UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023

or

o **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: 001-34703

Alimera Sciences, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**20-0028718**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
6310 Town Square, Suite 400 Alpharetta, GA	**30005**
(Address of principal executive offices)	**(Zip Code)**

(678) 990-5740
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	ALIM	The Nasdaq Stock Market LLC (Nasdaq Global 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 x No o

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 x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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	o	Accelerated filer	o
Non-accelerated filer	x	Smaller reporting company	x
		Emerging growth company	o

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. o

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

As of October 27, 2023, there were 52,416,841 shares of the registrant's Common Stock issued and outstanding.

ALIMERA SCIENCES, INC.
QUARTERLY REPORT ON FORM 10-Q

INDEX

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND PROJECTIONS

Various statements in this report of Alimera Sciences, Inc. (we, our, Alimera or the Company) are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve substantial risks and uncertainties. All statements, other than statements of historical facts, included in this report, including statements regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management are forward-looking statements. These statements are subject to risks and uncertainties (some of which are beyond our control) and are based on information currently available to our management. Words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “contemplates,” “predict,” “project,” “target,” “likely,” “potential,” “continue,” “ongoing,” “will,” “would,” “should,” “could,” or the negative of these terms and similar expressions or words, identify forward-looking statements. The events and circumstances reflected in our forward-looking statements may not occur and actual results could differ materially from those projected in our forward-looking statements.

All written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We caution investors not to rely on the forward-looking statements we make or that are made on our behalf as predictions of future events. We undertake no obligation and specifically decline any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

We encourage you to read management’s discussion and analysis of our financial condition and results of operations and our accompanying unaudited interim condensed consolidated financial statements and notes thereto (Interim Financial Statements) contained in this Quarterly Report on Form 10-Q and our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022. There can be no assurance that we will in fact achieve the actual results or developments we anticipate or, even if we do substantially realize them, that they will have the expected consequences to, or effects on, us. Therefore, we can give no assurances that we will achieve the outcomes stated in those forward-looking statements, projections and estimates.

PART I. FINANCIAL INFORMATION
ITEM 1. Financial Statements (unaudited)
ALIMERA SCIENCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2023	December 31, 2022
	(In thousands, except share and per share data)	
CURRENT ASSETS:		
Cash and cash equivalents	$ 8,285	$ 5,274
Restricted cash	31	30
Accounts receivable, net	33,943	19,612
Prepaid expenses and other current assets	4,383	2,892
Inventory	1,760	1,605
Total current assets	48,402	29,413
NON-CURRENT ASSETS:		
Property and equipment, net	2,442	2,525
Right-of-use assets, net	1,176	1,395
Intangible assets, net	101,975	8,957
Deferred tax asset	127	129
Warrant asset	70	183
TOTAL ASSETS	$ 154,192	$ 42,602
CURRENT LIABILITIES:		
Accounts payable	$ 6,205	$ 10,088
Accrued expenses	6,010	3,998
Accrued licensor payment	5,313	—
Notes payable	—	25,313
Finance lease obligations	193	333
Total current liabilities	17,721	39,732
NON-CURRENT LIABILITIES:		
Notes payable, net of discount	64,222	18,683
Accrued licensor payments	17,537	—
Other non-current liabilities	5,872	4,995
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY (DEFICIT):		
Preferred stock, $.01 par value — 10,000,000 shares authorized at September 30, 2023 and December 31, 2022:		
Series A Convertible Preferred Stock, none authorized, issued and outstanding at September 30, 2023; 1,300,000 authorized and 600,000 issued and outstanding at December 31, 2022; liquidation preference of $24,000 at December 31, 2022	—	19,227
Common stock, $.01 par value — 150,000,000 shares authorized, 52,416,841 shares issued and outstanding at September 30, 2023 and 6,995,513 shares issued and outstanding at December 31, 2022	524	70
Common stock warrants	4,396	—
Additional paid-in capital	461,622	378,238
Accumulated deficit	(414,708)	(415,388)
Accumulated other comprehensive loss	(2,994)	(2,955)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	48,840	(20,808)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 154,192	$ 42,602

See Notes to Unaudited Interim Condensed Consolidated Financial Statements (Interim Financial Statements).

ALIMERA SCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(In thousands, except share and per share data)			
NET REVENUE	$ 23,364	$ 13,598	$ 54,448	40,100
COST OF GOODS SOLD, EXCLUDING DEPRECIATION AND AMORTIZATION	(2,758)	(2,006)	(7,211)	(5,852)
GROSS PROFIT	20,606	11,592	47,237	34,248
RESEARCH, DEVELOPMENT AND MEDICAL AFFAIRS EXPENSES	4,045	4,483	11,857	11,998
GENERAL AND ADMINISTRATIVE EXPENSES	3,607	3,352	12,151	9,537
SALES AND MARKETING EXPENSES	7,940	6,504	20,178	20,222
DEPRECIATION AND AMORTIZATION	3,160	664	5,707	2,023
OPERATING EXPENSES	18,752	15,003	49,893	43,780
INCOME (LOSS) FROM OPERATIONS	1,854	(3,411)	(2,656)	(9,532)
INTEREST EXPENSE AND OTHER	(2,070)	(1,500)	(5,431)	(4,247)
UNREALIZED FOREIGN CURRENCY (LOSS) GAIN, NET	(138)	(67)	(158)	79
LOSS ON EXTINGUISHMENT OF DEBT	—	—	(1,079)	—
CHANGE IN FAIR VALUE OF WARRANT ASSET	(22)	(267)	(113)	(598)
CHANGE IN FAIR VALUE OF WARRANT LIABILITY	(925)	—	(6,836)	—
NET LOSS BEFORE TAXES	(1,301)	(5,245)	(16,273)	(14,298)
INCOME TAX PROVISION	(53)	(12)	(78)	(29)
NET LOSS	(1,354)	(5,257)	(16,351)	(14,327)
PREFERRED STOCK DIVIDENDS	(576)	—	(1,259)	—
NET LOSS APPLICABLE TO COMMON STOCKHOLDERS	$ (1,930)	$ (5,257)	$ (17,610)	$ (14,327)
NET LOSS PER SHARE APPLICABLE TO COMMON STOCKHOLDERS — Basic and Diluted	$ (0.06)	$ (0.75)	$ (1.11)	$ (2.05)
WEIGHTED AVERAGE SHARES OUTSTANDING — Basic and Diluted	32,106,014	6,996,575	15,835,807	6,995,695

See Notes to Interim Financial Statements.

ALIMERA SCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(In thousands)			
NET LOSS	$ (1,354)	$ (5,257)	$ (16,351)	$ (14,327)
OTHER COMPREHENSIVE LOSS				
Foreign currency translation adjustments	(211)	(644)	(39)	(1,923)
TOTAL OTHER COMPREHENSIVE LOSS	(211)	(644)	(39)	(1,923)
COMPREHENSIVE LOSS	$ (1,565)	$ (5,901)	$ (16,390)	$ (16,250)

See Notes to Interim Financial Statements.

ALIMERA SCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30,	
	2023	2022
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (16,351)	(14,327)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5,707	2,023
Loss on extinguishment of debt	1,079	—
Unrealized foreign currency transaction (gain) loss, net	158	(79)
Amortization of debt discount and deferred financing costs	755	853
Stock-based compensation expense	630	723
Change in fair value of warrant asset	113	598
Change in fair value of warrant liability	6,836	—
Changes in assets and liabilities:		
Accounts receivable	(14,442)	(963)
Prepaid expenses and other current assets	(1,355)	317
Inventory	(150)	739
Accounts payable	(3,867)	428
Accrued expenses and other current liabilities	2,034	249
Other long-term liabilities	822	(285)
Net cash used in operating activities	(18,031)	(9,724)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(175)	(171)
Purchase of intangible assets	(75,272)	—
Net cash used in investing activities	(75,447)	(171)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of Series B Convertible Preferred Stock	78,617	—
Series B Convertible Preferred Stock issuance costs	(1,197)	—
Proceeds from issuance of common stock	2,404	40
Proceeds from exercise of stock options	—	15
Issuance of debt	22,500	—
Payment of debt costs	(4,108)	—
Payment of finance lease obligations	(387)	(164)
Repurchase of Series A Preferred Stock	(938)	—
Repurchase of common stock	(314)	—
Net cash provided by (used in) financing activities	96,577	(109)
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(87)	(998)
NET CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	3,012	(11,002)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH — Beginning of period	5,304	16,544
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH — End of period	$ 8,316	$ 5,542
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	$ 4,495	$ 3,253
Cash paid for income taxes	$ 21	$ 224
Supplemental schedule of non-cash investing and financing activities:		
Note payable end of term payment accrued but unpaid	$ 3,375	$ 2,250
Intangible asset acquired but unpaid	$ 22,850	$ —

See Notes to Interim Financial Statements.

ALIMERA SCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

	Common Stock		Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Additional Paid-In Capital	Common Stock Warrants	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Amount	Shares	Amount	Shares	Amount					
2022	(In thousands, except share data)										
Balance, December 31, 2021	6,935,154	$ 69	600,000	$ 19,227	—	$ —	$ 377,229	$ —	$ (397,281)	$ (1,849)	$ (2,605)
Issuance of common stock, net of issuance costs	57,500	1	—	—	—	—	—	—	—	—	1
Stock-based compensation expense	—	—	—	—	—	—	312	—	—	—	312
Net loss	—	—	—	—	—	—	—	—	(5,955)	—	(5,955)
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	—	(356)	(356)
Balance, March 31, 2022	6,992,654	$ 70	600,000	$ 19,227	—	$ —	$ 377,541	—	$ (403,236)	$ (2,205)	$ (8,603)
Issuance of common stock, net of issuance costs	10,307	—	—	—	—	—	39	—	—	—	39
Forfeitures of restricted stock	(7,500)	—	—	—	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	—	—	267	—	—	—	267
Net loss	—	—	—	—	—	—	—	—	(3,115)	—	(3,115)
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	—	(923)	(923)
Balance, June 30, 2022	6,995,461	$ 70	600,000	$ 19,227	—	$ —	$ 377,847	—	$ (406,351)	$ (3,128)	$ (12,335)
Stock option exercises	2,562	—	—	—	—	—	15	—	—	—	15
Stock-based compensation expense	—	—	—	—	—	—	143	—	—	—	143
Net loss	—	—	—	—	—	—	—	—	(5,257)	—	(5,257)
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	—	(644)	(644)
Balance, September 30, 2022	6,998,023	$ 70	600,000	$ 19,227	—	$ —	$ 378,005	$ —	$ (411,608)	$ (3,772)	$ (18,078)
2023											
Balance, December 31, 2022	6,995,513	$ 70	600,000	$ 19,227	—	$ —	$ 378,238	$ —	$ (415,388)	$ (2,955)	$ (20,808)
Issuance of common stock, net of issuance costs	597,000	6	—	—	—	—	(6)	—	—	—	—
Repurchase of common stock	(200,919)	(2)					(312)		—	—	(314)
Repurchase of Preferred Stock - Series A	—	—	(600,000)	(19,227)	—	—	—	—	18,289	—	(938)
Issuance of Preferred Stock - Series B	—	—	—	—	12,000	7,714	—	—	—	—	7,714
Preferred stock dividends	—	—	—	—	—	14	—	—	(14)	—	—
Stock-based compensation expense	—	—	—	—	—	—	226	—	—	—	226
Net loss	—	—	—	—	—	—	—	—	(4,968)	—	(4,968)
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	—	172	172
Balance, March 31, 2023	7,391,594	$ 74	—	$ —	12,000	$ 7,728	$ 378,146	$ —	$ (402,081)	$ (2,783)	$ (18,916)
Issuance of common stock, net of issuance costs	1,415,133	14	—	—	—	—	34	—	—	—	48
Forfeitures of restricted stock	(3,000)	—	—	—	—	—	—	—	—	—	—
Issuance of Preferred Stock - Series B	—	—	—	—	66,617	66,328	2,355		—	—	68,683
Preferred stock dividends	—	—	—	—	—	669	—		(669)	—	—
Forfeiture of common stock warrants	—	—	—	—	—	—	6,227		—	—	6,227
Stock-based compensation expense	—	—	—	—	—	—	217	—	—	—	217
Net loss	—	—	—	—	—	—	—	—	(10,029)	—	(10,029)
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	—	—	—
Balance, June 30, 2023	8,803,727	$ 88	—	$ —	78,617	$ 74,725	$ 386,979	$ —	$ (412,779)	$ (2,783)	$ 46,230
Conversion of Preferred Stock - Series B	43,617,114	436	—	—	(78,617)	(75,300)	74,455	—	—	—	(409)

