

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

November 1, 2019
Date of Report (date of earliest event reported)



Cutera, Inc.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

000-50644
(Commission File Number)

77-0492262
(IRS Employer
Identification Number)

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

94005
(Zip code)

(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.

On November 7, 2019, Cutera, Inc. (the “Company”) issued a press release announcing financial results for the quarter ended September 30, 2019. The Company will host a live audio webcast for interested parties commencing November 7, 2019 at 1:30 p.m. PDT (4:30 p.m. EDT), during which the Company will discuss the financial results. The conference call will be available to interested parties through a live audio webcast and accessible through the Investor Relations section of the Cutera corporate website at www.cutera.com. A copy of the Company’s press release is furnished as Exhibit 99.1 on this Current Report on Form 8-K.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(b) Resignation of Principal Financial Officer

On November 1, 2019, Sandra A. Gardiner informed the Company that she intends to resign her position with the Company. At that time, the Company offered to enter into a resignation agreement whereby Ms. Gardiner resigns as Executive Vice President and Chief Financial Officer effective as of November 15, 2019, in return for certain transition assistance through the end of the Company’s fiscal year, and in return for Ms. Gardiner’s release of certain claims. As of this filing, we have not reached agreement with her on the terms of her separation from the Company.

On November 7, 2019, the Company’s Board of Directors (the “Board”) appointed Dave Mowry, the Company’s current Chief Executive Officer, to serve as Interim Chief Financial Officer of the Company until the Board appoints a successor Chief Financial Officer. The Nominating and Governance Committee of the Board of Directors of the Company is actively searching for qualified candidates to serve as the Company’s Chief Financial Officer, which performs the functions of the Company’s principal financial officer.

Item 7.01. Regulation FD Disclosure.

On November 7, 2019, Cutera issued a press release discussed above in Item 2.02 of this Current Report on Form 8-K. A copy of the press release is attached hereto as Exhibit 99.1.

The information in Items 2.02 and 7.01 of this report is being furnished, not filed, for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and pursuant to General Instruction B.2 of Form 8-K, will not be incorporated by reference into any filing under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated therein by reference.

Item 9.01. Exhibits.

| Exhibit No. | Description |
|--------------------|--|
| 99.1 | <u>Press Release of Cutera, Inc. dated as of November 7, 2019.</u> |

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 hereunto duly authorized.

Date: November 7, 2019

CUTERA, INC.

/s/ Darren W. Alch
Darren W. Alch
Vice President, General Counsel & Corporate Secretary



FOR IMMEDIATE RELEASE

Cutera Reports Third Quarter 2019 Financial Results

14% Revenue Growth Driven by Strong Recurring Revenue and truSculpt® Product Sales

Raises Full Year Financial Guidance

Announces Planned Departure of Chief Financial Officer Sandra Gardiner

BRISBANE, California, November 7, 2019 — Cutera, Inc. (NASDAQ: CUTR) (“Cutera” or the “Company”), a leading provider of laser and other energy-based aesthetic systems for practitioners worldwide, today reported financial results for the third quarter ended September 30, 2019.

2019 Third Quarter Financial and Operational Highlights

- Revenue was \$46.1 million, an increase of 14% over the prior year period.
 - o *truSculpt* portfolio revenue grew 43% over the prior year period, driven in part by the successful launch of *truSculpt flex*, the Company’s new muscle sculpting platform.
 - o Recurring revenue of \$11.2 million grew 51% over the prior year period, with growth balanced across service, skincare product, and procedure-related consumable revenues.
 - o International revenue grew 21% over the prior year period, reflecting continued momentum from the first half of 2019 and strong performance in Japan and Australia.
- Gross Margin was 57% compared to 54% in the prior year period, driven by top line leverage as well as product and channel mix.
- Operating expenses represented 62% of revenue as compared to 56% in the prior year period, reflecting increased stock-based compensation as well as CRM and ERP-related activities.
- Net loss was \$2.6 million, or \$0.19 per fully diluted share, as compared to a net loss of \$0.9 million, or \$0.06 per fully diluted share, in the prior year period.

