Ownership Guidelines to require all officers (as defined by Rule 16a-1(f) of the Securities Exchange Act of 1934, as amended) to hold at least 50% of any shares received pursuant to stock options, stock appreciation rights, vested restricted stock awards ("RSAs"), restricted stock units ("RSUs"), or performance stock units ("PSUs") (net of taxes) for a minimum of one year following vesting and delivery.

In 2019, the Board also adopted a clawback policy to permit recovery of certain compensation paid to Named Executive Officers (as defined in Item 402 of Regulation S-K) of the Company if the Compensation Committee of the Board determines that a Named Executive Officer (i) has violated law, the Company's Code of Business Conduct and Ethics, or any significant ethics or compliance policies, and (ii) such conduct results in material financial or reputational harm, or results in a need for a restatement of the Company's consolidated financial statements. The Amended and Restated Plan provides for the grant of incentive stock options, non-statutory stock options, RSAs, RSUs, stock appreciation rights, PSUs, and other stock or cash awards.

In 2020, the Company's stockholders approved an amendment and restatement of the 2019 Equity Incentive Plan and approved an additional 600,000 shares, available for future grants.



In June 2021, stockholders approved an amendment and restatement of the 2019 Equity Incentive Plan and approved an additional 450,000 shares, available for future grants.

In June 2022, stockholders approved an amendment and restatement of the 2019 Equity Incentive Plan and approved an additional 600,000 shares, available for future grants.

The Company's non-employee directors are granted \$150,000 of RSUs or non-statutory stock options annually on the date of the Company's Annual Meeting of stockholders. These grants cliff-vest on the one-year anniversary of the grant date. In the years ended December 31, 2022, 2021 and 2020, the Company issued 12,496, 41,301 and 35,735 RSUs, respectively, to its non-employee directors. In the year ended December 31, 2022, the Company issued 18,135 non-statutory stock options to its non-employee directors.

In the years ended December 31, 2022, 2021 and 2020, the Company's Board of Directors granted 191,993, 219,686 and 405,248 RSUs, respectively, to its executive officers, directors and certain members of the Company's management related to annual grants and new hire grants. The new hire RSUs vest quarterly on each of the first four annual anniversaries of the grant date and the annual grant RSUs vest one quarter on the first annual anniversary and monthly thereafter for 36 months. The Company measured the fair market values of the underlying stock on the dates of grant and recognizes the stock-based compensation expense over the vesting period. On the vesting date, the Company issues common stock, net of stock withheld to settle the recipient's minimum statutory tax liability. In addition to the 2020 annual RSU grants, on April 1, 2020, the Company issued RSUs to settle bonuses owed to management under the 2019 Management Bonus Program. In the past, the Company has paid these bonuses with cash. However, due to the economic conditions resulting from COVID-19, fully vested shares were issued in lieu of cash. The Company issued 209,981 shares related to this bonus payment to management and recognized \$2.6 million in stock-based compensation expense. The Company also recorded an equivalent reduction in bonus expense as a result of the settlement of the bonus in shares.

In the years ended December 31, 2022, 2021 and 2020 the Company's Board of Directors granted its executive officers and certain senior management employees 169,785, 178,222, and 76,157 PSUs, respectively, related to its annual grants. The 2020 grant vested on the first anniversary subject to the achievement of pre-established performance goals. The 2021 and 2022 grants vest one half on the first anniversary subject to the achievement of pre-established performance goals and the remaining half vests on the second anniversary subject to the recipient's continued service. In addition to the 2021 annual PSU grants, in July 2021, the Company granted 265,002 PSUs to certain employees. This grant consists of four separate vesting tranches that will vest from April 2023 through June 2025 upon the achievement of operational milestones associated with each tranche and continued service.

In July 2019, the Board awarded its new CEO, David H. Mowry, 67,897 PSUs, which vested over four years from 2019 through 2022. These PSUs are subject to certain performance-based criteria related to achieving financial metrics in the Board approved annual budgets.

In August 2020, the Board awarded its new CFO, Rohan Seth, 60,000 stock options, which vests over five years, and 22,423 PSUs, which vests over 2.5 years and is subject to performance-based criteria relating to the achievement of certain department and financial goals.

On January 12, 2004, the Board of Directors adopted the 2004 Employee Stock Purchase Plan. Under the 2004 Employee Stock Purchase Plan, or 2004 ESPP, eligible employees are permitted to purchase common stock at a discount through payroll deductions. The 2004 ESPP offering and purchase periods are for six months. The 2004 ESPP has an evergreen provision based on which shares of common stock eligible for purchase are increased on the first day of each fiscal year by an amount equal to the lesser of:

- 600,000 shares;
- 2.0% of the outstanding shares of common stock on such date; or
- an amount as determined by the Board of Directors.

The price of the common stock purchased is the lower of 85% of the fair market value of the common stock at the beginning or end of the six-month offering period. In the years ended December 31, 2022, 2021, and 2020, under the 2004 ESPP, the Company issued 49,306, 59,635, and 56,751 shares, respectively. At December 31, 2022, 378,586 shares remained available for future issuance.

**Option and Award Activity**

Activity under the 2004 Plan and 2019 Equity Incentive Plan is summarized as follows:

	<b>Options Outstanding</b>				
	<b>Shares Available For Grant</b>	<b>Number of Shares</b>	<b>Weighted-Average Exercise Price</b>	<b>Weighted-Average Remaining Contractual Life (in years)</b>	<b>Aggregate Intrinsic Value (in millions) <sup>(1)</sup></b>
<b>Balances as of December 31, 2019</b>	761,705	295,699	\$ 25.52	3.19	\$ 3.04
Additional shares reserved <sup>(2)</sup>	600,000				
Options granted	(71,088)	71,088	\$ 14.85		
Options exercised	—	(73,227)	\$ 12.91		
Options cancelled (expired or forfeited)	76,553	(76,553)	\$ 36.65		
Stock awards granted	(804,949)	—	—		
Stock awards cancelled (expired or forfeited)	522,949	—	—		
<b>Balances as of December 31, 2020</b>	1,085,170	217,007	\$ 22.35	3.75	\$ 1.47
Additional shares reserved <sup>(2)</sup>	450,000				
Options granted	(172,139)	172,139	\$ 30.71		
Options exercised	—	(71,798)	\$ 22.02		
Options cancelled (expired or forfeited)	30,173	(30,173)	\$ 37.14		
Stock awards granted	(744,949)	—	—		
Stock awards cancelled (expired or forfeited)	299,092	—	—		
<b>Balances as of December 31, 2021</b>	947,347	287,175	\$ 25.89	4.92	\$ 4.46
Additional shares reserved <sup>(2)</sup>	600,000				
Options granted	(296,238)	296,238	\$ 40.95		
Options exercised	—	(39,960)	\$ 21.28		
Options cancelled (expired or forfeited)	29,518	(29,518)	\$ 34.91		
Stock awards granted	(374,274)	—	—		
Stock awards cancelled (expired or forfeited)	164,572	—	—		
<b>Balances as of December 31, 2022</b>	1,070,925	513,935	\$ 34.41	6.63	\$ 5.99
<b>Exercisable as of December 31, 2022</b>		127,863	\$ 27.54	3.24	\$ 2.15
<b>Vested and expected to vest, net of estimated forfeitures, as of December 31, 2022</b>		483,844	\$ 34.27	6.52	\$ 5.69

(1) Based on the closing stock price of \$44.22 of the Company's stock on December 31, 2022, \$41.32 on December 31, 2021, \$24.11 on December 31, 2020 and \$35.81 on December 31, 2019.

(2) Approved by the board of directors and stockholders in 2022, 2021 and 2020.

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value and is the aggregate difference between the Company's closing stock price on the last trading day of the fiscal year and the exercise price, multiplied by the number of in-the-money options. The aggregate intrinsic amount changes based on the fair market value of the Company's common stock. Total intrinsic value of options exercised in 2022, 2021 and 2020 was \$1.1 million, \$1.3 million, and \$0.4 million, respectively. The options outstanding and exercisable at December 31, 2022 were in the following exercise price ranges:

Exercise Prices		Number Outstanding	Contractual Life (in years)	Number Exercisable	
\$10.79	—	\$14.04	5,709	1.26	5,709
	\$14.10		60,000	2.59	28,000
\$18.55	—	\$25.70	12,775	0.91	12,775
	\$29.28		73,667	5.26	31,803
	\$32.87		48,806	4.93	22,291
	\$33.45		150,857	9.14	—
\$36.55	—	\$41.39	91,719	6.54	22,540
	\$42.33		17,335	9.91	—
	\$47.40		4,745	1.96	4,745
	\$63.62		48,322	9.25	—
<b>\$10.79</b>	<b>—</b>	<b>\$63.62</b>	<b>513,935</b>	<b>6.63</b>	<b>127,863</b>

#### Stock Awards (RSU and PSU) Activity Table

Information with respect to RSUs and PSUs activity is as follows (in thousands):

	Number of Shares	Weighted-Average Grant- Date Fair Value	Aggregate Fair Value <sup>(1)</sup> (in thousands)	Aggregate Intrinsic Value <sup>(2)</sup> (in thousands)
<b>Outstanding at December 31, 2019</b>	1,104,802	\$ 22.10		\$ 37,442
Granted	667,694	\$ 20.66		
Vested <sup>(3)</sup>	(684,491)	\$ 17.82	\$ 12,036 <sup>(4)</sup>	
Forfeited	(308,248)	\$ 23.24		
<b>Outstanding at December 31, 2020</b>	779,757	\$ 23.96		\$ 18,800
Granted	744,949	\$ 40.16		
Vested <sup>(3)</sup>	(254,946)	\$ 22.94	\$ 8,287 <sup>(5)</sup>	
Forfeited	(236,856)	\$ 27.33		
<b>Outstanding at December 31, 2021</b>	1,032,904	\$ 35.00		\$ 42,680
Granted	374,274	\$ 45.36		
Vested <sup>(3)</sup>	(340,836)	\$ 29.04	\$ 15,443 <sup>(6)</sup>	
Forfeited	(160,131)	\$ 41.48		
<b>Outstanding at December 31, 2022</b>	906,211	\$ 40.39		\$ 40,073

(1) Represents the value of the Company's stock on the date that the restricted stock units and performance stock units vest.

(2) Based on the closing stock price of the Company's stock of \$44.22 on December 31, 2022, \$41.32 on December 31, 2021, \$24.11 on December 31, 2020, and \$35.81 on December 31, 2019.

(3) The number of restricted stock units vested includes shares that the Company withheld on behalf of the employees to satisfy the statutory tax withholding requirements.

(4) On the grant date, the fair value for these vested awards was \$12.2 million.

(5) On the grant date, the fair value for these vested awards was \$5.8 million.

(6) On the grant date, the fair value for these vested awards was \$9.9 million.

### Stock-Based Compensation

Stock-based compensation expense for the years ended December 31, 2022, 2021 and 2020 was as follows (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Stock options	\$ 2,175	\$ 782	\$ 370
RSUs	6,979	5,305	8,849
PSUs	4,430	6,591	666
ESPP	816	494	224
Total stock-based compensation expense	\$ 14,400	\$ 13,172	\$ 10,109

Total stock-based compensation expense recognized during the years ended December 31, 2022, 2021 and 2020 was recorded in the Consolidated Statement of Operations as follows (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Cost of revenue	\$ 1,665	\$ 1,408	\$ 1,665
Sales and marketing	4,998	3,160	3,385
Research and development	2,405	2,784	1,669
General and administrative	5,332	5,820	3,390
Total stock-based compensation expense	\$ 14,400	\$ 13,172	\$ 10,109

### Valuation Assumptions and Fair Value of Stock Options and ESPP Grants

The Company uses the Black-Scholes option pricing model to estimate the fair value of options granted under its equity incentive plans and rights to acquire stock granted under its employee stock purchase plan. The weighted average estimated fair values of the employee stock options and rights granted under the employee stock purchase plan and the weighted average assumptions used to calculate the grant date fair values, are as follows:

	Stock Options			Stock Purchase Plan (ESPP)		
	2022	2021	2020	2022	2021	2020
Expected term (in years)	4.03	3.97	4.84	0.49	0.50	0.50
Risk-free interest rate	1.99 %	0.48 %	0.15 %	3.79 %	0.14 %	0.11 %
Volatility	66 %	66 %	63 %	69 %	36 %	76 %
Dividend yield <sup>(1)</sup>	— %	— %	— %	— %	— %	— %
Weighted average estimated fair value at grant date	\$ 19.76	\$ 15.09	\$ 7.63	\$ 15.77	\$ 9.64	\$ 6.13

(1) The Company has not paid dividends since its inception.

### NOTE 9—INCOME TAXES

The Company files income tax returns in the U.S. federal and various state and local jurisdictions and foreign jurisdictions. The Company's income (loss) before provision for income taxes consisted of the following (in thousands):

	Year Ended December 31,		
	2022	2021	2020
U.S.	\$ (84,189)	\$ (356)	\$ (25,793)
Foreign	3,487	3,741	2,386
Income (loss) before income taxes	\$ (80,702)	\$ 3,385	\$ (23,407)

The components of the provision for income taxes are as follows (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Current:			
Federal	\$ 52	\$ —	\$ —
State	126	(87)	(53)
Foreign	1,275	1,512	747
Total Current	<u>1,453</u>	<u>1,425</u>	<u>694</u>
Deferred:			
Federal	2	2	2
State	1	1	1
Foreign	182	(105)	(227)
Total Deferred	<u>185</u>	<u>(102)</u>	<u>(224)</u>
Tax provision	<u>\$ 1,638</u>	<u>\$ 1,323</u>	<u>\$ 470</u>

The Company's net deferred tax assets consist of the following (in thousands):

	December 31,	
	2022	2021
Net operating loss carryforwards	\$ 21,443	\$ 18,274
Stock-based compensation	2,594	3,160
Other accruals and reserves	4,592	2,863
Credits	14,908	13,634
Accrued warranty	778	939
Depreciation and amortization	1,857	2,226
Section 174 Costs	7,578	—
Other	1,541	977
Operating lease liability	<u>3,384</u>	<u>3,784</u>
Deferred tax asset before valuation allowance	58,675	45,857
Valuation allowance	<u>(53,118)</u>	<u>(40,485)</u>
Deferred tax asset after valuation allowance	5,557	5,372
Deferred contract acquisition costs	(1,763)	(990)
Goodwill	(138)	(124)
Right of use asset	<u>(3,066)</u>	<u>(3,480)</u>
Net deferred tax asset (liability)	<u>\$ 590</u>	<u>\$ 778</u>

The differences between the U.S. federal statutory income tax rates to the Company's effective tax rate are as follows:

	Year Ended December 31,		
	2022	2021	2020
U.S. federal statutory income tax rate	21.00 %	21.00 %	21.00 %
State tax rate	(0.16)	(2.55)	2.77
Meals and entertainment	(0.47)	9.28	(0.65)
Permanent differences	(0.07)	1.11	(2.87)
Stock-based compensation	0.89	(13.08)	(1.07)
Extinguishment of PPP loan	—	(44.59)	—
Debt extinguishment costs	(8.48)	—	—
Excess compensation	(1.34)	7.88	—
Foreign rate differential	(0.76)	17.03	(1.05)
General business credit	0.78	(17.95)	2.74
Valuation allowance	(11.41)	72.82	(25.51)
Change in prior year reserves	—	(0.08)	0.55
Deferred true-up	(2.02)	(11.76)	2.08
Effective tax rate	(2.04)%	39.11 %	(2.01)%

As of December 31, 2022, the Company recorded a valuation allowance of \$53.1 million for the portion of the deferred tax asset that it does not expect to be realized. The valuation allowance on the Company's net deferred taxes increased by \$12.6 million and \$2.2 million during the years ended December 31, 2022 and 2021, respectively. The changes in valuation allowance are primarily due to additional U.S. deferred tax assets and liabilities incurred in the respective year. The Company has \$0.6 million of net deferred tax assets in foreign jurisdictions, which management believes are more-likely-than-not to be realized given the expectation of future earnings in these jurisdictions. The Company continues to monitor the realizability of the U.S. deferred tax assets taking into account multiple factors, including the results of operations and magnitude of excess tax deductions for stock-based compensation. The Company intends to continue maintaining a full valuation allowance on its U.S. deferred tax assets until there is sufficient evidence to support the reversal of all or some portion of these allowances. Release of all, or a portion, of the valuation allowance would result in the recognition of certain deferred tax assets and a decrease to income tax expense for the period the release is recorded.

At December 31, 2022, the Company had approximately \$87.7 million and \$45.3 million of federal and state net operating loss carryforwards, respectively, available to offset future taxable income. The federal and state net operating loss carryforwards, if not utilized, will generally begin to expire in 2029 through 2039. Approximately \$51.2 million of total federal net operating loss carryforwards were generated after December 31, 2017 and have no expiration. At December 31, 2022, the Company had research and development tax credits available to offset federal and California tax liabilities in the amount of \$7.5 million and \$9.3 million, respectively. Federal credits will begin to expire in 2024 and California state tax credits have no expiration.

