UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 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: 001-40587

SIGHT SCIENCES, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**80-0625749**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
4040 Campbell Ave, Suite 100 **Menlo Park, CA**	**94025**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (877) 266-1144

N/A

(Former name, former address and former fiscal year, if changed since last report)

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, par value $0.001	SGHT	The Nasdaq Global Select Market

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 4, 2022, the registrant had 48,151,302 shares of Common Stock, par value $0.001 outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Unless the context otherwise requires, references in this Quarterly Report on Form 10-Q to the "Company," "Sight Sciences," "we," "us" and "our" refer to Sight Sciences, Inc.

This Quarterly Report on Form 10-Q (the "Quarterly Report") contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical facts contained in this Quarterly Report, including statements regarding our future results of operations or financial condition, business strategy and plans, and objectives of management for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as "anticipate," "believe," "contemplate," "continue," "could," "estimate," "expect," "hope," "intend," "may," "might," "objective," "ongoing," "plan," "potential," "predict," "project," "should," "target," "will," or "would" or the negative of these words or other similar terms or expressions. These forward-looking statements include, but are not limited to, statements concerning the following:

- estimates of our total addressable market, future revenue, expenses, capital requirements, and our needs for additional financing;
- our ability to enter into and compete in new markets;
- the impact of the COVID-19 pandemic on our business, our customers' and suppliers' businesses and the general economy;
- our ability to compete effectively with existing competitors and new market entrants;
- our ability to scale our infrastructure;
- our ability to manage and grow our business by expanding our sales to existing customers or introducing our products to new customers;
- our ability to establish and maintain intellectual property protection for our products or avoid claims of infringement;
- potential effects of extensive government regulation;
- our ability to obtain and maintain sufficient reimbursement for our products;
- our abilities to protect and scale our intellectual property portfolio;
- our ability to hire and retain key personnel;
- our ability to obtain financing in future offerings;
- the volatility of the trading price of our common stock;
- our expectation regarding the time during which we will be an emerging growth company under the Jumpstart Our Business Startups Act (the "JOBS Act"); and
- our ability to maintain proper and effective internal controls.

Actual events or results may differ from those expressed in forward-looking statements. As such, you should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, operating results, prospects, strategy, and financial needs. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, assumptions, and other factors described in the section titled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021 filed with the Securities and Exchange Commission (the "SEC") on March 24, 2022 (the "2021 Form 10-K") and elsewhere in this Quarterly Report. Moreover, we operate in a highly competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report. The results, events and circumstances reflected in the forward-looking

statements may not be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements in this Quarterly Report are based on information available to us as of the date of this Quarterly Report. While we believe that such information provides a reasonable basis for these statements, such information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

You should read this Quarterly Report and the documents that we reference in this Quarterly Report and have filed as exhibits to this Quarterly Report with the understanding that our actual future results, performance and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements. The forward-looking statements made in this Quarterly Report relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report to reflect events or circumstances after the date of this Quarterly Report or to reflect new information, actual results, revised expectations, or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements.

PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements

SIGHT SCIENCES, INC.
Condensed Consolidated Balance Sheets (Unaudited)
(in thousands, except share and per share data)

	September 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 199,819	$ 260,687
Accounts receivable, net	12,593	8,709
Inventory, net	5,520	3,475
Prepaid expenses and other current assets	4,411	4,164
Total current assets	222,343	277,035
Property and equipment, net	1,568	1,454
Operating lease right-of-use assets	1,121	1,495
Other noncurrent assets	202	202
Total assets	$ 225,234	$ 280,186
Liabilities, redeemable convertible preferred stock, and Stockholders' equity		
Current liabilities:		
Accounts payable	$ 3,239	$ 3,351
Accrued compensation	7,993	5,987
Accrued and other current liabilities	6,154	4,166
Total current liabilities	17,386	13,504
Long-term debt	33,158	32,656
Other noncurrent liabilities	1,751	1,919
Total liabilities	52,295	48,079
Commitments and contingencies (Note 6)		
Redeemable convertible preferred stock:		
Convertible preferred stock par value of $0.001 per share; 10,000,000 shares authorized; no shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	—	—
Stockholders' equity:		
Preferred stock par value of $0.001 per share; 10,000,000 shares authorized; no shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	—	—
Common stock par value of $0.001 per share; 200,000,000 shares authorized as of September 30, 2022 and December 31, 2021, respectively; 48,083,292 and 47,504,704 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	48	48
Additional paid-in-capital	395,227	385,060
Accumulated deficit	(222,336)	(153,001)
Total stockholders' equity	172,939	232,107
Total liabilities, redeemable convertible preferred stock and stockholders' equity	$ 225,234	$ 280,186

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

SIGHT SCIENCES, INC.
Condensed Consolidated Statements of Operations and Comprehensive Loss (Unaudited)
(in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue	$ 18,677	$ 13,101	$ 50,788	$ 34,271
Cost of goods sold	2,928	2,062	8,696	6,668
Gross profit	15,749	11,039	42,092	27,603
Operating expenses:				
Research and development	6,053	4,279	17,626	11,265
Selling, general and administrative	31,541	20,790	91,367	53,100
Total operating expenses	37,594	25,069	108,993	64,365
Loss from operations	(21,845)	(14,030)	(66,901)	(36,762)
Interest expense	(1,131)	(1,122)	(3,243)	(3,288)
Other income (expense), net	766	(2,001)	846	(6,884)
Loss before income taxes	(22,210)	(17,153)	(69,298)	(46,934)
Provision for income taxes	19	16	37	90
Net loss and comprehensive loss	$ (22,229)	$ (17,169)	$ (69,335)	$ (47,024)
Net loss per share attributable to common stockholders, basic and diluted	$ (0.46)	$ (0.43)	$ (1.45)	$ (2.38)
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	47,910,541	39,849,769	47,728,845	19,772,145

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

SIGHT SCIENCES, INC.
Condensed Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Equity (Unaudited)
(in thousands, except share data)

Three Months Ended September 30, 2022

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balance at June 30, 2022	—	$ —	47,819,706	$ 48	$ 391,818	$ (200,107)	$ 191,759
Issuance of common stock upon exercise of stock options	—	—	258,871	—	186	—	186
Issuance of common stock upon vesting of restricted stock units	—	—	4,715	—	—	—	—
Stock-based compensation expense	—	—	—	—	3,223	—	3,223
Net loss	—	—	—	—	—	(22,229)	(22,229)
Balance at September 30, 2022	—	—	48,083,292	48	395,227	(222,336)	172,939

Nine Months Ended September 30, 2022

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balance at December 31, 2021	—	$ —	47,504,704	$ 48	$ 385,060	$ (153,001)	$ 232,107
Issuance of common stock upon exercise of stock options	—	—	573,873	—	438	—	438
Issuance of common stock upon vesting of restricted stock units	—	—	4,715	—	—	—	—
Stock-based compensation expense	—	—	—	—	9,729	—	9,729
Net loss	—	—	—	—	—	(69,335)	(69,335)
Balance at September 30, 2022	—	—	48,083,292	48	395,227	(222,336)	172,939

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

SIGHT SCIENCES, INC.
Condensed Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Equity (Unaudited)
(in thousands, except share data)

	Three Months Ended September 30, 2021						
	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balance at June 30, 2021	12,767,202	$ 117,331	9,732,032	$ 9	$ 2,598	$ (119,896)	$ (117,289)
Conversion of redeemable convertible preferred stock to common stock upon initial public offering	(12,767,202)	(117,331)	25,534,404	27	117,304	—	117,331
Issuance of common stock in connection with initial public offering, net of underwriting discounts and commissions and other offering costs of $23.8 million	—	—	11,500,000	12	252,162	—	252,174
Conversion of redeemable convertible preferred stock warrants to common stock warrants upon initial public offering	—	—	—	—	8,973	—	8,973
Exercise of common stock warrants	—	—	483,554	1	(1)	—	—
Exercise of stock options	—	—	42,032	—	57	—	57
Stock-based compensation expense	—	—	—	—	1,899	—	1,899
Net loss	—	—	—	—	—	(17,169)	(17,169)
Balance at September 30, 2021	—	—	47,292,022	49	382,992	(137,065)	245,976

SIGHT SCIENCES, INC.
Condensed Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Equity (Unaudited)
(in thousands, except share data)

	Nine Months Ended September 30, 2021						
	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balance at December 31, 2020	12,767,202	$ 117,331	9,509,182	$ 9	$ 1,183	$ (90,041)	$ (88,849)
Conversion of redeemable convertible preferred stock to common stock upon initial public offering	(12,767,202)	(117,331)	25,534,404	27	117,304	—	117,331
Issuance of common stock in connection with initial public offering, net of underwriting discounts and commissions and other offering costs of $23.8 million	—	—	11,500,000	12	252,162	—	252,174
Conversion of redeemable convertible preferred stock warrants to common stock warrants upon initial public offering	—	—	—	—	8,973	—	8,973
Exercise of common stock warrants	—	—	483,554	1	(1)	—	—
Exercise of stock options	—	—	264,882	—	264	—	264
Stock-based compensation expense	—	—	—	—	3,107	—	3,107
Net loss	—	—	—	—	—	(47,024)	(47,024)
Balance at September 30, 2021	—	—	47,292,022	49	382,992	(137,065)	245,976

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

SIGHT SCIENCES, INC.
Condensed Consolidated Statements of Cash Flows (Unaudited)
(in thousands)