“Our solid third quarter results were driven by a strong commitment to our commercial and operational goals, underpinned by our focus on achieving profitable growth,” commented Dave Mowry, Chief Executive Officer. “Since joining Cutera four months ago, I have engaged, and will continue to engage, with our key stakeholders, including customers, employees, and shareholders. The feedback I’ve received strengthens my belief that the Company is well-positioned to shape the future of energy-based aesthetics. We remain committed to continued execution in the near-term, while putting the right plans in place to drive above-market growth, enhance profitability, and achieve our vision of shaping the future of the global aesthetic market over the next several years.”

Updated 2019 Financial Outlook:

- Full-year 2019 revenue is expected to be \$177 million to \$179 million, an increase of 9% to 10% over 2018, compared to prior guidance of \$165 million to \$175 million.
- Full year 2019 non-GAAP* gross margin is expected to improve over the full year 2018 non-GAAP gross margin.
- Full-year 2019 adjusted EBITDA* is expected to be \$3.5 million to \$4.5 million, revised from prior guidance of \$2 million to \$4 million.

CFO Departure:

Sandra Gardiner, Cutera's Chief Financial Officer, announced her resignation from Cutera to pursue another opportunity. The Company has retained Spencer Stuart to conduct a national search to identify a replacement. Ms. Gardiner will continue as CFO through November 15, 2019, and will assist in ensuring a smooth transition.

"Sandy has been the Company's CFO since December 2017 and has been an integral part of our Executive Leadership team," commented Dave Mowry, Cutera's Chief Executive Officer. "I want to thank her for the contributions she made to the organization, and we wish her success in her next assignment."

Conference Call

The Company will host a live audio webcast for interested parties commencing today at 1:30 p.m. PDT (4:30 p.m. EDT). Participating in the call will be Dave Mowry, Chief Executive Officer, and Jason Richey, President. The webcast can be found at the Investor Relations section of Cutera's website at <http://www.cutera.com/> and will be available online within 24 hours of its completion through December 7, 2019. In addition, you may call 1-877-300-8521 to listen to the live broadcast.

CONTACTS:**Cutera, Inc.**

Matthew Scalo

Vice President, Investor Relations & Corporate Development

415-657-5500

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About Cutera, Inc.

Brisbane, California-based Cutera is a leading provider of laser and other energy-based aesthetic systems for practitioners worldwide. Since 1998, Cutera has developed innovative, easy-to-use products that enable physicians and other qualified practitioners to offer safe and effective aesthetic treatments to their patients. For more information, call 1-888-4CUTERA or visit 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 diluted share. Non-GAAP adjustments include stock-based compensation, depreciation, amortization, executive separation costs, customer relationship management ("CRM") and enterprise resource planning ("ERP") system implementation costs, as well as the net tax impact of excluding these items. From time to time in the future, there may be other items that we may exclude if we believe that doing so is consistent with the goal of providing useful information to investors and management. We have provided a reconciliation of each non-GAAP financial measure used in this earnings release to the most directly comparable GAAP financial measure. We have 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. We define adjusted EBITDA as earnings before interest, taxes, depreciation and amortization, stock-based compensation, executive separation costs, and charges related to CRM and ERP software implementation 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 diluted share exclude the following:

Non-cash expenses for stock-based compensation. *We have excluded the effect of stock-based compensation expenses in calculating our non-GAAP operating expenses and net income measures. Although stock-based compensation is a key incentive offered to our employees, we continue to evaluate our business performance excluding stock-based compensation expenses. We record stock-based compensation expense related to grants of options, employee stock purchase plan, 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. We believe that excluding stock-based compensation better allows for comparisons to our peer companies;*

Depreciation and amortization. We have excluded depreciation and amortization expense in calculating our non-GAAP operating expenses and net income measures. Depreciation and amortization are non-cash charges to current operations;

Executive separation. We have excluded costs associated with the resignation of our former Chief Executive Officer in calculating our non-GAAP operating expenses and net income measures. We exclude these non-recurring 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; and

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.