Conversion of Preferred Stock - Series B into common stock warrants	—	—	—	—	—	—	—	4,396	—	—	4,396
Forfeitures of restricted stock	(4,000)	—	—	—	—	—	—	—	—	—	—
Preferred stock dividends	—	—	—	—	—	575	—	—	(575)	—	—
Stock-based compensation expense	—	—	—	—	—	—	188	—	—	—	188
Net loss	—	—	—	—	—	—	—	—	(1,354)	—	(1,354)
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	—	(211)	(211)
Balance, September 30, 2023	52,416,841	$ 524	—	$ —	—	$ —	$ 461,622	$ 4,396	$ (414,708)	$ (2,994)	$ 48,840

See Notes to Interim Financial Statements.

1. NATURE OF OPERATIONS

Alimera Sciences, Inc., together with its wholly owned subsidiaries (the Company), is a pharmaceutical company that specializes in the commercialization and development of ophthalmic pharmaceuticals. The Company was formed on June 4, 2003 under the laws of the State of Delaware.

The Company presently focuses on diseases affecting the retina, because the Company believes these diseases are not well treated with current therapies and affect millions of people globally. The Company's products are ILUVIEN® (fluocinolone acetonide intravitreal implant) 0.19 mg, which has received marketing authorization and reimbursement in 24 countries for the treatment of diabetic macular edema (DME), and YUTIQ® (fluocinolone acetonide intravitreal implant) 0.18 mg, available in the United States for the treatment and prevention of non-infectious uveitis affecting the posterior segment of the eye (NIU-PS).

In the U.S. and certain other countries outside Europe, ILUVIEN is indicated for the treatment of DME in patients who have been previously treated with a course of corticosteroids and did not have a clinically significant rise in intraocular pressure. In 17 countries in Europe, ILUVIEN is indicated for the treatment of vision impairment associated with chronic DME considered insufficiently responsive to available therapies. In addition, ILUVIEN has received marketing authorization in 17 European countries and reimbursement in ten countries for the prevention of relapse in recurrent NIU-PS.

The Company markets ILUVIEN directly in the U.S., Germany, the U.K., Portugal and Ireland. In addition, the Company has entered into various agreements under which distributors are providing or will provide regulatory, reimbursement and sales and marketing support for ILUVIEN in Austria, Belgium, the Czech Republic, Denmark, Finland, France, Italy, Luxembourg, the Netherlands, Norway, Spain, Sweden, Switzerland, Australia, New Zealand and several countries in the Middle East. In addition, the Company has granted an exclusive license to Ocumension Therapeutics for the development and commercialization of the Company's 0.19 mg fluocinolone acetonide intravitreal injection in China, East Asia and the Western Pacific. As of September 30, 2023, the Company has recognized sales of ILUVIEN to its international distributors in the Middle East, China, Austria, Belgium, Czech Republic, France, Italy, Luxembourg, Spain, the Netherlands, and the Nordic Region.

In the U.S., YUTIQ is indicated for the treatment and prevention of chronic NIU-PS of the eye. The Company has the rights to commercialize YUTIQ under a product rights agreement dated May 17, 2023 (the Product Rights Agreement) with EyePoint Pharmaceuticals, Inc. (EyePoint Parent) in the entire world, except Europe, the Middle East and Africa as the Company had previously licensed from EyePoint Pharmaceuticals US, Inc. (EyePoint) rights in those territories to certain products, which included YUTIQ (known as ILUVIEN in Europe, the Middle East and Africa) for the prevention of relapse in recurrent non-infectious uveitis affecting the posterior segment. (See Note 16) The Product Rights Agreement also excludes any rights to YUTIQ for the treatment and prevention of chronic NIU-PS in China and certain other countries and regions in Asia, which rights are subject to a pre-existing exclusive license between EyePoint Parent and Ocumension Therapeutics.

2. BASIS OF PRESENTATION

The Company has prepared the accompanying unaudited interim condensed consolidated financial statements and notes thereto (Interim Financial Statements) in accordance with accounting principles generally accepted in the U.S. (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and Article 8-03 of Regulation S-X of the Securities and Exchange Commission (SEC). Accordingly, these Interim Financial Statements do not include all of the information and disclosures required by U.S. GAAP for complete financial statements. In the opinion of the Company's management, the accompanying Interim Financial Statements reflect all adjustments, which include normal recurring adjustments, necessary to present fairly the Company's interim financial information.

The accompanying Interim Financial Statements and related notes should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2022, and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, which was filed with the SEC on March 31, 2023 (the 2022 Form 10-K). The financial results for any interim period are not necessarily indicative of the expected financial results for the full year.

As of September 30, 2023, the Company had approximately $8,316,000 in cash and cash equivalents. Based on the Company's updated evaluation of its ability to continue as a going concern, the Company has concluded that the factors which previously raised substantial doubt about its ability to continue as a going concern no longer exist as of the issuance date of the accompanying unaudited interim condensed consolidated financial statements. The Company believes its commercial operations, including its rights under the Product Rights Agreement to commercialize YUTIQ, will generate sufficient cash flow, combined with its current financial assets, to fund all conditional and unconditional financial obligations for at least the next 12 months.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed for quarterly financial reporting are the same as those disclosed in the Notes to Financial Statements included in the 2022 Form 10-K. Certain of the Company's more significant accounting policies adopted in the current year are as follows:

Acquisition of Intangible Assets

The Company accounts for the acquisition of pharmaceutical product licenses as an asset acquisition in accordance with *FASB ASC 805 – Business Combinations* (ASC 805). ASC 805 specifies that if substantially all of the fair value of the gross assets acquired in a transaction are concentrated in a single identifiable asset or group of similar identifiable assets, then the set is not a business and is recorded as an asset acquisition. Under this model, the Company assigns the cost of the transaction to the acquired tangible assets, to the identified intangible assets and liabilities, and to any above or below-market contracts. The purchase price, including the direct amounts paid for the net assets in the transaction and any acquisition costs incurred that relate directly to the acquisition, is assigned based on the relative fair values of the assets acquired and liabilities assumed. The fair value of any identified intangible assets is determined at the acquisition date based on inputs and other factors based on market participants.

Adoption of New Accounting Standard

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (ASC 326): Measurement of Credit Losses on Financial Instruments*. This ASU replaces the then current incurred loss impairment methodology for financial assets measured at amortized cost with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information, including forecasted information, to develop credit loss estimates. The standard became effective for the Company on January 1, 2023. The adoption of this ASU did not have a material impact on its financial statements.

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers.* The amendments in this ASU require that an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606). The amendments in this ASU are effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The adoption of this ASU did not have a material impact on the Company's financial statements.

Accounting Standards Issued but Not Yet Effective

In March 2020, the FASB issued ASU 2020-04*, Reference Rate Reform (ASC 848) - Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This standard provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The standard was available until December 31, 2022. In December 2022, the FASB issued ASU No. 2022-06 which extended the period of time preparers can utilize the reference-rate reform relief guidance in Topic 848. The guidance ensures the relief in Topic 848 covers the period of time during which a significant number of modifications may take place, and the ASU defers the sunset date of Topic 848 from December 31, 2022 to December 31, 2024. The Company does not anticipate the adoption of this ASU will have a material impact on its financial statements.

4. REVENUE RECOGNITION

Overview

The Company recognizes revenue when a customer obtains control of the related good or service. The amount recognized reflects the consideration the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of ASC 606 *Revenue from Contracts with Customers*, the Company performs the following steps as outlined in the guidance: (1) identify the contract with the customer, (2) identify the performance obligations within the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when the entity satisfies a performance obligation. At the inception of a contract, the contract is evaluated to determine if it falls within the scope of ASC 606, followed by the Company's assessment of the goods or services promised within each contract, assessment of whether the promised good or service is distinct and determination of the performance obligations. The Company then recognizes revenue based on the transaction price that is allocated to the respective performance obligation when the performance obligation is satisfied.

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price based on the estimated relative standalone selling prices of the promised products or services underlying each performance obligation. The Company determines standalone selling prices based on the price at which the performance obligation is sold separately. If the standalone selling price is not observable through past transactions, the Company estimates the standalone selling price taking into account available information such as market conditions related to the performance obligations.

Net Product Sales

The Company sells its products to major pharmaceutical distributors, pharmacies, hospitals and wholesalers (collectively, its Customers). In addition to distribution agreements with Customers, the Company enters into arrangements with healthcare providers and payors that provide for government-mandated and/or privately negotiated rebates, chargebacks, and discounts with respect to the purchase of the Company's products. The Company recognizes revenues from product sales at a point in time when the Customer obtains control, typically upon delivery. The Company accrues for fulfillment costs when the related revenue is recognized. Taxes collected from Customers relating to product sales and remitted to governmental authorities are excluded from revenues.

Estimates of Variable Consideration

Revenues from product sales are recorded at the net sales price (transaction price), which includes estimates of variable consideration for reserves related to statutory rebates to State Medicaid and other government agencies; commercial rebates and fees to Managed Care Organizations (MCOs), Group Purchasing Organizations (GPOs), distributors, and specialty pharmacies; product returns; sales discounts (including trade discounts); distributor costs; wholesaler chargebacks; and allowances for patient assistance programs relating to the Company's sales of its products.