Federal and state laws can impose substantial restrictions on the utilization of net operating loss and tax credit carryforwards in the event of an "ownership change," as defined in Section 382 of the Internal Revenue Code. The Company has determined that no significant limitation would be placed on the utilization of the Company's net operating loss and tax credit carryforwards due to prior ownership changes.

No deferred tax liabilities have been recorded relating to the earnings of the Company's foreign subsidiaries since all such earnings are intended to be indefinitely reinvested. The amount of the unrecognized deferred tax liability associated with these earnings is immaterial.

#### **Uncertain Tax Positions**

The Company establishes reserves for uncertain tax positions based on the largest amount that is more-likely-than-not to be sustained. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. The Company performs a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement.

Although the Company believes it has adequately reserved for its uncertain tax positions, no assurance can be given that the final tax outcome of these matters will not be different. The Company adjusts these reserves in light of changing facts and circumstances, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact the provision for income taxes in the period in which such determination is made. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate, as well as the related net interest and penalties.

The Company files U.S., state, and foreign income tax returns in jurisdictions with varying statutes of limitations. Tax years after 2009 remain subject to examination by U.S. federal and California state tax authorities due to the Company's net operating loss and credit carryforwards. For significant foreign jurisdictions, tax years after 2017 remain subject to examination by their respective tax authorities.

The following table summarizes the activity related to the Company's gross unrecognized tax benefits, excluding related interest and penalties, in December 31, 2020 to December 31, 2022 (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Balance at beginning of year	\$ 2,746	\$ 1,864	\$ 1,426
Decreases related to prior year tax positions	(36)	(37)	(32)
Increases related to current year tax positions	1,015	919	470
Balance at end of year	<u>\$ 3,725</u>	<u>\$ 2,746</u>	<u>\$ 1,864</u>

#### NOTE 10—NET INCOME (LOSS) PER SHARE

As of December 31, 2022, the Company's convertible notes were potentially convertible into 8,354,036 shares of common stock. The Company used the if-converted method to calculate the potential dilutive effect of the conversion spread on diluted net income per share for the years ended December 31, 2022 and 2021.

The denominator for diluted net income (loss) per share does not include any effect from the capped call transactions the Company entered into concurrently with the issuance of the convertible notes, as this effect would be anti-dilutive. In the event of conversion of a convertible note, shares delivered to the Company under the capped call will offset the dilutive effect of the shares that the Company would issue under the convertible notes.

For the years ended December 31, 2022 and 2020, basic loss per common share and diluted loss per common share are the same in each respective period, as the inclusion of any potentially issuable shares would be anti-dilutive.

The following table sets forth the computation of basic and diluted net loss and the weighted average number of shares used in computing basic and diluted net loss per share (in thousands, except per share data):

	Year Ended December 31,		
	2022	2021	2020
<i>Numerator:</i>			
Net income (loss)	\$ (82,340)	\$ 2,062	\$ (23,877)
<i>Denominator:</i>			
Weighted average shares of common stock outstanding used in computing net income (loss) per share, basic	18,747	17,891	16,691
Dilutive effect of incremental shares and share equivalents:			
Options	—	68	—
RSUs	—	294	—
PSUs	—	104	—
ESPP	—	5	—
Weighted average shares of common stock outstanding used in computing net income (loss) per share, diluted	<u>18,747</u>	<u>18,362</u>	<u>16,691</u>
<i>Net income (loss) per share:</i>			
Net income (loss) per share, basic	\$ (4.39)	\$ 0.12	\$ (1.43)
Net income (loss) per share, diluted	<u>\$ (4.39)</u>	<u>\$ 0.11</u>	<u>\$ (1.43)</u>

The following numbers of shares outstanding, prior to the application of the treasury stock method and the if-converted method, were excluded from the computation of diluted net income (loss) per common share for the periods presented because including them would have had an anti-dilutive effect (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Capped call	10,780	4,167	—
Convertible debt	8,697	4,167	—
Options to purchase common stock	514	166	244
Restricted stock units	460	32	724
Employee stock purchase plan shares	38	—	87
Performance stock units	446	120	68
<b>Total</b>	<b>20,935</b>	<b>8,652</b>	<b>1,123</b>

#### NOTE 11—DEFINED CONTRIBUTION PLAN

In the U.S., the Company has an employee savings plan (“401(k) Plan”) that qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Eligible employees may make voluntary contributions to the 401(k) Plan up to 100% of their annual compensation, subject to statutory annual limitations. In 2022, 2021 and 2020, the Company made discretionary contributions under the 401(k) Plan of \$0.5 million, \$0.3 million and \$0.2 million, respectively.

For the Company’s Japanese subsidiary, a discretionary employee retirement plan has been established. In addition, for some of the Company’s other foreign subsidiaries, the Company deposits funds with insurance companies, third-party trustees, or into government-managed accounts consistent with the requirements of local laws. The Company has fully funded or accrued for its obligations as of December 31, 2022, and the related expense for each of the three years then ended was not significant.

#### NOTE 12—SEGMENT INFORMATION AND REVENUE BY GEOGRAPHY AND PRODUCTS

Segment reporting is based on the “management approach,” following the method that management organizes the Company’s reportable segments for which separate financial information is made available to, and evaluated regularly by, the chief operating decision maker in allocating resources and in assessing performance. The Company’s chief operating decision maker (“CODM”) is its Chief Executive Officer (“CEO”), who makes decisions on allocating resources and assessing performance.

Beginning in the fourth quarter of 2022, the Company segregates its operations into two reportable business segments: (i) Cutera Core and (ii) AviClear. This segregation aligns the Company’s operating business segments with the way the CEO reviews the Company’s operations as a result of the commercial release of the Company’s AviClear acne treatment device in April 2022.

The Company measures the financial results of its reportable segments using an internal performance measure that excludes General and administrative expenses.



	Year Ended December 31,		
	2022	2021	2020
	(Dollars in thousands)		
<b>Net revenue</b>			
Cutera Core	\$ 247,943	\$ 231,270	\$ 147,683
AviClear	4,456	—	—
<b>Total net revenue</b>	<b>\$ 252,399</b>	<b>\$ 231,270</b>	<b>\$ 147,683</b>
<b>Income (loss) from operations</b>			
Cutera Core	\$ 20,862	\$ 30,181	\$ (4,796)
AviClear	(28,012)	(9,445)	—
<b>Segment income (loss) from operations</b>	<b>(7,150)</b>	<b>20,736</b>	<b>(4,796)</b>
<b>Items not allocated to segments</b>			
Stock-based compensation	(14,400)	(13,172)	(10,109)
ERP implementation	(9,211)	(1,498)	(1,139)
Depreciation and amortization	(5,821)	(3,188)	(3,987)
Legal fees, severance, and other	(1,608)	(1,048)	(2,797)
<b>Consolidated income (loss) from operations</b>	<b>(38,190)</b>	<b>1,830</b>	<b>(22,828)</b>
Interest and other income (expense), net	(42,512)	1,555	(579)
<b>Consolidated income (loss) before income taxes</b>	<b>\$ (80,702)</b>	<b>\$ 3,385</b>	<b>\$ (23,407)</b>
<b>Capital spending</b>			
Cutera Core	\$ 1,780	\$ 438	\$ 1,279
AviClear	20,918	577	—
<b>Total segment capital spending</b>	<b>22,698</b>	<b>1,015</b>	<b>1,279</b>
Corporate	—	—	—
<b>Total capital spending</b>	<b>\$ 22,698</b>	<b>\$ 1,015</b>	<b>\$ 1,279</b>
<b>Total assets</b>			
Cutera Core	\$ 154,978	\$ 76,860	
AviClear	47,406	6,342	
<b>Total segment assets</b>	<b>202,384</b>	<b>83,202</b>	
Corporate	318,604	197,091	
<b>Total assets</b>	<b>\$ 520,988</b>	<b>\$ 280,293</b>	

As of December 31, 2022 and 2021, 99.8% and 99.0% of long-lived assets were in the United States, respectively.

The following table presents a summary of revenue by geography for the year ended December 31, 2022, 2021 and 2020 (in thousands):

	Year Ended December 31,		
	2022	2021	2020
<b>Revenue mix by geography:</b>			
United States	\$ 107,453	\$ 96,629	\$ 61,238
Japan	64,920	70,235	43,265
Asia, excluding Japan	21,873	12,649	10,707
Europe	20,882	19,444	11,185
Rest of the world, other than United States, Asia and Europe	37,271	32,313	21,288
Total consolidated revenue	<u>\$ 252,399</u>	<u>\$ 231,270</u>	<u>\$ 147,683</u>
<b>Revenue mix by product category:</b>			
Systems	\$ 163,637	\$ 139,633	\$ 90,765
AviClear	4,456	—	—
Consumables	18,203	16,401	9,287
Skincare	42,500	49,669	25,061
Total product revenue	<u>228,796</u>	<u>205,703</u>	<u>125,113</u>
Service	23,603	25,567	22,570
Total consolidated revenue	<u>\$ 252,399</u>	<u>\$ 231,270</u>	<u>\$ 147,683</u>

#### NOTE 13— COMMITMENTS AND CONTINGENCIES

##### LEASES

###### *Lessee*

The Company is a party to certain operating and finance leases for vehicles, office space and storage facilities. The Company's material operating leases consist of office space, as well as storage facilities and finance leases consist of automobiles leases. The Company's leases generally have remaining terms of one to 10 years, some of which include options to renew the leases for up to five years. The Company leases space for operations in the United States, Japan, Belgium, France, and Spain.

The Company determines if a contract contains a lease at inception. Operating lease assets and liabilities are recognized at the lease commencement date. Operating lease liabilities represent the present value of lease payments not yet paid. Operating lease assets represent the right to use an underlying asset and are based upon the operating lease liabilities adjusted for prepayments or accrued lease payments, initial direct costs, lease incentives, and impairment of operating lease assets. To determine the present value of lease payments not yet paid, the Company estimates the incremental secured borrowing rates corresponding to the maturities of the leases. The Company based the rate estimates on prevailing financial market conditions, credit analysis, and management judgment.

Tenant incentives used to fund leasehold improvements are recognized when earned and reduce the Company's right-of-use asset related to the lease. These are amortized through the right-of-use asset as reductions of expense over the lease term.

Below is supplemental balance sheet information related to leases (in thousands):

	<i>Classification</i>	Year Ended December 31,	
		2022	2021
<b>Assets</b>			
Right-of-use assets	Operating lease right-of-use assets	\$ 12,831	\$ 14,627
Finance lease	Property and equipment, net	1,606	392
Total leased assets		\$ 14,437	\$ 15,019

	<i>Classification</i>	Year Ended December 31,	
		2022	2021
<b>Liabilities</b>			
Operating lease liabilities			
Operating lease liabilities, current	Operating lease liabilities	\$ 2,810	\$ 2,419
Operating lease liabilities, non-current	Operating lease liabilities, net of current portion	11,352	13,483
Total Operating lease liabilities		\$ 14,162	\$ 15,902

	<i>Classification</i>	Year Ended December 31,	
		2022	2021
<b>Finance lease liabilities</b>			
Finance lease liabilities, current	Accrued liabilities	\$ 485	\$ 554
Finance lease liabilities, non-current	Other long-term liabilities	825	730
Total Finance lease liabilities		\$ 1,310	\$ 1,284

Lease costs during the twelve months ended December 31, 2022 and December 31, 2021 (in thousands):

	<i>Classification</i>	Year Ended December 31,		
		2022	2021	2020
Finance lease cost	Amortization expense	\$ 643	\$ 484	\$ 431
Finance lease cost	Interest for finance lease	\$ 76	\$ 59	\$ 63
Operating lease cost	Operating lease expense	\$ 3,560	\$ 3,542	\$ 3,275

Cash paid for amounts included in the measurement of lease liabilities during the twelve months ended December 31, 2022 and December 31, 2021 were as follows (in thousands):

	<i>Classification</i>	Year Ended December 31,		
		2022	2021	2020
Operating cash flow	Finance lease	\$ 78	\$ 56	\$ 63
Financing cash flow	Finance lease	\$ 520	\$ 462	\$ 537
Operating cash flow	Operating lease	\$ 2,526	\$ 3,092	\$ 2,139

Maturities of lease liabilities

Maturities of operating lease liabilities were as follows as of December 31, 2022 (in thousands):

	<b>Amount</b>
2023	\$ 3,420
2024	2,962
2025	2,932
2026	3,027
2027	3,130
Thereafter	464
Total lease payments	15,935
Less: imputed interest	(1,773)
Present value of lease liabilities	\$ 14,162

Vehicle Leases

As of December 31, 2022, the Company was committed to minimum lease payments for vehicles leased under long-term non-cancelable finance leases as follows (in thousands):

	<b>Amount</b>
2023	\$ 542
2024	604
2025	295
Total lease payments	1,441
Less: imputed interest	(131)
Present value of lease liabilities	\$ 1,310

Weighted-average remaining lease term and discount rate, as of December 31, 2022, were as follows:

**Lease Term and Discount Rate**

Weighted-average remaining lease term (years)	
Operating leases	5.0
Finance leases	2.3
Weighted-average discount rate	
Operating leases	4.7 %
Finance leases	6.2 %

**Lessor - AviClear**Lessor revenue

The Company leases the AviClear device to customers and receives a fixed annual license fee over the term of the arrangement and revenue related to treatments performed by the lessee. The contractual term of the lease agreement is three years with a one-year autorenewal feature. Certain lease agreements' terms in excess of one year can be terminated without financial penalty, and these agreements are accounted for as having a lease term of one year. The AviClear lease agreements are accounted for as operating leases. The fixed annual license fee is recognized evenly throughout the period of the lease agreement on a straight-line basis. The treatment revenue is recognized in the period the lessee has the ability to perform the patient treatment.

The following table summarizes the amount of operating lease income included in product revenue in the accompanying consolidated statements of operations (in thousands):

	Year Ended December 31, 2022	Year Ended December 31, 2021
AviClear operating lease license fee revenue	\$ 922	\$ —
AviClear operating lease revenue	3,534	—
Total AviClear revenue	<u>\$ 4,456</u>	<u>\$ —</u>

The AviClear device being leased has a useful life of seven years. The Company expects that a device will be leased for two consecutive lease terms at the end of which its residual value will be immaterial.

The following is the minimum future lease payments as of December 31, 2022, under non-cancelable operating leases, assuming the minimum contractual lease term (in thousands):

	Amount
2023	\$ 610
2024	610
Total	<u>\$ 1,220</u>

#### Practical Expedients

The Company elected a practical expedient applied to operating leases to elect not to separate lease and nonlease components as long as the lease and at least one nonlease component have the same timing and pattern of transfer. As such, updates or upgrades on a when-and-if available basis to the AviClear device are combined with the operating lease revenue. The combined component is being accounted for under ASC 842. Additionally, the Company made an accounting policy election to present AviClear revenue net of sales and other similar taxes.

#### Capitalized sales commissions

Sales commissions related to obtaining AviClear lease agreements are accounted for as initial direct costs and are capitalized and amortized on a straight-line basis over the lease term. Total capitalized costs for the year ended December 31, 2022 were \$3.8 million. Amortization expenses for these assets were \$0.5 million during the year ended December 31, 2022, and were included in Sales and marketing expense in the Company's consolidated statement of operations. Total capitalized costs as of December 31, 2022, were \$3.3 million and are included in Other long-term assets in the Company's consolidated balance sheet.

#### Lease installment costs

The Company capitalizes fulfillment costs incurred before AviClear lease commencement and these costs include freight, installation, and training costs. Total capitalized costs for the year ended December 31, 2022, were \$1.7 million. Amortization expenses for these assets were \$0.3 million during the year ended December 31, 2022, and were included in Cost of revenue in the Company's consolidated statement of operations. Total lease installment costs as of December 31, 2022, were \$1.4 million and are included in Other long-term assets in the Company's consolidated balance sheet.

#### Purchase Commitments

The Company maintains certain open inventory purchase commitments with its suppliers to ensure a smooth and continuous supply for key components. The Company's liability in these purchase commitments is generally restricted to an agreed-upon period. These periods can vary among different suppliers. Although open purchase orders are considered enforceable and legally binding, the terms generally allow the Company the option to cancel, reschedule, and adjust their requirements based on the Company's business needs prior to the delivery of goods or performance of services.

#### Indemnifications

In the normal course of the Company's business, the Company enters into agreements that contain a variety of representations, warranties, and indemnification obligations. For example, the Company has entered into indemnification agreements with each of its directors and executive officers and certain key employees. The Company's exposure under its various indemnification obligations is unknown and not reasonably estimable as they involve future claims that may be made against the Company. As such, the Company has not accrued any amounts for such obligations.