We believe that excluding all of the items above allows users of our 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, CFO search, product launches and performance, trends, prospects or future events and involve known and unknown risks that are difficult to predict. As a result, our 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 our control, that could cause our 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 we update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements. Cutera’s financial performance for the third quarter ended September 30, 2019, as discussed in this release, is preliminary and unaudited, and subject to adjustment.

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

| | September 30, 2019 | June 30, 2019 | December 31, 2018 ⁽¹⁾⁽²⁾ |
|---|-----------------------|------------------|--|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 22,879 | \$ 27,668 | \$ 26,052 |
| Marketable investments | 6,448 | 4,002 | 9,523 |
| Accounts receivable, net | 23,222 | 24,919 | 19,637 |
| Inventories | 34,042 | 26,889 | 28,014 |
| Other current assets and prepaid expenses | 5,334 | 4,536 | 3,972 |
| Total current assets | 91,925 | 88,014 | 87,198 |
| Property and equipment, net | 2,771 | 2,834 | 2,672 |
| Deferred tax asset | 459 | 458 | 457 |
| Goodwill | 1,339 | 1,339 | 1,339 |
| Operating lease right-of-use assets | 8,332 | 8,990 | - |
| Other long-term assets | 6,410 | 6,311 | 5,971 |
| Total assets | \$ 111,236 | \$ 107,946 | \$ 97,637 |
| Liabilities and Stockholders' Equity | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 14,140 | \$ 11,441 | \$ 11,279 |
| Accrued liabilities | 28,096 | 27,026 | 23,300 |
| Operating leases liabilities | 634 | 1,276 | - |
| Extended warranty liabilities | 2,232 | 2,399 | 3,159 |
| Deferred revenue | 10,164 | 10,717 | 9,882 |
| Total current liabilities | 55,266 | 52,859 | 47,620 |
| Deferred revenue, net of current portion | 3,309 | 3,142 | 2,684 |
| Income tax liability | 93 | 93 | 394 |
| Operating lease liabilities, net of current portion | 7,888 | 7,888 | - |
| Other long-term liabilities | 690 | 782 | 553 |
| Total liabilities | 67,246 | 64,764 | 51,251 |
| Stockholders' equity: | | | |
| Common stock | 14 | 14 | 14 |
| Additional paid-in capital | 78,305 | 74,870 | 70,451 |
| Accumulated deficit | (34,270) | (31,642) | (24,010) |
| Accumulated other comprehensive loss | (59) | (60) | (69) |
| Total stockholders' equity | 43,990 | 43,182 | 46,386 |
| Total liabilities and stockholders' equity | \$ 111,236 | \$ 107,946 | \$ 97,637 |

- (1) As of January 1, 2019, the Company adopted the requirements of ASC 842 using the modified retrospective method, and as a result, there is a lack of comparability to the prior periods presented.
- (2) As of April 1, 2019, the Company adopted the requirements of Intangibles Topic 350 on a prospective basis, and as a result, there is a lack of comparability to the prior periods presented.

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

| | Three Months Ended | | Nine Months Ended | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | September 30, 2019 | September 30, 2018 | September 30, 2019 | September 30, 2018 |
| Products | \$ 40,315 | 35,675 | 113,046 | \$ 102,589 |
| Service | 5,802 | 4,898 | 16,871 | 14,662 |
| Total net revenue | 46,117 | 40,573 | 129,917 | 117,251 |
| Products | 16,343 | 15,909 | 50,278 | 46,876 |
| Service | 3,541 | 2,779 | 10,266 | 8,779 |
| Total cost of revenue | 19,884 | 18,688 | 60,544 | 55,655 |
| Gross profit | 26,233 | 21,885 | 69,373 | 61,596 |
| Gross margin % | 57% | 54% | 53% | 53% |
| Operating expenses: | | | | |
| Sales and marketing | 17,691 | 14,479 | 50,786 | 43,102 |
| Research and development | 3,643 | 3,244 | 10,622 | 10,895 |
| General and administrative | 7,308 | 5,160 | 18,100 | 15,501 |
| Total operating expenses | 28,642 | 22,883 | 79,508 | 69,498 |
| Loss from operations | (2,409) | (998) | (10,135) | (7,902) |
| Interest and other expense, net | (146) | (49) | (180) | (80) |
| Loss before income taxes | (2,555) | (1,047) | (10,315) | (7,982) |
| Income tax expense (benefit) | 73 | (174) | (55) | (3,505) |
| Net loss | \$ (2,628) | \$ (873) | \$ (10,260) | \$ (4,477) |
| Net loss per share: | | | | |
| Basic | \$ (0.19) | \$ (0.06) | \$ (0.73) | \$ (0.33) |
| Diluted | \$ (0.19) | \$ (0.06) | \$ (0.73) | \$ (0.33) |
| Weighted-average number of shares used in per share calculations: | | | | |
| Basic | 14,182 | 13,851 | 14,095 | 13,717 |
| Diluted | 14,182 | 13,851 | 14,095 | 13,717 |