	Nine Months Ended September 30,	
	2022	**2021**
Cash flows from operating activities		
Net loss	$ (69,335)	$ (47,024)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	557	457
Accretion of debt discount and amortization of debt issuance costs	502	531
Stock-based compensation expense	9,729	3,107
Provision for doubtful accounts receivable	395	149
Provision for excess and obsolete inventories	124	297
Noncash operating lease expense	374	448
Change in fair value of redeemable convertible preferred stock warrant	—	6,861
Loss on disposal of property and equipment	55	98
Changes in operating assets and liabilities:		
Accounts receivable	(4,280)	(3,707)
Inventory	(2,169)	(648)
Prepaid expenses and other current assets	(245)	(3,331)
Other noncurrent assets	—	204
Accounts payable	(77)	(319)
Accrued compensation	2,006	569
Accrued and other current liabilities	1,631	211
Other noncurrent liabilities	270	279
Net cash used in operating activities	(60,463)	(41,818)
Cash flows from investing activities		
Purchases of property and equipment	(841)	(656)
Net cash used in investing activities	(841)	(656)
Cash flows from financing activities		
Proceeds from issuance of common stock upon initial public offering, net of underwriting discounts and commissions	—	256,680
Payment of other offering costs related to the initial public offering	—	(4,506)
Proceeds from exercise of common stock options	436	264
Net cash provided by financing activities	436	252,438
Net change in cash and cash equivalents	(60,868)	209,964
Cash and cash equivalents at beginning of period	260,687	61,511
Cash and cash equivalents at end of period	$ 199,819	$ 271,475
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 2,350	$ 2,331
Supplemental noncash disclosure		
Acquisition of property and equipment included in accounts payable and accrued liabilities	$ 46	$ 83
Common Stock issued on conversion of convertible preferred stock	$ —	$ 117,331
Common stock warrants issued on conversion of preferred stock warrants and the reclassification of the warrant liability	$ —	$ 8,973

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

Note 1. Company and Nature of Business

Description of Business

Sight Sciences, Inc. (the "Company") was incorporated in the State of Delaware in 2010 and is headquartered in Menlo Park, California. The Company is an ophthalmic medical device company focused on the development and commercialization of surgical and nonsurgical technologies for the treatment of prevalent eye diseases.

Initial Public Offering

In July 2021, the Company closed its initial public offering ("IPO") of its common stock in which the Company issued and sold 10,000,000 shares of its common stock, and sold an additional 1,500,000 shares of common stock upon the full exercise of the underwriters' option to purchase additional shares of the Company's common stock. These sales occurred at the initial public offering price of $24.00 per share. The Company received net proceeds of approximately $252.2 million from the IPO, after deducting underwriting discounts and commissions of $19.3 million and offering costs of $4.5 million.

Immediately prior to the closing of the IPO, all then-outstanding shares of redeemable convertible preferred stock were converted into 25,534,404 shares of common stock. Further, all outstanding redeemable convertible preferred stock warrants were converted into warrants to purchase 659,028 shares of common stock, which resulted in the reclassification of the convertible preferred stock warrant liability to additional paid-in capital.

In connection with the Company's IPO, in July 2021, the Company's certificate of incorporation was amended and restated to provide for 200,000,000 authorized shares of common stock with a par value of $0.001 per share and 10,000,000 authorized shares of preferred stock with a par value of $0.001 per share.

Significant Risks and Uncertainties

Since inception, the Company has incurred losses and negative cash flows from operations. As of September 30, 2022, the Company had an accumulated deficit of $222.3 million and recorded a net loss of $69.3 million for the nine months then ended and expects to incur future additional losses. If the Company's revenue levels from its products are not sufficient or if the Company is unable to secure additional funding when desired, the Company may need to delay the development of its products and scale back its business and operations.

The Company believes that its existing sources of liquidity will satisfy its working capital and capital requirements for at least 12 months from the issuance of its financial statements. Any failure to generate sufficient revenues, achieve planned gross margins, or control operating costs could require the Company to raise additional capital through equity or debt financing. Such additional financing may not be available on acceptable terms, or at all, and could require the Company to modify, delay, or abandon some of its planned future expansion or expenditures or reduce some of its ongoing operating costs, which could harm its business, operating results, financial condition, and ability to achieve its intended business objectives.

The COVID-19 pandemic has impacted, and may in the future impact, demand for the Company's products, which are used in procedures and therapies that are considered elective. COVID-19 may also, directly or indirectly, have an unfavorable impact on other areas of the Company's business including, but not limited to, supply chain, sales, third party manufacturing, research and development costs and clinical studies. The full effect of the COVID-19 pandemic on the Company's financial condition and results of operations remains highly uncertain and cannot be predicted with confidence, and will depend on certain developments, including the duration and severity of the COVID-19 pandemic and its potential variants. As occurred in earlier stages of the COVID-19 pandemic, the Company may, among other things, experience reduced customer demand or constrained supply that could materially adversely impact business, financial condition, results of operations, liquidity and cash flows in future periods.

Note 2. Summary of Significant Accounting Policies

There have been no significant changes in the Company's significant accounting policies during the nine months ended September 30, 2022, as compared with those disclosed in the 2021 Form 10-K for the year ended December 31, 2021 filed with the U.S. Securities and Exchange Commission (SEC) on March 24, 2022.

Basis of Presentation

The accompanying condensed consolidated financial statements are unaudited and have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") applicable to interim periods and pursuant to the instructions to Form 10-Q and Article 10 of Regulation S-X.

The unaudited consolidated financial statements have been prepared on a basis consistent with the audited financial statements. In the opinion of management, the unaudited consolidated financial statements reflect all adjustments, which include only normal recurring adjustments, necessary for the fair presentation of the Company's financial information contained herein. The condensed consolidated balance sheet as of December 31, 2021 has been derived from the audited financial statements at that date. These interim consolidated financial statements do not include all disclosures required by GAAP and should be read in conjunction with the Company's financial statements and accompanying notes for the fiscal year ended December 31, 2021, which are contained in the Company's 2021 Form 10-K filed with the SEC on March 24, 2022. The Company's results of operations for the three- and nine-months ended September 30, 2022 are not necessarily indicative of the results to be expected for the year ending December 31, 2022 or for any other interim period.

The accompanying condensed consolidated financial statements reflect the operations of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The most significant estimates related to inventory excess and obsolescence, the selection of useful lives of property and equipment, determination of the fair value of stock option grants, the fair value of the redeemable convertible preferred stock warrants, and provisions for income taxes and contingencies. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, and makes adjustments when facts and circumstances dictate. These estimates are based on information available as of the date of the financial statements. Actual results could differ from these estimates and such differences could be material to the Company's financial position and results of operations.

New Accounting Pronouncements

During the three and nine-month period ended September 30, 2022, there were no significant Accounting Standard Updates (ASU's) issued that were adopted. As of September 30, 2022, there are no significant ASU's issued and not yet adopted, that are expected to have a material impact on the Company's financial statements and related disclosures.

Note 3. Fair Value Measurements

The Company reports all financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The authoritative guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1—Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2—Inputs are observable, unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted 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 related assets or liabilities.

Level 3—Inputs are unobservable inputs for the asset or liability. The level in the fair value hierarchy within which a fair value measurement in its entirety is based on the lowest-level input that is significant to the fair value measurement in its entirety.

The Company's cash and cash equivalents included $174.4 million of treasury bills as of September 30, 2022. These securities are classified as held-to-maturity and all have been purchased with original maturities of 90 days or less. Held-to-maturity debt securities are recorded at amortized cost in the financial statements.

	September 30, 2022			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Aggregate Fair Value
U.S. treasury securities	$ 174,435	$ 16	$ (18)	$ 174,433

The Company measures the fair value of outstanding debt for disclosure purposes on a recurring basis. As of September 30, 2022 and December 31, 2021, total debt of $33.2 million and $32.7 million is reported at amortized cost, respectively. This outstanding debt is classified as Level 2 as it is not actively traded. The amortized cost of the outstanding debt approximates the fair value.

The Company measured the redeemable convertible preferred stock warrants using Level 3 unobservable inputs within the Black-Scholes option-pricing model. The key assumptions included the fair value of redeemable convertible preferred stock, volatility, the risk-free interest rate, expected term (remaining contractual term of the warrants) and dividend yield. The Company had limited historical volatility information available, and the expected volatility was based on actual volatility for comparable public companies projected over the expected terms of the warrants. The Company did not apply a forfeiture rate to the warrants as there was not enough historical information available to estimate such a rate. The risk-free rate was based on the U.S. Treasury yield curve at the time of the grant over the expected term of the warrants.

The Company determined the fair value of the redeemable convertible preferred stock warrants quarterly, with subsequent gains and losses from remeasurement of Level 3 financial liabilities recorded through other income (expense), net in condensed consolidated statements of operations and comprehensive loss. The redeemable convertible preferred stock warrants were converted to common stock warrants upon the closing of the IPO and subsequently settled during the third quarter of the year ended December 31, 2021.

A summary of the changes in the fair value of the Company's Level 3 financial instruments for the three and nine months ended September 30, 2021, is as follows (in thousands):

	Redeemable convertible preferred stock warrants liabilities
Balance – December 31, 2020	$ 2,112
Change in fair value	(555)
Balance – March 31, 2021	1,557
Change in fair value	5,427
Balance – June 30, 2021	6,984
Change in fair value	1,989
Conversion of preferred stock warrants to common stock warrants upon the closing of the IPO	(8,973)
Balance – September 30, 2021	$ —

The financial statements as of September 30, 2022 and December 31, 2021, do not include any assets or liabilities that are measured at fair value on a nonrecurring basis.

Note 4. Balance Sheet Components

Property and Equipment, Net

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

	As of September 30, 2022	As of December 31, 2021
Tools and equipment	$ 2,154	$ 1,685
Computer equipment and software	91	100
Furniture and fixtures	246	254
Leasehold improvements	34	29
Construction in process	406	590
	2,931	2,658
Less: Accumulated depreciation	(1,363)	(1,204)
Property and equipment, net	$ 1,568	$ 1,454

Depreciation expense was $0.2 million and $0.6 million for the three and nine months ended September 30, 2022, respectively. Depreciation expense was $0.2 million and $0.5 million for the three and nine months ended September 30, 2021, respectively.