### **Contingencies**

The Company is named from time to time as a party to other legal proceedings, product liability, intellectual property disputes, commercial disputes, employee disputes, and contractual lawsuits. A liability and related charge are recorded to earnings in the Company's consolidated financial statements for legal contingencies when the loss is considered probable and the amount can be reasonably estimated. The assessment is re-evaluated each accounting period and is based on all available information, including discussion with outside legal counsel. If a reasonable estimate of a known or probable loss cannot be made, but a range of probable losses can be estimated, the low-end of the range of losses is recognized if no amount within the range is a better estimate than any other. If a material loss is reasonably possible, but not probable and can be reasonably estimated, the estimated loss or range of loss is disclosed in the notes to the consolidated financial statements. The Company expenses legal fees as incurred. Certain of the cases below are still in the preliminary stages, and the Company is not able to quantify the extent of its potential liability, if any, other than as described. The outcome of litigation is inherently unpredictable and subject to significant uncertainties. If any of these matters are resolved adversely to the Company, this could have a material adverse effect on its business, financial condition, results of operations, and cash flows. In addition, defending these legal proceedings is likely to be costly, which may have a material adverse effect on the Company's financial condition, results of operations and cash flows, and may divert management's attention from the day-to-day operations of its business.

As of December 31, 2022 and 2021, the Company had accrued \$0.5 million and \$0.7 million, respectively, related to various pending commercial and product liability lawsuits. The Company does not believe that a material loss in excess of accrued amounts is reasonably possible.

On January 31, 2020, Cutera filed a lawsuit against Lutronic Aesthetics in the United States District Court for the Eastern District of California. Lutronic employs numerous former Cutera employees. The complaint against Lutronic generally alleges claims for (1) misappropriation of trade secrets in violation of state and federal law; (2) violation of the Racketeer Influenced and Corrupt Organizations Act ("RICO"); (3) interference with contractual relations; (4) interference with prospective economic advantage; (5) unfair competition; and (6) aiding and abetting. On March 13, 2020, the court entered a temporary restraining order ("TRO") against Lutronic generally prohibiting it from using or disseminating Cutera confidential, proprietary, or trade secret information. The order also prohibits Lutronic, for two years, from using such information for the purpose of soliciting, or conducting business with, certain specified customers. On April 9, 2020, the parties stipulated to the entry of a preliminary injunction providing for the same relief afforded by the TRO. On August 4, 2022, Cutera filed a second amended complaint. In addition to the above referenced claims, Cutera alleges claims for violation of the Lanham Act, unlawful business practices, false advertising and trademark infringement. Discovery is ongoing. No trial date has been scheduled.

In March 2023, Serendia, LLC ("Serendia"), filed patent infringement complaints against the Company with the International Trade Commission ("ITC") and in U.S. District Court for the District of Delaware alleging infringement of six Serendia patents by the Secret RF and Secret Pro systems, which the Company distributes in the U.S. on behalf of ILOODA Co. Ltd., a Korean company. If, following a successful third-party action for infringement, the Company cannot obtain a license for its products, the Company may have to stop selling the applicable products.

### **NOTE 14—DEBT**

#### ***Convertible notes, net of unamortized debt issuance costs***

The following table presents the outstanding principal amount and carrying value of the Company's Convertible Notes (in thousands):

	Year Ended December 31,	
	2022	2021
<b>Notes due in 2026</b>		
Outstanding principal amount	\$ 69,125	\$ 138,250
Unamortized debt issuance costs	(1,553)	(4,007)
Carrying Value	<u>\$ 67,572</u>	<u>\$ 134,243</u>
<b>Notes due in 2028</b>		
Outstanding principal amount	\$ 240,000	\$ —
Unamortized debt issuance costs	(6,908)	—
Carrying Value	<u>\$ 233,092</u>	<u>\$ —</u>
<b>Notes due in 2029</b>		
Outstanding principal amount	\$ 120,000	\$ —
Unamortized debt issuance costs	(4,205)	—
Carrying Value	<u>\$ 115,795</u>	<u>\$ —</u>
<b>Convertible notes, net</b>	<u>\$ 416,459</u>	<u>\$ 134,243</u>

#### Issuance of convertible notes due in 2026

In March 2021, the Company issued \$138.3 million aggregate principal amount of 2026 Notes in a private placement offering. The 2026 Notes bear interest at a rate of 2.25% per year payable semiannually in arrears on March 15 and September 15 of each year. Upon conversion, the 2026 Notes will be convertible into either cash, shares of the Company's common stock or a combination thereof, at the Company's election. The Convertible notes are presented as Convertible notes, net of unamortized debt issuance costs, on the consolidated balance sheet. The aggregate proceeds from the offering were approximately \$133.6 million, net of issuance costs, including initial purchasers fees.

Each \$1,000 principal amount of the 2026 Notes is initially convertible into 30.1427 shares of the Company's common stock, which is equivalent to a conversion price of approximately \$33.18 per share. The conversion rate for the 2026 Notes is subject to adjustment for certain events as set forth in the indenture governing the 2026 Notes. The 2026 Notes will mature on March 15, 2026, unless earlier converted, redeemed, or repurchased in accordance with the terms of the 2026 Notes.

#### Issuance of convertible notes due in 2028

In May 2022, the Company issued \$240.0 million aggregate principal amount of 2028 Notes. The 2028 Notes bear interest at a rate of 2.25% per year payable semiannually in arrears on June 1 and December 1 of each year. A total of \$230.0 million of aggregate principal amount of 2028 Notes was issued in a private placement offering and concurrently with this private placement, the Company entered into a purchase agreement with Voce, an entity affiliated with J. Daniel Plants, the Company's Executive Chairperson, pursuant to which the Company issued to Voce \$10.0 million aggregate principal amount of 2028 Notes on the same terms and conditions. The aggregate proceeds from the offering of 2028 Notes were approximately \$232.4 million, net of issuance costs, including initial purchaser fees.

The 2028 Notes bear interest at a rate of 2.25% per year payable semiannually in arrears on June 1 and December 1 of each year, beginning on December 1, 2022. Upon conversion, the 2028 Notes will be convertible into either cash, shares of the Company's common stock or a combination thereof, at the Company's election. Each \$1,000 principal amount of the 2028 Notes is initially convertible into 18.9860 shares of the Company's common stock, which is equivalent to an initial conversion price of approximately \$52.67 per share. The conversion rate for the 2028 Notes is subject to adjustment for certain events as set forth in the indenture governing the 2028 Notes. The 2028 Notes will mature on March 1, 2028, unless earlier converted, redeemed, or repurchased in accordance with the terms of the 2028 Notes.

**Issuance of convertible notes due in 2029**

In December 2022, the Company issued \$120.0 million aggregate principal amount of 2029 Notes in a private placement offering. The 2029 Notes bear interest at a rate of 4.00% per year payable semiannually in arrears on June 1 and December 1 of each year. Upon conversion, the 2029 Notes will be convertible into either cash, shares of the Company's common stock or a combination thereof, at the Company's election. The Convertible notes are presented as Convertible notes, net of unamortized debt issuance costs, on the consolidated balance sheet. The aggregate proceeds from the offering were approximately \$115.8 million, net of issuance costs, including initial purchasers fees.

Each \$1,000 principal amount of the 2029 Notes is initially convertible into 17.1378 shares of the Company's common stock, which is equivalent to a conversion price of approximately \$58.35 per share. The conversion rate for the 2029 Notes is subject to adjustment for certain events as set forth in the indenture governing the 2029 Notes. The 2029 Notes will mature on June 1, 2029, unless earlier converted, redeemed, or repurchased in accordance with the terms of the 2029 Notes.

**2026 Notes exchange**

In May 2022, the Company entered into privately-negotiated exchange agreements with certain holders of the Company's outstanding 2026 Notes with respect to the exchange of \$45.8 million in cash (excluding \$0.3 million in cash for the payment of accrued interest) and 1,354,348 shares of common stock for \$69.1 million in aggregate principal amount of the Company's outstanding 2026 Notes (the "2026 Notes Exchange"). Immediately following the closing of the 2026 Notes Exchange, approximately \$69.1 million in aggregate principal amount of the 2026 Notes remained outstanding.

The 2026 Notes Exchange was accounted for as an extinguishment of debt. The Company recorded the difference between the proceeds paid and the carrying amount of the debt as an extinguishment loss, with a corresponding entry to common stock and Additional-paid-in capital for the issuance of the shares at the then-trading price of \$41.31 per share. The table below presents the components of the Loss on debt extinguishment recorded in the Company's consolidated statements of operations for the year ended December 31, 2022 (amounts in thousands, except share and per share amounts):

Shares issued for repurchase		1,354,348	
Closing price of Cutera common stock on May 24, 2022	\$	41.31	
Value of shares issued			\$ 55,948
Cash used for repurchase			45,776
Total shares and cash			\$ 101,724
2026 Note principal exchanged			(69,125)
Value of shares and cash exchanged			32,599
2026 Notes: Unamortized debt issuance costs on May 24, 2022	\$	3,648	
Portion of 2026 Note principal exchanged		50 %	\$ 1,824
Loss on debt extinguishment			\$ 34,423

**Conversion and other features****2026 Notes**

Holders may convert their 2026 Notes at their option prior to the close of business on the business day immediately preceding December 15, 2025, in multiples of \$1,000 principal amount, only under the following circumstances:

- During any fiscal quarter (and only during such fiscal quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on and including, the last trading day of the immediately preceding fiscal quarter, is greater than or equal to 130% of the conversion price for the 2026 Notes on each applicable trading day;
- During the five-business day period after any five consecutive trading day period (the "measurement period") in which the "trading price" per \$1,000 principal amount of 2026 Notes for each trading day of the measurement period was less than 98%



- of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day;
- The Company calls such convertible notes for redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date; or
- Upon the occurrence of specified corporate events.

On or after December 15, 2025, and until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their 2026 Notes, in multiples of \$1,000 principal amount, at the option of the holder regardless of the foregoing circumstances.

The circumstances described in the first bullet of the paragraph above were met during the third and fourth quarter of 2022. As of December 31, 2022, the 2026 Notes are convertible and this condition will remain until March 31, 2023. The 2026 Notes may also become convertible in future periods. Upon any conversion requests of the 2026 Notes, the Company would be required to pay or deliver cash, shares of its common stock, or a combination of cash and shares of its common stock, at the Company's election with respect to such conversion requests. To the extent there are any conversion requests during the twelve months ending December 31, 2023, the Company intends to settle such conversion requests in shares of common stock. Therefore, as of December 31, 2022, the 2026 Notes have been included as Long-term debt on the consolidated balance sheet.

The Company may not redeem the 2026 Notes prior to March 20, 2024. On or after March 20, 2024, the Company may redeem for cash all or any portion of the 2026 Notes, at the Company's option, if the last reported sale price of the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the 2026 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. If the Company elects to redeem fewer than all of the outstanding 2026 Notes, at least \$50.0 million aggregate principal amount of 2026 Notes must be outstanding and not subject to redemption as of the relevant redemption notice date.

If a specified corporate event occurs, 2026 Note holders have the option to require the Company to repurchase any portion or all of their 2026 Notes in \$1,000 principal increments for cash. The price for such repurchase is calculated as 100% of the principal amounts of 2026 Notes, plus accrued and unpaid interest to the day immediately preceding the Fundamental Change repurchase date. Additionally, holders of the 2026 Notes who convert in connection with a fundamental change are, under certain circumstances, entitled to an increase in conversion rate.

The 2026 Notes are general senior unsecured obligations that rank senior to any of the Company's indebtedness that is explicitly subordinated to the 2026 Notes. The 2026 Notes have equal rank in right of payment with all existing and future unsecured indebtedness that is not subordinated to the 2026 Notes (including the 2028 Notes and 2029 Notes). The 2026 Notes will be junior to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness. The 2026 Notes do not contain any financial or operating covenants or any restrictions on the payment of dividends, the issuance of other indebtedness or the issuance or repurchase of securities by the Company.

The estimated fair value of the 2026 Notes was approximately \$103.8 million as of December 31, 2022, which the Company determined through consideration of market prices. The fair value measurement is classified as Level 2, as defined in Note 3.

#### 2028 Notes

Holders may convert their 2028 Notes at their option prior to the close of business on the business day immediately preceding March 1, 2028, in multiples of \$1,000 principal amount, only under the following circumstances:

- During any fiscal quarter commencing after the fiscal quarter ending on September 30, 2022 (and only during such fiscal quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on and including, the last trading day of the immediately preceding fiscal quarter, is greater than or equal to 130% of the conversion price for the 2028 Notes on each applicable trading day;
- During the five-business day period after any five consecutive trading day period (the "measurement period") in which the "trading price" per \$1,000 principal amount of 2028 Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day;
- The Company calls such 2028 Notes for redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date; or
- Upon the occurrence of specified corporate events.

On or after March 1, 2028, and until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their 2028 Notes, in multiples of \$1,000 principal amount, at the option of the holder regardless of the foregoing circumstances.

The circumstances described in the first bullet of the paragraph above were not met during the fourth quarter of 2022. As of December 31, 2022, the 2028 Notes are not convertible and this condition will remain until March 31, 2023. The 2028 Notes may become convertible in future periods. Upon any conversion requests of the 2028 Notes, the Company would be required to pay or deliver, as the case may be, cash, shares of its common stock, or a combination of cash and shares of its common stock, at the Company's election with respect to such conversion requests. To the extent there are any conversion requests during the twelve months ending December 31, 2023, the Company intends to settle such conversion requests in shares of common stock. Therefore, as of December 31, 2022, the 2028 Notes have been included as long-term debt on the consolidated balance sheet.

The Company may not redeem the 2028 Notes prior to June 5, 2025. On or after June 5, 2025, the Company may redeem for cash all or any portion of the 2028 Notes, at the Company's option, if the last reported sale price of the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the 2028 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. If the Company elects to redeem fewer than all of the outstanding 2028 Notes, at least \$100.0 million aggregate principal amount of 2028 Notes must be outstanding and not subject to redemption as of the relevant redemption notice date.

If a specified corporate event occurs, note holders have the option to require the Company to repurchase any portion or all of their 2028 Notes in \$1,000 principal increments for cash. The price for such repurchase is calculated as 100% of the principal amounts of 2028 Notes, plus accrued and unpaid interest to the day immediately preceding the Fundamental Change repurchase date. Additionally, holders of the 2028 Notes who convert in connection with a fundamental change are, under certain circumstances, entitled to an increase in conversion rate.

The 2028 Notes are general senior unsecured obligations that rank senior to any of the Company's indebtedness that is explicitly subordinated to the 2028 Notes. The 2028 Notes have equal rank in right of payment with all existing and future unsecured indebtedness that is not subordinated to the 2028 Notes (including the 2026 Notes and 2029 Notes). The 2028 Notes will be junior to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness. The 2028 Notes do not contain any financial or operating covenants or any restrictions on the payment of dividends, the issuance of other indebtedness or the issuance or repurchase of securities by the Company.

The estimated fair value of the 2028 Notes was approximately \$249.3 million as of December 31, 2022, which the Company determined through consideration of market prices. The fair value measurement is classified as Level 2, as defined in Note 3.

### 2029 Notes

Holders may convert their 2029 Notes at their option prior to the close of business on the business day immediately preceding March 1, 2029 in multiples of \$1,000 principal amount, only under the following circumstances:

- During any fiscal quarter commencing after the fiscal quarter ending March 31, 2023 (and only during such fiscal quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on and including, the last trading day of the immediately preceding fiscal quarter, is greater than or equal to 130% of the conversion price for the 2029 Notes on each applicable trading day;
- During the five-business day period after any five consecutive trading day period (the "measurement period") in which the "trading price" per \$1,000 principal amount of 2029 Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day;
- The Company calls such 2029 Notes for redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date; or
- Upon the occurrence of specified corporate events.

On or after March 1, 2029, and until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their 2029 Notes, in multiples of \$1,000 principal amount, at the option of the holder regardless of the foregoing circumstances.

The circumstances described in the bullets in the paragraph above were not met during the fourth quarter of 2022. As of December 31, 2022, the 2029 Notes are not convertible and this condition will remain until March 31, 2023. Upon any conversion requests of the 2029 Notes, the Company would be required to pay or deliver, as the case may be, cash, shares of its common stock, or a combination of cash and shares of its common stock, at the Company's election with respect to such conversion requests. To the extent there are any conversion requests during the twelve months ending December 31, 2023, the Company intends to settle such conversion requests in shares of common stock. Therefore, as of December 31, 2022, the 2029 Notes have been included as Long-term debt on the consolidated balance sheet.

The Company may not redeem the 2029 Notes prior to December 5, 2025. On or after December 5, 2025, the Company may redeem for cash all or any portion of the 2029 Notes, at the Company's option, if the last reported sale price of the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the 2029 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. If the Company elects to redeem fewer than all of the outstanding 2029 Notes, at least \$100.0 million aggregate principal amount of 2029 Notes must be outstanding and not subject to redemption as of the relevant redemption notice date.