These reserves are based on estimates of the amounts earned or to be claimed on the related sales. Management's estimates take into consideration historical experience, current contractual and statutory requirements, specific known market events and trends, industry data, and Customer buying and payment patterns. Overall, these reserves reflect the Company's best estimates of the amount of consideration to which it is entitled based on the terms of the contract. The amount of variable consideration included in the net sales price is limited to the amount that is probable not to result in a significant reversal in the amount of the cumulative revenue recognized in a future period. If actual results vary, the Company may adjust these estimates, which could have an effect on earnings in the period of adjustment.

With respect to the Company's international contracts with third-party distributors, certain contracts have elements of variable consideration, and management reviews those contracts on a regular basis and makes estimates of revenue based on historical ordering patterns and known market events and data. The amount of variable consideration included in net sales in each period could vary depending on the terms of these contracts and the probability of reversal in future periods.

Consideration Payable to Customers

Distribution service fees are payments issued to distributors for compliance with various contractually defined inventory management practices or services provided to support patient access to a product. Distribution service fees reserves are based on the terms of each individual contract and are classified within accrued expenses and are recorded as a reduction of revenue.

Product Returns

The Company's policies provide for product returns in the following circumstances: (a) expiration of shelf life on certain products; (b) product damaged while in the Customer's possession; and (c) following product recalls. Generally, returns for expired product are accepted three months before and up to one year after the expiration date of the related product, and the related product is destroyed after it is returned. The Company may, at its option, either refund the sales price paid by the Customer by issuing a credit or exchange of the returned product for replacement inventory. The Company typically does not provide cash refunds. The Company estimates the proportion of recorded revenue that will result in a return by considering relevant factors, including historical returns experience, the estimated level of inventory in the distribution channel, the shelf life of products, and product recalls, if any.

The estimation process for product returns involves, in each case, several interrelating assumptions, which vary for each Customer. The Company estimates the amount of its product sales that may be returned by its Customers and records this estimate as a reduction of revenue from product sales in the period the related revenue is recognized, and because this returned product cannot be resold, there is no corresponding asset for product returns. Through the date of this report, product returns have been minimal.

License Revenue

The Company enters into agreements in which it licenses certain rights to its products to partner companies that act as distributors. The terms of these agreements may include payment to the Company of one or more of the following: non-refundable up-front license fees, milestone payments if specified objectives are achieved, and/or royalties on product sales. The Company recognizes revenue from upfront payments at a point in time, typically upon fulfilling the delivery of the associated intellectual property to the customer.

Contracts that contain multiple performance obligations require an allocation of the transaction price based on the estimated relative standalone selling prices of the promised products or services underlying each performance obligation. The Company determines standalone selling prices based on the price at which the performance obligation is sold separately. If the standalone selling price is not observable through past transactions, the Company estimates the standalone selling price taking into account available information such as market conditions related to the performance obligations.

The Company will recognize sales-based milestone payments as revenue upon the achievement of the cumulative sales amount specified in the contract in accordance with ASC 606. For those milestone payments which are contingent on the occurrence of particular future events, the Company determines that these need to be considered for inclusion in the calculation of total consideration from the contract as a component of variable consideration using the expected value method. As such, the Company assesses each milestone to determine the probability of and substance behind achieving each milestone. Given the inherent uncertainty associated with these future events, the Company will not recognize revenue from such milestones until there is a high probability of occurrence, which typically occurs near or upon achievement of the event.

Customer Payment Obligations

The Company receives payments from its Customers based on billing schedules established in each contract, which vary across the Company's locations, but generally range between 30 to 120 days. Occasionally, the Company offers extended payment terms or payment term discounts to certain Customers. Amounts are recorded as accounts receivable when the Company's right to consideration is unconditional. The Company does not assess whether a contract has a significant financing component if the expectation is that the Customer will pay for the product or services within one year or less of receiving those products or services.

5. LEASES

The Company evaluates all of its contracts to determine whether it is or contains a lease at inception. The Company reviews its contracts for options to extend, terminate or purchase any right-of-use assets and accounts for these, as applicable, at inception of the contract. Upon adoption of ASC 842, the Company elected the transition package of three practical expedients permitted within the standard. In accordance with the package of practical expedients, the Company did not reassess initial direct costs, lease classification or whether its contracts contain or are leases. The Company made an accounting policy election not to recognize right-of-use assets and liabilities for leases with a term of 12 months or less, or those that do not meet the Company's capitalization threshold, unless the leases include options to renew or purchase the underlying asset that are reasonably certain to be exercised. Lease costs associated with those leases are recognized as incurred. The Company has also chosen the practical expedient that allows it to combine lease and non-lease components as a single lease component.

Lease renewal options are not recognized as part of the lease liability until the Company determines it is reasonably certain it will exercise any applicable renewal options. The Company has determined it is not reasonably certain it will exercise any applicable renewal options. The Company has not recorded any liability for renewal options in these Interim Financial Statements. The useful lives of leased assets as well as leasehold improvements, if any, are limited by the expected lease term.

Operating Leases

The Company's operating lease activities primarily consist of leases for office space in the U.S., the U.K., Ireland, Portugal and Germany. Most of these leases include options to renew, with renewal terms generally ranging from one to eight years. The exercise of lease renewal options is at the Company's sole discretion. Certain of the Company's operating lease agreements include variable lease costs that are based on common area maintenance and property taxes. The Company expenses these payments as incurred. The Company's operating lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Supplemental balance sheet information as of September 30, 2023 and December 31, 2022 for the Company's operating leases is as follows:

	September 30, 2023	December 31, 2022
	(In thousands)	
NON-CURRENT ASSETS:		
Right-of-use assets, net	$ 1,176	$ 1,395
Total lease assets	$ 1,176	$ 1,395
CURRENT LIABILITIES:		
Accrued expenses	$ 634	$ 768
NON-CURRENT LIABILITIES:		
Other non-current liabilities	1,925	2,267
Total lease liabilities	$ 2,559	$ 3,035

The Company's operating lease cost for the three and nine months ended September 30, 2023 was $123,000 and $415,000, respectively, and is included in general and administrative expenses in its condensed consolidated statement of operations. The Company's operating lease cost for the three and nine months ended September 30, 2022 was $136,000 and $408,000, respectively, and is included in general and administrative expenses in its condensed consolidated statement of operations.

As of September 30, 2023, a schedule of maturity of lease liabilities under all of the Company's operating leases is as follows:

Years Ending December 31	(In thousands)
2023 (remaining)	$ 165
2024	653
2025	474
2026	488
2027	503
Thereafter	1,052
Total	3,335
Less amount representing interest	(776)
Present value of minimum lease payments	2,559
Less current portion (as a portion of accrued expenses)	(634)
Non-current portion (as a portion of other non-current liabilities)	$ 1,925

Cash paid for operating leases was $177,000 and $528,000 during the three and nine months ended September 30, 2023, respectively. No right-of-use assets were obtained in connection with operating leases for the three and nine months ended September 30, 2023. Cash paid for operating leases was $61,000 and $193,000 during the three and nine months ended September 30, 2022, respectively. No right-of-use assets were obtained in connection with operating leases for the three and nine months ended September 30, 2022.

As of September 30, 2023, the weighted average remaining lease terms of the Company's operating leases was 5.9 years. The weighted average discount rate used to determine the lease liabilities was 9.5%.

Finance Leases

The Company's finance lease activities primarily consist of leases for office equipment and automobiles. Property and equipment leases are capitalized at the lesser of fair market value or the present value of the minimum lease payments at the inception of the leases using the Company's incremental borrowing rate. The Company's finance lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Supplemental balance sheet information as of September 30, 2023 and December 31, 2022 for the Company's finance leases is as follows:

	September 30, 2023	December 31, 2022
	(In thousands)	
NON-CURRENT ASSETS:		
Property and equipment, net	$ 487	$ 366
Total lease assets	$ 487	$ 366
CURRENT LIABILITIES:		
Finance lease obligations	$ 193	$ 333
NON-CURRENT LIABILITIES:		
Other non-current liabilities	227	131
Total lease liabilities	$ 420	$ 464

Depreciation expense associated with property and equipment under finance leases was approximately $69,000 and $59,000 for the three months ended September 30, 2023 and 2022, respectively. Depreciation expense associated with property and equipment under finance leases was approximately $218,000 and $214,000 for the nine months ended September 30, 2023 and 2022, respectively. Interest expense associated with finance leases was $11,000 and $10,000 for the three months ended September 30, 2023 and 2022, respectively. Interest expense associated with finance leases was $32,000 and $31,000 for the nine months ended September 30, 2023 and 2022, respectively.

As of September 30, 2023, a schedule of maturity of lease liabilities under finance leases, together with the present value of minimum lease payments, is as follows:

Years Ending December 31	(In thousands)
2023 (remaining)	$ 91
2024	250
2025	175
2026	46
Total	562
Less amount representing interest	(142)
Present value of minimum lease payments	420
Less current portion	(193)
Non-current portion	$ 227

Cash paid for finance leases was $136,000 and $387,000 during the three and nine months ended September 30, 2023, respectively. The Company acquired $176,000 and $346,000 of property and equipment in exchange for finance leases during the three and nine months ended September 30, 2023, respectively. Cash paid for finance leases was $68,000 and $164,000 during the three and nine months ended September 30, 2022, respectively. No property or equipment was obtained in exchange for finance leases during the three and nine months ended September 30, 2022.

As of September 30, 2023, the weighted average remaining lease terms of the Company's finance leases was 1.1 years. The weighted average discount rate used to determine the finance lease liabilities was 10.0%.

6. INVENTORY

Inventory consisted of the following:

	September 30, 2023	December 31, 2022
	(In thousands)	
Component parts (1)	$ 683	$ 152
Work-in-process (2)	332	560
Finished goods	745	893
Total Inventory	$ 1,760	$ 1,605

(1) Component parts inventory consists of manufactured components of the ILUVIEN applicator.

(2) Work-in-process consists of completed units of ILUVIEN that are undergoing, but have not completed, quality assurance testing as required by U.S. or EEA regulatory authorities.

7. INTANGIBLE ASSETS

ILUVIEN Intangible Asset

As a result of the U.S. Food and Drug Administration's (FDA) approval of ILUVIEN in September 2014, the Company was required to pay in October 2014 a milestone payment of $25,000,000 (the EyePoint Milestone Payment) to EyePoint, formerly known as pSivida US, Inc. (see Note 8).

The gross carrying amount of the intangible asset is $25,000,000, which is being amortized over approximately 13 years from the payment date. The amortization expense related to the intangible asset was approximately $489,000 for each of the three months ended September 30, 2023 and 2022. The amortization expense related to the intangible asset was approximately $1,451,000 for each of the nine months ended September 30, 2023 and 2022. The net book value of the intangible asset was $7,506,000 and $8,957,000 as of September 30, 2023 and December 31, 2022, respectively.