Accrued and Other Current Liabilities

Accrued and other current liabilities consist of the following (in thousands):

	As of September 30, 2022	As of December 31, 2021
Accrued expenses	$ 4,350	$ 2,726
Current portion of lease liabilities	578	510
Short term interest payable	295	275
Other accrued liabilities	931	655
Total accrued and other current liabilities	$ 6,154	$ 4,166

Other Noncurrent Liabilities

Other noncurrent liabilities consist of the following (in thousands):

	As of September 30, 2022	As of December 31, 2021
Long term interest payable	$ 1,111	$ 841
Noncurrent portion of lease liabilities	601	1,040
Other noncurrent liabilities	39	38
Total other noncurrent liabilities	$ 1,751	$ 1,919

Note 5. Debt

In January 2019, the Company entered into credit and security agreements with MidCap Financial Services (the "Lender"), which provided a maximum of $25.0 million credit facility consisting of a $20.0 million senior secured term loan (the "2019 Term Loan") and a $5.0 million 2019 revolving loan (the "2019 Revolver" and collectively with the 2019 Term Loan, the “2019 MidCap Credit Facility”). In November 2020, the Company entered into amended and restated credit and security agreements with the same institution, which replaced the 2019 MidCap Credit Facility, and provided for a maximum of $40.0 million credit facility consisting of a $35.0 million senior secured term loan (the "2020 Term Loan") and a $5.0 million revolving loan (the "2020 Revolver and collectively with the 2020 Term Loan, the “2020 MidCap Credit Facility”).

The obligations under the MidCap Credit Facility are guaranteed by the Company's current and future subsidiaries, subject to exceptions for certain foreign subsidiaries. Obligations under the agreements are secured by substantially all assets of the Company, including material intellectual property. Additionally, the Company is subject to customary affirmative and negative covenants as defined in the credit agreements, including covenants that limit or restrict the ability to, among other things, incur indebtedness, grant liens, merge or consolidate, make investments, dispose of assets, make acquisitions, pay dividends or make distributions, repurchase stock and enter into certain transactions with affiliates, in each case subject to certain exceptions. As of September 30, 2022, the Company was in compliance with all financial and non-financial covenants.

The MidCap Credit Facility agreements each contain events of default that include, among others, non-payment of principal, interest or fees, breach of covenants, inaccuracy of representations and warranties, cross-defaults and bankruptcy and insolvency events.

As of September 30, 2022 and December 31, 2021, $5.0 million was available to be drawn under the 2020 Revolver, respectively. The 2020 Revolver had not been drawn upon as of September 30, 2022 and December 31, 2021. Long-term and short-term debt was as follows (in thousands):

	As of September 30, 2022	As of December 31, 2021
Term Loan	$ 35,000	$ 35,000
Total principal payments due	35,000	35,000
Less: debt discount related to warrant liability and issuance costs	(1,842)	(2,344)
Total amounts outstanding	33,158	32,656
Less: Current portion	—	—
Total accrued and other current liabilities	$ 33,158	$ 32,656

The repayment schedule relating to the Company's debt as of September 30, 2022, is as follows (in thousands):

	Amount
2022 (remainder)	—
2023	1,458
2024	17,500
2025	16,042
Thereafter	—
Total repayments	$ 35,000

Note 6. Commitments and Contingencies

Operating Lease Obligations

The Company's leases mainly include facility leases and storage leases. In determining the present value of lease payments, the Company uses its incremental borrowing rate based on the information available at the lease commencement date if the rate implicit in the lease is not readily determinable. The Company estimates its incremental borrowing rate based on qualitative factors including company specific credit offers, lease term, general economics, and the interest rate environment.

On February 5, 2021, the Company renewed the lease of the corporate headquarters in Menlo Park, California. The lease is a noncancelable operating lease for approximately 11,000 square feet of primary office space. The operating lease commenced on August 1, 2021 and is for a term of 37 months from the commencement date. The Company recorded an aggregate right-of-use ("ROU") asset and lease liability of $1.5 million. The ROU asset and corresponding lease liability were estimated using a weighted-average incremental borrowing rate of 13.59%. Total base rent is approximately $1.6 million under the lease agreement.

The Company recognizes rent expense on a straight-line basis over the noncancelable lease term. The Company's rent expense was $0.5 million for both the nine months ended September 30, 2022 and 2021, respectively. The Company's rent expense was $0.2 million for both the three months ended September 30, 2022 and 2021, respectively. As of September 30, 2022, the remaining lease term for the lease was 1.9 years.

Operating lease expense and supplemental cash flow information related to operating leases for the three and nine months ended September 30, 2022 and 2021 were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Operating lease expense	$ 168	$ 175	$ 514	$ 528
Cash paid for operating leases	168	131	509	484
New operating lease assets obtained in exchange for operating lease liabilities	-	1,514	-	1,537

Aggregate future minimum lease payments at September 30, 2022, under these noncancelable operating leases were as follows (in thousands):

	As of September 30, 2022
2022 (remainder)	177
2023	705
2024	462
Total future minimum lease payments	$ 1,344
Less: imputed interest	(165)
Present value of future minimum lease payments	$ 1,179
Less: current portion of operating lease liability	(578)
Operating lease liabilities – noncurrent	$ 601

Legal Proceedings

On September 16, 2021, the Company filed suit in the U.S. District Court for the District of Delaware (C.A. No. 1:21-cv-01317) alleging that Ivantis, Inc. directly and indirectly infringes U.S. Patent Nos. 8,287,482, 9,370,443, 9,486,361, and 10,314,742 by making, using, selling, and offering for sale the Hydrus® Microstent. The Company's Complaint seeks money damages and injunctive relief. On January 24, 2022, Ivantis asserted counterclaims requesting declaratory judgments that the Company's asserted patents-in-suit are not infringed and/or invalid. On August 1, 2022, the Company filed an amended complaint alleging that Alcon Inc., Alcon Vision, LLC and Alcon Research, LLC infringe the four originally asserted patents by making, using, selling, and offering for sale the Hydrus® Microstent, and that all defendants also infringe U.S. Patent No. 11,389,328. The defendants reasserted counterclaims requesting declaratory judgments that the Company's asserted patents-in-suit are not infringed and/or invalid. A five-day jury trial is scheduled to commence on April 8, 2024. Ivantis and Alcon filed petitions with the U.S. Patent Office seeking *inter partes* review of U.S. Patent Nos. 8,287,482, 9,370,443, 9,486,361, and 10,314,742 (IPR2022-01529, IPR2022-01530, IPR2022-01533, IPR2022-01540). Around the end of March 2023, the U.S. Patent Office will determine whether to institute *inter partes* review proceedings. If any *inter partes* review is instituted, the U.S. Patent Office would make validity findings as to the affected patent(s) by the end of March 2024. The Company is presently unable to predict the outcome of this lawsuit or to reasonably estimate the potential financial impact of the lawsuit on the Company, if any.

The Company is subject to claims and assessments from time to time in the ordinary course of business. Accruals for litigation and contingencies are reflected in the financial statements based on management's assessment, including the advice of legal counsel, of the expected outcome of litigation or other dispute resolution proceedings, and/or the expected resolution of contingencies. Liabilities for estimated losses are accrued if the potential losses from any claims or legal proceedings are considered probable and the amounts can be reasonably estimated. Significant judgment is required in both the determination of probability of loss and the determination as to whether the amount can be reasonably estimated. Accruals are based only on information available at the time of the assessment due to the uncertain nature of such matters. As additional information becomes available, management reassesses potential liabilities related to pending claims and litigation and may revise its previous estimates, which could materially affect the Company's results of operations in a given period. As of September 30, 2022 and December 31, 2021, the Company was not involved in any material legal proceedings except as described above.

Indemnification

In the normal course of business, the Company enters into contracts and agreements that contain a variety of representations and warranties and provide for general indemnifications. The Company's exposure under these agreements is unknown because it involves claims that may be made against the Company in the future, but that have not yet been made. To date, the Company has not paid any claims or been required to defend any action related to its indemnification obligations. However, the Company may record charges in the future as a result of these indemnification obligations.

The Company indemnifies each of its directors and officers for certain events or occurrences, subject to certain limits, while the director is or was serving at the Company's request in such capacity, as permitted under Delaware law and in accordance with its certificate of incorporation and bylaws. The term of the indemnification period lasts as long as a director or officer may be subject to any proceeding arising out of acts or omissions of such director or officer in such capacity. The maximum amount of potential future indemnification is unlimited; however, the Company currently holds director and officer liability insurance. This insurance allows the transfer of risk associated with the Company's exposure and may enable it to recover a portion of any future amounts paid. The Company believes that the fair value of these indemnification obligations is immaterial. Accordingly, the Company has not recognized any liabilities relating to these obligations as of September 30, 2022 and December 31, 2021.

Note 7. Stockholders' Equity

Common Stock

In connection with the Company's IPO in July 2021, the Company's certificate of incorporation was amended and restated to provide for 200,000,000 authorized shares of common stock with a par value of $0.001 per share and 10,000,000 authorized shares of preferred stock with a par value of $0.001 per share. The holders of common stock were also entitled to receive dividends whenever funds are legally available, when and if declared by the board of directors. As of September 30, 2022, no dividends have been declared to date. Each share of common stock is entitled to one vote.

At September 30, 2022 and December 31, 2021, the Company had reserved common stock for future issuances as follows:

	September 30, 2022	December 31, 2021
Common stock options issued and outstanding	5,028,066	4,996,945
Common stock available for future grant	6,431,924	5,321,687
Restricted stock units outstanding	700,873	53,250
Shares available for future purchase under ESPP	1,325,047	850,000
Total	13,485,910	11,221,882

Redeemable Convertible Preferred Stock

There was no redeemable convertible preferred stock outstanding as of September 30, 2022 and December 31, 2021. In connection with the Company's IPO in July 2021, all then-outstanding shares of redeemable convertible preferred stock were converted into 25,534,404 shares of common stock. This resulted in the reclassification of the related redeemable convertible preferred stock to common stock and APIC.