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

| | <u>Three Months Ended</u> | | <u>% Change</u> <i>2019 Vs</i> <i>2018</i> | <u>Nine Months Ended</u> | | <u>% Change</u> <i>2019 Vs</i> <i>2018</i> |
|---|-------------------------------------|-------------------------------------|--|-------------------------------------|-------------------------------------|--|
| | <u>September 30,</u> <u>2019</u> | <u>September 30,</u> <u>2018</u> | | <u>September 30,</u> <u>2019</u> | <u>September 30,</u> <u>2018</u> | |
| Revenue By Geography: | | | | | | |
| United States | \$ 26,425 | \$ 24,329 | +9% | \$ 74,972 | \$ 73,597 | +2% |
| International | 19,692 | 16,244 | +21% | 54,945 | 43,654 | +26% |
| <i>Total Net Revenue</i> | <u>\$ 46,117</u> | <u>\$ 40,573</u> | <u>+14%</u> | <u>\$ 129,917</u> | <u>\$ 117,251</u> | <u>+11%</u> |
| <i>International as a percentage of total revenue</i> | 43% | 40% | | 42% | 37% | |

| | | | | | | |
|-------------------------------------|------------------|------------------|-------------|-------------------|-------------------|-------------|
| Revenue By Product Category: | | | | | | |
| Systems | | | | | | |
| - North America | \$ 24,121 | \$ 22,628 | +7% | \$ 68,192 | \$ 67,458 | +1% |
| - Rest of World | 10,837 | 10,569 | +3% | 31,514 | 28,269 | +11% |
| <i>Total Systems</i> | 34,958 | 33,197 | +5% | 99,706 | 95,727 | +4% |
| Consumables | 2,510 | 1,055 | +138% | 7,109 | 2,881 | +147% |
| Skincare | 2,847 | 1,423 | +100% | 6,230 | 3,981 | +56% |
| <i>Total Products</i> | 40,315 | 35,675 | +13% | 113,045 | 102,589 | +10% |
| Service | 5,802 | 4,898 | +18% | 16,872 | 14,662 | +15% |
| <i>Total Net Revenue</i> | <u>\$ 46,117</u> | <u>\$ 40,573</u> | <u>+14%</u> | <u>\$ 129,917</u> | <u>\$ 117,251</u> | <u>+11%</u> |

| | <u>Three Months Ended</u> | | <u>Nine Months Ended</u> | |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | <u>September 30,</u> <u>2019</u> | <u>September 30,</u> <u>2018</u> | <u>September 30,</u> <u>2019</u> | <u>September 30,</u> <u>2018</u> |
| Pre-tax Stock-Based Compensation Expense: | | | | |
| Cost of revenue | \$ 430 | \$ 196 | \$ 1,103 | \$ 576 |
| Sales and marketing | 1,365 | 541 | 3,080 | 1,745 |
| Research and development | 443 | 163 | 1,076 | 616 |
| General and administrative | 940 | 731 | 1,745 | 2587 |
| | <u>\$ 3,178</u> | <u>\$ 1,631</u> | <u>\$ 7,004</u> | <u>\$ 5,524</u> |

