

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

March 5, 2024

Date of Report (date of earliest event reported)

CUTERA[®]

Cutera, Inc.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

000-50644
(Commission File Number)

77-0492262
(I.R.S. Employer
Identification Number)

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

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

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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 |

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 2.02. Results of Operations and Financial Condition.

In the Form 12b-25 report filed with the Securities and Exchange Commission (the “SEC”) on November 13, 2023, Cutera, Inc. (the “Company”) reported it was unable, without unreasonable effort and expense, to file its Quarterly Report on Form 10-Q (the “Form 10-Q”) for the third quarter ended September 30, 2023 by the November 9, 2023 filing deadline.

The Company’s management performed a physical inventory count and identified material errors in the Company’s accounting for physical inventory and deficiencies in the related internal controls (collectively, the “Inventory Issues”), which the Company believed impacted (i) the Company’s previously issued condensed consolidated financial statements as of and for the three months ended March 31, 2023 (the “Q1 Financial Statements”) and (ii) the Company’s previously issued condensed consolidated financial statements as of and for the three and six months ended June 30, 2023 (the “Q2 Financial Statements” and, together with the Q1 Financial Statements, the “Prior Financial Statements”).

In the Form 8-K report filed with the SEC on December 21, 2023, the Company announced its intention to restate the financial statements in each Quarterly Report on Form 10-Q for the period ended March 31, 2023 and June 30, 2023, filed with the SEC on May 10, 2023 and August 9, 2023, respectively.

Upon evaluation of the Inventory Issues, the Company has restated the Q1 Financial Statements and Q2 Financial Statements. The amended Form 10-Q reports for the three months ended March 31, 2023 and for the three and six months ended June 30, 2023 are being filed concurrently with the Form 10-Q for the three and nine months ended September 30, 2023. The Q1 and Q2 Non-GAAP financial measures included in the Form 8-K reports filed with the SEC on May 9, 2023 and August 8, 2023, respectively, are being separately updated in Form 8-K/A reports that are being filed concurrently with this report.

The Company is attaching its updated financial results for the quarter ended September 30, 2023 hereto as Exhibit 99.1, which are incorporated herein by reference. The Company intends to file the Form 10-Q for the three and nine months ended September 30, 2023 concurrently with the amended Form 10-Q reports and Form 8-K/A reports described above.

The information provided pursuant to this Item 2.02 and Exhibit 99.1 is to be considered “furnished” pursuant to Item 2.02 of Form 8-K and shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section or Sections 11 and 12(a)(2) of the Securities Act of 1933, as amended, nor shall it be deemed incorporated by reference into any of Cutera’s reports or filings with the Securities and Exchange Commission, whether made before or after the date hereof, except as expressly set forth by specific reference in such report or filing.

Except for the historical information contained in this report, the statements made by Cutera are forward-looking statements that involve risks and uncertainties. All such statements are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995. Cutera’s future financial performance could differ significantly from the expectations of management and from results expressed or implied in the press release. Please refer to the text portion of the press release for further discussion about forward-looking statements. For further information on risk factors, please refer to “Risk Factors” contained in Cutera’s most recently filed Form 10-K and its subsequent filings with the Securities and Exchange Commission. Cutera disclaims any obligation or duty to update or modify these forward-looking statements.

Item 8.01. Other Events.

In the press release issued on November 16, 2023, the Company announced it received a notice (the “Notice”) from the Listing Qualifications Department of The Nasdaq Stock Market LLC (“Nasdaq”) on November 15, 2023 indicating that the Company is not currently in compliance with Nasdaq’s Listing Rules (the “Listing Rules”) due to the Company’s inability to timely file its Form 10-Q for the period ended September 30, 2023 with the SEC. Pursuant to Listing Rule 5250(c)(1), the Company was required to file the Form 10-Q by November 9, 2023 (the “Due Date”). The Company submitted a plan to Nasdaq to regain compliance with the Listing Rules and was granted an exception to retain compliance by filing the Form 10-Q by March 8, 2024.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

| Exhibit No. | Description |
|--------------------|---|
| 99.1 | Q3 2023 Financial Measures of Cutera, Inc. dated as of March 5, 2024. |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 5, 2024

CUTERA, INC.