If a specified corporate event occurs, 2029 Note holders have the option to require the Company to repurchase any portion or all of their 2029 Notes in \$1,000 principal increments for cash. The price for such repurchase is calculated as 100% of the principal amounts of 2029 Notes, plus accrued and unpaid interest to the day immediately preceding the Fundamental Change repurchase date. Additionally, holders of the 2029 Notes who convert in connection with a fundamental change are, under certain circumstances, entitled to an increase in conversion rate.

The 2029 Notes are general senior unsecured obligations that rank senior to any of the Company's indebtedness that is explicitly subordinated to the 2029 Notes. The 2029 Notes have equal rank in right of payment with all existing and future unsecured indebtedness that is not subordinated to the 2029 Notes (including the 2026 Notes and 2028 Notes). The 2029 Notes will be junior to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness. The 2029 Notes do not contain any financial or operating covenants or any restrictions on the payment of dividends, the issuance of other indebtedness or the issuance or repurchase of securities by the Company.

The estimated fair value of the 2029 Notes was approximately \$122.2 million as of December 31, 2022, which the Company determined through consideration of market prices. The fair value measurement is classified as Level 2, as defined in Note 3.

#### Capped Call Transactions

In connection with the issuance of each series of the Convertible Notes, the Company entered into capped call transactions with certain option counterparties. The capped call transactions are generally intended to reduce the potential dilution of the Company's common stock upon any conversion or settlement of the applicable series of Convertible Notes or to offset any cash payment the Company is required to make in excess of the principal amount upon conversion of the applicable series of Convertible Notes, as the case may be, with such reduction or offset subject to a cap based on the cap price. If the market price per share of the Company's common stock exceeds the cap price of the applicable capped call transactions, then the Company's stock would experience some dilution and/or such capped call transactions would not fully offset the potential cash payments, in each case, to the extent the then-market price per share of its common stock exceeds the applicable cap price.

In connection with the offering of the 2026 Notes, the Company purchased from the option counterparties capped call options that in the aggregate relate to the total number of shares of the Company's common stock underlying the convertible notes, with a strike price equal to the conversion price of the convertible notes and with an initial cap price equal to \$45.535, which represented a 75% premium over the last reported sale price of the Company's common stock of \$26.02 per share on March 4, 2021, with certain adjustments to the settlement terms that reflect standard anti-dilution provisions. The capped call transactions expire over 40 consecutive scheduled trading days ending on March 12, 2026. The capped calls were purchased for \$16.1 million.

In connection with the offering of the 2028 Notes, the Company purchased from the option counterparties capped call options that in the aggregate related to the total number of shares of the Company's common stock underlying the 2028 Notes sold to the initial purchasers in the offering of 2028 Notes, with a strike price equal to the conversion price of the 2028 Notes and with an initial cap price equal to \$82.62, which represents a 100% premium over the last reported sale price of the Company's common stock of \$41.31 per share on May 24, 2022, with certain adjustments to the settlement terms that reflect standard anti-

dilution provisions. These capped call transactions expire over 40 consecutive scheduled trading days ending on May 30, 2028. The capped calls were purchased for \$32.0 million, inclusive of issuance costs.

In connection with the offering of the 2029 Notes, the Company purchased from the option counterparties capped call options that in the aggregate related to the total number of shares of the Company's common stock underlying the 2029 Notes sold to the initial purchasers in the offering of 2029 Notes, with a strike price equal to the conversion price of the 2029 Notes and with an initial cap price equal to \$99.32, which represents a 100% premium over the last reported sale price of the Company's common stock of \$49.66 per share on December 7, 2022, with certain adjustments to the settlement terms that reflect standard anti-dilution provisions. These capped call transactions expire over 40 consecutive scheduled trading days ending on May 30, 2029. The capped calls were purchased for \$25.1 million, inclusive of issuance costs

The Company evaluated the capped call transactions under authoritative accounting guidance and determined that they should be accounted for as a separate transaction and classified as a net reduction to Additional paid-in capital within stockholders' equity with no recurring fair value measurement recorded.

The Company early adopted ASU 2020-6, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging— Contracts in Entity's Own Equity (Subtopic 815-40) on January 1, 2021. In accordance with Subtopic 470-20 and 815-40, as revised by ASU 2020-6, the Company records the convertible notes in long-term debt with no separation between the Convertible Notes and the conversion option. Each reporting period, the Company will determine whether any criteria is met for the note holders to have the option to redeem the Notes early, which could result in a change in the classification of the Notes to current liabilities.

#### Debt Issuance Cost

The issuance costs are amortized using an effective interest method basis over the term of the Convertible Notes. During the year ended December 31, 2022, the Company incurred direct costs associated with the issuance of convertible notes of \$11.8 million. As noted under "2026 Notes Exchange" above, \$1.8 million of unamortized debt issuance costs related to the 2026 Notes was included in the loss on debt extinguishment during the year ended December 31, 2022. During the year ended December 31, 2021, the Company incurred direct costs associated with the issuance of convertible notes of \$4.6 million.

The effective interest rate on the 2026 Notes, 2028 Notes, and 2029 Notes are 2.98%, 2.82%, and 4.63%, respectively. Interest expense for the year ended December 31, 2022, including the amortization of debt issuance cost, totaled approximately \$7.0 million. Interest expense for the year ended December 31, 2021, including the amortization of debt issuance cost, totaled approximately \$3.2 million.

#### ***Loan and Security Agreement***

On July 9, 2020, the Company entered into the Loan and Security Agreement with Silicon Valley Bank for a four-year secured revolving loan facility ("SVB Revolving Line of Credit") in an aggregate principal amount of up to \$30.0 million. The Revolving Line of Credit matures on July 9, 2024.

In order to draw on the full amount of the SVB Revolving Line of Credit, the Company must satisfy certain liquidity ratios. If the Company is unable to meet these liquidity ratios, then availability under the revolving line is calculated as 80% of the Company's qualifying accounts receivable. The proceeds of the revolving loans may be used for general corporate purposes. The Company's obligations under the Loan and Security Agreement with Silicon Valley Bank are secured by substantially all of the assets of the Company. Interest on principal amount outstanding under the revolving line shall accrue at a floating per annum rate equal to the greater of either 1.75% above the Prime Rate or five percent (5.0%). The Company paid a non-refundable revolving line commitment fee of \$0.3 million, on the effective date of the Loan and Security Agreement with Silicon Valley Bank of July 9, 2020, and the Company is required to pay an anniversary fee of \$0.3 million on each twelve-month anniversary of the effective date of the Loan and Security Agreement.

The Loan and Security Agreement with Silicon Valley Bank contains customary affirmative covenants, such as financial statement reporting requirements and delivery of borrowing base certificates, as well as customary covenants that restrict the Company's ability to, among other things, incur additional indebtedness, sell certain assets, guarantee obligations of third parties, declare dividends, or make certain distributions, and undergo a merger or consolidation or certain other transactions. The Loan and Security Agreement also contains certain financial covenants, including maintaining a quarterly minimum revenue of \$90.0 million, determined in accordance with GAAP on a trailing twelve-month basis, but which is only applicable if the Company has an outstanding balance under the loan facility.

On March 4, 2021, the Loan and Security Agreement dated July 9, 2020 was amended to (i) permit the Company to issue the convertible notes and perform its obligations in connection therewith, and (ii) permit the capped call transactions.

On May 27, 2021, the Loan and Security Agreement was amended. The amendment removed the quarterly minimum revenue requirement but kept in place the other financial covenants.

On May 24, 2022, the Loan and Security Agreement was amended. The amendment increased the permitted indebtedness by \$230,000,000 and provided for the 2026 Notes Exchange and issuance of the capped call transactions related to the 2028 Notes.

On August 10, 2022, the Loan and Security Agreement was amended. The amendment to the Loan and Security Agreement waived a violation of a covenant and revised the Loan Agreement to permit the issuance of the 2028 Notes.

On December 7, 2022, the Loan and Security Agreement was amended. The amendment to the Loan and Security Agreement revised the Loan Agreement to permit the issuance of the 2029 Notes.

As of December 31, 2022, the Company had not drawn on the SVB Revolving Line of Credit and the Company is in compliance with all financial covenants of the SVB Revolving Line of Credit.

On March 10, 2023, Silicon Valley Bank was closed by the California Department of Financial Protection and Innovation, and the FDIC was appointed receiver. On March 26, 2023, the FDIC announced that it had entered into a purchase and assumption agreement with First-Citizens Bank & Trust Company under which all deposits of the former Silicon Valley Bank were assumed by First-Citizens Bank & Trust Company. In addition, under the purchase and assumption agreement, First-Citizens Bank & Trust Company assumed Silicon Valley Bank's obligations under the Company's credit facility. On March 13, 2023, the Company violated one of the terms of the credit facility agreement by transferring funds from Silicon Valley Bank. The Company received a waiver from First-Citizens Bank & Trust Company for this violation.

***The Paycheck Protection Program (PPP) Loan***

On April 22, 2020, the Company received loan proceeds of \$7.2 million pursuant to the Paycheck Protection Program (the "PPP") under the CARES Act. The loan, which was in the form of a promissory note dated April 21, 2020, between the Company and SVB as the lender, originally matured on April 21, 2022 and bore interest at a fixed rate of 1.00% per annum, payable monthly commencing September 2021. There was no prepayment penalty. Under the terms of the PPP, all or a portion of the principal may be forgiven if the loan proceeds were used for qualifying expenses as described in the CARES Act, such as payroll costs, benefits, rent, and utilities.

The PPP loan and related accrued interest were forgiven in June 2021 under the provisions of the CARES Act, and a \$7.2 million Gain on extinguishment of PPP loan was recorded in the consolidated statement of operations.

**NOTE 15—SUBSEQUENT EVENTS**

The Company has accounts with First-Citizens Bank & Trust Company, which has assumed the deposits of Silicon Valley Bank and continues to perform asset management services. Approximately \$305 million of the Company's total cash, cash equivalents, and marketable securities balance of \$317 million at December 31, 2022, was at SVB or SVB Asset Management. The Company's funds held at SVB or through SVB Asset Management were either (i) US government treasuries or money market mutual funds held in custodial accounts at U.S. Bank National Association (\$198 million at December 31, 2022) or (ii) cash sweep investment funds where SVB acts as an agent for the Company (\$107 million at December 31, 2022). On March 10, 2023, California regulators shut down SVB and the FDIC was appointed its receiver. On March 26, 2023, the FDIC announced that it had entered into a purchase and assumption agreement with First-Citizens Bank & Trust Company under which all deposits of the former Silicon Valley Bank were assumed by First-Citizens Bank & Trust Company.

The Company has evaluated subsequent events through the date the financial statements were issued, and determined that there have been no other events that have occurred that would require adjustments to its disclosures in the consolidated financial statements.

**SCHEDULE II CUTERA, INC.**  
**VALUATION AND QUALIFYING ACCOUNTS**  
**(in thousands)**  
**For the Years Ended December 31, 2022, 2021 and 2020**

	<b>Balance at Beginning of Year</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance at End of Year</b>
<b>Deferred tax assets valuation allowance</b>				
Year ended December 31, 2022	\$ 40,485	\$ 18,153	\$ 5,520	\$ 53,118
Year ended December 31, 2021	\$ 38,321	\$ 7,503	\$ 5,339	\$ 40,485
Year ended December 31, 2020	\$ 32,350	\$ 7,986	\$ 2,015	\$ 38,321
	<b>Balance at Beginning of Year</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance at End of Year</b>
<b>Allowance for credit losses, accounts receivable</b>				
Year ended December 31, 2022	\$ 899	\$ 1,787	\$ 189	\$ 2,497
Year ended December 31, 2021	\$ 1,598	\$ 271	\$ 970	\$ 899
Year ended December 31, 2020	\$ 1,354	\$ 2,144	\$ 1,900	\$ 1,598

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

### **ITEM 9A. CONTROLS AND PROCEDURES**

#### ***Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures***

The Company maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to the Company's management, including the Company's principal executive officer and principal financial officer, as appropriate, to allow for timely decisions regarding required disclosure.

As required by SEC Rule 13a-15(b), the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based on the foregoing, the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") concluded that the Company's disclosure controls and procedures were not effective at the reasonable assurance level as a result of the material weaknesses disclosed below. Notwithstanding the material weakness, the Company's management, including the CEO and CFO, has concluded that the consolidated financial statements, included in the 2022 Annual Report on Form 10-K, fairly present, in all material respects, its financial condition, results of operations and cash-flows for the periods presented in conformity with generally accepted accounting principles.

Attached as exhibits to this Annual Report are certifications of the Company's CEO and CFO, which are required in accordance with Rule 13a-14 of the Securities Exchange Act of 1934, as amended (Exchange Act). This Controls and Procedures section includes the information concerning the controls evaluation referred to in the certifications, and it should be read in conjunction with the certifications for a more complete understanding of the topics presented.

#### ***Inherent Limitations Over Internal Controls***

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that the Company's receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Management, including the Company's CEO and CFO, does not expect that the Company's internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of internal controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, any evaluation of the effectiveness of controls in future periods are subject to the risk that those internal controls may become inadequate because of changes in business conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### ***Management's Report on Internal Control Over Financial Reporting***

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) to provide reasonable assurance regarding the reliability

of the Company's financial reporting and the preparation of Consolidated Financial Statements for external purposes in accordance with U.S. GAAP.

Management, including Company's CEO and CFO, assessed the Company's internal control over financial reporting as of December 31, 2022. Management based its assessment on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Management's assessment included evaluation of elements such as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and the Company's overall control environment. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

Based on this assessment, management identified the following material weaknesses in the Company's internal control over financial reporting:

- Information technology general controls ("ITGCs") including, segregation of duties, user access, and reports produced by certain IT systems that support the Company's financial reporting process including those related to the implementation of an ERP system;
- Inventory controls related to the completeness, existence, and cut-off of inventories held at third parties, inventories held by sales personnel, and inventories in transit, and controls related to the calculation of adjustments to inventory for items considered excessive and obsolete; and
- The completeness and accuracy of expense for routine and non-routine equity-based awards.

Although these material weaknesses did not result in any material misstatement of the Company's consolidated financial statements for the periods presented, any one of these weaknesses could lead to a material misstatement of account balances or disclosures. Accordingly, management has concluded that these deficiencies constitute material weaknesses.

Based on the Company's assessment under the framework in Internal Control-Integrated Framework (2013 framework), the Company's management concluded that its internal control over financial reporting was not effective as of December 22, 2022, due to the existence of the material weaknesses described above.

The Company has begun the process of designing and implementing effective internal control measures to improve its internal controls over financial reporting and remediate these material weaknesses. The Company's efforts will include:

*ITGC remediation actions:*

- Developing a training program addressing ITGCs and policies, including educating control owners concerning the principles and requirements of each control, with a focus on those related to user access and change-management over IT systems impacting financial reporting;
- Developing enhanced risk assessment procedures and controls related to changes in IT systems; and
- Implementing an IT management review and testing plan to monitor ITGCs with focus on systems supporting the financial reporting processes.

*Inventory control remediation actions:*

- Evaluating the effectiveness of the current annual inventory count program and controls;
- Implementing a global inventory count policy and standard operating procedures to ensure consistent communication of the inventory count process and adherence to these policies at facilities managed by the Company and third-party logistics service providers;
- Providing training of standard operating procedures and internal controls to key stakeholders within the supply chain, logistics, and inventory process; and
- Enhancing existing management review controls related to inventory in transit, inventories held by sales personnel, and key reports used in the inventory count process.

*Equity-based awards expense calculation remediation actions:*

- Enhancing current review controls around the calculation of stock-based compensation expense.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2022, has been audited by an independent registered public accounting firm, as stated in their attestation report, which is included in their annual report under "Item 8. Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.



**Remediation of Previously Reported Material Weakness**

Management reported in Item 9A of its Annual Report on Form 10-K for the year ended December 31, 2021, a material weakness related to ITGCs in the areas of user access and segregation of duties related to certain IT systems at its Japan subsidiary. During the year ended December 31, 2022, Management implemented measures at its Japan subsidiary designed to ensure that the control deficiencies contributing to the material weakness were remediated. These measures included changing access rights for certain individuals and implementing new controls designed to both review access rights and detect potential inappropriate transactions recorded as a result of user access and segregation of duties conflicts. Management has tested these additional controls and believes they are operating effectively and therefore the Company has remediated this material weakness.

**Changes in Internal Control over Financial Reporting**

Other than the material weaknesses noted above, and the remediation of the material weaknesses at the Company's Japan subsidiary reported on Form 10-K for the year ended December 31, 2022, there were no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2022, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

On March 21, 2023, the Company received a notification letter from the NASDAQ stating that, because the Company has not yet filed its Annual Report on Form 10-K for the year ended December 31, 2022, the Company is not in compliance with NASDAQ Listing Rule 5250(c)(1) (the "Rule"), which requires NASDAQ-listed companies to timely file all required periodic financial reports with the U.S. Securities and Exchange Commission.