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

| | Three Months Ended | | Nine Months Ended | |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | September 30, 2019 | September 30, 2018 | September 30, 2019 | September 30, 2018 |
| Cash flows from operating activities: | | | | |
| Net loss | \$ (2,628) | \$ (873) | \$ (10,260) | \$ (4,477) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | | |
| Stock-based compensation | 3,178 | 1,631 | 7,004 | 5,524 |
| Depreciation of tangible assets | 369 | 305 | 1,184 | 849 |
| Amortization of contract acquisition costs | 757 | 482 | 2,169 | 1,304 |
| Change in deferred tax asset | (1) | (183) | (2) | (3,507) |
| Provision for doubtful accounts receivable | 666 | 390 | 647 | 877 |
| Other | (96) | 240 | 55 | 215 |
| Changes in assets and liabilities: | | | | |
| Accounts receivable | 1,031 | (3,712) | (4,232) | (5,544) |
| Inventories | (7,153) | (1,184) | (6,028) | (2,540) |
| Other current assets and prepaid expenses | (809) | (228) | (1,423) | (797) |
| Other long-term assets | (856) | (723) | (2,608) | (2,301) |
| Accounts payable | 2,699 | 2,578 | 2,861 | 6,319 |
| Accrued liabilities | 1,121 | 148 | 4,900 | (4,177) |
| Extended warranty liabilities | (167) | - | (927) | - |
| Other long-term liabilities | - | 35 | (140) | 105 |
| Deferred revenue | (386) | (488) | 907 | 58 |
| Income tax liability | - | (34) | (301) | (27) |
| Net cash used in operating activities | <u>(2,275)</u> | <u>(1,616)</u> | <u>(6,194)</u> | <u>(8,119)</u> |
| Cash flows from investing activities: | | | | |
| Acquisition of property, equipment and software | (208) | (633) | (524) | (1,214) |
| Disposal of property and equipment | 25 | 3 | 45 | 41 |
| Proceeds from sales of marketable investments | - | - | - | 13,044 |
| Proceeds from maturities of marketable investments | 1,850 | 5,550 | 11,450 | 8,050 |
| Purchase of marketable investments | (4,284) | - | (8,304) | (4,390) |
| Net cash provided by (used in) investing activities | <u>(2,617)</u> | <u>4,920</u> | <u>2,667</u> | <u>15,531</u> |
| Cash flows from financing activities: | | | | |
| Proceeds from exercise of stock options and employee stock purchase plan | 437 | 565 | 1,600 | 3,603 |
| Taxes paid related to net share settlement of equity awards | (180) | (307) | (750) | (2,971) |
| Payments on finance lease obligations | (154) | (128) | (496) | (362) |
| Net cash provided by financing activities | <u>103</u> | <u>130</u> | <u>354</u> | <u>270</u> |
| Net increase (decrease) in cash and cash equivalents | (4,789) | 3,434 | (3,173) | 7,682 |
| Cash and cash equivalents at beginning of period | 27,668 | 18,432 | 26,052 | 14,184 |
| Cash and cash equivalents at end of period | <u>\$ 22,879</u> | <u>\$ 21,866</u> | <u>\$ 22,879</u> | <u>\$ 21,866</u> |

CUTERA, INC.
RECONCILIATION OF GAAP CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
TO NON-GAAP CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