The estimated remaining amortization as of September 30, 2023 is as follows (in thousands):

Years Ending December 31	(In thousands)
2023 (remaining)	$ 489
2024	1,946
2025	1,940
2026	1,940
2027	1,191
Total	$ 7,506

YUTIQ Intangible Asset

On May 17, 2023 the Company was granted an exclusive and sublicensable right and license, pursuant to the Product Rights Agreement to commercialize YUTIQ for the treatment and prevention of uveitis in the entire world, except Europe, the Middle East and Africa, excluding any rights for the treatment and prevention of chronic NIU-PS of the eye in China and certain other countries and regions in Asia, which rights are subject to a pre-existing exclusive license between EyePoint and Ocumension Therapeutics. As a result, the Company paid EyePoint Parent an upfront payment of $75,000,000 and will make four quarterly additional guaranteed payments to EyePoint Parent totaling $7,500,000 in 2024 as well as royalties in 2025 through 2028 (see Note 16).

The gross carrying amount of the intangible asset is $98,122,000, which is being amortized over approximately 10 years from the initial payment date. The amortization expense related to the intangible asset since the acquisition was approximately $2,471,000 and $3,653,000 for the three and nine months ended September 30, 2023, respectively. The net book value of the intangible asset was $94,469,000 as of September 30, 2023.

The estimated remaining amortization as of September 30, 2023 is as follows (in thousands):

Years Ending December 31	(In thousands)
2023 (remaining)	$ 2,471
2024	9,831
2025	9,804
2026	9,804
2027	9,804
Thereafter	52,755
Total	$ 94,469

8. LICENSE AGREEMENTS

EyePoint License Agreement

In February 2005, the Company entered into an agreement with EyePoint (formerly known as pSivida US, Inc.) for the use of fluocinolone acetonide (FAc) in EyePoint's proprietary insert technology. This agreement was subsequently amended a number of times (as amended, the EyePoint Agreement). The EyePoint Agreement provides the Company with a worldwide exclusive license to utilize certain underlying technology used in the development and commercialization of ILUVIEN.

In July 2017, the Company amended and restated its EyePoint license agreement, which was made effective July 1, 2017 (the New Collaboration Agreement). Under the New Collaboration Agreement, the Company has the right to the technology underlying ILUVIEN for the treatment of (a) human eye diseases, including uveitis, in Europe, the Middle East, and Africa, and (b) human eye diseases other than uveitis worldwide. The New Collaboration Agreement converted the Company's previous profit share obligation to a royalty payable on global net revenues of ILUVIEN.

Following the signing of the New Collaboration Agreement, the Company retained a right to recover up to $15,000,000 of commercialization costs that were incurred prior to profitability of ILUVIEN and to offset a portion of future payments owed to EyePoint with these accumulated commercialization costs, referred to as the Future Offset. Due to the uncertainty of future net profits, the Company has fully reserved the Future Offset in the accompanying Interim Financial Statements. In March 2019, pursuant to the New Collaboration Agreement, the Company forgave $5,000,000 of the Future Offset in connection with the approval of ILUVIEN for NIU-PS in the U.K. As of September 30, 2023, the balance of the Future Offset was approximately $6,647,000, which is fully reserved.

During the three and nine months ended September 30, 2023 and 2022, the Company's net royalty expense payable to EyePoint was 5.2%, which was reduced from 6% due to the recoverable balance of the Future Offset. The Company will be required to pay an additional 2% royalty on future global net revenues and other related consideration in excess of $75,000,000 in any year. During the three and nine months ended September 30, 2023, the Company recognized approximately $747,000 and $2,207,000, respectively, of royalty expense, which is included in cost of goods sold, excluding depreciation and amortization. As of September 30, 2023, approximately $741,000 of this royalty expense was included in the Company's accounts payable. During the three and nine months ended September 30, 2022, the Company recognized approximately $705,000 and $2,080,000, respectively, of royalty expense which is included in cost of goods sold, excluding depreciation and amortization. Refer to Note 16 for a discussion on the Product Rights Agreement executed in May 2023 with EyePoint Parent.

Ocumension License Agreement

On April 14, 2021, the Company entered into an exclusive license agreement (the License Agreement) with Ocumension (Hong Kong) Limited (Ocumension HK), a wholly owned subsidiary of Ocumension Therapeutics, for the development and commercialization under Ocumension HK's own brand name(s), either directly or through its affiliates or approved third-party sublicensees, of the Company's 0.19 mg fluocinolone acetonide intravitreal implant in applicator (the Product; currently marketed in the United States, Europe, and the Middle East as ILUVIEN®) for the treatment and prevention of eye diseases in humans, other than uveitis, in a specified territory. The Territory is defined as the People's Republic of China, including Hong Kong SAR and Macau SAR, region of Taiwan, South Korea, Brunei, Cambodia, East Timor, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam.

The Company received a nonrefundable upfront payment of $10,000,000 from Ocumension HK and may in the future receive additional sales-based milestone payments totaling up to $89,000,000 upon the achievement by Ocumension HK of certain specified sales milestones during the term of the License Agreement. The Company's receipt of future milestone payments depends upon whether Ocumension HK is able to successfully complete product development and commercialization in the Territory, which requires, among other things, obtaining necessary regulatory approvals and appropriate reimbursement pricing in the various countries and jurisdictions in the Territory, a process that may take several years. In 2021, the Company recognized $11,048,000 in license revenue from the Ocumension transaction (including the value of a warrant subscription agreement, which Alimera received as consideration, for Alimera to purchase 1,000,000 shares of Ocumension Therapeutics during a period of four years), in accordance with ASC 606, Revenue from Contracts with Customers, with the remaining approximate $300,000 in consideration classified as deferred revenue that will be recognized over the remaining term of the license agreement once Ocumension begins to sell products.

The term of the License will continue (a) until the 10th anniversary of the latest first commercial sale of the Product in any country or jurisdiction in the Territory or (b) for as long as Ocumension HK is commercializing the Product in any part of the Territory, whichever is later. The term is subject to the Company's right to partially terminate the License Agreement beginning on the 10th anniversary of the effective date with respect to any country or jurisdiction in the Territory in which Ocumension has not achieved at the time of termination

first commercial sale and is not continuing to commercialize the Product. Ocumension will purchase Product from the Company at a fixed transfer price without royalty obligation on future sale (other than milestone payments as described above). Ocumension HK is responsible for all costs of development and commercialization in the Territory.

When the Company entered into the License Agreement, it also entered into a share purchase agreement and a warrant subscription agreement, which are discussed in Note 15.

9. LOAN AGREEMENTS

Loan Agreements with SLR Investment Corp.

On January 5, 2018, the Company entered into a $40,000,000 loan and security agreement with Solar Capital Ltd., as Collateral Agent, and the parties signatory thereto from time to time as Lenders, including Solar Capital Ltd. in its capacity as a Lender (the 2018 Loan Agreement). On December 31, 2019, the Company refinanced the 2018 Loan Agreement by entering into a $45,000,000 loan and security agreement (the 2019 Loan Agreement) with SLR Investment Corp. (SLR, f/k/a Solar Capital Ltd.), as Agent, and the parties signing the Loan Agreement from time to time as Lenders, including SLR in its capacity as a Lender (collectively, the Lenders). The Company has amended the 2019 Loan Agreement on multiple occasions, as set forth below.

Third Amendment to 2019 Loan Agreement

On February 22, 2022, the Company entered into a Third Amendment to the 2019 Loan Agreement (the Third Amendment), which, among other things:

(a) specified the minimum revenue amount, calculated on a trailing six-month basis and tested at the end of each calendar quarter in 2022, that the Company must achieve for each such period (the Third Amendment Revenue Covenant);

(b) consented to the Company maintaining a lower minimum revenue amount under the Third Amendment Revenue Covenant for the trailing six-month period ended December 31, 2021 than previously required under the Loan Agreement (and waived any event of default that may have occurred or may be deemed to have occurred as a result of the Company's lower revenue amount for that period); and

(c) required that the Third Amendment Revenue Covenant be tested at March 31, 2023 and at the last day of each quarter thereafter, with the minimum revenue amount equal to a percentage of the Company's projected revenues in accordance with an annual plan submitted by the Company to the Collateral Agent by January 15 of such year, such plan to be thereafter approved by the Company's board of directors and the Collateral Agent in its sole discretion no later than February 28 of such year.

Fourth Amendment to 2019 Loan Agreement

On December 7, 2022, the Company entered into a Fourth Amendment to the 2019 Loan Agreement (the Fourth Amendment), which, among other things:

(a) extends the amortization date from January 1, 2023 to April 1, 2023, provided that such date may be further extended to July 1, 2023 upon the Company's request and in consultation with the Lenders, in each of the Lenders' sole discretion;

(b) specifies the minimum revenue amount, calculated on a trailing six-month basis and tested at the end of each calendar quarter in 2023, that the Company must achieve for each such period (the Fourth Amendment Revenue Covenant); and

(c) requires that the Fourth Amendment Revenue Covenant be tested at March 31, 2023 and at the last day of each quarter thereafter, with the minimum revenue amount equal to a percentage of Alimera's projected revenues in accordance with an annual plan submitted by the Company to the Collateral Agent by January 15th of such year, such plan to be thereafter approved by Alimera's board of directors and the Collateral Agent in its sole discretion no later than February 28 of such year.

Fifth Amendment to 2019 Loan Agreement

On March 24, 2023, the Company entered into a Fifth Amendment to the 2019 Loan Agreement (the Fifth Amendment), under which the Lenders agreed to, among other things:

(a) an additional tranche of $2,500,000 to increase the Company's existing term loan facility to $47,500,000, subject to certain closing conditions (the New Term Loan);

(b) extend a $15,000,000 additional term loan available to be funded at the Lender's sole discretion;

(c) annual interest rate equal to 5.15% plus the greater of (i) 4.60%, and (ii) one-month SOFR, which will reset monthly, on the New Term Loan;

(d) extend the maturity date to April 30, 2028 and the interest-only period to April 30, 2025, which may be extended an additional 12 months if the Company meets certain financial targets by March 31, 2025; and

(e) specify the minimum revenue amount, calculated on a trailing six month basis beginning with the six month period ended March 31, 2023, and tested at the end of each calendar quarter, that the Company must achieve for each such period.

Sixth Amendment to 2019 Loan Agreement

On May 17, 2023, the Company entered into a Sixth Amendment to the 2019 Loan Agreement (the Sixth Amendment and the 2019 Loan Agreement as so amended, the Amended Loan Agreement), under which the Lenders agreed to, among other things:

(a) increase the amount available for an additional term loan under the facility from $15,000,000 to $20,000,000;

(b) fund the full amount of the additional term loan on May 17, 2023; and

(c) specify the minimum revenue amount, calculated on a trailing six-month basis and tested at the end of each calendar quarter in 2023 and 2024, that the Company must achieve for each such period (the Revenue Covenant).