Warrants

There were no warrants outstanding as of September 30, 2022 and December 31, 2021. The Company had previously issued redeemable convertible preferred stock warrants in connection with the Company's 2019 Term Loan agreement and 2020 Term Loan agreement. At initial recognition, the warrants were recorded at their estimated fair values and were subject to remeasurement at each balance sheet date. Upon completion of the IPO, the outstanding warrants were converted to common stock, resulting in the re-classification of the convertible preferred stock warrant liability to APIC. In August 2021, the warrants were net exercised and the Company issued 483,554 shares of common stock.

Note 8. Equity Incentive Plans

2011 Stock Option Plan and 2021 Incentive Award Plan

In 2011, the Company established its 2011 Stock Option Plan (the "2011 Plan") that provided for the granting of stock options to employees and nonemployees of the Company. In July 2021, the Company's Board of Directors and stockholders adopted and approved the 2021 Incentive Award Plan, (the "2021 Plan"). Under the 2021 Plan, the Company has the ability to issue incentive stock options ("ISOs"), nonqualified stock options ("NSOs"), stock

appreciation rights, dividend equivalent rights, restricted stock awards, and restricted stock unit awards. Options under the 2021 Plan can be granted for periods of up to 10 years. For incentive stock options granted to a grantee who, at the time the option is granted, owns stock representing more than 10% of the voting power of all classes of stock of the Company or any parent or subsidiary of the Company, the term of the incentive stock option may be granted for periods of up to five years. The ISOs and NSOs will be granted at a price per share not less than the fair value at the date of grant. The exercise price of an ISO granted to a 10% stockholder shall not be less than 110% of the estimated fair value of the shares on the date of grant, as determined by the board of directors. Options granted to new hires generally vest over a four-year period, with 25% vesting at the end of one year and the remaining vesting monthly thereafter; options granted as merit awards generally vest monthly over a four-year period. The Company initially reserved 5,200,000 shares of common stock for future issuance under the 2021 Plan. This initial reserve will be increased annually on the first day of each calendar year beginning on January 1, 2022 and ending on and including January 1, 2031. These annual increases shall be equal to the lesser of (i) 5% of the aggregate number of shares of Common Stock outstanding on the final day of the immediately preceding calendar year and (ii) such smaller number of shares of Common Stock as determined by the Board, subject to certain limitations.

The Company's 2011 Stock Plan was terminated in connection with the IPO and no further grants will be made under the 2011 Plan from the date the 2021 Plan became effective. The terms under the 2011 Plan are consistent with those described above for the 2021 Plan. The Company had the ability to issue ISOs, NSOs, stock appreciation rights, dividend equivalent rights, restricted stock awards, and restricted stock unit awards.

At September 30, 2022 and December 31, 2021 there were 6,431,924 and 5,321,687 shares, respectively, of common stock available for issuance under the 2021 Plan.

Stock Option Awards

The following table summarizes stock option activity under the 2021 Plan:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Contractual Term (in years)	Average Intrinsic Value (in thousands)
Balances as of December 31, 2021	4,996,945	$ 6.05	7.6	$ 58,420
Grants	1,375,700	17.09		
Forfeited/cancelled	(763,040)	6.97		
Exercised/released	(581,539)	0.74		
Balances as of September 30, 2022	5,028,066	$ 9.54	8.0	$ 8,138
Vested and exercisable as of September 30, 2022	2,188,978	$ 6.20	6.9	$ 6,437
Vested and expected to vest as of September 30, 2022	5,028,066	$ 9.54	8.0	$ 8,138

During the three and nine months ended September 30, 2022, the Company recorded stock-based compensation of $2.4 million and $7.5 million related to stock option awards, respectively. During the three and nine months ended September 30, 2021, the Company recorded stock-based compensation of $1.9 million and $3.0 million related to stock option awards, respectively. The weighted-average grant-date fair values of options granted during the nine months ended September 30, 2022 and 2021 was $9.58 and $10.56 per share, respectively.

The aggregate intrinsic value of options exercised was $1.7 million and $4.6 million during the three and nine months ended September 30, 2022, respectively. The aggregate intrinsic value was calculated as the difference between the exercise prices of the underlying options and the estimated fair value of the common stock on the date of exercise. As of September 30, 2022, the unrecognized stock-based compensation of unvested options was $25.3 million, which is expected to be recognized over a weighted-average period of 2.8 years.

Determination of fair value

The Company estimated the fair value of stock options using the Black-Scholes option-pricing model. The fair value of stock options is recognized on a straight-line basis over the requisite service periods of the awards. The fair value of stock options was estimated using the following weighted-average assumptions:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Expected term (in years)	5.91 – 6.06	5.90 – 6.07	5.38 – 6.94	5.00 – 6.08
Expected volatility	64.12% – 64.61%	60.33% – 60.68%	58.74% – 64.61%	56.75% – 60.81%
Risk-free interest rate	3.25% – 3.97%	0.95% – 1.16%	1.34% – 3.97%	0.48% – 1.16%
Dividend yield	–	–	–	–

Expected Term

The expected term is calculated using the simplified method, which is available if there is insufficient historical data about exercise patterns and post vesting employment termination behavior. The simplified method is based on the vesting period and the contractual term for each grant or for each vesting tranche for awards with graded vesting. The midpoint of the vesting date and the maximum contractual expiration date is used as the expected term under this method. For awards with multiple vesting tranches, the time from grant until the midpoints for each of the tranches may be averaged to provide an overall expected term.

Expected Volatility

The Company used an average historical stock price volatility of a peer group of publicly traded companies to be representative of its expected future stock price volatility, as the Company did not have any trading history for its common stock. For purposes of identifying these peer companies, the Company considered the industry, stage of development, size, and financial leverage of potential comparable companies. For each grant, the Company measured historical volatility over a period equivalent to the expected term.

Risk-Free Interest Rate

The risk-free interest rate is based on the implied yield currently available on US Treasury zero-coupon issues with remaining terms equivalent to the expected term of a stock award.

Expected Dividend Rate

The Company has not paid, and does not anticipate paying, any dividends in the near future. Accordingly, the Company has estimated the dividend yield to be 0%.

Restricted Stock Units

RSUs are share awards that entitle the holder to receive freely tradable shares of the Company's common stock upon vesting. The RSUs cannot be transferred, and the awards are subject to forfeiture if the holder's employment terminates prior to the release of the vesting restrictions. The RSUs generally vest over a four-year period with straight-line vesting in equal amounts on an annual basis, provided the employee remains continuously employed with the Company. The fair value of the RSUs is equal to the closing price of the Company's common stock on the grant date.

The following table summarizes restricted share award activity under the 2021 Plan:

	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Outstanding, December 31, 2021	53,250	$ 22.91
Grants	767,323	15.39
Forfeited/cancelled	(114,985)	17.62
Vested	(4,715)	21.27
Outstanding, September 30, 2022	700,873	$ 15.54

During the three and nine months ended September 30, 2022, the Company recorded stock-based compensation of $0.7 million and $2.0 million related to the RSUs. During both the three and nine months ended September 30, 2021, the Company recorded stock-based compensation of $0.1 million related to the RSUs. As of September 30, 2022, there was $9.0 million of total unrecognized compensation cost related to the RSUs that is expected to be recognized over a weighted-average period of 3.1 years.

Employee Stock Purchase Plan

In July 2021, the Board of Directors and stockholders also adopted and approved the 2021 Employee Stock Purchase Plan (the "ESPP"). The Company initially reserved 850,000 shares of common stock for future issuance under the ESPP.

During the second quarter of fiscal year 2022, the Company's first six month offering period began, with the first purchase of shares to occur during the fourth quarter of fiscal year 2022. As of September 30, 2022, the Company has collected withholdings of $0.6 million for purchase of shares under the ESPP. The Company recorded $0.1 million and $0.2 million of compensation expense for the three and nine months ended September 30, 2022, respectively. There was no compensation expense associated with the Company's ESPP for the three and nine months ended September 30, 2021. As of September 30, 2022, no shares of common stock had been purchased under the ESPP and there were 1,325,047 shares of common stock available for issuance under the ESPP.

The fair value of shares to be issued under the Company's 2021 ESPP was estimated using the Black-Scholes valuation model with the following assumptions for the three and nine-months ended September 30, 2022:

	Three Months Ended September 30,	Nine Months Ended September 30,
	2022	
Expected term (in years)	0.50	0.50
Expected volatility	76.50%	76.50%
Risk-free interest rate	1.51%	1.51%
Dividend yield	–	–

Stock Based Compensation

The following is a summary of stock-based compensation expense by function (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cost of goods sold	$ 39	$ 22	$ 117	$ 46
Research and development	259	169	1,012	307
Selling, general and administrative	2,925	1,708	8,600	2,754
Total stock-based compensation expense	$ 3,223	$ 1,899	$ 9,729	$ 3,107

Note 9. Net Loss per Share Attributable to Common Stockholders

Basic net loss per share is computed by dividing the net loss by the weighted-average number of common shares outstanding for the period. As the Company reported a net loss for the three and nine months ended September 30, 2022 and 2021, basic net loss per share is the same as diluted net loss per share as the inclusion of potentially dilutive shares would have been antidilutive if included in the calculation.

The following table sets forth the computation of basic and diluted net loss per share attributable to common stockholders (in thousands, except share and per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Numerator:				
Net loss attributable to common stockholders	$ (22,229)	$ (17,169)	$ (69,335)	$ (47,024)
Denominator:				
Weighted-average shares of common stock outstanding—basic and diluted	47,910,541	39,849,769	47,728,845	19,772,145
Net loss per share attributable to common stockholders—basic and diluted	$ (0.46)	$ (0.43)	$ (1.45)	$ (2.38)

The following outstanding shares of potentially dilutive securities were excluded from the computation of diluted net loss per share attributable to common stockholders for the period presented because including them would have been antidilutive:

	September 30,	
	2022	2021
Options to purchase common stock	5,028,066	5,229,169
Restricted stock units	700,873	23,800
Total	5,728,939	5,252,969

Note 10. Defined Contribution Plan

The Company sponsors a defined contribution plan under Section 401(k) of the IRC of 1986, as amended, covering substantially all of its full-time US employees. Participating employees may contribute up to 100% of their eligible compensation up to the annual Internal Revenue Service's contribution limit. For the three and nine months ended September 30, 2022, the Company matched employee contributions in the amount of $0.1 million and $0.4 million, respectively. The Company did not match employee contributions during the three and nine months ended September 30, 2021.