/s/ Stuart Drummond

Stuart Drummond

Interim Chief Financial Officer



Cutera Third Quarter 2023 Financial Measures

BRISBANE, California, March 5, 2024 — Cutera, Inc. (Nasdaq: CUTR) (“Cutera” or the “Company”), a leading provider of aesthetic and dermatology solutions, hereby provides an update of its financial results for the third quarter ended September 30, 2023.

*Use of Non-GAAP Financial Measures

In this update, 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 gross profit, gross margin, and operating income. Non-GAAP adjustments include depreciation and amortization including contract acquisition costs, stock-based compensation, enterprise resource planning (“ERP”) implementation costs, certain legal and litigation costs, executive and other non-recurring severance costs, costs related to a retention plan, and Board of Director legal and advisory fees related to litigation and shareholder activism. From time to time in the future, there may be other items that the Company 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 update to the most directly comparable GAAP financial measure.

The Company defines non-GAAP financial measure, also commonly known as adjusted EBITDA, as operating income before depreciation and amortization, stock-based compensation, ERP implementation costs, costs related to certain litigation, executive and non-recurring severance costs, retention plan costs, and Board of Director legal and advisory fees related to litigation and shareholder activism.

Company management uses non-GAAP measures as aids in monitoring the Company’s ongoing financial performance from quarter to quarter, and year to year, 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:

Depreciation and amortization, including contract acquisition costs. *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;*

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 expenses related to grants of options, employee stock purchase plans, and performance and restricted stock. Depending upon the size, timing, and 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;*

ERP implementation costs. *The Company has excluded ERP system costs related to direct and incremental costs incurred in connection with its multi-phase implementation of a new ERP solution and the related technology infrastructure costs. The Company excludes these costs because it believes 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 the Company’s operating performance;*

Certain legal and litigation costs. *The Company has excluded costs incurred related to its litigation against Lutronic Aesthetics, which is not part of the Company’s ordinary course of business. The Company’s complaint against Lutronic alleges misappropriation of trade secrets, violation of the Racketeer Influenced and Corrupt Organizations Act (RICO), interference with contractual relations and other claims. The Company excludes these costs because this litigation is a result of a discrete*

event that was not part of the Company's business strategy but has a significant effect on the results of operations. Its costs are incidental to and do not reflect the efficiencies and effectiveness of the Company's core operations;

Executive and other non-recurring severance costs. The Company has excluded costs associated with restructuring activities and the separation of its officers and other executives in calculating its non-GAAP operating expenses and non-GAAP Operating Income. The Company has excluded restructuring costs because a restructuring represents a discrete event that signifies a change in the Company's strategy, but its costs are not indicative of the ongoing financial performance of the business. The Company excludes executive separation costs because executive separations are unpredictable and not part of the Company's business strategy but could have a significant impact on the results of operation;

Retention plan costs. The Company has excluded the expense related to a retention plan implemented in April 2023. Approximately \$11 million was made available to sales personnel and key employees and will be paid in quarterly installments through October 2024. The Company has excluded expense related to this retention plan as such costs are not considered part of ongoing operations.

Board of Director legal and advisory fees. The Company has excluded costs associated with the litigation and shareholder activism related to its 2023 annual meeting of shareholders. The Company has excluded these costs as the costs do not relate to ongoing operations. 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.

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 update, 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 several 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 update, 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, and other documents filed from time to time with the United States Securities and Exchange Commission by Cutera.

All information in this update is as of the date of this report. 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 concerning those or other forward-looking statements. Cutera's financial performance for the third quarter ended September 30, 2023, as discussed in this report, is preliminary and unaudited, and subject to adjustment.