The Company complied with the Revenue Covenant on September 30, 2023, expects to comply with the Revenue Covenant at the next reportable date, which is December 31, 2023, and the remainder of the Revenue Covenants through one year after these financial statements are issued.

2018 Exit Fee Agreement

Notwithstanding the repayment of the outstanding loan under the 2018 Loan Agreement, the Company remains obligated to pay additional fees under the Exit Fee Agreement (2018 Exit Fee Agreement) dated as of January 5, 2018 by and among the Company, SLR, as Agent, and the Lenders. The 2018 Exit Fee Agreement survived the termination of the 2018 Loan Agreement upon the repayment of the outstanding loan under the 2018 Loan Agreement and has a term of 10 years. The Company is obligated to pay up to, but no more than, $2,000,000 in fees under the 2018 Exit Fee Agreement.

Specifically, the Company is obligated to pay an exit fee of $2,000,000 on a “change in control” (as defined in the 2018 Exit Fee Agreement). To the extent that the Company has not already paid the $2,000,000 fee, the Company is also obligated to pay a fee of $1,000,000 on achieving each of the following milestones:

- first, if the Company achieves revenues of $80,000,000 or more from the sale of its ILUVIEN product in the ordinary course of business to third party customers, measured on a trailing 12-month basis during the term of the agreement, tested at the end of each month; and

- second, if the Company achieves revenues of $100,000,000 or more from the sale of its ILUVIEN product in the ordinary course of business to third party customers, measured in the same manner.

2019 Exit Fee Agreement

The Company is also obligated to pay additional fees under the Exit Fee Agreement dated as of December 31, 2019 by and among the Company, SLR as Agent, and the Lenders (2019 Exit Fee Agreement). The 2019 Exit Fee Agreement will survive the termination of the 2019 Loan Agreement and has a term of 10 years. The Company will be obligated to pay a $675,000 exit fee upon the occurrence of an exit event, which generally means a change in control, as defined in the 2019 Exit Fee Agreement.

2023 Exit Fee Agreement

On March 24, 2023, the Company entered into the Fifth Amendment Exit Fee Agreement (the New Exit Fee Agreement), which will survive the termination of the Amended Loan Agreement and has a term of 10 years. The Company will be obligated to pay an exit fee of 1.5% of the original principal amount funded under the Amended Loan Agreement upon the occurrence of an exit event, which generally means a change in control, as defined in the New Exit Fee Agreement. If the Company has not already paid the exit fee under the New Exit Fee Agreement, the Company is also obligated to pay an equivalent fee upon achieving revenues of $82,500,000 or more from the sale of ILUVIEN in the ordinary course of business to third party customers, measured on a trailing 12-month basis during the term of the New Exit

Fee Agreement, tested at the end of each month. The Company's existing 2015 and 2019 Exit Fee Agreements remain in effect. The fees payable pursuant to the Company's existing exit fee agreements and the New Exit Fee Agreement, as amended by the Omnibus Amendment to Exit Fee Agreements dated as of May 17, 2023, will not exceed $3,387,500 in total.

Modification of Debt

In accordance with the guidance in ASC 470-50, *Debt*, the Company entered into and accounted for the Third Amendment, Fourth Amendment, and Fifth Amendment as modifications and expensed, as they were incurred, legal costs associated with third parties as costs of the modifications. The Company capitalized $113,000 of costs in connection with the Fourth Amendment. The Company did not capitalize any costs associated with the Third Amendment. The Company capitalized $2,625,000 of costs in connection with the Fifth Amendment.

Extinguishment of Debt

In accordance with the guidance in ASC 470-50, *Debt*, the Company entered into and accounted for the Sixth Amendment as an extinguishment of debt. The Company recognized a loss on extinguishment of $1,079,000 in connection with the Sixth Amendment.

Fair Value of Debt

The weighted average interest rates of the Company's notes payable approximate the rate at which the Company could obtain alternative financing. Therefore, the carrying amount of the notes approximated their fair value at September 30, 2023 and December 31, 2022.

10. LOSS PER SHARE (EPS)

The Company follows ASC 260, *Earnings Per Share* (ASC 260), which requires the reporting of both basic and diluted earnings per share. Because the Company's preferred stockholders participate in dividends equally with common stockholders (if the Company were to declare and pay dividends), the Company uses the two-class method to calculate EPS. However, the Company's preferred stockholders are not contractually obligated to share in losses. On August 1, 2023, the Company's stockholders approved the issuance of shares of common stock upon conversion of the Series B Preferred and the issuance of shares of common stock upon exercise of Pre-Funded Warrants (as defined in Note 11). The Company set August 15, 2023 as the date for the Mandatory Conversion (as defined in Note 11). The Pre-Funded Warrants have been included in the weighted average number of shares outstanding for purposes of computing Basic EPS as they are considered to be issuable for little to no consideration.

Basic EPS is computed by dividing net income or loss available to stockholders by the weighted average number of shares outstanding for the period. Diluted EPS is calculated in accordance with ASC 260 by adjusting weighted average shares outstanding for the dilutive effect of common stock options and warrants the Company has issued. In periods where a net loss is recorded, no effect is given to potentially dilutive securities, since the effect would be anti-dilutive.

Common stock equivalent securities that would potentially dilute basic EPS in the future, but were not included in the computation of diluted EPS because they were either not classified as participating or would have been anti-dilutive, were as follows:

	September 30,	
	2023	**2022**
Series A convertible preferred stock	—	601,504
Common stock warrants	1,600,000	—
Stock options	1,209,251	1,294,895
Total	2,809,251	1,896,399

11. PREFERRED STOCK

Securities Purchase Agreement

On March 24, 2023, the Company entered into a Securities Purchase Agreement (the Purchase Agreement) with certain investors (the Original Investors) for the sale of up to 27,000 shares of the Company's newly designated Series B Convertible Preferred Stock, par value $0.01 per share (the Series B Preferred Stock) and warrants (the Warrants) to purchase up to 5,714,286 shares of the Company's common stock, for an aggregate purchase price of $12,000,000. On March 24, 2023, the Company issued and sold an aggregate of 12,000 shares of Series B Preferred Stock at a per-share purchase price of $1,000 (the Stated Value) and the Warrants for aggregate gross proceeds of

$12,000,000 (the Tranche 1 Closing). The proceeds from the Tranche 1 Closing were used to fund development and commercialization of the Company's existing drugs and general corporate purposes, as well as the Repurchase (as defined below).

The initial conversion price of the shares of Series B Preferred Stock issued at the Tranche 1 Closing was $2.10 (the Tranche 1 Conversion Price). The conversion price of the Series B Preferred Stock is subject to certain customary adjustments, including a weighted average anti-dilution adjustment.

The Certificate of Designation of the Series B Preferred Stock (the Certificate of Designation) provided that unless and until stockholder approval to issue the common stock underlying the Series B Preferred Stock was obtained (Stockholder Approval), the Series B Preferred Stock would not be convertible into common stock to the extent that such conversion would cause (i) the aggregate number of shares of common stock that would be issued pursuant to the Purchase Agreement and the transactions contemplated thereby to exceed 1,401,901 (19.99% of the voting power or number of shares of common stock, issued and outstanding immediately prior to the execution of the Purchase Agreement), which number would be reduced, on a share-for-share basis, by the number of shares of common stock issued or issuable pursuant to any transactions that may be aggregated with the transactions contemplated by the Purchase Agreement under applicable Nasdaq rules (the Exchange Cap); or (ii) the aggregate number of shares of common stock that would be issued pursuant to such conversion, when aggregated with any shares of common stock then beneficially owned by the holder (or group of holders required to be aggregated) of such shares, would result in (a) a "change of control" under applicable Nasdaq listing rules (the Change of Control Cap) or (b) such holder or a "person" or "group" to beneficially own in excess of 9.99% of the common stock outstanding immediately after giving effect to the issuance of shares of common stock issuable upon such conversion (the Ownership Limitation). On August 1, 2023, the Company's stockholders provided Stockholder Approval.

The Warrants have an exercise price equal to the Tranche 1 Conversion Price (as adjusted pursuant to the Certificate of Designation of the Series B Preferred Stock through the date of Stockholder Approval) and expire seven years from the date of the Tranche 1 Closing. The Warrants are exercisable upon the earlier of (a) a change of control and (b) March 24, 2024.

Joinder and Amendment to Securities Purchase Agreement

On May 17, 2023, Alimera entered into a joinder and amendment (the Purchase Agreement Amendment) to the Purchase Agreement. The Purchase Agreement Amendment added certain investors as parties to the Purchase Agreement with respect to the Tranche 2 Closing (as defined below) and amended certain provisions of the Purchase Agreement. Pursuant to the Purchase Agreement Amendment, on May 17, 2023, the Company issued 66,617 shares of Series B Preferred Stock at the Stated Value and 1,401,901 shares of common stock, for aggregate gross proceeds of $69.0 million (the Tranche 2 Closing). The initial conversion price of the shares of Series B Preferred Stock issued at the Tranche 2 Closing was $1.70. Further, pursuant to the terms of the Purchase Agreement Amendment, the Company and the Original Investors agreed to reduce the number of shares of common stock issuable upon exercise of the Warrants to 1,600,000. The proceeds from the Tranche 2 Closing were utilized by Alimera to fund a portion of the upfront cash payment due upon execution of the Product Rights Agreement.

Pre-Funded Warrants and Conversion of Series B Convertible Preferred Stock

On August 1, 2023, the Company filed a certificate of amendment (the Certificate of Amendment) to the Certificate of Designation with the Secretary of State of the State of Delaware. Prior to such amendment, the Certificate of Designation provided that the Series B Preferred Stock (including any accrued but unpaid dividends) would automatically convert at the then-applicable conversion price (the Mandatory Conversion) in full into the Company's common stock following Stockholder Approval. The Certificate of Amendment, which was approved by the requisite holders of the Series B Preferred Stock, provided that the Company may issue pre-funded common stock warrants (the Pre-Funded Warrants) to certain holders of Series B Preferred Stock that elected to receive Pre-Funded Warrants prior to Stockholder Approval in lieu of a portion of common stock that would otherwise be issued in the Mandatory Conversion to such holders. The Pre-Funded Warrants have an exercise price of $0.01 per share. The Pre-Funded Warrants were offered to holders of Series B Preferred Stock whose Mandatory Conversion of Series B Preferred Stock would otherwise result in such holders, together with their affiliates and certain related parties, beneficially owning more than 9.99% of the Company's outstanding common stock immediately following the Mandatory Conversion the opportunity to purchase, if such holders so chose prior to Stockholder Approval, Pre-Funded Warrants, in lieu of shares of common stock that would otherwise result in such holder's beneficial ownership exceeding 9.99% of the Company's outstanding common stock.

Following Stockholder Approval, the Company designated August 15, 2023 as the date for Mandatory Conversion, on which date the Company issued 43,617,114 shares of common stock, and Pre-Funded Warrants exercisable for 2,000,000 shares of common stock, to holders of Series B Preferred Stock.