Note 11. Segment Information

The Company has two reportable operating segments which are determined on the basis of product portfolio: Surgical Glaucoma and Dry Eye. The operating and reportable segments were determined based on how the Company's Chief Executive Officer, its Chief Operating Decision Maker ("CODM"), views and evaluates the Company's operations. The CODM allocates resources to and evaluates the financial performance of each operating segment primarily based on gross profit and gross profit margin.

Surgical Glaucoma segment includes sales of the Company's OMNI® Surgical System ("OMNI") and SION™ Surgical Instrument ("SION") for use in minimally invasive glaucoma procedures. Dry Eye segment includes sales of the Company's TearCare® System ("TearCare") and related components and accessories for use in the treatment of Dry Eye Disease.

The following table summarizes select operating results information for each reportable segment (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue				
Surgical Glaucoma	$ 17,072	$ 12,446	$ 46,842	$ 32,573
Dry Eye	1,605	655	3,946	1,698
Total	18,677	13,101	50,788	34,271
Cost of goods sold				
Surgical Glaucoma	1,932	1,621	5,372	5,252
Dry Eye	996	441	3,324	1,416
Total	2,928	2,062	8,696	6,668
Gross profit				
Surgical Glaucoma	15,140	10,825	41,470	27,321
Dry Eye	609	214	622	282
Total	15,749	11,039	42,092	27,603
Operating expense	37,594	25,069	108,993	64,365
Loss from operations	(21,845)	(14,030)	(66,901)	(36,762)
Interest expense	(1,131)	(1,122)	(3,243)	(3,288)
Other income (expense), net	766	(2,001)	846	(6,884)
Loss before income tax	$ (22,210)	$ (17,153)	$ (69,298)	$ (46,934)

The Company does not allocate any income and expenses beyond revenue and cost of goods sold to the reportable operating segments in its reporting to the CODM. No asset information is provided for reportable operating segments because they are not reviewed by the CODM on a segment basis. Substantially all of the Company's revenue is generated from sales in the United States, and none of its property and equipment is located outside the United States.

Note 12. Subsequent Events

The Company evaluated subsequent events through November 10, 2022, the date on which the condensed consolidated financial statements were available for issuance.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and the related notes and other financial information included in this Quarterly Report and our audited financial statements and related notes as disclosed in our 2021 Form 10-K .

Overview

Sight Sciences' mission is to transform ophthalmology and optometry through the development and commercialization of proprietary devices that target the underlying causes of the world's most prevalent eye diseases. We are passionate about improving patients' lives. Our objective is to develop and market products for use in new treatment paradigms and to create an interventional mindset in eyecare whereby our products may be used in procedures which supplant conventional outdated approaches. Our business philosophy is grounded in the following principles:

- comprehensively understand disease physiology,
- develop products that are intended to restore natural physiological functionality to diseased eyes;
- develop and market products that achieve superior effectiveness versus current treatment paradigms while minimizing complications or side effects,
- provide intuitive, patient friendly solutions to ophthalmologists and optometrists; and
- deliver compelling economic value to all stakeholders, including patients, providers and third-party payors such as Medicare and commercial insurers

Our initial product development has focused on the treatment of two of the world's most prevalent and underserved eye diseases, glaucoma and dry eye disease. We have commercialized products in each of our two reportable segments; Surgical Glaucoma and Dry Eye. Our Surgical Glaucoma segment consists of sales of the OMNI® Surgical System ("OMNI") and SION™ Surgical Instrument ("SION"), while our Dry Eye segment includes sales of the TearCare® System ("TearCare"), and related components and accessories. Each product is primarily sold through a highly-involved direct sales model that offers intensive education, training and customer service. We believe this philosophy and model not only enables us to differentiate our products and our overall company from competitors, but also to expand our addressable market by educating Eye Care Professionals ("ECPs"), patients and other stakeholders on our products and evolving treatment paradigms. Outside of the U.S., we have historically sold OMNI primarily through a network of distributors, although we began employing a small direct sales force outside of the United States in 2021.

We sell OMNI and SION to facilities where ophthalmic surgeons perform outpatient procedures, mainly ambulatory surgery centers ("ASCs") and hospital outpatient departments ("HOPDs"), which are typically reimbursed by Medicare or private payors for procedures using our products. We sell TearCare to optometrist and ophthalmologist practices. Currently, there is no meaningful reimbursement coverage by Medicare or private payors for meibomian gland disease ("MGD") procedures, including TearCare, and patients typically pay out-of-pocket for TearCare. We are continuing our controlled commercial launch and are focused on our comprehensive, clinical data-driven long-term market development plan that aims to improve awareness and patient access to TearCare. We have dedicated meaningful resources to execute our commercial strategy and we continue to expand our sales organization through additional sales representatives and territories. The overall success of our approach to eyecare to date is evidenced by the over 130,000 estimated uses of OMNI and its direct predicates in over 1,500 hospitals and ASCs in the U.S. and Europe, and over 20,000 estimated uses of TearCare in over 850 eyecare facilities in the U.S. through September 30, 2022.

We currently operate no manufacturing facilities and instead contract with third parties for our production requirements. We believe our suppliers will be able to meet our current and anticipated manufacturing needs across all our products. We plan to continue to utilize third party contract manufacturers for our products and any related components.

Our gross margin in our Surgical Glaucoma segment for the three months ended September 30, 2022 and 2021 was 88.7% and 87.0%, respectively. In 2021, we shifted our primary production of OMNI from a U.S.-based third-party contract manufacturer, to a lower cost, higher volume contract manufacturer in Asia. We are in the process of supplementing this OMNI production capacity with a U.S.-based contract manufacturer. These cost optimization initiatives contributed to the increase in gross margins in our Surgical Glaucoma segment. Our gross margin in our Dry Eye segment for the three months ended September 30, 2022 and 2021 was 37.9% and 32.7%, respectively. The TearCare System includes the SmartHub component, which is typically only sold in initial purchase orders, and single-use SmartLids which are sold as part of initial purchase orders and through repeat orders as the ECP performs procedures over time. Given the earlier stage of TearCare's commercial development, we expect our Dry Eye segment's gross margins to be lower than our Surgical Glaucoma segment's gross margins for the near and medium-term due to the allocation of fixed labor and overhead costs to the segment's cost of goods sold.

We believe in the importance of continued strategic investment in initiatives that: further demonstrate our products' clinical effectiveness and safety to potential customers, patients, payors and regulators; enhance our commercial capabilities, including resources dedicated to sales, marketing and education; ensure the broadest possible patient access to the treatment alternatives that our products are cleared to offer; enhance and improve upon our existing product technologies; and allow us to innovate new products, devices or drugs, in glaucoma and ocular surface disease or in new eye disease areas. As a result, we intend to continue to invest in clinical studies, sales and marketing, education initiatives, market access, and product development. Because of these and other factors, we expect to continue to incur net losses for at least the next several fiscal years. Moreover, we expect to incur expenses as a result of operating as a public company, including expenses related to compliance with the rules and regulations of the SEC and those of the Nasdaq Stock Market, additional insurance expenses, investor relations activities and other administrative and professional services. As a result of these and other factors, we may require and seek additional debt and equity financing to fund our operations and planned growth.

To date, our primary sources of capital has been private placements of redeemable convertible preferred stock, debt financing agreements, the sale of common stock in our initial public offering ("IPO"), and revenue from the sale of our products. In July 2021, we completed our IPO, receiving net proceeds of $252.2 million. As of September 30, 2022, we had an outstanding term loan balance of $35.0 million (excluding debt discount and amortized debt issuance costs), cash and cash equivalents of $199.8 million and an accumulated deficit of $222.3 million.

Impact of COVID-19

The global COVID-19 pandemic has impacted and may in the future impact demand for our products, which are used in procedures and therapies that are considered elective. Future surges of COVID-19 may result in governmental restrictions being re-implemented to reduce the spread of COVID-19 or patients and healthcare providers otherwise postponing elective eyecare procedures.

Any future impact of the COVID-19 pandemic will depend on future developments that are highly uncertain and cannot be predicted with confidence, and will depend on certain developments, including the duration and severity of the COVID-19 pandemic and its potential variants. Among other things, the COVID-19 pandemic could disrupt the operations of our third-party manufacturers and other suppliers. We are working closely with our manufacturing partners and suppliers to help ensure that we are able to source key components and maintain appropriate inventory levels to meet customer demand. Nevertheless, as occurred in earlier stages of the COVID-19 pandemic, we may, among other things, experience reduced customer demand or constrained supply that could materially adversely impact our business, results of operations, liquidity and cash flows in future periods.

Factors Affecting our Business and Results of Operations

We believe there are several important factors that have impacted and that will continue to impact our business and results of operations. There have been no material changes to such factors from those described in our 2021 Form 10-K under the heading "Factors Affecting our Business and Results of Operations."

Components of our Results of Operations

Revenue

We currently derive the majority of our U.S. revenue from the sale of OMNI to ASCs and HOPDs and TearCare to ophthalmology and optometry practices. During the nine months ended September 30, 2022 and 2021, the revenues from our Surgical Glaucoma segment accounted for over 90% of our total revenues. Substantially all of our revenues for both periods were generated from sales within the U.S. Our Surgical Glaucoma customers place orders based on their expected procedure volume and reorder as needed, typically on a biweekly, monthly or bimonthly basis. Our TearCare customers typically purchase a TearCare System which consists of one or more SmartHubs, multiple single-use SmartLids and other accessories. After utilizing their initial inventory, customers can reorder SmartLids as needed. No single customer accounted for 10% or more of our revenue for the nine months ended September 30, 2022 and 2021.