CUTERA, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)
(unaudited)

| | September 30, 2023 | December 31, 2022 |
|---|-----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 179,516 | \$ 145,924 |
| Marketable investments | — | 171,390 |
| Accounts receivable, net | 49,829 | 45,562 |
| Inventories, net | 61,847 | 63,628 |
| Other current assets and prepaid expenses | 19,415 | 24,036 |
| Restricted cash | 700 | 700 |
| Total current assets | 311,307 | 451,240 |
| Property and equipment, net | 69,923 | 40,368 |
| Deferred tax assets | 528 | 590 |
| Goodwill | 1,339 | 1,339 |
| Operating lease right-of-use assets | 10,690 | 12,831 |
| Other long-term assets | 12,846 | 14,620 |
| Total assets | \$ 406,633 | \$ 520,988 |
| Liabilities and Stockholders' Deficit | | |
| Current liabilities: | | |
| Accounts payable | \$ 31,373 | \$ 33,736 |
| Accrued liabilities | 47,043 | 57,452 |
| Operating leases liabilities | 2,511 | 2,810 |
| Deferred revenue | 11,479 | 11,841 |
| Total current liabilities | 92,406 | 105,839 |
| Deferred revenue, net of current portion | 1,629 | 1,657 |
| Operating lease liabilities, net of current portion | 9,466 | 11,352 |
| Convertible notes, net of unamortized debt issuance costs | 418,129 | 416,459 |
| Other long-term liabilities | 1,088 | 862 |
| Total liabilities | 522,718 | 536,169 |
| Stockholders' deficit: | | |
| Common stock | 20 | 20 |
| Additional paid-in capital | 130,008 | 125,406 |
| Accumulated other comprehensive income (loss) | — | (94) |
| Accumulated deficit | (246,113) | (140,513) |
| Total stockholders' deficit | (116,085) | (15,181) |
| Total liabilities and stockholders' deficit | \$ 406,633 | \$ 520,988 |

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

| | Three Months Ended | | Nine Months Ended | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2023 | September 30, 2022 | September 30, 2023 | September 30, 2022 |
| Products | \$ 40,989 | \$ 56,540 | \$ 146,285 | \$ 167,195 |
| Service | 5,489 | 6,268 | 16,544 | 17,851 |
| Total net revenue | <u>46,478</u> | <u>62,808</u> | <u>162,829</u> | <u>185,046</u> |
| Products | 36,586 | 25,255 | 98,696 | 74,066 |
| Service | 3,435 | 3,305 | 9,961 | 9,900 |
| Total cost of revenue | <u>40,021</u> | <u>28,560</u> | <u>108,657</u> | <u>83,966</u> |
| Gross profit | 6,457 | 34,248 | 54,172 | 101,080 |
| Gross margin % | 13.9 % | 54.5 % | 33.3 % | 54.6 % |
| Operating expenses: | | | | |
| Sales and marketing | 25,808 | 26,488 | 88,591 | 78,433 |
| Research and development | 4,592 | 6,389 | 16,844 | 19,747 |
| General and administrative | 17,004 | 10,804 | 47,448 | 35,554 |
| Total operating expenses | <u>47,404</u> | <u>43,681</u> | <u>152,883</u> | <u>133,734</u> |
| Loss from operations | (40,947) | (9,433) | (98,711) | (32,654) |
| Interest and other expense, net: | | | | |
| Amortization of debt issuance costs | (561) | (400) | (1,670) | (917) |
| Interest on Convertible notes | (2,939) | (1,739) | (8,836) | (3,666) |
| Loss on extinguishment of convertible notes | — | — | — | (34,423) |
| Interest income | 2,288 | 1,141 | 6,946 | 1,536 |
| Other expense, net | (1,948) | (876) | (2,564) | (3,554) |
| Total interest and other expense, net | <u>(3,160)</u> | <u>(1,874)</u> | <u>(6,124)</u> | <u>(41,024)</u> |
| Loss before income taxes | (44,107) | (11,307) | (104,835) | (73,678) |
| Income tax expense (benefit) | 167 | 827 | 765 | 874 |
| Net loss | <u>\$ (44,274)</u> | <u>\$ (12,134)</u> | <u>\$ (105,600)</u> | <u>\$ (74,552)</u> |
| Net income (loss) per share: | | | | |
| Basic | <u>\$ (2.22)</u> | <u>\$ (0.62)</u> | <u>\$ (5.32)</u> | <u>\$ (3.95)</u> |
| Diluted | <u>\$ (2.22)</u> | <u>\$ (0.62)</u> | <u>\$ (5.32)</u> | <u>\$ (3.95)</u> |
| Weighted-average number of shares used in per share calculations: | | | | |
| Basic | <u>19,932</u> | <u>19,593</u> | <u>19,858</u> | <u>18,897</u> |
| Diluted | <u>19,932</u> | <u>19,593</u> | <u>19,858</u> | <u>18,897</u> |

