



## Cutera Announces Record First Quarter 2022 Revenue Results

May 10, 2022

**Delivers 17% revenue growth as reported and 21% on a constant currency basis**

**AviClear™ investments were accelerated in 1Q22 ahead of FDA device clearance**

**New ERP system launched**

**Company reiterates full-year guidance at current exchange rates**

BRISBANE, Calif.--(BUSINESS WIRE)--May 10, 2022-- Cutera, Inc. (Nasdaq: CUTR) ("Cutera" or the "Company"), a leading provider of aesthetic and dermatology solutions, today reported financial results for the first quarter ended March 31, 2022.

### First Quarter 2022 Financial and Operational Highlights

- Revenue was \$58.0 million, an increase of 17% from the prior-year period as reported and 21% on a constant currency basis, driven by robust performance across the business, with particular strength in North America;
  - Capital Equipment revenue of \$36.5 million increased 29% over the prior-year period as reported and 32% on a constant currency basis;
  - Recurring revenue, defined as the combination of Skincare, Consumable Products, and Service, was \$21.5 million, an increase of 1% as reported over the prior-year period and 7% on a constant currency basis;
    - Skincare revenue of \$11.6 million decreased 5% over the prior-year period as reported and increased 4% on a constant currency basis;
    - Consumable Product revenue of \$3.9 million increased 33% over the prior-year period as reported and 36% on a constant currency basis; and
    - Service revenue of \$5.9 million decreased 3% over the prior-year period as reported and was flat on a constant currency basis.
- Gross Margin was 54.8% compared to 55.8% in the prior-year period. Cost of Goods Sold during the period included \$0.9 million in incremental spend related to Acne. Excluding these expenses, Gross Margin in the first quarter was 56.4%;
- Operating Expenses were \$44.9 million in the quarter, compared to \$26.5 million in the prior-year period. Operating Expenses during the period included \$7.3 million in spend associated with preparing for the launch of Acne in addition to \$4.0 million of ERP implementation expense, culminating in our ERP go-live during the quarter;
- GAAP Net loss was \$15.1 million, or (\$0.84) per fully diluted share, compared to a net loss of \$0.4 million, or (\$0.02) per fully diluted share in the prior-year period. Non-GAAP net loss was \$5.8 million, as compared to a \$3.0 million net profit in the prior-year period; and
- Adjusted EBITDA was a loss of \$3.8 million in the period, as compared to income of \$4.6 million in the prior-year period. Excluding Acne program spend of \$8.1 million in the quarter, adjusted EBITDA was income of \$4.3 million.

"I am pleased with the strong North American capital equipment sales we delivered in the first quarter, as the momentum we built in the second half of 2021 carried into the new year. Our investments in capital equipment sales force expansion, along with increased practice support from our Key Account Manager strategy, continue to enhance our position in the marketplace and drive year-over-year growth in equipment and consumable products," commented Dave Mowry, Chief Executive Officer of Cutera, Inc. "With the addition of the recent FDA 510(k) approved AviClear™ device for the treatment of mild, moderate, and severe acne, Cutera's portfolio has been fortified with a bold first-mover product. AviClear addresses a significant unmet clinical need for patients seeking a non-drug solution for their acne and offers our physician customers an exciting new revenue stream. Our limited commercial release of AviClear is ongoing, and the insights we glean from this phase will inform and enhance our full launch later in 2022."

### 2022 Outlook

Management is reiterating 2022 revenue guidance to be in the range of \$255 million to \$260 million at current foreign exchange rates. This guidance represents an underlying constant currency revenue growth rate of approximately 13%-15%, up from our prior issued guidance of 10%-12%, negating approximately \$7 million of incremental currency headwinds. Our full-year revenue guidance does not include any contribution from AviClear.

### Conference Call

The Company's management will host a conference call to discuss these results and related matters today at 1:30 p.m. PT (4:30 p.m. ET). Participating on the call will be Dave Mowry, Chief Executive Officer and Rohan Seth, Chief Financial Officer.

To participate in the conference call, dial 1-800-381-7839 (domestic) or +1-416-981-0157 (international) and refer to the Conference Code: 22017471.