| | <i>Three Months Ended September 30, 2019</i> | | | | | <i>Three Months Ended September 30, 2018</i> | | | | | |
|--|--|--------------------------------------|---------------------------------|-----------------------------------|------------------------------------|--|--------------|--------------------------------------|---------------------------------|------------------------------------|-----------------|
| | <u>GAAP</u> | <u>Depreciation and Amortization</u> | <u>Stock-Based Compensation</u> | <u>CRM and ERP Implementation</u> | <u>Taxes and Other Adjustments</u> | <u>Non-GAAP</u> | <u>GAAP</u> | <u>Depreciation and Amortization</u> | <u>Stock-Based Compensation</u> | <u>Taxes and Other Adjustments</u> | <u>Non-GAAP</u> |
| Net revenue | \$ 46,117 | - | - | - | - | \$ 46,117 | \$ 40,573 | - | - | - | \$ 40,573 |
| Cost of revenue | 19,884 | (134) | (430) | - | - | 19,320 | 18,688 | (65) | (196) | - | 18,427 |
| Gross profit | 26,233 | 134 | 430 | - | - | 26,797 | 21,885 | 65 | 196 | - | 22,146 |
| Gross margin % | 57% | | | | | 58% | 54% | | | | 55% |
| Operating expenses: | | | | | | | | | | | |
| Sales and marketing | 17,691 | (936) | (1,365) | (90) | - | 15,300 | 14,479 | (642) | (541) | - | 13,296 |
| Research and development | 3,643 | (27) | (443) | - | - | 3,173 | 3,244 | (19) | (163) | - | 3,062 |
| General and administrative | 7,308 | (29) | (940) | (430) | - | 5,909 | 5,160 | (61) | (731) | - | 4,368 |
| Total operating expenses | 28,642 | (992) | (2,748) | (520) | - | 24,382 | 22,883 | (722) | (1,435) | - | 20,726 |
| Income (loss) from operations | (2,409) | 1,126 | 3,178 | 520 | - | 2,415 | (998) | 787 | 1,631 | - | 1,420 |
| Interest and other expense, net | (146) | - | - | - | - | (146) | (49) | - | - | - | (49) |
| Income (loss) before income taxes | (2,555) | 1,126 | 3,178 | 520 | - | 2,269 | (1,047) | 787 | 1,631 | - | 1,371 |
| Provision (benefit) for income taxes | 73 | - | - | - | 6 | 79 | (174) | - | - | (39) | (213) |
| Net income (loss) | \$ (2,628) | 1,126 | 3,178 | 520 | (6) | \$ 2,190 | \$ (873) | 787 | 1,631 | 39 | \$ 1,584 |
| Net income (loss) per share: | | | | | | | | | | | |
| Basic | \$ (0.19) | | | | | \$ 0.15 | \$ (0.06) | | | | \$ 0.11 |
| Diluted | \$ (0.19) | | | | | \$ 0.15 | \$ (0.06) | | | | \$ 0.11 |
| Weighted-average number of shares used in per share calculations: | | | | | | | | | | | |
| Basic | 14,182 | | | | | 14,182 | 13,851 | | | | 13,851 |
| Diluted | 14,182 | | | | | 14,751 | 13,851 | | | | 14,258 |
| Operating expenses as a % of | | | | | | | | | | | |
| net revenue | <u>GAAP</u> | | | | | <u>Non-GAAP</u> | <u>GAAP</u> | | | | <u>Non-GAAP</u> |
| Sales and marketing | 38.4% | | | | | 33.2% | 35.7% | | | | 32.8% |
| Research and development | 7.9% | | | | | 6.9% | 8.0% | | | | 7.5% |
| General and administrative | 15.8% | | | | | 12.8% | 12.7% | | | | 10.8% |
| | <u>62.1%</u> | | | | | <u>52.9%</u> | <u>56.4%</u> | | | | <u>51.1%</u> |

CUTERA, INC.
RECONCILIATION OF GAAP CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
TO NON-GAAP CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