CUTERA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

| | Three Months Ended | | Nine Months Ended | |
|--|-----------------------|--------------------|-----------------------|-----------------------|
| | September 30, 2023 | September 30, 2022 | September 30, 2023 | September 30, 2022 |
| Cash flows from operating activities: | | | | |
| Net income (loss) | \$ (44,274) | \$ (12,134) | \$ (105,600) | \$ (74,552) |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: | | | | |
| Stock-based compensation | 1,616 | 4,245 | 6,552 | 13,021 |
| Depreciation and amortization | 1,987 | 674 | 5,225 | 1,603 |
| Amortization of contract acquisition costs | 3,016 | 596 | 7,085 | 1,815 |
| Amortization of debt issuance costs | 561 | 400 | 1,670 | 917 |
| Unrealized gain on foreign exchange forward | | (292) | — | (292) |
| Deferred tax assets | 19 | 72 | 62 | 152 |
| Provision for credit losses | 3,574 | 268 | 5,488 | 677 |
| Loss on sale of property and equipment | | 23 | — | 86 |
| Loss on extinguishment of convertible notes | | — | — | 34,423 |
| Accretion of discount on investment securities and investment income, net | 902 | — | 1,048 | — |
| Changes in assets and liabilities: | | | | |
| Accounts receivable | 276 | (3,996) | (9,755) | (5,104) |
| Inventories, net | 2,317 | (11,114) | 1,781 | (28,615) |
| Other current assets and prepaid expenses | 5,128 | (5,801) | 4,352 | (8,835) |
| Other long-term assets | (860) | (2,573) | (5,642) | (3,644) |
| Accounts payable | (3,069) | 5,671 | (4,735) | 20,442 |
| Accrued liabilities | (7,157) | 3,194 | (10,963) | (3,684) |
| Operating leases, net | (14) | 10 | (44) | 46 |
| Deferred revenue | (899) | 874 | (390) | 1,576 |
| Net cash provided by (used in) operating activities | <u>(36,877)</u> | <u>(19,883)</u> | <u>(103,866)</u> | <u>(49,968)</u> |
| Cash flows from investing activities: | | | | |
| Acquisition of property and equipment | (5,534) | (5,869) | (30,642) | (14,107) |
| Purchase of marketable and long-term investments | — | 47,000 | 193,903 | (252,282) |
| Proceeds from maturities of marketable investments | 41,044 | (48,973) | (23,467) | 47,000 |
| Net cash provided by (used in) investing activities | <u>35,510</u> | <u>(7,842)</u> | <u>139,794</u> | <u>(219,389)</u> |
| Cash flows from financing activities: | | | | |
| Proceeds from exercise of stock options and employee stock purchase plan | 465 | 248 | 1,323 | 1,687 |
| Taxes paid related to net share settlement of equity awards | (87) | (586) | (3,273) | (4,820) |
| Purchase of capped call | — | — | — | (31,671) |
| Payment of issuance costs of capped call | — | (353) | — | (353) |
| Proceeds from issuance of convertible notes | — | — | — | 240,000 |
| Payment of issuance costs of convertible notes | — | (646) | — | (7,602) |
| Taxes paid related to net share settlement of equity awards | — | — | — | (45,777) |
| Payments on finance lease obligations | (149) | (108) | (386) | (391) |
| Net cash provided by (used in) financing activities | <u>229</u> | <u>(1,445)</u> | <u>(2,336)</u> | <u>151,073</u> |
| Net increase (decrease) in cash, cash equivalents and restricted cash | (1,138) | (29,170) | 33,592 | (118,284) |
| Cash, cash equivalents, and restricted cash at beginning of period | 181,354 | 75,750 | 146,624 | 164,864 |
| Cash, cash equivalents, and restricted cash at end of period | <u>\$ 180,216</u> | <u>\$ 46,580</u> | <u>\$ 180,216</u> | <u>\$ 46,580</u> |