The call will be webcast live and be available for replay one hour after the end of the call from the Investor Relations section of Cutera's website at <http://www.cutera.com/>.

### About Cutera, Inc.

Brisbane, California-based Cutera is a leading provider of aesthetic and dermatology solutions for practitioners worldwide. Since 1998, Cutera has been developing innovative, easy-to-use products that harness the power of science and nature to enable medical practitioners to offer safe and effective treatments to their patients. For more information, call +1 415-657-5500 or 1-888-4CUTERA or visit [www.cutera.com](http://www.cutera.com).

### \*Use of Non-GAAP Financial Measures

*In this press release, in order to supplement the Company's condensed consolidated financial statements presented in accordance with Generally Accepted Accounting Principles, or GAAP, management has disclosed certain non-GAAP financial measures for the statement of operations and net income (loss) per share. Non-GAAP adjustments include stock-based compensation, depreciation, amortization, executive and other non-recurring separation costs, customer relationship management ("CRM") and enterprise resource planning ("ERP") system costs, and non-recurring legal and litigation costs. From time to time in the future, there may be other items that we may exclude if the Company believes that doing so is consistent with the goal of providing useful information to investors and management. The Company has provided a reconciliation of each non-GAAP financial measure used in this earnings release to the most directly comparable GAAP financial measure. The Company has not provided a reconciliation of non-GAAP guidance measures to the corresponding GAAP measures on a forward-looking basis due to the potential significant variability, limited visibility, unpredictability, or unique non-recurring nature of the items. Forward-looking non-GAAP measures include adjusted EBITDA. The Company defines adjusted EBITDA as earnings before interest, taxes, depreciation and amortization, stock-based compensation, executive and other non-recurring separation costs, customer relationship management and enterprise resource planning system costs, and non-recurring legal and litigation costs.*

*Company management uses these measurements as aids in monitoring the Company's ongoing financial performance from quarter to quarter, and year to year, on a regular basis and for benchmarking against other similar companies. Non-GAAP financial measures used by the Company may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies. These non-GAAP financial measures should be considered along with, but not as alternatives to, the operating performance measure as prescribed by GAAP. Non-GAAP financial measures for the statement of operations and net income per share exclude the following:*

**Non-cash expenses for stock-based compensation.** The Company has excluded the effect of stock-based compensation expenses in calculating its non-GAAP operating expenses and net income measures. Although stock-based compensation is a key incentive offered to the Company's employees, the Company continues to evaluate its business performance excluding stock-based compensation expenses. The Company records stock-based compensation expense related to grants of options, employee stock purchase plan, and performance and restricted stock. Depending upon the size, timing and the terms of the grants, this expense may vary significantly but will recur in future periods. The Company believes that excluding stock-based compensation better allows for comparisons to its peer companies;

**Depreciation and amortization.** The Company has excluded depreciation and amortization expense in calculating its non-GAAP operating expenses and net income measures. Depreciation and amortization are non-cash charges to current operations;

**Executive and other non-recurring separation costs.** We have excluded costs associated with the resignation of our former Executive Officers in calculating our non-GAAP operating expenses and net income measures. We exclude these and other non-recurring employee separation costs because we believe that these items do not reflect future operating expenses;

**Customer Relationship Management.** We have excluded CRM system costs related to direct and incremental costs incurred in connection with our multi-phase implementation of a new CRM solution and the related technology infrastructure costs. We exclude these costs because we believe that these items do not reflect future operating expenses and will be inconsistent in amounts and frequency making it difficult to contribute to a meaningful evaluation of our operating performance;

**Enterprise Resource Planning.** We have excluded ERP system costs related to direct and incremental costs incurred in connection with our multi-phase implementation of a new ERP solution and the related technology infrastructure costs. We exclude these costs because we believe that these items do not reflect future operating expenses and will be inconsistent in amounts and frequency making it difficult to contribute to a meaningful evaluation of our operating performance; and

**Non-recurring legal and litigation costs.** We have excluded costs incurred related to third party litigation and disputes, that are of a non-recurring nature.

The Company believes that excluding all of the items above allows users of its financial statements to better review and assess both current and historical results of operations.