The NASDAQ has informed the Company that, under NASDAQ rules, the Company has 60 calendar days from receipt of the Notice, or until May 22, 2023, because the 60th calendar day falls on a weekend, to submit a plan to regain compliance with the Rule. If the NASDAQ accepts the Company's plan, then NASDAQ may grant an exception of up to 180 calendar days from the due date of the Form 10-K (March 1, 2023, extended until March 16, 2023, pursuant to the Form 12b-25 filing), or until September 12, 2023, to regain compliance. The Company believes that its filing of the Form 10-K on April 7, 2023, allows the Company to regain compliance with the Rule.

**ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

Not Applicable.

**PART III**

Certain information required by Part III is omitted from this report on Form 10-K and is incorporated herein by reference to the Company's definitive Proxy Statement for the Company's next Annual Meeting of Stockholders (the "Proxy Statement"), which the Company intends to file pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, within 120 days after December 31, 2022.

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required by this item is set forth under the following captions in the Company's Proxy Statement, all of which is incorporated herein by reference: "Proposal No. 1 – Election of Class I Directors", "Board and Committee Information", "Executive Officers" and "Additional Information – Stockholder Proposals to be Presented at Next Annual Meeting."

**ITEM 11. EXECUTIVE COMPENSATION**

The information required by this item set forth under the following captions in the Proxy Statement, all of which is incorporated herein by reference: "Executive Compensation."

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by this item is set forth under the following captions in the Proxy Statement, all of which is incorporated herein by reference: "Security Ownership of Certain Beneficial Owners and Management."

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by this item is set forth under the following captions in the Proxy Statement, all of which is incorporated herein by reference: “Certain Relationships and Related-Party Transactions.”

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information required by this item is set forth under the following captions in the Proxy Statement, which is incorporated by reference herein by reference: “Proposal No. 2, Ratification of Independent Registered Public Accounting Firm.”

**PART IV****ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

(a) The following documents are filed in Part II of the Annual Report on the Original 10-K:

**1. Financial Statements:** Financial Statements: See "Index to Consolidated Financial Statements" within the Consolidated Financial Statements.

**2. Financial Statement Schedules:** Financial Statement Schedules; not applicable or the required information is otherwise included in the Consolidated Financial Statements and accompanying notes.

**3. Exhibits:** The exhibits listed in the accompanying index to exhibits are filed, furnished, or incorporated by reference as part of this Form 10-K. The following is a list of such Exhibits:

<b>Exhibit No.</b>	<b>Exhibit Index</b>
<b>Exhibit No.</b>	<b>Description</b>
3.1	<a href="#">Amended and Restated Certificate of Incorporation of the Registrant (filed as Exhibit 3.5 to the Company's Quarterly Report on Form 10-Q filed on November 7, 2017 and incorporated herein by reference)</a>
3.2+	<a href="#">Amended and Restated Bylaws of the Registrant</a>
4.1	<a href="#">Specimen Common Stock certificate of the Registrant (filed as Exhibit 4.1 to the Company's Annual Report on Form 10-K filed on March 25, 2005 and incorporated herein by reference)</a>
4.2	<a href="#">Description of the Registrant's Securities (filed as Exhibit 4.2 to the Company's Annual Report on Form 10-K filed on March 16, 2020 and incorporated herein by reference)</a>
4.3*	<a href="#">Employment Offer Letter dated July 19, 2017 by and between Cutera, Inc. and Michael Karavitis (filed as Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q filed on May 10, 2022 and incorporated herein by reference)</a>
4.4*	<a href="#">Change of Control and Severance Agreement dated February 1, 2018 by and between Cutera, Inc. and Michael Karavitis (filed as Exhibit 4.3 to the Company's Quarterly Report on Form 10-Q filed on May 10, 2022 and incorporated herein by reference)</a>
4.5*	<a href="#">Indenture, dated as of March 9, 2021, between Cutera, Inc. and U.S. Bank Trust Company, National Association, as trustee (filed as Exhibit 4.1 Form 8-K filed on March 4, 2021 and incorporated herein by reference)</a>
4.6*	<a href="#">Form of 2.25% Convertible Senior Notes due 2026 (filed as Exhibit 4.2 on Form 8-K filed on March 4, 2021 and incorporated herein by reference)</a>
4.7*	<a href="#">Indenture, dated as of May 27, 2022, between Cutera, Inc. and U.S. Bank Trust Company, National Association, as trustee (filed as Exhibit 4.1 Form 8-K filed on May 31, 2022 and incorporated herein by reference)</a>
4.8*	<a href="#">Form of 2.25% Convertible Senior Notes due 2028 (filed as Exhibit 4.2 on Form 8-K filed on May 31, 2022 and incorporated herein by reference)</a>
4.9*	<a href="#">Indenture, dated as of December 12, 2022, between Cutera, Inc. and U.S. Bank Trust Company, National Association, as trustee (filed as Exhibit 4.1 Form 8-K filed on December 12, 2022 and incorporated herein by reference)</a>
4.10*	<a href="#">Form of 4.00% Convertible Senior Notes due 2029 (filed as Exhibit 4.2 on Form 8-K filed on December 12, 2022 and incorporated herein by reference)</a>
10.1*	<a href="#">Form of Indemnification Agreement for directors and executive officers (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 21, 2019 and incorporated herein by reference)</a>
10.2*	<a href="#">2004 Employee Stock Purchase Plan (filed as Exhibit 10.4 to the Company's Annual Report on Form 10-K filed on March 16, 2007 and incorporated herein by reference)</a>

10.3	<a href="#">Brisbane Technology Park Lease dated August 5, 2003 by and between the Registrant and Gal-Brisbane, L.P. for office space located at 3240 Bayshore Boulevard, Brisbane, California (filed as Exhibit 10.6 to the Company's registration statement on Form S-1 filed on January 15, 2004 and incorporated herein by reference)</a>
10.4*	<a href="#">Form of Performance Unit Award Agreement (filed as Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q filed on November 14, 2005 and incorporated herein by reference)</a>
10.5	<a href="#">First Amendment to Brisbane Technology Park Lease dated August 11, 2010 by and between the Company and BMR-Bayshore Boulevard LLC, as successor-in-interest to Gal-Brisbane, L.P., the original landlord, for office space located at 3240 Bayshore Boulevard (filed as Exhibit 10.19 to the Company's Quarterly Report on Form 10-Q filed on November 1, 2010 and incorporated herein by reference)</a>
10.6*	<a href="#">Form of Performance Stock Unit Award Agreement (filed as Exhibit 10.22 to the Company's Quarterly Report on Form 10-Q filed on August 1, 2016 and incorporated herein by reference)</a>
10.7	<a href="#">Lease Termination Agreement dated July 6, 2017 by and between the Registrant and SI 28, LLC (filed as Exhibit 10.26 to the Company's Quarterly Report on Form 10-Q filed on August 7, 2017 and incorporated herein by reference)</a>
10.8	<a href="#">Second Amendment to Lease dated July 6, 2017 by and between the Company and BMR-Bayshore Boulevard LP (filed as Exhibit 10.27 to the Company's Quarterly Report on Form 10-Q filed on August 7, 2017 and incorporated herein by reference)</a>
10.9*	<a href="#">Employment Offer Letter dated June 22, 2019 by and between Cutera, Inc. and David Mowry (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 10, 2019 and incorporated herein by reference)</a>
10.10*	<a href="#">Change of Control and Severance Agreement dated July 8, 2019 by and between Cutera, Inc. and David Mowry (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on July 10, 2019 and incorporated herein by reference)</a>
10.11	<a href="#">Promissory Note dated April 21, 2020, between Cutera, Inc. and Silicon Valley Bank (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 24, 2020 and incorporated herein by reference)</a>
10.12	<a href="#">Loan and Security Agreement, dated as of July 9, 2020, by and among Cutera, Inc., as borrower, and Silicon Valley Bank, as lender (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 13, 2020 and incorporated herein by reference)</a>
10.13	<a href="#">Third Amendment to Lease by and between Cutera, Inc. and BMR-Bayshore Boulevard LP, successor-in-interest Gal-Brisbane, L.P. (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on July 13, 2020 and incorporated herein by reference)</a>
10.14*	<a href="#">Employment Offer Letter dated July 29, 2020 by and between Cutera, Inc. and Rohan Seth (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 7, 2020 and incorporated herein by reference)</a>
10.15*	<a href="#">Change of Control and Severance Agreement dated July 29, 2020 by and between Cutera, Inc. and Rohan Seth (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on August 7, 2020 and incorporated herein by reference)</a>
10.16	<a href="#">Indenture, dated as of March 9, 2021, between Cutera, Inc. and U.S. Bank National Association, as trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on March 9, 2021 and incorporated herein by reference)</a>
10.17	<a href="#">Form of Capped Call Transaction Confirmation (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on March 9, 2021 and incorporated herein by reference)</a>
10.18	<a href="#">Amendment No. 1, dated March 4, 2021, to the Loan and Security Agreement, dated July 9, 2020 by and between Cutera, Inc., and Silicon Valley Bank (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed on March 9, 2021 and incorporated herein by reference)</a>
10.19*	<a href="#">Employment Offer Letter dated May 19, 2021 by and between Cutera, Inc. and J. Daniel Plants (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 25, 2021 and incorporated herein by reference)</a>
10.20*	<a href="#">Change of Control and Severance Agreement dated May 19, 2021 by and between Cutera, Inc. and J. Daniel Plants (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on May 25, 2021 and incorporated herein by reference)</a>

10.21	<a href="#">Cutera, Inc. 2019 Equity Incentive Plan (amended and restated as of June 15, 2021) (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 21, 2021 and incorporated herein by reference)</a>
10.22	<a href="#">ZO Medical and Cutera Agreement 5 Aug 2013 (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on August 6, 2021 and incorporated herein by reference)</a>
10.23	<a href="#">ZO Skin Health Amendment 21 Aug 2013 (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on August 6, 2021 and incorporated herein by reference)</a>
10.24	<a href="#">ZO Skin Health Amendment 25 Jan 2021 (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on August 6, 2021 and incorporated herein by reference)</a>
10.25	<a href="#">ZO Skin Health Amendment 14 Jun 2021 (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on August 6, 2021 and incorporated herein by reference)</a>
10.26	<a href="#">Amendment, effective January 1, 2022, to Distribution Agreement dated August 5, 2013, between Cutera Inc., and ZO Skin Health, Inc. (filed as Exhibit 10.41 to the Company's Annual Report on Form 10-K filed on March 1, 2022 and incorporated herein by reference)</a>
10.27+	<a href="#">Third Amendment, dated May 24, 2022, to the Loan and Security Agreement, dated July 9, 2020 by and between Cutera, Inc., and Silicon Valley Bank.</a>
10.28+	<a href="#">Fourth Amendment, dated August 10, 2022, to the Loan and Security Agreement, dated July 9, 2020 by and between Cutera, Inc., and Silicon Valley Bank.</a>
10.29	<a href="#">Fifth Amendment, dated December 7, 2022, to the Loan and Security Agreement, dated July 9, 2020 by and between Cutera, Inc., and Silicon Valley Bank (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed on December 12, 2022 and incorporated herein by reference)</a>
21.1+	<a href="#">List of Subsidiaries</a>
23.1+	<a href="#">Consent of Independent Registered Public Accounting Firm</a>
24.1	Power of Attorney
31.3+	<a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.4+	<a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1+	<a href="#">Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\* Management contract or compensatory plan

+ Filed herewith

#### ITEM 16. FORM 10-K SUMMARY

None

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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, in the city of Brisbane, State of California, on the 7th day of April, 2023.

**CUTERA, INC.**

By:

*/s/ DAVID H. MOWRY*

**David H. Mowry**  
**Chief Executive Officer**

**Power of Attorney**

KNOW ALL MEN AND WOMEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints David H. Mowry, and Rohan Seth, and each of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution for him or her and in his or her name, place, and stead, in any and all capacities to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the U.S. Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done therewith, as fully to all intents and purposes as they might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and any of them or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
<u><i>/s/ DAVID H. MOWRY</i></u> David H. Mowry	Chief Executive Officer and Director (Principal Executive Officer)	April 7, 2023
<u><i>/s/ ROHAN SETH</i></u> Rohan Seth	Chief Financial Officer (Principal Financial and Accounting Officer)	April 7, 2023
<u><i>/s/ J. DANIEL PLANTS</i></u> J. Daniel Plants	Executive Chairman of the Board of Directors	April 7, 2023
<u><i>/s/ GREGORY A. BARRETT</i></u> Gregory A. Barrett	Director	April 7, 2023
<u><i>/s/ JOSEPH E. WHITTERS</i></u> Joseph E. Whitters	Director	April 7, 2023
<u><i>/s/ TIM J. O'SHEA</i></u> Tim J. O'Shea	Director	April 7, 2023
<u><i>/s/ SHEILA A. HOPKINS</i></u> Sheila A. Hopkins	Director	April 7, 2023
<u><i>/s/ JANET D. WIDMAN</i></u> Janet L. Widman	Director	April 7, 2023
<u><i>/s/ JULIANE T. PARK</i></u> Juliane T. Park	Director	April 7, 2023

**AMENDED AND RESTATED BYLAWS OF  
CUTERA, INC.  
(a Delaware corporation)  
(As Amended on April 13, 2017)**

**TABLE OF CONTENTS**

	<u>Page</u>
ARTICLE I - CORPORATE OFFICES	1
1.1 REGISTERED OFFICE	1
1.2 OTHER OFFICES	1
ARTICLE II - MEETINGS OF STOCKHOLDERS	1
2.1 PLACE OF MEETINGS	1
2.2 ANNUAL MEETING	1
2.3 SPECIAL MEETING	1
2.4 ADVANCE NOTICE PROCEDURES; NOTICE OF STOCKHOLDERS' MEETINGS	2
2.5 MANNER OF GIVING NOTICE; AFFIDAVIT OF NOTICE	3
2.6 QUORUM	3
2.7 ADJOURNED MEETING; NOTICE	4
2.8 CONDUCT OF BUSINESS	4
2.9 VOTING	4
2.10 STOCKHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING	4
2.11 RECORD DATE FOR STOCKHOLDER NOTICE; VOTING; GIVING CONSENTS	4
2.12 PROXIES	5
2.13 LIST OF STOCKHOLDERS ENTITLED TO VOTE	5
2.14 INSPECTORS OF ELECTION	5
ARTICLE III - DIRECTORS	6



3.1	POWERS	6
3.2	NUMBER OF DIRECTORS	6
3.3	ELECTION, QUALIFICATION AND TERM OF OFFICE OF DIRECTORS	7
3.4	RESIGNATION AND VACANCIES	7
3.5	PLACE OF MEETINGS; MEETINGS BY TELEPHONE	7
3.6	REGULAR MEETINGS	8
3.7	SPECIAL MEETINGS; NOTICE	8
3.8	QUORUM	8
3.9	BOARD ACTION BY WRITTEN CONSENT WITHOUT A MEETING	9
3.10	FEEES AND COMPENSATION OF DIRECTORS	9
3.11	REMOVAL OF DIRECTORS	9
	ARTICLE IV - COMMITTEES	9
4.1	COMMITTEES OF DIRECTORS	9
4.2	COMMITTEE MINUTES	10
4.3	MEETINGS AND ACTION OF COMMITTEES	10
	ARTICLE V - OFFICERS	10
5.1	OFFICERS	10
5.2	APPOINTMENT OF OFFICERS	11

5.3	SUBORDINATE OFFICERS	11
5.4	REMOVAL AND RESIGNATION OF OFFICERS	11
5.5	VACANCIES IN OFFICES	11
5.6	REPRESENTATION OF SHARES OF OTHER CORPORATIONS	11
5.7	AUTHORITY AND DUTIES OF OFFICERS	11
	ARTICLE VI - RECORDS AND REPORTS	12
6.1	MAINTENANCE AND INSPECTION OF RECORDS	12
6.2	INSPECTION BY DIRECTORS	12
	ARTICLE VII - GENERAL MATTERS	12
7.1	EXECUTION OF CORPORATE CONTRACTS AND INSTRUMENTS	12
7.2	STOCK CERTIFICATES; PARTLY PAID SHARES	12
7.3	SPECIAL DESIGNATION ON CERTIFICATES	13
7.4	LOST CERTIFICATES	13
7.5	CONSTRUCTION; DEFINITIONS	13

7.6	DIVIDENDS	14
7.7	FISCAL YEAR	14
7.8	SEAL	14
7.9	TRANSFER OF STOCK	14
7.10	STOCK TRANSFER AGREEMENTS	14
7.11	REGISTERED STOCKHOLDERS	14
7.12	WAIVER OF NOTICE	15
	ARTICLE VIII - NOTICE BY ELECTRONIC TRANSMISSION	15
8.1	NOTICE BY ELECTRONIC TRANSMISSION	15
8.2	DEFINITION OF ELECTRONIC TRANSMISSION	16
8.3	INAPPLICABILITY	16
	ARTICLE IX - INDEMNIFICATION	16
9.1	INDEMNIFICATION OF DIRECTORS AND OFFICERS	16
9.2	INDEMNIFICATION OF OTHERS	16

TABLE OF CONTENTS  
(continued)

Page

9.3	PREPAYMENT OF EXPENSES	16
9.4	DETERMINATION; CLAIM	17
9.5	NON-EXCLUSIVITY OF RIGHTS	17
9.6	INSURANCE	17
9.7	OTHER INDEMNIFICATION	17
9.8	AMENDMENT OR REPEAL	17
	ARTICLE X - AMENDMENTS	17

## BYLAWS OF CUTERA, INC.

---

### ARTICLE I - CORPORATE OFFICES

#### 1.1 REGISTERED OFFICE

.