CUTERA, INC.
CONSOLIDATED FINANCIAL HIGHLIGHTS
(in thousands, except percentage data)
(unaudited)

| | Three Months Ended | | % Change 2023 Vs 2022 | Nine Months Ended | | % Change 2023 Vs 2022 |
|---|-----------------------|--------------------|-----------------------------|--------------------|-----------------------|-----------------------------|
| | September 30, 2023 | September 30, 2022 | | September 30, 2023 | September 30, 2022 | |
| Revenue By Geography: | | | | | | |
| North America | \$ 24,855 | \$ 33,258 | -25.3 % | \$ 84,494 | \$ 94,350 | -10.4 % |
| Japan | 11,529 | 15,263 | -24.5 % | 37,247 | 47,940 | -22.3 % |
| Rest of World | 10,094 | 14,287 | -29.3 % | 41,088 | 42,756 | -3.9 % |
| <i>Total Net Revenue</i> | <u>\$ 46,478</u> | <u>\$ 62,808</u> | -26.0 % | <u>\$ 162,829</u> | <u>\$ 185,046</u> | -12.0 % |
| <i>International as a percentage of total revenue</i> | 46.5 % | 47.0 % | | 48.1 % | 49.0 % | |

Revenue By Product Category:

| | | | | | | |
|-----------------------------------|------------------|------------------|----------|-------------------|-------------------|----------|
| Systems | | | | | | |
| – North America | \$ 15,670 | \$ 25,359 | -38.2 % | \$ 55,872 | \$ 73,298 | -23.8 % |
| – Rest of World (including Japan) | 10,607 | 15,626 | -32.1 % | 41,617 | 47,854 | -13.0 % |
| <i>Total Systems</i> | 26,277 | 40,985 | -35.9 % | 97,489 | 121,152 | -19.5 % |
| AviClear | 3,889 | 1,155 | +236.7 % | 12,420 | 1,291 | +862.0 % |
| Consumables | 3,682 | 4,964 | -25.8 % | 11,681 | 14,029 | -16.7 % |
| Skincare | 7,141 | 9,436 | -24.3 % | 24,695 | 30,723 | -19.6 % |
| <i>Total Products</i> | 40,989 | 56,540 | -27.5 % | 146,285 | 167,195 | -12.5 % |
| Service | 5,489 | 6,268 | -12.4 % | 16,544 | 17,851 | -7.3 % |
| <i>Total Net Revenue</i> | <u>\$ 46,478</u> | <u>\$ 62,808</u> | -26.0 % | <u>\$ 162,829</u> | <u>\$ 185,046</u> | -12.0 % |

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|--------------------|--------------------|--------------------|
| | September 30, 2023 | September 30, 2022 | September 30, 2023 | September 30, 2022 |
| Pre-tax Stock-Based Compensation Expense: | | | | |
| Cost of revenue | \$ (19) | \$ 471 | \$ 706 | \$ 1,430 |
| Sales and marketing | 594 | 1,641 | 3,025 | 3,855 |
| Research and development | (178) | 466 | 930 | 2,513 |
| General and administrative | 1,219 | 1,667 | 1,891 | 5,223 |
| | <u>\$ 1,616</u> | <u>\$ 4,245</u> | <u>\$ 6,552</u> | <u>\$ 13,021</u> |