The growth in our revenue is driven by the demand for elective surgery and treatment utilizing our products. Such demand is often lower during summer months because of ECP vacations and in winter months in certain parts of the world because of fewer business or surgery days due to holidays and adverse weather conditions.

Cost of Goods Sold and Gross Margin

Our products are produced by third-party manufacturers. Our cost of goods sold consists primarily of amounts paid for our products to third-party manufacturers, and our manufacturing overhead costs, which consist primarily of personnel expenses, including salaries, benefits and stock-based compensation, and reserves for excess, obsolete and non-sellable inventory. Cost of goods sold also includes depreciation expenses for production equipment which we provide to our third-party manufacturers and certain direct costs, such as shipping and handling costs.

We calculate gross margin as gross profit divided by revenue. Our gross margin has been and will continue to be affected by a variety of factors, including differences in segment gross margins, changes in average selling prices, product sales mix, production and ordering volumes, manufacturing costs, product yields, and headcount. In general, we expect our gross margins to increase over the long-term to the extent our production and ordering volumes increase and to the extent we spread the fixed portion of our overhead costs over a larger number of units produced. We intend to use our design, engineering and manufacturing know-how and capabilities to further advance and improve the efficiency of our suppliers' manufacturing processes, which we believe will reduce costs and increase our gross margins. Our gross margins could fluctuate from quarter to quarter as we transition to new suppliers, introduce new products and adopt new manufacturing processes and technologies.

Research and Development Expenses

Research and development ("R&D") expenses consist primarily of engineering, product development, clinical studies to develop and support our products, including clinical trial design, clinical trial site initiation and study costs, internal and external costs associated with our regulatory compliance and quality assurance functions, medical affairs, cost of products used for clinical trials and other costs associated with products and technologies – either new or enhancements of existing platforms – that are in development. These expenses also include personnel expenses, including salaries, benefits and stock-based compensation, supplies, consulting, prototyping, testing, materials, travel expenses, depreciation expenses for equipment and an allocation of IT and facility overhead expenses. Our R&D expenses as a percentage of revenue may vary over time depending on the level and timing of new product development efforts, as well as clinical development, clinical trial and other related activities. We expect our R&D expenses to increase for the next several years as we continue to invest in our active clinical trial program, develop new products and improve our existing products.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses consist primarily of personnel expenses, including salaries, benefits and stock-based compensation related to selling, marketing and corporate functions, allocation of IT and facility overhead expenses, bad debt expense, finance, legal and human resource costs. Other SG&A expenses include training, travel expenses, promotional activities, marketing initiatives, market research and

analysis, conferences and trade shows, professional services fees (including external legal, audit, consulting and tax fees), insurance costs, and general corporate expenses.

Interest Expense

Interest expense consists primarily of interest incurred on our outstanding indebtedness and non-cash interest related to the amortization of debt discount and issuance costs associated with our outstanding loan.

Other Income (Expense), Net

Other income (expense), net consists of interest and amortization on held-to-maturity investments in treasury securities, as well as, gains and losses resulting from the remeasurement of the fair value of our redeemable convertible preferred stock warrant liability. The redeemable convertible preferred stock warrants were exercised in 2021 and the final fair value of the warrant liability was reclassified to stockholders' equity. We will no longer record any related periodic fair value adjustments.

Results of Operations

Comparison of the Three Months Ended September 30, 2022 and 2021 (dollars in thousands)

	Three Months Ended September 30,		Change	
	2022	2021	$	%
	(unaudited)			
Revenue				
Surgical Glaucoma	$ 17,072	$ 12,446	$ 4,626	37.2%
Percentage of total revenue	*91.4%*	*95.0%*		
Dry Eye	1,605	655	950	145.0
Percentage of total revenue	*8.6%*	*5.0%*		
Total	18,677	13,101	5,576	42.6
Cost of goods sold				
Surgical Glaucoma	1,932	1,621	311	19.2
Dry Eye	996	441	555	125.9
Total	2,928	2,062	866	42.0
Gross profit				
Surgical Glaucoma	15,140	10,825	4,315	39.9
Dry Eye	609	214	395	184.6
Total	15,749	11,039	4,710	42.7
Gross margin				
Surgical Glaucoma	*88.7%*	*87.0%*		
Dry Eye	*37.9%*	*32.7%*		
Total	*84.3%*	*84.3%*		
Operating expenses				
Research and development	6,053	4,279	1,774	41.5
Selling, general and administrative	31,541	20,790	10,751	51.7
Total operating expenses	37,594	25,069	12,525	50.0
Loss from operations	(21,845)	(14,030)	(7,815)	55.7
Interest expense	(1,131)	(1,122)	(9)	0.8
Other income (expense), net	766	(2,001)	2,767	(138.3)
Loss before income tax	(22,210)	(17,153)	(5,057)	29.5
Provision (benefit) for income tax	19	16	3	18.8
Net loss and comprehensive loss	$ (22,229)	$ (17,169)	$ (5,060)	29.5%

Revenue. Revenue in the three months ended September 30, 2022 was $18.7 million, an increase of $5.6 million, or 42.6%, from the prior year comparable period. The overall increase in Surgical Glaucoma revenue was primarily attributable to a significant increase in the number of OMNI units sold in the three months ended September 30, 2022 as a result of growth in the number of facilities ordering OMNI and an increase in unit utilization per ordering facility. Our Dry Eye revenues increased in the three months ended September 30, 2022 versus the comparable period in 2021 due to the continued growth in our installed base of facilities that have purchased TearCare. Surgical Glaucoma sales represented 91.4% and 95.0% of our revenue generated in the three months ended September 30, 2022 and 2021, respectively.

Cost of Goods Sold and Gross Profit. Cost of goods sold during the three months ended September 30, 2022, increased $0.9 million compared to the same period in the prior year. Our Surgical Glaucoma cost of goods sold increased $0.3 million as compared to 2021. The increase was driven by increased sales activity, partially offset by lower per unit production costs as a result of continued manufacturing efficiencies. Dry Eye cost of goods sold increased $0.6 million in the three months ended September 30, 2022 over the comparable period in 2021, which was primarily driven by increases in sales activity.

Our total gross profit was $15.7 million in the three months ended September 30, 2022, an increase of $4.7 million from the comparable period in 2021. Our total gross margin remained flat at 84.3% from the three months ended September 30, 2021 to the three months ended September 30, 2022 as segment-level increases in gross margin were offset by an increase in the revenue from our Dry Eye segment. Gross margin in our Surgical Glaucoma segment was 88.7% for the quarter ended September 30, 2022, an increase from 87.0% for the prior year comparable period. In our Dry Eye segment, gross margin increased from 32.7% in the second quarter of 2021, to 37.9% for the quarter ended September 30, 2022, driven by cost efficiencies achieved through higher sales volumes.

Research and Development ("R&D") Expenses. The $1.8 million increase in R&D expenses during the three months ended September 30, 2022 compared to the three months ended September 30, 2021 was primarily attributable to a $1.2 million increase in clinical studies expense as we expanded studies on both new and existing products. In addition, there was a $0.6 million increase in personnel expenses as a result of increased headcount, including a $0.1 million increase in stock-based compensation expense.

Selling, General, and Administrative ("SG&A") Expenses. SG&A expenses were $31.5 million for the three months ended September 30, 2022, an increase of $10.8 million from the prior year comparable period. The increase was attributable to a $7.7 million increase in personnel expenses as a result of increased headcount, which included a $1.2 million increase in stock-based compensation expense. In addition, there was a $2.0 million increase in professional services expense, primarily consulting and legal expenses, as well as a $0.8 million increase in marketing expenses, and a $0.2 million increase in travel expenses.

Interest Expense. Interest expense was consistent during the three months ended September 30, 2022 compared to the three months ended September 30, 2021.

Other Income (Expense), Net. Other income (expense), net was $0.8 million for the three months ended September 30, 2022 as compared to an expense of $2.0 million in the three months ended September 30, 2021. The income in the current year is attributable to the amortization of purchase discounts on held-to-maturity cash-equivalent investments. During the related prior year comparable period, the expense relates to the remeasurement of our convertible preferred stock warrants and recognition of the change in fair value. As detailed in the notes to our financial statements included herein, the convertible preferred stock warrants were automatically converted into common stock warrants concurrent with our IPO and subsequently exercised in the third quarter of fiscal year 2021.

Comparison of the Nine Months Ended September 30, 2022 and 2021 (dollars in thousands)

	Nine Months Ended September 30,		Change	
	2022	2021	$	%
	(unaudited)			
Revenue				
Surgical Glaucoma	$ 46,842	$ 32,573	$ 14,269	43.8 %
Percentage of total revenue	*92.2 %*	*95.0 %*		
Dry Eye	3,946	1,698	2,248	132.4
Percentage of total revenue	*7.8 %*	*5.0 %*		
Total	50,788	34,271	16,517	48.2
Cost of goods sold				
Surgical Glaucoma	5,372	5,252	120	2.3
Dry Eye	3,324	1,416	1,908	134.7
Total	8,696	6,668	2,028	30.4
Gross profit				
Surgical Glaucoma	41,470	27,321	14,149	51.8
Dry Eye	622	282	340	120.6
Total	42,092	27,603	14,489	52.5
Gross margin				
Surgical Glaucoma	*88.5 %*	*83.9 %*		
Dry Eye	*15.8 %*	*16.6 %*		
Total	*82.9 %*	*80.5 %*		
Operating expenses				
Research and development	17,626	11,265	6,361	56.5
Selling, general and administrative	91,367	53,100	38,267	72.1
Total operating expenses	108,993	64,365	44,628	69.3
Loss from operations	(66,901)	(36,762)	(30,139)	82.0
Interest expense	(3,243)	(3,288)	45	(1.4)
Other income (expense), net	846	(6,884)	7,730	(112.3)
Loss before income tax	(69,298)	(46,934)	(22,364)	47.6
Provision (benefit) for income tax	$ 37	$ 90	(53)	(58.9)
Net loss and comprehensive loss	(69,335)	(47,024)	$ (22,311)	47.4 %

Revenue. Revenue in the nine months ended September 30, 2022 was $50.8 million, an increase of $16.5 million, or 48.2%, from the prior year comparable period. The overall increase in Surgical Glaucoma revenue was primarily attributable to a significant increase in the number of OMNI units sold in the nine months ended September 30, 2022 as a result of growth in the number of facilities ordering OMNI and an increase in unit utilization per ordering facility. Our Dry Eye revenues increased in the nine months ended September 30, 2022 versus the comparable period in 2021 due to the continued growth in our installed base of facilities that have purchased TearCare. Surgical Glaucoma sales represented 92.2% and 95.0% of our revenue generated in the nine months ended September 30, 2022 and 2021, respectively.