The registered office of Cutera, Inc. shall be fixed in the corporation's certificate of incorporation, as the same may be amended from time to time.

#### 1.2 OTHER OFFICES

.

The corporation's Board of directors (the "Board") may at any time establish other offices at any place or places where the corporation is qualified to do business.

### ARTICLE II - MEETINGS OF STOCKHOLDERS

#### 1.1 PLACE OF MEETINGS

.

Meetings of stockholders shall be held at any place, within or outside the State of Delaware, designated by the Board. The Board may, in its sole discretion, determine that a meeting of stockholders shall not be held at any place, but may instead be held solely by means of remote communication as authorized by Section 211(a)(2) of the Delaware General Corporation Law (the "DGCL"). In the absence of any such designation or determination, stockholders' meetings shall be held at the corporation's principal executive office.

#### 1.2 ANNUAL MEETING

.

The annual meeting of stockholders shall be held each year. The Board shall designate the date and time of the annual meeting. In the absence of such designation the annual meeting of stockholders shall be held on the second Tuesday of May of each year at 10:00 a.m. However, if such day falls on a legal holiday, then the meeting shall be held at the same time and place on the next succeeding business day. At the annual meeting, directors shall be elected and any other proper business may be transacted.

#### 1.3 SPECIAL MEETING

.

A special meeting of the stockholders may be called at any time by the Board, chairperson of the Board, chief executive officer or president (in the absence of a chief executive officer), but such special meetings may not be called by any other person or persons.

No business may be transacted at such special meeting other than the business specified in such notice to stockholders. Nothing contained in this paragraph of this Section 2.3 shall be construed as limiting, fixing, or affecting the time when a meeting of stockholders called by action of the Board may be held.

#### 1.4 ADVANCE NOTICE PROCEDURES; NOTICE OF STOCKHOLDERS' MEETINGS

(i) At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be: (A) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the board of directors, (B) otherwise properly brought before the meeting by or at the direction of the board of directors, or (C) otherwise properly brought before the meeting by a stockholder. For business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the secretary of the corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the corporation not less than one hundred twenty (120) calendar days before the one year anniversary of the date on which the corporation first mailed its proxy statement to stockholders in connection with the previous year's annual meeting of stockholders; *provided, however*, that in the event that no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than thirty (30) days from the date of the prior year's meeting, notice by the stockholder to be timely must be so received not later than the close of business on the later of one hundred twenty (120) calendar days in advance of such annual meeting and ten (10) calendar days following the date on which public announcement of the date of the meeting is first made. A stockholder's notice to the secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting: (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (b) the name and address, as they appear on the corporation's books, of the stockholder proposing such business, (c) the class and number of shares of the corporation that are beneficially owned by the stockholder, (d) any material interest of the stockholder in such business, and (e) any other information that is required to be provided by the stockholder pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "1934 Act"), in his capacity as a proponent to a stockholder proposal. Notwithstanding the foregoing, in order to include information with respect to a stockholder proposal in the proxy statement and form of proxy for a stockholder's meeting, stockholders must provide notice as required by the regulations promulgated under the 1934 Act. Notwithstanding anything in these bylaws to the contrary, no business shall be conducted at any annual meeting except in accordance with the procedures set forth in this paragraph (i). The chairman of the annual meeting shall, if the facts warrant, determine and declare at the meeting that business was not properly brought before the meeting and in accordance with the provisions of this paragraph (i), and, if he should so determine, he shall so declare at the meeting that any such business not properly brought before the meeting shall not be transacted.

(ii) Only persons who are nominated in accordance with the procedures set forth in this paragraph (ii) shall be eligible for election as directors. Nominations of persons for election to the board of directors of the corporation may be made at a meeting of stockholders by or at the direction of the board of directors or by any stockholder of the corporation entitled to vote in the election of directors at the meeting who complies with the notice procedures set forth in this paragraph (ii). Such nominations, other than those made by or at the direction of the board of directors, shall be made pursuant to timely notice in writing to the secretary of the corporation in accordance with the provisions of paragraph (i) of this Section 2.4. Such stockholder's notice shall set forth (a) as to each person, if any, whom the stockholder proposes to nominate for election or re-election as a director: (A) the name, age, business address and residence address of such person, (B) the principal occupation or employment of such person, (C) the class and number of shares of the corporation that are beneficially owned by such person, (D) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nominations are to be made by the stockholder, and (E) any other information relating to such person that is required to be disclosed in solicitations of proxies for elections of directors, or is otherwise required, in each case pursuant to Regulation 14A under the 1934 Act (including

without limitation such person's written consent to being named in the proxy statement, if any, as a nominee and to serving as a director if elected); and (b) as to such stockholder giving notice, the information required to be provided pursuant to paragraph (i) of this Section 2.4. At the request of the board of directors, any person nominated by a stockholder for election as a director shall furnish to the secretary of the corporation that information required to be set forth in the stockholder's notice of nomination which pertains to the nominee. No person shall be eligible for election as a director of the corporation unless nominated in accordance with the procedures set forth in this paragraph (ii). The chairman of the meeting shall, if the facts warrant, determine and declare at the meeting that a nomination was not made in accordance with the procedures prescribed by these bylaws, and if he should so determine, he shall so declare at the meeting, and the defective nomination shall be disregarded.

These provisions shall not prevent the consideration and approval or disapproval at an annual meeting of reports of officers, directors and committees of the board of directors, but in connection therewith no new business shall be acted upon at any such meeting unless stated, filed and received as herein provided. Notwithstanding anything in these bylaws to the contrary, no business brought before a meeting by a stockholder shall be conducted at an annual meeting except in accordance with procedures set forth in this Section 2.4.

All notices of meetings of stockholders shall be sent or otherwise given in accordance with either Section 2.5 or Section 8.1 of these bylaws not less than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting. The notice shall specify the place, if any, date and hour of the meeting, the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called.

#### 1.5 MANNER OF GIVING NOTICE; AFFIDAVIT OF NOTICE

Notice of any meeting of stockholders shall be given:

(i) if mailed, when deposited in the United States mail, postage prepaid, directed to the stockholder at his or her address as it appears on the corporation's records; or

(ii) if electronically transmitted as provided in Section 8.1 of these bylaws.

An affidavit of the secretary or an assistant secretary of the corporation or of the transfer agent or any other agent of the corporation that the notice has been given by mail or by a form of electronic transmission, as applicable, shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

#### 1.6 QUORUM

The holders of a majority of the stock issued and outstanding and entitled to vote, present in person or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of the stockholders. If, however, such quorum is not present or represented at any meeting of the stockholders, then either (i) the chairperson of the meeting, or (ii) the stockholders entitled to vote at the meeting, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. At such adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting as originally noticed.

1.7 ADJOURNED MEETING; NOTICE

When a meeting is adjourned to another time or place, unless these bylaws otherwise require, notice need not be given of the adjourned meeting if the time, place if any thereof, and the means of remote communications if any by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

1.8 CONDUCT OF BUSINESS

The chairperson of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of business.

1.9 VOTING

The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 2.11 of these bylaws, subject to Section 217 (relating to voting rights of fiduciaries, pledgors and joint owners of stock) and Section 218 (relating to voting trusts and other voting agreements) of the DGCL.

Except as may be otherwise provided in the certificate of incorporation or these bylaws, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder.

1.10 STOCKHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Subject to the rights of the holders of the shares of any series of Preferred Stock or any other class of stock or series thereof having a preference over the Common Stock as dividend or upon liquidation, any action required or permitted to be taken by the stockholders of the corporation must be effected at a duly called annual or special meeting of stockholders of the corporation and may not be effected by any consent in writing by such stockholders.

1.11 RECORD DATE FOR STOCKHOLDER NOTICE; VOTING; GIVING CONSENTS

In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board may fix, in advance, a record date, which record date shall not precede the date on which the resolution fixing the record date is adopted and which shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other such action.



If the Board does not so fix a record date:

(i) The record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

(ii) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; *provided, however*, that the Board may fix a new record date for the adjourned meeting.

#### 1.12 PROXIES

Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for such stockholder by proxy authorized by an instrument in writing or by a transmission permitted by law filed in accordance with the procedure established for the meeting, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212 of the DGCL.

#### 1.13 LIST OF STOCKHOLDERS ENTITLED TO VOTE

The officer who has charge of the stock ledger of the corporation shall prepare and make, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. The corporation shall not be required to include electronic mail addresses or other electronic contact information on such list. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting for a period of at least 10 days prior to the meeting: (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the corporation's principal executive office. In the event that the corporation determines to make the list available on an electronic network, the corporation may take reasonable steps to ensure that such information is available only to stockholders of the corporation. If the meeting is to be held at a place, then the list shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. Such list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

#### 1.14 INSPECTORS OF ELECTION

A written proxy may be in the form of a telegram, cablegram, or other means of electronic transmission which sets forth or is submitted with information from which it can be determined that the telegram, cablegram, or other means of electronic transmission was authorized by the person.

Before any meeting of stockholders, the board of directors shall appoint an inspector or inspectors of election to act at the meeting or its adjournment. The number of inspectors shall be either one (1) or three (3). If any person appointed as inspector fails to appear or fails or refuses to act, then the chairperson of the meeting may, and upon the request of any stockholder or a stockholder's proxy shall, appoint a person to fill that vacancy.

Such inspectors shall:

(i) determine the number of shares outstanding and the voting power of each, the number of shares represented at the meeting, the existence of a quorum, and the authenticity, validity, and effect of proxies;

(ii) receive votes, ballots or consents;

(iii) hear and determine all challenges and questions in any way arising in connection with the right to vote;

(iv) count and tabulate all votes or consents;

(v) determine when the polls shall close;

(vi) determine the result; and

(vii) do any other acts that may be proper to conduct the election or vote with fairness to all stockholders.

The inspectors of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical. If there are three (3) inspectors of election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all. Any report or certificate made by the inspectors of election is prima facie evidence of the facts stated therein.

### **ARTICLE III - DIRECTORS**

#### **1.1 POWERS**

.

Subject to the provisions of the DGCL and any limitations in the certificate of incorporation or these bylaws relating to action required to be approved by the stockholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board.

#### **1.2 NUMBER OF DIRECTORS**

.

The authorized number of directors shall be determined from time to time by resolution of the Board, provided the Board shall consist of at least one member. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

### 1.3 ELECTION, QUALIFICATION AND TERM OF OFFICE OF DIRECTORS

Except as provided in Section 3.4 of these bylaws, each director, including a director elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until such director's successor is elected and qualified or until such director's earlier death, resignation or removal. Directors need not be stockholders unless so required by the certificate of incorporation or these bylaws. The certificate of incorporation or these bylaws may prescribe other qualifications for directors.

Each director shall be elected by the vote of the majority of the votes cast with respect to the nominee at any meeting for the election of directors at which a quorum is present, provided that, the directors shall be elected by the vote of a plurality of the votes cast on the election of directors at any meeting for which (i) the Secretary receives a notice of a stockholder's intention to nominate a person or persons for election to the board of directors in compliance with the advance notice provisions of Section 2.4 of these bylaws and (ii) such nomination has not been withdrawn by such stockholder on or before the fourteenth (14th) day preceding the date the corporation first mails its notice of meeting for such meeting of stockholders. For purposes of this paragraph, a majority of the votes cast means that the number of shares voted "for" a director must exceed the number of votes cast "against" that director.

### 1.4 RESIGNATION AND VACANCIES.

Any director may resign at any time upon notice given in writing or by electronic transmission to the corporation. When one or more directors so resigns and the resignation is effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided in this section in the filling of other vacancies.

Unless otherwise provided in the certificate of incorporation or these bylaws, vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders having the right to vote as a single class may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director.

If at any time, by reason of death or resignation or other cause, the corporation should have no directors in office, then any officer or any stockholder or an executor, administrator, trustee or guardian of a stockholder, or other fiduciary entrusted with like responsibility for the person or estate of a stockholder, may call a special meeting of stockholders in accordance with the provisions of the certificate of incorporation or these bylaws, or may apply to the Court of Chancery for a decree summarily ordering an election as provided in Section 211 of the DGCL.

If, at the time of filling any vacancy or any newly created directorship, the directors then in office constitute less than a majority of the whole Board (as constituted immediately prior to any such increase), then the Court of Chancery may, upon application of any stockholder or stockholders holding at least 10% of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office as aforesaid, which election shall be governed by the provisions of Section 211 of the DGCL as far as applicable.

### 1.5 PLACE OF MEETINGS; MEETINGS BY TELEPHONE

The Board may hold meetings, both regular and special, either within or outside the State of Delaware.

Unless otherwise restricted by the certificate of incorporation or these bylaws, members of the Board, or any committee designated by the Board, may participate in a meeting of the Board, or any committee, by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

#### 1.6 REGULAR MEETINGS

Regular meetings of the Board may be held without notice at such time and at such place as shall from time to time be determined by the Board.

#### 1.7 SPECIAL MEETINGS; NOTICE

Special meetings of the Board for any purpose or purposes may be called at any time by the chairperson of the Board, the chief executive officer, the president, the secretary or a majority of the authorized number of directors.

Notice of the time and place of special meetings shall be:

- (i) delivered personally by hand, by courier or by telephone;
- (ii) sent by United States first-class mail, postage prepaid;
- (iii) sent by facsimile; or
- (iv) sent by electronic mail,

directed to each director at that director's address, telephone number, facsimile number or electronic mail address, as the case may be, as shown on the corporation's records.

If the notice is (i) delivered personally by hand, by courier or by telephone, (ii) sent by facsimile or (iii) sent by electronic mail, it shall be delivered or sent at least 24 hours before the time of the holding of the meeting. If the notice is sent by United States mail, it shall be deposited in the United States mail at least four days before the time of the holding of the meeting. Any oral notice may be communicated to the director. The notice need not specify the place of the meeting (if the meeting is to be held at the corporation's principal executive office) nor the purpose of the meeting.

#### 1.8 QUORUM

At all meetings of the Board, a majority of the authorized number of directors shall constitute a quorum for the transaction of business. The vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board, except as may be otherwise specifically provided by statute, the certificate of incorporation or these bylaws. If a quorum is not present at any meeting of the Board, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

#### 1.9 BOARD ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of the Board, or of any committee thereof, may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing or by electronic transmission and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

#### 1.10 FEES AND COMPENSATION OF DIRECTORS

Unless otherwise restricted by the certificate of incorporation or these bylaws, the Board shall have the authority to fix the compensation of directors.

#### 1.11 REMOVAL OF DIRECTORS

Any director may be removed from office by the stockholders of the corporation only for cause.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of such director's term of office.

### ARTICLE IV - COMMITTEES

#### 1.1 COMMITTEES OF DIRECTORS

The Board may, by resolution passed by a majority of the authorized number of directors, designate one or more committees, each committee to consist of one or more of the directors of the corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board or in these bylaws, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority to (i) approve or adopt, or recommend to the stockholders, any action or matter expressly required by the DGCL to be submitted to stockholders for approval, or (ii) adopt, amend or repeal any bylaw of the corporation,

## 1.2 COMMITTEE MINUTES

Each committee shall keep regular minutes of its meetings and report the same to the Board when required.

## 1.3 MEETINGS AND ACTION OF COMMITTEES

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of:

- (i) Section 3.5 (place of meetings and meetings by telephone);
- (ii) Section 3.6 (regular meetings);
- (iii) Section 3.7 (special meetings and notice);
- (iv) Section 3.8 (quorum);
- (v) Section 7.12 (waiver of notice); and
- (vi) Section 3.9 (action without a meeting)

with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the Board and its members. However:

- (i) the time of regular meetings of committees may be determined either by resolution of the Board or by resolution of the committee;
- (ii) special meetings of committees may also be called by resolution of the Board; and

(iii) notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The Board may adopt rules for the government of any committee not inconsistent with the provisions of these bylaws.