CUTERA, INC.
RECONCILIATION OF GAAP GROSS PROFIT, GROSS MARGIN AND OPERATING INCOME
TO NON-GAAP GROSS PROFIT, GROSS MARGIN AND OPERATING INCOME
(in thousands, except percentages)
(unaudited)

| | Three Months Ended September 30, 2023 | | |
|--|---------------------------------------|--------------|------------------|
| | Gross Profit | Gross Margin | Operating Income |
| Reported | \$ 6,457 | 13.9 % | \$ (40,947) |
| Adjustments: | | | |
| Depreciation and amortization including contract acquisition costs | 2,371 | 5.2 % | 4,732 |
| Stock-based compensation | (19) | — % | 1,616 |
| ERP implementation costs | — | — | 1,457 |
| Legal | — | — | 562 |
| Severance | 151 | 0.3 % | 342 |
| Retention plan costs | 30 | 0.1 % | 1,366 |
| Board of Director legal and advisory fees | — | — | 2,030 |
| Other adjustments | — | — | 94 |
| Total adjustments | 2,533 | 5.6 % | 12,199 |
| Adjusted | \$ 8,990 | 19.5 % | \$ (28,748) |

CUTERA, INC.
RECONCILIATION OF GAAP GROSS PROFIT, GROSS MARGIN AND OPERATING INCOME
TO NON-GAAP GROSS PROFIT, GROSS MARGIN AND OPERATING INCOME
(in thousands, except percentages)
(unaudited)

| | Three Months Ended September 30, 2022 | | |
|--|--|---------------------|-------------------------|
| | Gross Profit | Gross Margin | Operating Income |
| Reported | \$ 34,248 | 54.5 % | \$ (9,433) |
| Adjustments: | | | |
| Depreciation and amortization including contract acquisition costs | 432 | 0.7 % | 1,195 |
| Stock-based compensation | 908 | 1.4 % | 4,245 |
| ERP implementation costs | — | — | 1,351 |
| Legal | — | — | 566 |
| Severance | — | — | 415 |
| Other adjustments | (791) | (1.3)% | (290) |
| Total adjustments | 549 | 0.8 % | 7,482 |
| Adjusted | \$ 34,797 | 55.3 % | \$ (1,951) |

CUTERA, INC.
RECONCILIATION OF GAAP GROSS PROFIT, GROSS MARGIN AND OPERATING INCOME
TO NON-GAAP GROSS PROFIT, GROSS MARGIN AND OPERATING INCOME
(in thousands, except percentages)
(unaudited)

| | Nine Months Ended September 30, 2023 | | |
|--|--------------------------------------|--------------|------------------|
| | Gross Profit | Gross Margin | Operating Income |
| Reported | \$ 54,172 | 33.3 % | \$ (98,711) |
| Adjustments: | | | |
| Depreciation and amortization including contract acquisition costs | 5,968 | 3.7 % | 12,310 |
| Stock-based compensation | 706 | 0.4 % | 6,552 |
| ERP implementation costs | — | — | 2,745 |
| Legal | — | — | 1,608 |
| Severance | 270 | 0.2 % | 891 |
| Retention plan costs | 95 | 0.1 % | 4,338 |
| Board of Director legal and advisory fees | — | — % | 9,739 |
| Other adjustments | 307 | 0.2 % | 986 |
| Total adjustments | 7,346 | 4.6 % | 39,169 |
| Adjusted | \$ 61,518 | 37.9 % | \$ (59,542) |

CUTERA, INC.
RECONCILIATION OF GAAP GROSS PROFIT, GROSS MARGIN AND OPERATING INCOME
TO NON-GAAP GROSS PROFIT, GROSS MARGIN AND OPERATING INCOME
(in thousands, except percentages)
(unaudited)

Nine Months Ended September 30, 2022

| | <u>Gross Profit</u> | <u>Gross Margin</u> | <u>Operating Income</u> |
|--|---------------------|---------------------|-------------------------|
| Reported | \$ 101,080 | 54.7 % | \$ (32,654) |
| Adjustments: | | | |
| Depreciation and amortization including contract acquisition costs | 596 | 0.3 % | 3,342 |
| Stock-based compensation | 1,430 | 0.8 % | 13,021 |
| ERP implementation costs | — | — | 7,712 |
| Legal | — | — | 1,062 |
| Severance | 26 | — | 415 |
| Other adjustments | (290) | (0.2)% | (290) |
| Total adjustments | <u>1,762</u> | <u>0.9 %</u> | <u>25,262</u> |
| Adjusted | <u>\$ 102,842</u> | <u>55.6 %</u> | <u>\$ (7,392)</u> |