Following the Mandatory Conversion, no shares of the Series B Preferred Stock remain outstanding and the Company filed a certificate of elimination (the Certificate of Elimination) to the Certificate of Designation with the Secretary of State of the State of Delaware**.**

Series A Convertible Preferred Stock

In October 2012, the Company closed a preferred stock financing in which it sold units consisting of 1,000,000 shares of Series A Convertible Preferred Stock (Series A Preferred Stock) and warrants (which expired on October 1, 2017) to purchase 300,000 shares of Series A Preferred Stock for gross proceeds of $40,000,000, prior to the payment of approximately $560,000 of related issuance costs. The powers, preferences and rights of the Series A Preferred Stock were set forth in the certificate of designation for the Series A Preferred Stock filed by the Company with the Secretary of State of the State of Delaware. As of December 31, 2022, there were 600,000 shares of Series A Convertible Preferred Stock issued and outstanding.

As a condition to entering into the Purchase Agreement, the Company repurchased 200,919 shares of its common stock and 600,000 shares of its Series A Preferred Stock held by the holders thereof (the Repurchase), for an aggregate purchase price of approximately $1,252,000. The holders of the Series A Preferred Stock were entitled to a liquidation preference before the holders of common stock would be entitled to receive any consideration in the event of the Company's liquidation. As of December 31, 2022, the Series A Preferred Stock aggregate liquidation preference was $24,000,000. As a result of the Repurchase, no shares of the Series A Preferred Stock remain outstanding and the liquidation preference is no longer in effect. Following the Repurchase, the Company filed a certificate of elimination of the Series A Preferred Stock with the Secretary of State of the State of Delaware.

12. EQUITY INCENTIVE PLANS

On August 1, 2023, the Company's stockholders approved the 2023 Equity Incentive Plan (the 2023 Plan), which replaces the 2019 Omnibus Incentive Plan (the 2019 Plan). No new awards will be granted under the 2019 Plan. The 2023 Plan has a share reserve equal to the sum of (a) 3,231,755 shares of common stock, (b) shares that are subject to awards granted under the 2019 Plan that are outstanding on or after August 1, 2023 (the Effective Date) and that are subsequently forfeited, cancelled, expire or lapse unexercised or unsettled or are reacquired by the Company, (c) the number of shares reserved under the 2019 Plan that are not issued or subject to outstanding awards under the 2019 Plan on the Effective Date, and (d) the increase in shares described in the next sentence. On the first anniversary of the Effective Date, the number of shares of common stock that may be issued under the 2023 Plan will increase by a number of shares equal to 6% of the number of outstanding shares of common stock. Under the 2023 Plan, the Compensation Committee of the Company's board of directors is authorized to grant equity-based incentive awards that include stock options, restricted stock units and shares of restricted stock to officers, directors, employees and contractors. Equity-based awards are also outstanding under the Company's 2019 Plan and 2010 Equity Incentive Plan, although no new awards can be granted under either plan. The Company also has an employee stock purchase plan.

Stock Options

During the three months ended September 30, 2023 and 2022, the Company recorded compensation expense related to stock options of approximately $121,000 and $134,000, respectively. During the nine months ended September 30, 2023 and 2022, the Company recorded compensation expense related to stock options of approximately $436,000 and $653,000, respectively. As of September 30, 2023, the total unrecognized compensation cost related to non-vested stock options granted was $783,000 and is expected to be recognized over a weighted average period of 2.1 years. The following table presents a summary of stock option activity for the three months ended September 30, 2023 and 2022:

	Three Months Ended September 30,			
	2023		2022	
	Options	Weighted Average Exercise Price ($)	Options	Weighted Average Exercise Price ($)
Options outstanding at beginning of period	1,217,045	17.43	1,310,465	19.39
Grants	6,000	3.26	600	6.75
Forfeitures and expirations	(13,890)	28.93	(13,608)	16.69
Exercises	—	—	(2,562)	5.85
Options outstanding at period end	1,209,155	17.22	1,294,895	19.44
Options exercisable at period end	938,622	20.85	921,965	25.04
Weighted average per share fair value of options granted during the period	$ 2.35		$ 4.58	

The following table presents a summary of stock option activity for the nine months ended September 30, 2023 and 2022:

	Nine Months Ended September 30,			
	2023		2022	
	Options	Weighted Average Exercise Price ($)	Options	Weighted Average Exercise Price ($)
Options outstanding at beginning of period	1,175,339	19.03	1,075,795	23.35
Grants	123,723	2.73	285,850	4.96
Forfeitures and expirations	(89,907)	20.88	(64,188)	20.46
Exercises	—	—	(2,562)	5.85
Options outstanding at period end	1,209,155	17.22	1,294,895	19.44
Options exercisable at period end	938,622	20.85	921,965	25.04
Weighted average per share fair value of options granted during the period	$ 1.89		$ 3.32	

The following table provides additional information related to outstanding stock options as of September 30, 2023:

	Shares	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value ($) (In thousands)
Outstanding	1,209,155	17.22	4.60 years	21
Exercisable	938,622	20.85	4.53 years	21
Outstanding, vested and expected to vest	1,180,962	17.53	5.30 years	41

The following table provides additional information related to outstanding stock options as of December 31, 2022:

	Shares	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value ($) (In thousands)
Outstanding	1,175,339	19.03	5.68 years	—
Exercisable	878,115	23.62	4.72 years	—
Outstanding, vested and expected to vest	1,139,482	19.46	5.58 years	—

As of September 30, 2023, 3,277,546 shares remain available for grant under the 2023 Plan.

Restricted Stock and Restricted Stock Units (RSUs)

The following table presents a summary of restricted stock and RSU activity for the three months ended September 30, 2023 and 2022:

	Three Months Ended September 30,			
	2023		2022	
	Shares	Weighted Average Grant Date Fair Value ($)	Shares	Weighted Average Grant Date Fair Value ($)
Restricted stock and RSUs outstanding at beginning of period	682,176	1.67	86,563	4.98
Grants	—	—	—	—
Vested restricted stock and RSUs	—	—	—	—
Forfeitures	(6,200)	1.35	—	—
Restricted stock and RSUs outstanding at period end	675,976	1.78	86,563	4.98

The following table presents a summary of restricted stock and RSU activity for the nine months ended September 30, 2023 and 2022:

	Nine Months Ended September 30,			
	2023		2022	
	Shares	Weighted Average Grant Date Fair Value ($)	Shares	Weighted Average Grant Date Fair Value ($)
Restricted stock and RSUs outstanding at beginning of period	73,594	4.98	46,250	5.65
Grants	632,050	1.39	57,500	4.96
Vested restricted stock and RSUs	(20,468)	4.98	(9,687)	5.01
Forfeitures	(9,200)	1.35	(7,500)	8.93
Restricted stock and RSUs outstanding at period end	675,976	1.78	86,563	4.98

Employee stock-based compensation expense related to restricted stock and RSUs recognized in accordance with ASC 718, *Compensation - Stock Compensation* (ASC 718) was $62,000 for the three months ended September 30, 2023. There was no employee stock-based compensation expense related to restricted stock and RSUs for the three months ended September 30, 2022. Employee stock-based compensation expense related to restricted stock and RSUs recognized in accordance with ASC 718, was $171,000 and $46,000 for the nine months ended September 30, 2023 and 2022, respectively.

As of September 30, 2023, the total unrecognized compensation cost related to restricted stock and RSUs was $985,000 and is expected to be recognized over a weighted average period of 3.16 years.

Employee Stock Purchase Plan

During the three months ended September 30, 2023 and 2022, the Company recorded compensation expense related to its employee stock purchase plan of approximately $5,000 and $9,000, respectively. During the nine months ended September 30, 2023 and 2022, the Company recorded compensation expense related to its employee stock purchase plan of approximately $23,000 and $24,000, respectively.

13. INCOME TAXES

In accordance with ASC 740, *Income Taxes,* the Company recognizes deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of its assets and liabilities at the enacted tax rates in effect for the year in which the differences are expected to reverse. The Company records a valuation allowance against its net deferred tax asset to reduce the net carrying value to an amount that is more likely than not to be realized. At the end of each interim period, the Company makes its best estimate of the effective tax rate expected to be applicable for the full fiscal year. This estimate reflects, among other items, the Company's best estimate of operating results and foreign currency exchange rates.

The Company also applies the provisions for income taxes related to, among other things, accounting for uncertain tax positions and disclosure requirements. There has been no change to the Company's policy that recognizes potential interest and penalties related to uncertain tax positions. The Company conducts business globally and, as a result, files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities throughout the world.

For the nine months ended September 30, 2023, the Company has not recorded income tax expense or benefit. No tax benefit is expected to be realized for the losses in the United States and the United Kingdom due to the ongoing losses and valuation allowances in these jurisdictions. Tax expense or benefit for income and losses in other jurisdictions (Ireland, Germany, and Portugal) are immaterial for the period. The effective tax rate for the period differs from the statutory tax rate for the period primarily due to the effects of valuation allowances on net operating losses and on other deferred tax assets.

At December 31, 2022, the Company had U.S. federal NOL carry-forwards of approximately $147,200,000 and state NOL carry-forwards of approximately $107,700,000 available to reduce future taxable income, subject to limitation based upon the results of the Company's analyses under Internal Revenue Code Sections 382 and 383. The Company's U.S. federal NOL carry-forwards remain fully reserved as of September 30, 2023. If not utilized, the federal NOL carry-forwards will expire at various dates between 2029 and 2037, the Company's federal NOL created in 2018 and onward will carry forward indefinitely and the state NOL carry-forwards will expire at various dates between 2023 and 2042.

NOL carry-forwards may be subject to annual limitations under Internal Revenue Code Sections 382 and 383 in the event that certain changes in ownership of the Company were to occur. The Company is currently evaluating the impact of its Series B Convertible Preferred Stock financing on its NOL carry-forwards and whether certain changes in ownership have occurred that would limit its ability to utilize a portion of our NOL carry-forwards. If it is determined that significant ownership changes have occurred since the Company generated these NOL carry-forwards, it may be subject to annual limitations on the use of these NOL carry-forwards under Internal Revenue Code Section 382 (or comparable provisions of state law).

As of December 31, 2022, the Company's U.K. subsidiary is in a net deferred tax asset position primarily due to the step up in tax basis for intangible assets created by the transfer of intellectual property from the Netherlands to the U.K. Based upon the expected pattern of reversal of deferred taxes, it is not more likely than not that these deferred tax assets will be realized. As such, a full valuation allowance is placed against the net deferred tax assets of the U.K. subsidiary. The Company's Irish subsidiary has a deferred tax asset for net operating loss carryforwards. The Company expects this net operating loss carryforward to be fully realizable in the future based upon the Company's control of the transfer pricing arrangements. A valuation allowance is not recorded on the deferred tax assets of the Ireland subsidiary. Deferred tax considerations for all other foreign entities are immaterial to the financial statements.