#### Safe Harbor Statement

Certain statements in this press release, other than purely historical information, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements include, but are not limited to, Cutera's plans, objectives, strategies, financial performance and outlook, product launches and performance, trends, prospects, or future events and involve known and unknown risks that are difficult to predict. As a result, the Company's actual financial results, performance, achievements, or prospects may differ materially from those expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by the use of words such as "may," "could," "seek," "guidance," "predict," "potential," "likely," "believe," "will," "should," "expect," "anticipate," "estimate," "plan," "intend," "forecast," "foresee" or variations of these terms and similar expressions, or the negative of these terms or similar expressions. Forward-looking statements are based on management's current, preliminary expectations and are subject to risks and uncertainties, which may cause Cutera's actual results to differ materially from the statements contained herein. These statements are not guarantees of future performance, and stockholders should not place undue reliance on forward-looking statements. There are a number of risks, uncertainties and other important factors, many of which are beyond the Company's control, that could cause its actual results to differ materially from the forward-looking statements contained in this press release, including those described in the "Risk Factors" section of Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, the Registration Statement on Form S-8 and other documents filed from time to time with the United States Securities and Exchange Commission by Cutera.

All information in this press release is as of the date of its release. Accordingly, undue reliance should not be placed on forward-looking statements. Cutera undertakes no obligation to update publicly any forward-looking statements to reflect new information, events, or circumstances after the date they were made, or to reflect the occurrence of unanticipated events. If the Company updates one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements. Cutera's financial performance for the first quarter ended March 31, 2022, as discussed in this release, is preliminary and unaudited, and subject to adjustment.

## CUTERA, INC.

### CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

(unaudited)

|   | March 31, | December 31, |
|---|-----------|--------------|
|   | 2022      | 2021         |
| <b>Assets</b>                             |           |              |
| Current assets:                           |           |              |
| Cash and cash equivalents                 | \$ 57,732 | \$ 164,164   |
| Marketable investments                    | 74,047    | -            |
| Accounts receivable, net                  | 33,169    | 31,449       |
| Inventories                               | 51,680    | 39,503       |
| Other current assets and prepaid expenses | 20,156    | 14,545       |
| Total current assets                      | 236,784   | 249,661      |
| Property and equipment, net               | 3,009     | 3,019        |

|                                     |            |            |
|-------------------------------------|------------|------------|
| Deferred tax asset                  | 737        | 778        |
| Goodwill                            | 1,339      | 1,339      |
| Operating lease right-of-use assets | 14,330     | 14,627     |
| Other long-term assets              | 9,792      | 10,169     |
| Restricted cash                     | 700        | 700        |
| Total assets                        | \$ 266,691 | \$ 280,293 |

**Liabilities and Stockholders' Equity**

Current liabilities:

|                              |           |          |
|------------------------------|-----------|----------|
| Accounts payable             | \$ 13,646 | \$ 7,891 |
| Accrued liabilities          | 48,044    | 54,100   |
| Operating leases liabilities | 2,628     | 2,419    |
| Deferred revenue             | 9,719     | 9,490    |
| Total current liabilities    | 74,037    | 73,900   |

|   |         |         |
|---|---------|---------|
| Deferred revenue, net of current portion                  | 1,345   | 1,335   |
| Operating lease liabilities, net of current portion       | 13,007  | 13,483  |
| Convertible notes, net of unamortized debt issuance costs | 134,462 | 134,243 |
| Other long-term liabilities                               | 680     | 763     |
| Total liabilities   | 223,531 | 223,724 |

Stockholders' equity:

|  |            |            |
|--|------------|------------|
| Common stock                               | 18         | 18         |
| Additional paid-in capital                 | 116,468    | 114,724    |
| Accumulated other comprehensive loss       | (11 )      | -          |
| Accumulated deficit                        | (73,315 )  | (58,173 )  |
| Total stockholders' equity                 | 43,160     | 56,569     |
| Total liabilities and stockholders' equity | \$ 266,691 | \$ 280,293 |

**CUTERA, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per share data)

(unaudited)