| | <i>Nine Months Ended September 30, 2019</i> | | | | | <i>Nine Months Ended September 30, 2018</i> | | | | | |
|---|---|-------------------------------------|-----------------------------|-------------------------------|-----------------------------------|---|-------------------|-------------------------------------|-----------------------------|-----------------------------------|-----------------|
| | GAAP | Depreciation and Amortization | Stock-Based Compensation | CRM and ERP Implementation | Taxes and Other Adjustments | Non- GAAP | GAAP | Depreciation and Amortization | Stock-Based Compensation | Taxes and Other Adjustments | Non- GAAP |
| Net revenue | \$ 129,917 | - | - | - | - | \$ 129,917 | \$ 117,251 | - | - | - | \$ 117,251 |
| Cost of revenue | 60,544 | (385) | (1,103) | - | - | 59,056 | 55,655 | (226) | (576) | - | 54,853 |
| Gross profit | 69,373 | 385 | 1,103 | - | - | 70,861 | 61,596 | 226 | 576 | - | 62,398 |
| Gross margin % | 53% | | | | | 55% | 53% | | | | 53% |
| Operating expenses: | | | | | | | | | | | |
| Sales and marketing | 50,786 | (2,718) | (3,080) | (201) | - | 44,787 | 43,102 | (1,765) | (1,744) | - | 39,593 |
| Research and development | 10,622 | (74) | (1,076) | - | - | 9,472 | 10,895 | (51) | (617) | - | 10,227 |
| General and administrative | 18,100 | (176) | (1,745) | (1,129) | (614) (a) | 14,435 | 15,501 | (111) | (2,587) | - | 12,803 |
| Total operating expenses | 79,508 | (2,968) | (5,901) | (1,331) | (614) | 68,694 | 69,498 | (1,927) | (4,948) | - | 62,623 |
| Income (loss) from operations | (10,135) | 3,353 | 7,004 | 1,331 | 614 | 2,167 | (7,902) | 2,153 | 5,524 | - | (225) |
| Interest and other expense, net | (180) | - | - | - | - | (180) | (80) | - | - | - | (80) |
| Income (loss) before income taxes | (10,315) | 3,353 | 7,004 | 1,331 | 614 | 1,987 | (7,982) | 2,153 | 5,524 | - | (305) |
| Provision (benefit) for income taxes | (55) | - | - | - | 288 | 233 | (3,505) | - | - | 130 | (3,375) |
| Net income (loss) | <u>\$ (10,260)</u> | <u>3,353</u> | <u>7,004</u> | <u>1,331</u> | <u>326</u> | <u>\$ 1,754</u> | <u>\$ (4,477)</u> | <u>2,153</u> | <u>5,524</u> | <u>(130)</u> | <u>\$ 3,070</u> |
| Net income (loss) per share: | | | | | | | | | | | |
| Basic | <u>\$ (0.73)</u> | | | | | <u>\$ 0.12</u> | <u>\$ (0.33)</u> | | | | <u>\$ 0.22</u> |
| Diluted | <u>\$ (0.73)</u> | | | | | <u>\$ 0.12</u> | <u>\$ (0.33)</u> | | | | <u>\$ 0.21</u> |
| Weighted-average number of shares used in per share calculations: | | | | | | | | | | | |
| Basic | <u>14,095</u> | | | | | <u>14,095</u> | <u>13,717</u> | | | | <u>13,717</u> |
| Diluted | <u>14,095</u> | | | | | <u>14,417</u> | <u>13,717</u> | | | | <u>14,285</u> |

a) Other adjustment of \$614 related to Executive separation costs.

| Operating expenses as a % of | <i>Nine Months Ended September 30, 2019</i> | | <i>Nine Months Ended September 30, 2018</i> | |
|------------------------------|---|--------------|---|--------------|
| | GAAP | Non-GAAP | GAAP | Non-GAAP |
| net revenue | | | | |
| Sales and marketing | 39.1% | 34.5% | 36.8% | 33.8% |
| Research and development | 8.2% | 7.3% | 9.3% | 8.7% |
| General and administrative | 13.9% | 11.1% | 13.2% | 10.9% |
| | <u>61.2%</u> | <u>52.9%</u> | <u>59.3%</u> | <u>53.4%</u> |

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

| | Three Months Ended | Nine Months Ended |
|--------------------------------------|-----------------------|----------------------|
| | September 30, 2019 | |
| Net loss | \$ (2,628) | \$ (10,260) |
| Adjustments: | | |
| Stock-based compensation | 3,178 | 7,004 |
| Depreciation and amortization | 1,126 | 3,353 |
| CRM and ERP implementation costs | 520 | 1,331 |
| Other adjustments | - | 614 ^(a) |
| Interest and other expense, net | 146 | 180 |
| Provision (benefit) for income taxes | 73 | (55) |
| Total adjustments | \$ 5,043 | \$ 12,427 |
| Adjusted EBITDA | \$ 2,415 | \$ 2,167 |

a) Other adjustment of \$614 related to Executive separation costs.