## ARTICLE V - OFFICERS

### 1.1 OFFICERS

The officers of the corporation shall be a president and a secretary. The corporation may also have, at the discretion of the Board, a chairperson of the Board, a vice chairperson of the Board, a chief executive officer, a chief financial officer or treasurer, one or more vice presidents, one or more assistant vice presidents, one or more assistant treasurers, one or more assistant secretaries, and any such other officers as may be appointed in accordance with the provisions of these bylaws. Any number of offices may be held by the same person.

## 1.2 APPOINTMENT OF OFFICERS

The Board shall appoint the officers of the corporation, except such officers as may be appointed in accordance with the provisions of Sections 5.3 and 5.5 of these bylaws, subject to the rights, if any, of an officer under any contract of employment.

## 1.3 SUBORDINATE OFFICERS

The Board may appoint, or empower the chief executive officer or, in the absence of a chief executive officer, the president, to appoint, such other officers and agents as the business of the corporation may require. Each of such officers and agents shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws or as the Board may from time to time determine.

## 1.4 REMOVAL AND RESIGNATION OF OFFICERS

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by an affirmative vote of the majority of the Board at any regular or special meeting of the Board or, except in the case of an officer chosen by the Board, by any officer upon whom such power of removal may be conferred by the Board.

Any officer may resign at any time by giving written notice to the corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice. Unless otherwise specified in the notice of resignation, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

## 1.5 VACANCIES IN OFFICES

Any vacancy occurring in any office of the corporation shall be filled by the Board or as provided in Section 5.2.

## 1.6 REPRESENTATION OF SHARES OF OTHER CORPORATIONS

The chairperson of the Board, the president, any vice president, the treasurer, the secretary or assistant secretary of this corporation, or any other person authorized by the Board or the president or a vice president, is authorized to vote, represent, and exercise on behalf of this corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this corporation. The authority granted herein may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by such person having the authority.

## 1.7 AUTHORITY AND DUTIES OF OFFICERS

All officers of the corporation shall respectively have such authority and perform such duties in the management of the business of the corporation as may be designated from time to time by the Board or the stockholders and, to the extent not so provided, as generally pertain to their respective offices, subject to the control of the Board.

## **ARTICLE VI - RECORDS AND REPORTS**

### **1.1 MAINTENANCE AND INSPECTION OF RECORDS**

The corporation shall, either at its principal executive office or at such place or places as designated by the Board, keep a record of its stockholders listing their names and addresses and the number and class of shares held by each stockholder, a copy of these bylaws as amended to date, accounting books, and other records.

Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the corporation's stock ledger, a list of its stockholders, and its other books and records and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent is the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing that authorizes the attorney or other agent so to act on behalf of the stockholder. The demand under oath shall be directed to the corporation at its registered office in Delaware or at its principal executive office.

### **1.2 INSPECTION BY DIRECTORS**

Any director shall have the right to examine the corporation's stock ledger, a list of its stockholders, and its other books and records for a purpose reasonably related to his or her position as a director. The Court of Chancery is hereby vested with the exclusive jurisdiction to determine whether a director is entitled to the inspection sought. The Court may summarily order the corporation to permit the director to inspect any and all books and records, the stock ledger, and the stock list and to make copies or extracts therefrom. The Court may, in its discretion, prescribe any limitations or conditions with reference to the inspection, or award such other and further relief as the Court may deem just and proper.

## **ARTICLE VII - GENERAL MATTERS**

### **1.1 EXECUTION OF CORPORATE CONTRACTS AND INSTRUMENTS**

The Board, except as otherwise provided in these bylaws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the Board or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.



## 1.2 STOCK CERTIFICATES; PARTLY PAID SHARES

The shares of the corporation shall be represented by certificates, provided that the Board may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation. Notwithstanding the adoption of such a resolution by the Board, every holder of stock represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate signed by, or in the name of the corporation by the chairperson or vice-chairperson of the Board, or the president or vice-president, and by the treasurer or an assistant treasurer, or the secretary or an assistant secretary of such corporation representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

The corporation may issue the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor. Upon the face or back of each stock certificate issued to represent any such partly paid shares, upon the books and records of the corporation in the case of uncertificated partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. Upon the declaration of any dividend on fully paid shares, the corporation shall declare a dividend upon partly paid shares of the same class, but only upon the basis of the percentage of the consideration actually paid thereon.

## 1.3 SPECIAL DESIGNATION ON CERTIFICATES

If the corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the corporation shall issue to represent such class or series of stock; *provided, however*, that, except as otherwise provided in Section 202 of the DGCL, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the corporation shall issue to represent such class or series of stock a statement that the corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

## 1.4 LOST CERTIFICATES

Except as provided in this Section 7.5, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the corporation and cancelled at the same time. The corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the corporation may require the owner of the lost, stolen or destroyed certificate, or such owner's legal representative, to give the corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

## 1.5 CONSTRUCTION; DEFINITIONS

.

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the DGCL shall govern the construction of these bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

## 1.6 DIVIDENDS

.

The Board, subject to any restrictions contained in either (i) the DGCL, or (ii) the certificate of incorporation, may declare and pay dividends upon the shares of its capital stock. Dividends may be paid in cash, in property, or in shares of the corporation's capital stock.

The Board may set apart out of any of the funds of the corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall include but not be limited to equalizing dividends, repairing or maintaining any property of the corporation, and meeting contingencies.

## 1.7 FISCAL YEAR

.

The fiscal year of the corporation shall be fixed by resolution of the Board and may be changed by the Board.

## 1.8 SEAL

.

The corporation may adopt a corporate seal, which shall be adopted and which may be altered by the Board. The corporation may use the corporate seal by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

## 1.9 TRANSFER OF STOCK

.

Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate, and record the transaction in its books.

## 1.10 STOCK TRANSFER AGREEMENTS

.

The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of

the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the DGCL.

#### 1.11 REGISTERED STOCKHOLDERS

The corporation:

- (i) shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner;
- (ii) shall be entitled to hold liable for calls and assessments the person registered on its books as the owner of shares; and
- (iii) shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

#### 1.12 WAIVER OF NOTICE

Whenever notice is required to be given under any provision of the DGCL, the certificate of incorporation or these bylaws, a written waiver, signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice or any waiver by electronic transmission unless so required by the certificate of incorporation or these bylaws.

### ARTICLE VIII - NOTICE BY ELECTRONIC TRANSMISSION

#### 1.1 NOTICE BY ELECTRONIC TRANSMISSION

Without limiting the manner by which notice otherwise may be given effectively to stockholders pursuant to the DGCL, the certificate of incorporation or these bylaws, any notice to stockholders given by the corporation under any provision of the DGCL, the certificate of incorporation or these bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the corporation. Any such consent shall be deemed revoked if:

- (i) the corporation is unable to deliver by electronic transmission two consecutive notices given by the corporation in accordance with such consent; and
- (ii) such inability becomes known to the secretary or an assistant secretary of the corporation or to the transfer agent, or other person responsible for the giving of notice.

However, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action.

Any notice given pursuant to the preceding paragraph shall be deemed given:

- (i) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice;
- (ii) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice;
- (iii) if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; and
- (iv) if by any other form of electronic transmission, when directed to the stockholder.

An affidavit of the secretary or an assistant secretary or of the transfer agent or other agent of the corporation that the notice has been given by a form of electronic transmission shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

#### 1.2 DEFINITION OF ELECTRONIC TRANSMISSION

“electronic transmission” means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved, and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

#### 1.3 INAPPLICABILITY

Notice by a form of electronic transmission shall not apply to Sections 164, 296, 311, 312 or 324 of the DGCL.

### ARTICLE IX - INDEMNIFICATION

#### 1.1 INDEMNIFICATION OF DIRECTORS AND OFFICERS

The corporation shall indemnify and hold harmless, to the fullest extent permitted by the DGCL as it presently exists or may hereafter be amended, any director or officer of the corporation who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a “**Proceeding**”) by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or non-profit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses reasonably incurred by such person in connection with any such Proceeding. The corporation shall be required to indemnify a person in connection with a Proceeding initiated by such person only if the Proceeding was authorized by the Board.

## 1.2 INDEMNIFICATION OF OTHERS

The corporation shall have the power to indemnify and hold harmless, to the extent permitted by applicable law as it presently exists or may hereafter be amended, any employee or agent of the corporation who was or is made or is threatened to be made a party or is otherwise involved in any Proceeding by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was an employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or non-profit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses reasonably incurred by such person in connection with any such Proceeding.

## 1.3 PREPAYMENT OF EXPENSES

The corporation shall pay the expenses incurred by any officer or director of the corporation, and may pay the expenses incurred by any employee or agent of the corporation, in defending any Proceeding in advance of its final disposition; *provided, however*, that the payment of expenses incurred by a person in advance of the final disposition of the Proceeding shall be made only upon receipt of an undertaking by the person to repay all amounts advanced if it should be ultimately determined that the person is not entitled to be indemnified under this Article IX or otherwise.

## 1.4 DETERMINATION; CLAIM

If a claim for indemnification or payment of expenses under this Article IX is not paid in full within sixty days after a written claim therefor has been received by the corporation the claimant may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action the corporation shall have the burden of proving that the claimant was not entitled to the requested indemnification or payment of expenses under applicable law.

## 1.5 NON-EXCLUSIVITY OF RIGHTS

The rights conferred on any person by this Article IX shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of the certificate of incorporation, these bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

## 1.6 INSURANCE

The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify him or her against such liability under the provisions of the DGCL.

## 1.7 OTHER INDEMNIFICATION

The corporation's obligation, if any, to indemnify any person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or non-profit entity shall be reduced by any amount such person may collect as indemnification from such other corporation, partnership, joint venture, trust, enterprise or non-profit enterprise.

1.8 AMENDMENT OR REPEAL

Any repeal or modification of the foregoing provisions of this Article IX shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such repeal or modification.”

**ARTICLE X - AMENDMENTS**

These bylaws may be adopted, amended or repealed by the stockholders entitled to vote. However, the corporation may, in its certificate of incorporation, confer the power to adopt, amend or repeal bylaws upon the directors. The fact that such power has been so conferred upon the directors shall not divest the stockholders of the power, nor limit their power to adopt, amend or repeal bylaws.

CUTERA, INC.

CERTIFICATE OF AMENDMENT OF BYLAWS

---

The undersigned hereby certifies that he or she is the duly elected, qualified, and acting Secretary or Assistant Secretary of Cutera, Inc., a Delaware corporation and that the foregoing bylaws, comprising 17 pages, were amended and restated on April 13, 2017 by the corporation's board of directors.

IN WITNESS WHEREOF, the undersigned has hereunto set his or her hand this 13<sup>th</sup> day of April, 2017.

/s/ Philip Oettinger  
Secretary

**THIRD AMENDMENT  
TO  
LOAN AND SECURITY AGREEMENT**

This Third Amendment to Loan and Security Agreement (this “**Amendment**”) is entered into this 24<sup>th</sup> day of May, 2022, by and between **SILICON VALLEY BANK** (“**Bank**”) and **CUTERA, INC.**, a Delaware corporation (“**Borrower**”) whose address is 3240 Bayshore Boulevard, Brisbane, California 94005.

**RECITALS**

**A.** Bank and Borrower have entered into that certain Loan and Security Agreement dated as of July 9, 2020, as amended by that certain First Amendment to Loan and Security Agreement between Borrower and Bank dated as of March 4, 2021, and as further amended by that certain Second Amendment to Loan and Security Agreement dated as of May 27, 2021 by and between Bank and Borrower (as may be further amended, modified, supplemented or restated, the “**Loan Agreement**”).

**B.** Bank has extended credit to Borrower for the purposes permitted in the Loan Agreement.

**C.** Borrower has requested that Bank amend the Loan Agreement to make certain revisions to the Loan Agreement as more fully set forth herein.

**D.** Bank has agreed to so amend certain provisions of the Loan Agreement, but only to the extent, in accordance with the terms, subject to the conditions and in reliance upon the representations and warranties set forth below.

**AGREEMENT**

**NOW, THEREFORE**, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

**1. Definitions.** Capitalized terms used but not defined in this Amendment shall have the meanings given to them in the Loan Agreement.

**2. Amendments to Loan Agreement.**

**2.1 Section 7.9(b) (Permitted Convertible Indebtedness).** Section 7.9(b) is hereby deleted in its entirety and replaced with the following:

“ (b) Permitted Convertible Indebtedness. Make any payment or prepayment of principal of, premium, if any, or interest on, or redemption, purchase, retirement, defeasance (including in-substance or legal defeasance), sinking fund, settlement, conversion, or similar payment with respect to, any Permitted Convertible Indebtedness, except that Borrower (i) may repurchase and/or exchange any 2021 Convertible Indebtedness for cash, shares of the Borrower’s capital stock or any combination of cash and shares, as applicable, provided that the aggregate amount of cash used in such repurchases and/or exchanges of the 2021 Convertible Indebtedness shall not exceed the net proceeds the Borrower receives from the offering of the 2022 Convertible Indebtedness and (ii) may make any required payments of cash or deliveries in shares of common stock of Borrower or any combination thereof (or other securities or property following a merger event, reclassification or other change of the common stock) (and cash in lieu of fractional shares) pursuant to the terms of, and otherwise

---



perform its obligations under, any Permitted Convertible Indebtedness (including, without limitation, making payments of interest and principal thereon, making payments due upon required repurchase or redemption thereof and/or making payments and deliveries upon conversion thereof) (provided that, for the sake of clarity, “required payments or deliveries” shall not include a redemption of the Permitted Convertible Indebtedness by Borrower at Borrower’s option, so long as both (i) the aggregate amount of cash payable upon conversion or payment of any Permitted Convertible Indebtedness (excluding any required payment of interest with respect to such Permitted Convertible Indebtedness and excluding any payment of cash in lieu of a fractional share due upon conversion thereof) does not exceed the aggregate principal amount thereof and (ii) such conversion or payment does not require any net payment of cash by Borrower pursuant to an exercise or early unwind or settlement of a corresponding portion of the Permitted Bond Hedge Transactions relating to such Permitted Convertible Indebtedness).”

**2.2 Section 13 (Definitions).** The definition of “Permitted Convertible Indebtedness” is deleted in its entirety and replaced with the following:

“ **“Permitted Convertible Indebtedness”** means (i) Indebtedness issued under that certain Indenture, dated as of March 9, 2021, between Borrower and U.S. Bank, National Association, as trustee (the **“2021 Convertible Indebtedness”**), and (ii) unsecured Indebtedness of Borrower, issued on or prior to June 30, 2022, in an aggregate principal amount of not more than Two Hundred Thirty Million Dollars (\$230,000,000) (the **“2022 Convertible Indebtedness”**) that (a) as of the date of issuance thereof contains terms, conditions, covenants, conversion or exchange rights and offer to repurchase rights, in each case, as are typical and customary for notes of such type (in each case, as determined by Borrower in good faith) and (b) is convertible or exchangeable into shares of common stock of Borrower (or other securities or property following a merger event, reclassification or other change of the common stock of Borrower), cash or a combination thereof, and cash in lieu of fractional shares of common stock of Borrower; provided, that (i) such Permitted Convertible Indebtedness shall have a stated final maturity no earlier than one hundred eighty (180) days after the Revolving Line Maturity Date and shall not be subject to any conditions that could result in such state final maturity occurring on a date earlier than one hundred eighty (180) days after the Revolving Line Maturity Date (it being understood that (x) any conversion of such notes, whether into cash, shares of common stock or any combination thereof (or other securities or property following a merger event, reclassification or other change of the common stock of Borrower), (y) a repurchase of such notes on account of the occurrence of a “fundamental change” or (z) any redemption of such notes at the option of Borrower, in each case, shall not be deemed to constitute a change in the stated final maturity thereof), (ii) such notes shall not be callable prior to the third anniversary of the issuance thereof, (iii) such notes shall not be required to be repaid, prepaid, redeemed, repurchased or defeased, whether on one or more fixed dates or upon the occurrence of one or more events or at the option of any holder thereof prior to the date that is one hundred eighty (180) days after the Revolving Line Maturity Date (except, in each case, upon any conversion of such notes into shares of common stock of Borrower (or other securities or property following a merger event, reclassification or other change of the common stock of Borrower), cash or any combination thereof), the occurrence of an event of default or a “fundamental change” or, following Borrower’s election to redeem such notes (to the extent permissible under clause (ii) above), and (iv) no Person that is not a Borrower or Guarantor shall have guarantee or primary obligations with respect to obligations of Borrower thereunder.”

---

**2.3 Section 13 (Definitions).** The following new terms and their respective definitions are inserted to appear alphabetically in Section 13.1 thereof:

“ **“2021 Convertible Indebtedness”** is defined in the definition of “Permitted Convertible Indebtedness”.

“ **“2022 Convertible Indebtedness”** is defined in the definition of “Permitted Convertible Indebtedness”.