Three Months Ended

|   | March 31,<br>2022 | March 31,<br>2021 |
|---|-------------------|-------------------|
| Products  | \$ 52,066         | \$ 43,551         |
| Service   | 5,948             | 6,117             |
| Total net revenue   | 58,014            | 49,668            |
| Products  | 22,912            | 18,331            |
| Service   | 3,314             | 3,627             |
| Total cost of revenue   | 26,226            | 21,958            |
| Gross margin  | 31,788            | 27,710            |
| <i>Gross margin %</i>   | <i>54.8 %</i>     | <i>55.8 %</i>     |
| Operating expenses:   |                   |                   |
| Sales and marketing   | 24,944            | 15,068            |
| Research and development  | 6,499             | 4,112             |
| General and administrative  | 13,502            | 7,365             |
| Total operating expenses  | 44,945            | 26,545            |
| (Loss) income from operations                                     | (13,157)          | 1,165             |
| Interest and other expense, net                                   |                   |                   |
| Amortization of debt issuance costs                               | (219 )            | (52 )             |
| Interest on convertible notes                                     | (778 )            | (191 )            |
| Other expense, net  | (755 )            | (1,023 )          |
| Loss before income taxes  | (14,909)          | (101 )            |
| Income tax expense  | 233               | 258               |
| Net loss  | \$ (15,142)       | \$ (359 )         |
| Net loss per share:   |                   |                   |
| Basic   | \$ (0.84 )        | \$ (0.02 )        |
| Diluted   | \$ (0.84 )        | \$ (0.02 )        |
| Weighted-average number of shares used in per share calculations: |                   |                   |
| Basic   | 18,080            | 17,768            |
| Diluted   | 18,080            | 17,768            |

**CUTERA, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(in thousands)**

(unaudited)

|   | Three Months Ended |           |
|---|--------------------|-----------|
|   | March 31,          | March 31, |
|   | 2022               | 2021      |
| <b>Cash flows from operating activities:</b>  |                    |           |
| Net loss  | \$ (15,142 )       | \$ (359 ) |
| Adjustments to reconcile net loss to net cash (used in) provided by operating activities: |                    |           |
| Stock-based compensation  | 4,043              | 1,846     |
| Depreciation and amortization   | 427                | 361       |
| Amortization of contract acquisition costs  | 652                | 545       |
| Amortization of debt issuance costs   | 219                | 52        |
| Impairment of capitalized cloud computing costs   | -                  | 182       |
| Change in deferred tax asset  | 41                 | 45        |
| Provision for excess and obsolete inventories   | 358                | 193       |
| Provision for credit losses   | 192                | 218       |
| Loss (gain) on sale of property and equipment   | 14                 | (59 )     |
| Change in right-of-use asset  | 638                | 604       |
| Changes in assets and liabilities:  |                    |           |
| Accounts receivable   | (1,912 )           | (2,407 )  |
| Inventories   | (12,535 )          | (6,214 )  |
| Other current assets and prepaid expenses   | (5,611 )           | (1,560 )  |
| Other long-term assets  | (385 )             | (500 )    |
| Accounts payable  | 5,755              | (1,653 )  |
| Accrued liabilities   | (5,989 )           | 10,022    |
| Operating lease liabilities   | (608 )             | (563 )    |
| Deferred revenue  | 239                | 500       |
| Net cash (used in) provided by operating activities                                       | (29,604 )          | 1,253     |
| <b>Cash flows from investing activities:</b>  |                    |           |
| Acquisition of property, equipment and software   | (321 )             | (101 )    |
| Disposal of property and equipment  | -                  | 52        |
| Purchase of marketable investments  | (74,058 )          | -         |
| Net cash used in investing activities   | (74,379 )          | (49 )     |
| <b>Cash flows from financing activities:</b>  |                    |           |

|  |           |            |
|--|-----------|------------|
| Proceeds from exercise of stock options and employee stock purchase plan | 151       | 396        |
| Purchase of capped call  | -         | (16,134 )  |
| Proceeds from issuance of convertible notes                              | -         | 138,250    |
| Payment of issuance costs of convertible notes                           | -         | (4,717 )   |
| Taxes paid related to net share settlement of equity awards              | (2,450 )  | (999 )     |
| Payments on capital lease obligation                                     | (150 )    | (115 )     |
| Net cash (used in) provided by financing activities                      | (2,449 )  | 116,681    |
| Net (decrease) increase in cash, cash equivalents and restricted cash    | (106,432) | 117,885    |
| Cash, cash equivalents, and restricted cash at beginning of period       | 164,864   | 47,047     |
| Cash, cash equivalents, and restricted cash at end of period             | \$ 58,432 | \$ 164,932 |