Effective January 1, 2022, for U.S. tax purposes research and development costs, including software development costs, are required to be capitalized and will be deductible over five years for costs incurred domestically and over fifteen years for costs incurred in a foreign country. Additionally, the first year of amortization requires that amortization begin with the midpoint of the taxable year. As of December 31, 2022, the Company recorded a deferred tax asset of approximately $969,000 related to capitalized research and development costs. This deferred tax asset is fully reserved with a valuation allowance.

On August 16, 2022, the President of the United States signed the Inflation Reduction Act (IRA) into law. The IRA enacted a 15% corporate minimum tax effective in 2024, a 1% tax on share repurchases after December 31, 2022, and created and extended certain tax-

related energy incentives. The Company does not currently expect the tax-related provisions of the IRA to have a material effect on its financial results.

The Company anticipates that its foreign subsidiaries will be profitable and have earnings in the future. Once the foreign subsidiaries have earnings, the Company intends to indefinitely reinvest in its foreign subsidiaries all undistributed earnings and original investments in such subsidiaries. As a result, the Company does not expect to record deferred tax liabilities in the future related to excesses of book over tax basis in the stock of its foreign subsidiaries in accordance with ASC 740-30-25.

Tax years from 2018 to 2020 remain subject to examination in California, Georgia, Kentucky, Tennessee, Texas and on the federal level, with the exception of the assessment of NOL carry-forwards available for utilization, which can be examined for all years since 2009. The statute of limitations on these years will close when the NOLs expire or when the statute closes on the years in which the NOLs are utilized.

14. SEGMENT INFORMATION

The Chief Executive Officer (CEO), who is the Company's chief operating decision maker, has determined that the Company's operations are managed as three operating segments: U.S., International and Operating Cost. The Company has determined that each of these operating segments represents a reportable segment. In monitoring performance, aligning strategies and allocating resources, the chief operating decision maker manages and evaluates the Company's U.S., International, and Operating Cost segments based on segment income or loss from operations adjusted for certain non-cash items, such as stock-based compensation expense and depreciation and amortization. Therefore, the Company classifies within Other (a) the non-cash expenses included in research, development and medical affairs expenses; general and administrative expenses; and sales and marketing expenses; and (b) depreciation and amortization.

The Company's U.S. and International segments represent the sales and marketing, general and administrative and research and development activities dedicated to the respective geographies. The Operating Cost segment primarily represents the general and administrative and research and development activities not specifically associated with the U.S. or International segments and includes expenses such as executive management; information technology administration and support; legal; compliance; clinical studies; and business development.

Each of the Company's U.S., International, and Operating Cost segments is separately managed and is evaluated primarily upon segment income or loss from operations. Other is presented to reconcile to the Company's consolidated totals. The Company does not report balance sheet information by segment because the chief operating decision maker does not review that information. The Company allocates certain operating expenses among its reporting segments based on activity-based costing methods. These activity-based costing methods require the Company to make estimates that affect the amount of each expense category that is attributed to each segment. Changes in these estimates will directly affect the amount of expense allocated to each segment and therefore the operating profit of each reporting segment.

During the three months ended September 30, 2023 and 2022, two customers within the U.S. segment that are large pharmaceutical distributors accounted for 77% and 65% of the Company's consolidated product revenues, respectively. During the nine months ended September 30, 2023 and 2022, two customers within the U.S. segment that are large pharmaceutical distributors accounted for 69% and 62% of the Company's consolidated product revenues, respectively. These same two customers within the U.S. segment accounted for approximately 78% and 71% of the Company's consolidated accounts receivable at September 30, 2023 and at December 31, 2022, respectively.

The following tables present a summary of the Company's reporting segments for the three months ended September 30, 2023 and 2022:

	Three Months Ended September 30, 2023				
	U.S.	International	Operating Cost	Other	Consolidated
	(In thousands)				
REVENUE:					
PRODUCT REVENUE, NET	$ 18,064	$ 5,300	$ —	$ —	$ 23,364
COST OF GOODS SOLD, EXCLUDING DEPRECIATION AND AMORTIZATION	(1,773)	(985)	—	—	(2,758)
GROSS PROFIT	16,291	4,315	—	—	20,606
RESEARCH, DEVELOPMENT AND MEDICAL AFFAIRS EXPENSES	867	671	2,483	24	4,045
GENERAL AND ADMINISTRATIVE EXPENSES	216	266	3,007	118	3,607
SALES AND MARKETING EXPENSES	6,028	1,688	178	46	7,940
DEPRECIATION AND AMORTIZATION	—	—	—	3,160	3,160
OPERATING EXPENSES	7,111	2,625	5,668	3,348	18,752
SEGMENT INCOME (LOSS) FROM OPERATIONS	9,180	1,690	(5,668)	(3,348)	1,854
OTHER INCOME AND EXPENSES, NET	—	—	—	(3,155)	(3,155)
NET LOSS BEFORE TAXES					$ (1,301)

	Three Months Ended September 30, 2022				
	U.S.	International	Operating Cost	Other	Consolidated
	(In thousands)				
NET REVENUE	$ 8,920	$ 4,678	$ —	$ —	$ 13,598
COST OF GOODS SOLD, EXCLUDING DEPRECIATION AND AMORTIZATION	(1,057)	(949)	—	—	(2,006)
GROSS PROFIT	7,863	3,729	—	—	11,592
RESEARCH, DEVELOPMENT AND MEDICAL AFFAIRS EXPENSES	1,229	942	2,353	(41)	4,483
GENERAL AND ADMINISTRATIVE EXPENSES	367	434	2,417	134	3,352
SALES AND MARKETING EXPENSES	4,439	1,873	142	50	6,504
DEPRECIATION AND AMORTIZATION	—	—	—	664	664
OPERATING EXPENSES	6,035	3,249	4,912	807	15,003
SEGMENT INCOME (LOSS) FROM OPERATIONS	1,828	480	(4,912)	(807)	(3,411)
OTHER INCOME AND EXPENSES, NET	—	—	—	(1,834)	(1,834)
NET LOSS BEFORE TAXES					$ (5,245)

The following tables present a summary of the Company's reporting segments for the nine months ended September 30, 2023 and 2022:

	Nine Months Ended September 30, 2023				
	U.S.	International	Operating Cost	Other	Consolidated
	(In thousands)				
NET REVENUE	$ 37,520	$ 16,928	$ —	$ —	$ 54,448
COST OF GOODS SOLD, EXCLUDING DEPRECIATION AND AMORTIZATION	(3,969)	(3,242)	—	—	(7,211)
GROSS PROFIT	33,551	13,686	—	—	47,237
RESEARCH, DEVELOPMENT AND MEDICAL AFFAIRS EXPENSES	3,064	2,027	6,695	71	11,857
GENERAL AND ADMINISTRATIVE EXPENSES	1,903	1,592	8,241	415	12,151
SALES AND MARKETING EXPENSES	15,080	4,481	473	144	20,178
DEPRECIATION AND AMORTIZATION	—	—	—	5,707	5,707
OPERATING EXPENSES	20,047	8,100	15,409	6,337	49,893
SEGMENT INCOME (LOSS) FROM OPERATIONS	13,504	5,586	(15,409)	(6,337)	(2,656)
OTHER INCOME AND EXPENSES, NET	—	—	—	(13,617)	(13,617)
NET LOSS BEFORE TAXES					$ (16,273)

	Nine Months Ended September 30, 2022				
	U.S.	International	Operating Cost	Other	Consolidated
	(In thousands)				
NET REVENUE	$ 24,783	$ 15,317	$ —	$ —	$ 40,100
COST OF GOODS SOLD, EXCLUDING DEPRECIATION AND AMORTIZATION	(2,932)	(2,920)	—	—	(5,852)
GROSS PROFIT	21,851	12,397	—	—	34,248
RESEARCH, DEVELOPMENT AND MEDICAL AFFAIRS EXPENSES	3,680	2,665	5,612	41	11,998
GENERAL AND ADMINISTRATIVE EXPENSES	878	1,326	6,810	523	9,537
SALES AND MARKETING EXPENSES	13,739	5,932	392	159	20,222
DEPRECIATION AND AMORTIZATION	—	—	—	2,023	2,023
OPERATING EXPENSES	18,297	9,923	12,814	2,746	43,780
SEGMENT INCOME (LOSS) FROM OPERATIONS	3,554	2,474	(12,814)	(2,746)	(9,532)
OTHER INCOME AND EXPENSES, NET	—	—	—	(4,766)	(4,766)
NET INCOME BEFORE TAXES					$ (14,298)

15. OTHER AGREEMENTS WITH OCUMENSION

Share Purchase Agreement

On April 14, 2021, the Company entered into a Share Purchase Agreement with Ocumension Therapeutics, pursuant to which the Company offered and sold to Ocumension 1,144,945 shares of common stock (the Shares), at a purchase price of $8.734044 per Share. The number of Shares sold was equal to 19.9% of the number of shares of common stock outstanding immediately before the closing.

The aggregate gross proceeds from the sale of the Shares were $10,000,000. The Company has used the net proceeds from the sale of the Shares to continue to commercialize ILUVIEN and for general corporate purposes, which may include working capital, capital expenditures, other clinical trial expenditures, acquisitions of new technologies, products or businesses in ophthalmology, and investments.

Ocumension is entitled to certain purchase rights if the Company elects to offer or sell new securities in either a private or public offering.

Warrant Subscription Agreement

On April 14, 2021, the Company entered into a warrant agreement with Ocumension Therapeutics pursuant to which Ocumension agreed to issue to the Company 1,000,000 non-transferable warrants granting the Company the right for a period of four years to subscribe to up to an aggregate of 1,000,000 shares of Ocumension stock at the subscription price of HK$23.88 per warrant share (or US$3.07 per warrant share as converted to U.S. Dollars at the exchange rate on April 9, 2021 of 0.12853 U.S. Dollars per HK$), subject to adjustment. (The converted rate is for illustrative purposes only; if the Company exercises the warrants, it will pay the subscription price of HK$23.88 per warrant share in HK$.) The warrants were issued on August 13, 2021, pursuant to the terms of the warrant agreement. The warrants are not and will not be listed on any stock exchange.

16. OTHER AGREEMENTS WITH EYEPOINT PARENT AND EYEPOINT

Product Rights Agreement

On May 17, 2023 the Company entered into the Product Rights Agreement with EyePoint Parent whereby the Company was granted an exclusive and sublicensable (in accordance with the terms of the Product Rights Agreement) right and license (the License) certain of EyePoint Parent's and its affiliates' intellectual property to develop, manufacture, sell, commercialize and otherwise exploit certain products, including YUTIQ for the treatment and prevention of uveitis in the entire world, except Europe, the Middle East and Africa, territories for which the Company already had a license. The License also excludes any rights to YUTIQ for the treatment and prevention of chronic NIU-PS of the eye in China and certain other countries and regions in Asia, which rights are subject to a pre-existing exclusive license between EyePoint and Ocumension Therapeutics.