**3. Limitation of Amendments.**

**3.1** The amendments set forth in Section 2 above are effective for the purposes set forth herein and shall be limited precisely as written and shall not be deemed to (a) be a consent to any amendment, waiver or modification of any other term or condition of any Loan Document, or (b) otherwise prejudice any right or remedy which Bank may now have or may have in the future under or in connection with any Loan Document.

**3.2** This Amendment shall be construed in connection with and as part of the Loan Documents and all terms, conditions, representations, warranties, covenants and agreements set forth in the Loan Documents, except as herein amended, are hereby ratified and confirmed and shall remain in full force and effect.

**4. Representations and Warranties.** To induce Bank to enter into this Amendment, Borrower hereby represents and warrants to Bank as follows:

**4.1** Immediately after giving effect to this Amendment (a) the representations and warranties contained in the Loan Documents are true, accurate and complete in all material respects as of the date hereof (except to the extent such representations and warranties relate to an earlier date, in which case they are true and correct as of such date), and (b) no Event of Default has occurred and is continuing;

**4.2** Borrower has the power and authority to execute and deliver this Amendment and to perform its obligations under the Loan Agreement, as amended by this Amendment;

**4.3** The organizational documents of Borrower previously delivered to Bank remain true, accurate and complete and have not been amended, supplemented or restated and are and continue to be in full force and effect;

**4.4** The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, have been duly authorized;

**4.5** The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, do not and will not contravene (a) any law or regulation binding on or affecting Borrower, (b) any contractual restriction with a Person binding on Borrower, (c) any order, judgment or decree of any court or other governmental or public body or authority, or subdivision thereof, binding on Borrower, or (d) the organizational documents of Borrower;

**4.6** The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, do not require any order, consent, approval, license, authorization or validation of, or filing, recording or registration with,

---

or exemption by any governmental or public body or authority, or subdivision thereof, binding on Borrower, except as already has been obtained or made; and

**4.7** This Amendment has been duly executed and delivered by Borrower and is the binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditors' rights.

**5. Integration.** This Amendment and the Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Amendment and the Loan Documents merge into this Amendment and the Loan Documents.

**6. Counterparts.** This Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed counterpart by electronic transmission shall be equally effective as delivery of an original executed counterpart.

**7. Effectiveness.** This Amendment shall be deemed effective upon (a) the due execution and delivery to Bank of this Amendment by each party hereto and (b) Borrower's payment to Bank of Bank's legal fees and expenses incurred in connection with this Amendment.

[Signature page follows.]

---

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the date first written above.

**BANK**

**SILICON VALLEY BANK**

By: Mark Davis

Name: Mark Davis

Title: Vice President

**BORROWER**

**CUTERA, INC.**

By: \_\_\_\_\_

Name: Rohan Seth

Title: Chief Financial Officer

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the date first written above.

**BANK**

**SILICON VALLEY BANK**

By: \_\_\_\_\_

Name: Mark Davis

Title: Vice President

**BORROWER**

**CUTERA, INC.**

By: Rohan S. Seth

Name: Rohan Seth

Title: Chief Financial Officer

5/24/22



**WAIVER AND FOURTH AMENDMENT  
TO  
LOAN AND SECURITY AGREEMENT**

This Waiver and Fourth Amendment to Loan and Security Agreement (this “**Amendment**”) is entered into this 10<sup>th</sup> day of August, 2022, by and between **SILICON VALLEY BANK** (“**Bank**”) and **CUTERA, INC.**, a Delaware corporation (“**Borrower**”) whose address is 3240 Bayshore Boulevard, Brisbane, California 94005.

**RECITALS**

**A.** Bank and Borrower have entered into that certain Loan and Security Agreement dated as of July 9, 2020, as amended by that certain First Amendment to Loan and Security Agreement between Borrower and Bank dated as of March 4, 2021, as further amended by that certain Second Amendment to Loan and Security Agreement dated as of May 27, 2021 by and between Bank and Borrower, and as further amended by that certain Third Amendment to Loan and Security Agreement, dated as of May 24, 2022 by and between Bank and Borrower (as may be further amended, modified, supplemented or restated, the “**Loan Agreement**”).

**B.** Bank has extended credit to Borrower for the purposes permitted in the Loan Agreement.

**C.** Borrower has requested that Bank amend the Loan Agreement to (i) waive the Stated Default (as hereinafter defined) and (ii) make certain revisions to the Loan Agreement as more fully set forth herein.

**D.** Bank has agreed to waive the Stated Default (as hereinafter defined) and so amend certain provisions of the Loan Agreement, but only to the extent, in accordance with the terms, subject to the conditions and in reliance upon the representations and warranties set forth below.

**AGREEMENT**

**NOW, THEREFORE**, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

**1. Definitions.** Capitalized terms used but not defined in this Amendment shall have the meanings given to them in the Loan Agreement.

**2. Amendments to Loan Agreement.**

**2.1 Section 13 (Definitions).** The definition of “Permitted Convertible Indebtedness” is deleted in its entirety and replaced with the following:

“ **Permitted Convertible Indebtedness**” means (i) Indebtedness issued under that certain Indenture, dated as of March 9, 2021, between Borrower and U.S. Bank, National Association, as trustee (the “**2021 Convertible Indebtedness**”), and (ii) unsecured Indebtedness of Borrower, issued on or prior to June 30, 2022, in an aggregate principal amount of not more than Two Hundred Forty Million Dollars (\$240,000,000) (the “**2022 Convertible Indebtedness**”) that (a) as of the date of issuance thereof contains terms, conditions, covenants, conversion or exchange rights and offer to repurchase rights, in each case, as are typical and customary for notes of such type (in each case, as determined by

Borrower in good faith) and (b) is convertible or exchangeable into shares of common stock of Borrower (or other securities or property following a merger event, reclassification or other change of the common stock of Borrower), cash or a combination thereof, and cash in lieu of fractional shares of common stock of Borrower; provided, that (i) such Permitted Convertible Indebtedness shall have a stated final maturity no earlier than one hundred eighty (180) days after the Revolving Line Maturity Date and shall not be subject to any conditions that could result in such state final maturity occurring on a date earlier than one hundred eighty (180) days after the Revolving Line Maturity Date (it being understood that (x) any conversion of such notes, whether into cash, shares of common stock or any combination thereof (or other securities or property following a merger event, reclassification or other change of the common stock of Borrower), (y) a repurchase of such notes on account of the occurrence of a "fundamental change" or (z) any redemption of such notes at the option of Borrower, in each case, shall not be deemed to constitute a change in the stated final maturity thereof), (ii) such notes shall not be callable prior to the third anniversary of the issuance thereof, (iii) such notes shall not be required to be repaid, prepaid, redeemed, repurchased or defeased, whether on one or more fixed dates or upon the occurrence of one or more events or at the option of any holder thereof prior to the date that is one hundred eighty (180) days after the Revolving Line Maturity Date (except, in each case, upon any conversion of such notes into shares of common stock of Borrower (or other securities or property following a merger event, reclassification or other change of the common stock of Borrower), cash or any combination thereof), the occurrence of an event of default or a "fundamental change" or, following Borrower's election to redeem such notes (to the extent permissible under clause (ii) above), and (iv) no Person that is not a Borrower or Guarantor shall have guarantee or primary obligations with respect to obligations of Borrower thereunder."

**3. Limitation of Amendments.**

**3.1** The amendments set forth in Section 2 above are effective for the purposes set forth herein and shall be limited precisely as written and shall not be deemed to (a) be a consent to any amendment, waiver or modification of any other term or condition of any Loan Document, or (b) otherwise prejudice any right or remedy which Bank may now have or may have in the future under or in connection with any Loan Document.

**3.2** This Amendment shall be construed in connection with and as part of the Loan Documents and all terms, conditions, representations, warranties, covenants and agreements set forth in the Loan Documents, except as herein amended, are hereby ratified and confirmed and shall remain in full force and effect.

**4. Representations and Warranties.** To induce Bank to enter into this Amendment, Borrower hereby represents and warrants to Bank as follows:

**4.1** Immediately after giving effect to this Amendment (a) the representations and warranties contained in the Loan Documents are true, accurate and complete in all material respects as of the date hereof (except to the extent such representations and warranties relate to an earlier date, in which case they are true and correct as of such date), and (b) no Event of Default has occurred and is continuing;

**4.2** Borrower has the power and authority to execute and deliver this Amendment and to perform its obligations under the Loan Agreement, as amended by this Amendment;

**4.3** The organizational documents of Borrower previously delivered to Bank remain

---



true, accurate and complete and have not been amended, supplemented or restated and are and continue to be in full force and effect;

**4.4** The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, have been duly authorized;

**4.5** The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, do not and will not contravene (a) any law or regulation binding on or affecting Borrower, (b) any contractual restriction with a Person binding on Borrower, (c) any order, judgment or decree of any court or other governmental or public body or authority, or subdivision thereof, binding on Borrower, or (d) the organizational documents of Borrower;

**4.6** The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, do not require any order, consent, approval, license, authorization or validation of, or filing, recording or registration with, or exemption by any governmental or public body or authority, or subdivision thereof, binding on Borrower, except as already has been obtained or made; and

**4.7** This Amendment has been duly executed and delivered by Borrower and is the binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditors' rights.

**5. Waiver.** Bank hereby waives Borrower's existing default under the Loan Agreement arising as a result of Borrower's issuance of an additional note in excess of the 2022 Convertible Indebtedness in violation of Section 7.4 of the Loan Agreement (in effect prior to this Amendment) (the "**Stated Default**"). Bank's waiver of the Stated Default is a one-time waiver that shall apply only to the Stated Default. Borrower hereby acknowledges and agrees that except as specifically provided herein, nothing in this Section or anywhere in this Amendment shall be deemed or otherwise construed as a waiver by Bank of any of its rights and remedies pursuant to the Loan Documents, applicable law or otherwise.

**6. Release by Borrower:**

A. FOR GOOD AND VALUABLE CONSIDERATION, Borrower hereby forever relieves, releases, and discharges Bank and its present or former employees, officers, directors, agents, representatives, attorneys, and each of them, from any and all claims, debts, liabilities, demands, obligations, promises, acts, agreements, costs and expenses, actions and causes of action, of every type, kind, nature, description or character whatsoever, whether known or unknown, suspected or unsuspected, absolute or contingent, arising out of or in any manner whatsoever connected with or related to facts, circumstances, issues, controversies or claims existing or arising from the beginning of time through and including the date of execution of this Amendment (collectively "Released Claims"). Without limiting the foregoing, the Released Claims shall include any and all liabilities or claims arising out of or in any manner whatsoever connected with or related to the Loan Documents, the recitals hereto, any instruments, agreements or documents executed in connection with any of the foregoing or the origination, negotiation, administration, servicing and/or enforcement of any of the foregoing.

B. In furtherance of this release, Borrower expressly acknowledges and waives any and all rights under Section 1542 of the California Civil Code, which provides as follows:

“A **general release** does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.” (Emphasis added.)

C. By entering into this release, Borrower recognizes that no facts or representations are ever absolutely certain and it may hereafter discover facts in addition to or different from those which it presently knows or believes to be true, but that it is the intention of Borrower hereby to fully, finally and forever settle and release all matters, disputes and differences, known or unknown, suspected or unsuspected; accordingly, if Borrower should subsequently discover that any fact that it relied upon in entering into this release was untrue, or that any understanding of the facts was incorrect, Borrower shall not be entitled to set aside this release by reason thereof, regardless of any claim of mistake of fact or law or any other circumstances whatsoever. Borrower acknowledges that it is not relying upon and has not relied upon any representation or statement made by Bank with respect to the facts underlying this release or with regard to any of such party's rights or asserted rights.

D. This release may be pleaded as a full and complete defense and/or as a cross-complaint or counterclaim against any action, suit, or other proceeding that may be instituted, prosecuted or attempted in breach of this release. Borrower acknowledges that the release contained herein constitutes a material inducement to Bank to enter into this Amendment, and that Bank would not have done so but for Bank's expectation that such release is valid and enforceable in all events.

E. Borrower hereby represents and warrants to Bank, and Bank is relying thereon, as follows:

1 Except as expressly stated in this Amendment, neither Bank nor any agent, employee or representative of Bank has made any statement or representation to Borrower regarding any fact relied upon by Borrower in entering into this Amendment.

2 Borrower has made such investigation of the facts pertaining to this Amendment and all of the matters appertaining thereto, as it deems necessary.

3 The terms of this Amendment are contractual and not a mere recital.

4 This Amendment has been carefully read by Borrower, the contents hereof are known and understood by Borrower, and this Amendment is signed freely, and without duress, by Borrower.

5 Borrower represents and warrants that it is the sole and lawful owner of all right, title and interest in and to every claim and every other matter which it releases herein, and that it has not heretofore assigned or transferred, or purported to assign or transfer, to any person, firm or entity any claims or other matters herein released. Borrower shall indemnify Bank, defend and hold it harmless from and against all claims based upon or arising in connection with prior assignments or purported assignments or transfers of any claims or matters released herein.

**7. Integration.** This Amendment and the Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter

---

of this Amendment and the Loan Documents merge into this Amendment and the Loan Documents.

**8. Counterparts.** This Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed counterpart by electronic transmission shall be equally effective as delivery of an original executed counterpart.

**9. Effectiveness.** This Amendment shall be deemed effective upon (a) the due execution and delivery to Bank of this Amendment by each party hereto and (b) Borrower's payment to Bank of Bank's legal fees and expenses incurred in connection with this Amendment.

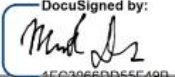
[Signature page follows.]

---

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the date first written above.

**BANK**

**SILICON VALLEY BANK**


By:  \_\_\_\_\_  
1F03066DD55F49B...

Name: Mark Davis

Title: Vice President

**BORROWER**

**CUTERA, INC.**

By:  \_\_\_\_\_  
5511EBF64B3E486...

Name: Rohan Seth

Title: Chief Financial Officer



Subsidiaries of Cutera, Inc. (DE)

<u>Name</u>	<u>State or Country of Incorporation or Organization</u>
Cutera Australia Party Limited	Australia
Cutera SPRL	Belgium
Cutera Canada, Inc.	Canada
Cutera Limited	England & Wales
Cutera Importing Limited	England & Wales
Cutera France SarL	France
Cutera Germany GmbH	Germany
Cutera HK Limited	Hong Kong
Cutera Japan K.K.	Japan
Cutera Spain S.L.	Spain
Cutera Switzerland GmbH	Switzerland

**Consent of Independent Registered Public Accounting Firm**

Cutera, Inc.  
Brisbane, California

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-237552) and Forms S-8 (Nos. 333-114149, 333-123495, 333-132583, 333-141376, 333-149703, 333-158160, 333-187502, 333-206864, 333-221542, and 333-258283) of Cutera, Inc. of our reports dated April 7, 2023, relating to the consolidated financial statements, and the effectiveness of Cutera, Inc.'s internal control over financial reporting, which appear in this Form 10-K. Our report on the effectiveness of internal control over financial reporting expresses an adverse opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2022.

/s/ BDO USA, LLP  
San Francisco, California

April 7, 2023

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO 15 U.S.C. SECTION 7241, AS  
ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David H. Mowry, certify that:

1. I have reviewed this annual report on Form 10-K of Cutera, Inc.:
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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under the Company's supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to the Company by others within those entities, particularly during the period in which this annual report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under the Company's 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 the Company's 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; and
5. The registrant's other certifying officer and I have disclosed, based on the Company's 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 control over financial reporting.

Date: April 7, 2023

/s/ DAVID H. MOWRY

**David H. Mowry**  
**Chief Executive Officer (Principal Executive Officer)**



**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO 15 U.S.C. SECTION 7241, AS  
ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Rohan Seth, certify that:

1. I have reviewed this annual report on Form 10-K of Cutera, Inc.:
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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under the Company's supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to the Company by others within those entities, particularly during the period in which this annual report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under the Company's 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 the Company's 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; and
5. The registrant's other certifying officer and I have disclosed, based on the Company's 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 control over financial reporting.

Date: April 7, 2023

/s/ ROHAN SETH

---

**Rohan Seth  
Chief Financial Officer (Principal Financial and  
Accounting Officer)**

**CERTIFICATION OF  
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER  
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 annual report on Form 10-K of Cutera, Inc. a Delaware corporation, for the period ended December 31, 2022, as filed with the Securities and Exchange Commission, each of the undersigned officers of Cutera, Inc. certifies pursuant to section 1350 of chapter 63 of title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his respective knowledge:

- (1) the annual report of Cutera, Inc. on Form 10-K for the period ended December 31, 2022, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the annual report fairly presents, in all material respects, the financial condition and results of operations of Cutera, Inc. for the periods presented therein.

Date: April 7, 2023

*/s/ DAVID H. MOWRY*

**David H. Mowry  
Chief Executive Officer (Principal Executive Officer)**

Date: April 7, 2023

*/s/ ROHAN SETH*

**Rohan Seth  
Chief Financial Officer (Principal Financial and  
Accounting Officer)**