**CUTERA, INC.**

**CONSOLIDATED FINANCIAL HIGHLIGHTS**

(in thousands, except percentage data)

(unaudited)

|   | <b>Three Months Ended % Change</b> |                       |                     |
|---|------------------------------------|-----------------------|---------------------|
|   | <b>March 31, 2022</b>              | <b>March 31, 2021</b> | <b>2022 Vs 2021</b> |
| <b>Revenue By Geography:</b>                          |                                    |                       |                     |
| North America   | \$ 28,853                          | \$ 22,402             | +28.8%              |
| Japan   | 17,503                             | 16,555                | +5.7%               |
| Rest of World   | 11,658                             | 10,711                | +8.8%               |
| <i>Total Net Revenue</i>                              | <b>\$ 58,014</b>                   | <b>\$ 49,668</b>      | <b>+16.8%</b>       |
| <i>International as a percentage of total revenue</i> | 50.3 %                             | 54.9 %                |                     |
| <b>Revenue By Product Category:</b>                   |                                    |                       |                     |
| Systems   |                                    |                       |                     |
| - North America                                       | \$ 22,707                          | \$ 16,785             | +35.3%              |
| - Rest of World (including Japan)                     | 13,807                             | 11,535                | +19.7%              |
| <i>Total Systems</i>                                  | <b>36,514</b>                      | <b>28,320</b>         | <b>+28.9%</b>       |
| Consumables   | 3,903                              | 2,925                 | +33.4%              |
| Skincare  | 11,649                             | 12,306                | -5.3%               |
| <i>Total Products</i>                                 | <b>52,066</b>                      | <b>43,551</b>         | <b>+19.5%</b>       |
| Service   | 5,948                              | 6,117                 | -2.7%               |
| <i>Total Net Revenue</i>                              | <b>\$ 58,014</b>                   | <b>\$ 49,668</b>      | <b>+16.8%</b>       |

**Three Months Ended**

**March 31, March 31,**



|   |             |  |                      |            |  |                 |
|---|-------------|--|----------------------|------------|--|-----------------|
| Basic   | \$ (0.84 )  |  | \$ (0.32 )           | \$ (0.02 ) |  | \$ 0.17         |
| Weighted-average number of shares used in per share calculations: |             |  |                      |            |  |                 |
| Basic   | 18,080      |  | 18,080               | 17,768     |  | 17,768          |
| <b>Operating expenses as a % of net revenue</b>                   |             |  |                      |            |  |                 |
|   | <b>GAAP</b> |  | <b>Non-GAAP GAAP</b> |            |  | <b>Non-GAAP</b> |
| Sales and marketing   | 43.0 %      |  | 40.6 %               | 30.3 %     |  | 27.2 %          |
| Research and development  | 11.2 %      |  | 9.4 %                | 8.3 %      |  | 7.6 %           |
| General and administrative  | 23.3 %      |  | 12.2 %               | 14.8 %     |  | 12.5 %          |
|   | 77.5 %      |  | 62.2 %               | 53.4 %     |  | 47.3 %          |

**CUTERA, INC.**  
**RECONCILIATION OF NET LOSS TO ADJUSTED EBITDA**  
**(in thousands)**  
**(unaudited)**

|                                 | <b>Three Months Ended<br/>March 31, 2022</b> |
|---------------------------------|--|
| Net loss                        | \$ (15,142 )                                 |
| Adjustments:                    |  |
| Stock-based compensation        | 4,043  |
| ERP implementation cost         | 3,976  |
| Interest and other expense, net | 1,752  |
| Depreciation and amortization   | 1,079  |
| Legal - Lutronic                | 254  |
| Provision for income taxes      | 233  |
| Total adjustments               | 11,337                                       |
| Adjusted EBITDA                 | \$ (3,805 )                                  |

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