Cost of Goods Sold and Gross Profit. Cost of goods sold during the nine months ended September 30, 2022, increased $2.0 million compared to the same period in the prior year. The increase was primarily driven by an increase in cost of goods sold in our Dry Eye segment. Dry Eye cost of goods sold increased $1.9 million in the nine months ended September 30, 2022 over the comparable period in 2021, which was driven by increased sales activity and $0.9 million of charges in the 2022 period associated with the voluntary recall of our SmartHub 1.0 devices. Our Surgical Glaucoma cost of goods sold increased $0.1 million as compared to 2021, which was primarily driven by continued manufacturing efficiencies which lowered our production cost per unit.

Our total gross profit was $42.1 million in the nine months ended September 30, 2022, an increase of $14.5 million from the comparable period in 2021. Our total gross margin increased from 80.5% to 82.9% from the 2021 to the 2022 period. The increase in gross margin was primarily due to increased sales volume in OMNI units

and manufacturing efficiencies. Gross margin in our Surgical Glaucoma segment was 88.5% for the nine months ended September 30, 2022, an increase from 83.9% for the prior year comparable period. In our Dry Eye segment, gross margin decreased from 16.6% in the first nine months of 2021, to 15.8% for the nine months ended September 30, 2022.

Research and Development ("R&D") Expenses. The $6.4 million increase in R&D expenses during the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 was primarily attributable to a $4.1 million increase in personnel expenses as a result of increased headcount, including a $0.7 million increase in stock-based compensation expense. In addition, there was a $1.8 million increase in clinical studies expense.

Selling, General, and Administrative ("SG&A") Expenses. SG&A expenses were $91.4 million for the nine months ended September 30, 2022, an increase of $38.3 million from the prior year comparable period. The increase was attributable to a $23.9 million increase in personnel expenses as a result of increased headcount, which included a $5.8 million increase in stock-based compensation expense. In addition to personnel expense increases, our SG&A expense from 2021 to the 2022 period included a $5.3 million increase in professional services expense, including consulting and legal expenses, a $3.8 million increase in marketing expenses, a $1.6 million increase in training, events, and demos, and a $1.5 million increase in travel expenses.

Interest Expense. Interest expense was consistent during the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021.

Other Income (Expense), Net. Other income (expense), net was $0.8 million for the nine months ended September 30, 2022 as compared to an expense of $6.9 million in the nine months ended September 30, 2021. The income in the current year is attributable to the amortization of purchase discounts on held-to-maturity cash-equivalent investments. During the related prior year comparable period, the expense relates to the remeasurement of our convertible preferred stock warrants and recognition of the change in fair value. As detailed in the notes to our financial statements included herein, the convertible preferred stock warrants were automatically converted into common stock warrants concurrent with our IPO and subsequently exercised in the third quarter of fiscal year 2021.

Cash Flows

The following table summarizes our cash flows for the periods indicated (in thousands):

	Nine Months Ended September 30,	
	2022	2021
Net cash used in operating activities	$ (60,463)	$ (41,818)
Net cash used in investing activities	$ (841)	$ (656)
Net cash provided by financing activities	$ 436	$ 252,438
Net (decrease) increase in cash	$ (60,868)	$ 209,964

Net Cash Used in Operating Activities.

Net cash used in operating activities for the nine months ended September 30, 2022 was $60.5 million, consisting primarily of a net loss of $69.3 million and a net change in our operating assets and liabilities of $2.9 million, partially offset by non-cash charges of $11.7 million. The change in our net operating assets and liabilities was primarily due to a $4.3 million increase in accounts receivable and a $2.2 million increase in inventory to support the continued growth of our operations. The Company had a $0.1 million decrease in accounts payable, while accrued compensation, as well as accrued and other current liabilities, increased $3.6 million, driven by the timing of payments on invoices and bonuses. The non-cash charges primarily consisted of $9.7 million related to stock-based compensation, $0.6 million of depreciation, $0.5 of accretion of debt discount and amortization of debt issuance costs, and $0.4 million of noncash operating lease expense.

Net cash used in operating activities for the nine months ended September 30, 2021 was $41.8 million, consisting primarily of a net loss of $47.0 million and a net change in our operating assets and liabilities of $6.7 million, partially offset by non-cash charges of $11.9 million. The change in our net operating assets and liabilities was primarily due to a $3.7 million increase in accounts receivable, a $3.3 million increase in our prepaid expenses to support the continued growth of our operations, and a $0.6 million increase in inventory, partially offset by a $0.6 million increase in accrued compensation, and a $0.3 million increase in other non-current liabilities. The non-cash charges primarily consisted of $6.9 million from the fair value remeasurement of our convertible preferred stock warrants, $3.1 million related to stock-based compensation, $0.5 million of accretion of debt discount and amortization of debt issuance costs, $0.5 million in depreciation and amortization, $0.4 million of right of use asset amortization related to our office leases, and $0.3 million provision for excess and obsolete inventories.

Net Cash Used in Investing Activities.

Net cash used in investing activities in the nine months ended September 30, 2022 and 2021 was $0.8 million and $0.7 million, respectively, in both cases for purchases of property and equipment.

Net Cash Provided by Financing Activities.

Net cash provided by financing activities in the nine months ended September 30, 2022 related to proceeds from stock option exercises.

Net cash provided by financing activities in the nine months ended September 30, 2021 primarily related to net IPO proceeds of $252.2 million and $0.3 million related to proceeds from stock option exercises.

Liquidity and Capital Resources

Sources of Liquidity

To date, our primary sources of capital have been private placements of redeemable convertible preferred stock, debt financing agreements, the sale of common stock in our IPO, and revenue from the sale of our products. In July 2021, we completed our IPO, including the underwriters' full exercise of their option to purchase additional shares, selling 11,500,000 shares of our common stock at $24.00 per share. Upon completion of our IPO, we received $252.2 million, after deducting underwriting discounts and commissions and offering costs.

As of September 30, 2022, we had cash and cash equivalents of $199.8 million, an accumulated deficit of $222.3 million and $35.0 million outstanding under our term loan agreement (before debt discount). Based on our current planned operations, we expect our cash and cash equivalents and additional borrowings available under the 2020 Term Loan and the 2020 Revolver will enable us to fund our operations for at least the next twelve months.

MidCap Loan Agreements

In January 2019, we entered into credit and security agreements with MidCap Financial Services (the "Lender"), which provided a maximum of $25.0 million credit facility consisting of a $20.0 million senior secured term loan (the "2019 Term Loan") and a $5.0 million 2019 revolving loan (the "2019 Revolver" and collectively with the 2019 Term Loan, the “2019 MidCap Credit Facility”). In November 2020, we entered into amended and restated credit and security agreements with the same institution, which replaced the 2019 MidCap Credit Facility, and provided for a maximum of $40.0 million credit facility consisting of a $35.0 million senior secured term loan (the "2020 Term Loan") and a $5.0 million revolving loan (the "2020 Revolver and collectively with the 2020 Term Loan, the “2020 MidCap Credit Facility”).

Our obligations under the 2020 MidCap Credit Facility are guaranteed by us and our future subsidiaries, subject to exceptions for certain foreign subsidiaries. Our obligations under the agreements are secured by substantially all of our assets, including our material intellectual property. Additionally, we are subject to customary affirmative and negative covenants, including covenants that limit or restrict the ability of us to, among other things, incur indebtedness, grant liens, merge or consolidate, make investments, dispose of assets, make acquisitions, pay dividends or make distributions, repurchase stock and enter into certain transactions with affiliates, in each case

subject to certain exceptions. As of September 30, 2022, we were in compliance with all financial and non-financial covenants.

The MidCap Credit Facility agreements each contain events of default that include, among others, non-payment of principal, interest or fees, breach of covenants, inaccuracy of representations and warranties, cross-defaults and bankruptcy and insolvency events.

2020 Term Loan

The 2020 Term Loan agreement amended the maturity date to November 1, 2025 and adjusted the stated floating interest rate to reserve-adjusted LIBOR, *plus* 7.00%. Outstanding principal amounts of Tranche One Loans and Tranche Two Loans borrowed under the 2019 Term Loan were designated as Tranche One Loans and Tranche Two Loans under the 2020 Term Loan. The Tranche Three Loan commitment amount was increased to $21.0 million and the full amount was drawn in November 2020. Principal payments under the 2020 Term Loan are scheduled to begin in December 2022. However, if certain conditions are met, the initiation of principal payments can be delayed to either December 2023 or December 2024. We currently expect that we will be in a position to meet the conditions necessary to extend the commencement date for the initiation of principal payments under the 2020 Term Loan from December 1, 2022 to December 1, 2023. In addition, the final payment fee was amended to 6.0%. We are subject to certain financial and non-financial covenants.

We incurred $0.7 million of issuance costs in conjunction with the 2020 Term Loan which were netted against the borrowed funds in the balance sheet and are being accreted using the effective interest method as interest expense over the contractual period of five years.

In conjunction with the funding of the 2020 Term Loan, we issued a 10-year warrant to the Lender to purchase 300,000 shares of our Series F redeemable convertible preferred stock at an exercise price of $21.88 per share, or the 2020 MidCap Warrant, with the estimated fair value of $1.8 million. The 2020 MidCap Warrants were recorded at the fair value as a debt discount and as a warrant liability. The debt discount is being accreted using the effective interest method as interest expense over the contractual period of four years for the 2020 Term Loan.

2020 Revolver

The maturity date of the 2020 Revolver was amended to November 1, 2025 and the stated floating interest rate was adjusted to reserve-adjusted LIBOR plus 4.50%. As of September 30, 2022, $5.0 million was available to be drawn under the 2020 Revolver which remains undrawn. Other key terms of the 2020 Revolver remained substantially unchanged compared to those of 2019 Revolver.

Lease Agreements

Our corporate headquarters are located in Menlo Park, California, where we lease approximately 11,000 square feet of office, research and development, engineering and laboratory space pursuant to a lease that commenced on August 1, 2021, and expires on August 31, 2024. We also lease approximately 2,040 square feet of office space, which is primarily used by our commercial leadership team, in Southlake, Texas, pursuant to a lease that commenced on April 30, 2019 and expires on May 15, 2024.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements included elsewhere in this Quarterly Report are prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and related disclosures. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

An accounting policy is deemed 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, if different estimates reasonably could have been used, or if changes in the estimate that are reasonably possible could materially impact the financial statements. We believe that the assumptions and estimates associated with revenue recognition and stock-based compensation have the greatest potential impact on our condensed consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates.

There have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in our consolidated financial statements for the year ended December 31, 2021, included under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates” in our 2021 Form 10-K and in Note 2 to our condensed consolidated financial statements appearing elsewhere in this Quarterly Report.

JOBS Act Accounting Election

The Jumpstart Our Business Startups Act of 2012 (JOBS Act) permits an “emerging growth company” such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We have elected to use this extended transition period under the JOBS Act. As a result, our financial statements may not be comparable to the financial statements of issuers who are required to comply with the effective dates for new or revised accounting standards that are applicable to public companies, which may make comparison of our financials to those of other public companies more difficult.

Recently Issued Accounting Pronouncements

As of September 30, 2022, there are no significant Accounting Standard Updates (ASU's) issued and not yet adopted, that are expected to have a material impact on the Company's financial statements and related disclosures.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate risk and foreign currency exchange rate risk. There have been no material changes to such risks from those described in our 2021 Form 10-K under "Item 3 - Quantitative and Qualitative Disclosures About Market Risk."

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures

Our management, with the participation and supervision of our principal executive officer and our principal financial officer, evaluated our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost benefit relationship of possible controls and procedures. Based on this evaluation, our principal executive officer and our principal financial officer concluded that as a result of the material weaknesses in our internal control over financial reporting described below, as of the end of the period covered by this Quarterly Report, our disclosure controls and procedures were not effective. However, our management, including our principal executive officer and our principal financial officer, has concluded that, notwithstanding the identified material weaknesses in our internal control over financial reporting, the condensed consolidated financial statements in this Quarterly Report fairly

presented, in all material respects, our financial position, results of operations, and cash flows for the periods presented in conformity with GAAP.

Remediation efforts on previously reported material weaknesses

In connection with the preparation of our financial statements in connection with our IPO, we identified a material weakness in our internal control over financial reporting. 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 our annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness related to a lack of sufficient full-time accounting personnel with requisite experience and deep technical accounting knowledge to (i) identify and resolve complex accounting issues under GAAP, and (ii) enable appropriate segregation of duties and reviews over the financial reviews over the financial close and reporting process.

We have implemented and are in process of implementing additional measures to improve our internal control over financial reporting to remediate this material weakness, including (i) the hiring of personnel with technical accounting and financial reporting experience and (ii) the implementation of improved accounting and financial reporting procedures and systems to improve the completeness, timeliness and accuracy of our financial reporting and disclosures including the assessment of more judgmental areas of accounting. We are committed to continuing to improve our internal control processes and we will continue to diligently and vigorously review our financial reporting controls and procedures.

We cannot assure you that the measures we have taken to date, and are continuing to implement, will be sufficient to remediate the material weakness we have identified or avoid potential future material weaknesses. While we believe that our efforts have improved our internal control over financial reporting, remediation of the material weaknesses will require further validation and testing of the design and operating effectiveness of internal controls over a sustained period of financial reporting cycles, and we cannot assure you that we have identified all, or that we will not in the future have additional material weaknesses.

Changes in internal control over financial reporting

Other than the changes intended to remediate the material weakness noted above, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

Please refer to Note 6, Commitments and Contingencies, in our notes to the unaudited condensed consolidated financial statements in this Quarterly Report.

Item 1A. Risk Factors.

There have been no material changes with respect to risk factors previously disclosed in the 2021 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Use of Proceeds

In July 2021, we completed our IPO. All shares sold were registered pursuant to a registration statement on Form S-1 (File No. 333-257320), as amended (the "Registration Statement"), declared effective by the SEC on July 14, 2021.

The net proceeds from our IPO have been used and will be used, together with our cash and cash equivalents: (i) to fund ongoing and future clinical trials; (ii) to support the marketing and sales efforts for our products; (iii) for research and development; and (iii) for working capital and other general corporate purposes.

There has been no material change in the intended use of proceeds from our IPO as described in our Registration Statement.

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

The following exhibits are filed or furnished as a part of, or incorporated by reference into, this Quarterly Report.

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed/Furnished Herewith
3.1	Restated Certificate of Incorporation of Sight Sciences, Inc.	8-K	001-40587	3.1	7/19/21	
3.2	Amended and Restated Bylaws of Sight Sciences, Inc.	8-K	001-40587	3.2	7/19/21	
4.1	Third Amended and Restated Investors' Rights Agreement, dated as of November 23, 2020, as amended	S-1/A	333-257320	4.1	7/8/21	
4.2	Specimen Stock Certificate evidencing the shares of common stock	S-1/A	333-257320	4.2	7/8/21	
4.3	Form of Warrant to Purchase Stock	S-1	333-257320	4.3	6/23/21	
10.1	Amendment No. 2 to Supply Agreement by and between Sight Sciences, Inc. and Peter's Technology, Inc., effective as of July 19, 2022					*
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)					*
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)					*
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C Section 1350					**
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350					**
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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 Linkbase 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)					*

* Filed herewith.
** Furnished herewith.

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.

SIGHT SCIENCES, INC

November 10, 2022

By: /s/ Paul Badawi
Paul Badawi
President and Chief Executive Officer

Exhibit 10.1

Certain information marked as [****] has been excluded from this exhibit because it is both (i) not material and (ii) is the type that the Registrant treats as private or confidential.

AMENDMENT #2
TO
SUPPLY AGREEMENT

This Amendment #2 to Supply Agreement ("Amendment") is made effective as of July 19, 2022 (the "Amendment Effective Date") and entered into by and between Sight Sciences, Inc., a Delaware corporation having a principal place of business at 4040 Campbell Ave., Suite 100, Menlo Park, California 94025 ("**Buyer**") and Peter's Technology (Suzhou) CO., LTD., a Suzhou, Jiangsu Province corporation, with its principal place of business at No. 99 Jishi East Road, Wu Jiang District, Suzhou City, Jiangsu Province, P.R. China 215200 (**"Supplier"**).

RECITALS

WHEREAS, Buyer and Supplier are parties to that certain Supply Agreement, effective as of January 14, 2020 (as the same has been or may be amended, the "Agreement"); and

WHEREAS, the Parties wish to amend certain of their respective rights and obligations under the Agreement as set forth herein.

NOW, THEREFORE, in consideration of the covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

AGREEMENT

1. This Amendment shall be effective as of the Amendment Effective Date.

2. Exhibit A shall be amended in its entirety and replaced with the attached Exhibit A as of the Amendment Effective Date.

3. All capitalized terms not defined in this Amendment shall have the meanings ascribed to such terms in the Agreement.

4. Unless specifically amended herein, all other terms and conditions of the Agreement, including the remainder of Exhibit A, shall continue in full force and effect.

The parties have caused this Agreement to be executed as of the Effective Date.

SIGHT SCIENCES, INC.

By /s/ Ken Gillette – Dir. Global Supply Chain
[Name and Title]

Date July 25, 2022

PETER'S TECHNOLOGY (SUZHOU) CO., LTD.

By /s/ Calvin Kuo

Calvin Kuo
(print name)

Title: General Manager

Date: July 26, 2022

EXHIBIT A

PRODUCTS; PRODUCT PRICING

1. **Products; Prices.** Products and Product prices are as follows:

Product No.	Product Description	Price Per Unit
FG-06721	1-102 OMNI Surgical System (US)	[****]
FG-06722	1-103 OMNI Surgical System (OUS)	[****]
FG-06011	1-104 OMNI Plus Surgical System (US)	[****]
FG-06047	1-105 OMNI Plus Surgical System (OUS)	[****]
FG-07938	5-117 SmartLids, Single Pair, Gen 1.5	[****]
FG-08255	1-107 Sion Surgical System	[****]
FG-07441	1-108 OMNI Surgical System (US)	[****]
FG-07442	1-109 OMNI Surgical System (OUS)	[****]

Products are current revision in accordance with Sight Sciences' released specifications.

Exhibit 31.1

Certification

I, Paul Badawi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter period ended September 30, 2022 of Sight Sciences, 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 our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our 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 our 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 our 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: November 10, 2022

/s/ Paul Badawi
Paul Badawi
Chief Executive Officer

Exhibit 31.2

Certification

I, Jesse Selnick, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter period ended September 30, 2022 of Sight Sciences, 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 our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our 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 our 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 our 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: November 10, 2022

/s/ Jesse Selnick
Jesse Selnick
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification of Chief Executive Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Sight Sciences, Inc. (the "Company") hereby certifies that:

1. the Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 10, 2022

/s/ Paul Badawi
Paul Badawi
Chief Executive Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 32.2

Certification of Chief Financial Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Sight Sciences, Inc. (the "Company") hereby certifies that:

1. the Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 10, 2022

/s/ Jesse Selnick
Jesse Selnick
Chief Financial Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.