Additionally, pursuant to the Product Rights Agreement, EyePoint Parent transferred and assigned to the Company certain assets and certain contracts with third parties related to YUTIQ, including the new drug application #210331 for YUTIQ.

As a result, the Company paid EyePoint Parent an upfront payment of $75,000,000 and will make four quarterly guaranteed payments to EyePoint Parent totaling $7,500,000 in 2024. The Company will also pay royalties to EyePoint Parent from 2025 to 2028 at a percentage of mid-to-low double digits of the Company's annual U.S. net sales of certain products (including YUTIQ and ILUVIEN) in excess of certain thresholds, beginning at $70,000,000 in 2025, increasing annually thereafter. Upon the Company's payment of the upfront payment and the guaranteed payments, the licenses and rights granted to the Company will automatically become perpetual and irrevocable.

The Company also entered into a transition services agreement with EyePoint Parent under which EyePoint Parent has agreed to temporarily provide certain transition services to the Company on a cost-plus pricing arrangement following the closing date.

The total purchase consideration was $98,122,000, which has been recorded as an intangible asset, and includes the upfront payment of $75,000,000 as well as the guaranteed payments and estimated future royalties discounted to their fair value as of the transaction date of $7,085,000 and $15,765,000 respectively. The discounted fair values of the guaranteed payments and estimated future royalties were recorded as liabilities within the consolidated balance sheet on the transaction date as represented below.

	September 30, 2023 (In thousands)
Assets:	
Product rights intangible asset	$ 98,122
Liabilities:	
Accrued expenses	5,313
Accrued licensor payments	17,537

The Company concluded, based on the acquisition of a single asset due to substantially all of the value being concentrated in the Product Rights Agreement, lack of acquired employees and manufacturing, as well as absence of certain other inputs and acquired processes, that the transaction did not qualify as a business and therefore, recorded the acquisition of the License as an asset acquisition in accordance with ASC 805. Under ASC 805, the fair value cost of the net assets purchased is allocated, based on their relative fair value, to the acquired tangible assets and identified intangible assets and liabilities in accordance with U.S. GAAP.

The gross carrying amount of the intangible asset is $98,122,000, which is being amortized over approximately 10 years from the initial payment date (See Note 7). Acquisition costs associated with the acquisition of $272,000 were capitalized into the total purchase price of the transaction.

Commercial Supply Agreement

In connection with the Product Rights Agreement, the Company entered into a commercial supply agreement (the Supply Agreement) with EyePoint Parent pursuant to which, during the term of the Product Rights Agreement, EyePoint Parent will be responsible for manufacturing and exclusively supplying (subject to certain exceptions) to the Company agreed-upon quantities of YUTIQ necessary for Alimera to commercialize YUTIQ in the United States at certain cost plus amounts, subject to adjustments set forth in the Supply Agreement.

EyePoint Parent's manufacture and supply to Alimera of YUTIQ under the Supply Agreement will be exclusive (subject to certain exceptions set forth in the Supply Agreement) until Alimera has the right and ability to manufacture and supply YUTIQ for commercialization in the United States.

The Company may elect to manufacture YUTIQ after an initial 18-month term following the closing date upon the satisfaction of certain conditions.

17. FAIR VALUE

The Company applies ASC 820, *Fair Value Measurements*, in determining the fair value of certain assets and liabilities. Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. The hierarchy of those valuation approaches is broken down into three levels based on the reliability of inputs as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The valuation under this approach does not entail a significant degree of judgment.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, (e.g., interest rates and yield curves observable at commonly quoted intervals or current market) and contractual prices for the underlying financial instrument, as well as other relevant economic measures.

Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The following fair value table presents information about certain of the Company's assets measured at fair value on a recurring basis:

	September 30, 2023			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Warrant asset (1)	$ —	$ 70	$ —	$ 70
Assets measured at fair value	$ —	$ 70	$ —	$ 70

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Warrant asset (1)	$ —	$ 183	$ —	$ 183
Assets measured at fair value	$ —	$ 183	$ —	$ 183

(1) The Company uses the Black-Scholes pricing model and assumptions that consider, among other variables, the fair value of the underlying stock, risk-free interest rate, volatility, expected life and dividend rates in estimating fair value for the warrants considered to be derivative instruments. Changes in this value each reporting period are reported in the condensed consolidated statement of operations.

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

The following discussion and analysis should be read in conjunction with our unaudited interim condensed consolidated financial statements and the related notes (Interim Financial Statements) that appear elsewhere in this quarterly report on Form 10-Q. This discussion contains forward-looking statements reflecting our current expectations that involve risks and uncertainties. Actual results may differ materially from those discussed in these forward-looking statements due to a number of factors, including those described in Part I, Item 1A, "Risk Factors" and elsewhere in the 2022 Form10-K. For further information regarding forward-looking statements, please refer to the "Special Note Regarding Forward-Looking Statements and Projections" immediately after the index to this report above.

Overview

Alimera Sciences, Inc., and its subsidiaries (we, our or us), is a commercial-stage global pharmaceutical company developing and commercializing ILUVIEN (fluocinolone acetonide intravitreal implant) 0.19 mg, in the U.S. and abroad for the treatment of diabetic macular edema (DME), a leading cause of blindness, and outside the U.S. for non-infectious uveitis affecting the posterior segment of the eye (NIU-PS). ILUVIEN is a state-of-the-art, sustained release intravitreal implant that enables patients to maintain vision longer, and importantly, with fewer injections. We commercialize ILUVIEN in the U.S., Europe, and Middle East. Additionally, on May 17, 2023, we acquired from EyePoint Pharmaceuticals, Inc. (EyePoint Parent) the exclusive commercialization rights to YUTIQ® (fluocinolone acetonide intravitreal implant) 0.18 mg, for the treatment and prevention of NIU-PS worldwide, except for Europe, the Middle East, Africa, and China.

In the U.S. and certain other countries outside Europe, ILUVIEN is indicated for the treatment of DME in patients who have been previously treated with a course of corticosteroids and did not have a clinically significant rise in intraocular pressure. In 17 countries in Europe, ILUVIEN is indicated for the treatment of vision impairment associated with chronic DME considered insufficiently responsive to available therapies. In addition, ILUVIEN has received marketing authorization in 17 European countries and reimbursement in ten countries for the prevention of relapse in recurrent NIU-PS.

We market ILUVIEN directly in the U.S., Germany, the U.K., Portugal and Ireland. In addition, we have entered into various agreements under which distributors are providing or will provide regulatory, reimbursement and sales and marketing support for ILUVIEN in Austria, Belgium, the Czech Republic, Denmark, Finland, France, Italy, Luxembourg, the Netherlands, Norway, Spain, Sweden, Switzerland, Australia, New Zealand and several countries in the Middle East. In addition, we have granted an exclusive license to Ocumension Therapeutics for the development and commercialization of our 0.19 mg fluocinolone acetonide intravitreal injection in China, East Asia and the Western Pacific. As of September 30, 2023 we have recognized sales of ILUVIEN to international distributors in the Middle East, China, Austria, Belgium, Czech Republic, France, Italy, Luxembourg, Spain, the Netherlands, and the Nordic Region.

In the U.S., YUTIQ is indicated for the treatment and prevention of chronic NIU-PS. Pursuant to the product rights agreement dated May 17, 2023 (the Product Rights Agreement) with EyePoint Parent, we have the commercialization rights to YUTIQ in the entire world, except Europe, the Middle East and Africa as we had previously licensed from EyePoint Pharmaceuticals US, Inc. (EyePoint) rights to certain products, which included YUTIQ (known as ILUVIEN® in Europe, the Middle East and Africa) for the prevention of relapse in recurrent NIU-PS in those territories. The Product Rights Agreement also excludes any rights to YUTIQ for the treatment and prevention of chronic NIU-PS in China and certain other countries and regions in Asia, which rights are subject to a pre-existing exclusive license between EyePoint Parent and Ocumension Therapeutics.

Where We Market ILUVIEN to Treat Diabetic Macular Edema (DME)

ILUVIEN has received marketing authorization for the use of ILUVIEN to treat DME for the indications and is reimbursed and marketed as shown in the following table:

Indication for the Treatment of DME	Countries Where ILUVIEN Has Received Marketing Authorization to Treat DME	Countries Where ILUVIEN Has Received Reimbursement Approval to Treat DME	Countries Where ILUVIEN is Currently Available to Treat DME
Treatment of DME in patients who have been previously treated with a course of corticosteroids and did not have a clinically significant rise in intraocular pressure	U.S., Australia, Canada, Kuwait, Lebanon and the United Arab Emirates	U.S., Kuwait, Lebanon and the United Arab Emirates	U.S., Kuwait, Lebanon and the United Arab Emirates
Treatment of vision impairment associated with chronic DME considered insufficiently responsive to available therapies	The United Kingdom (U.K.), Germany, France, Italy, Spain, Portugal, Ireland, Austria, Belgium, Denmark, Norway, Finland, Sweden, Poland, the Czech Republic, the Netherlands and Luxembourg	The U.K., Belgium, Germany, France, Italy, Spain, Portugal, Ireland, Luxembourg and the Netherlands	The U.K., Belgium, the Czech Republic, Germany, France, Italy, Spain, Portugal, Ireland, Austria, Luxembourg, Denmark, Norway, Finland, Sweden and the Netherlands

Where We Market ILUVIEN to Treat Recurrent Non-Infectious Uveitis Affecting the Posterior Segment of the Eye (NIU-PS)

ILUVIEN has received marketing authorization for the use of ILUVIEN to treat NIU-PS for the indications and is reimbursed and marketed as shown in the following table:

Indication for the Treatment of NIU-PS	Countries Where ILUVIEN Has Received Marketing Authorization to Treat NIU-PS	Countries Where ILUVIEN Has Received Reimbursement Approval to Treat NIU-PS	Countries Where ILUVIEN is Currently Marketed to Treat NIU-PS
The prevention of relapse in recurrent NIU-PS	The U.K., Germany, France, Spain, Portugal, Ireland, Austria, Belgium, Denmark, Norway, Finland, Sweden, Poland, the Czech Republic, the Netherlands and Luxembourg	The U.K., Germany, Ireland (private sector), Italy, France, Portugal, Spain, the Czech Republic, Luxembourg and the Netherlands	The U.K., Germany, Ireland, Italy, France, Spain, the Czech Republic, Luxembourg, the Netherlands, Denmark, Norway, Portugal, Sweden, Finland, Austria and Belgium

Additionally, we market YUTIQ to treat chronic NIU-PS in the U.S.

Sources of Revenues

Our revenues for the three months ended September 30, 2023 and 2022 were generated from product sales primarily in the U.S., Germany and the U.K. In the U.S., two large pharmaceutical distributors accounted for 77% and 65% of our consolidated product revenues for the three months ended September 30, 2023 and 2022, respectively. These U.S.-based distributors purchase ILUVIEN and YUTIQ in 2023 from us, maintain inventories of ILUVIEN and YUTIQ and sell on to physician offices, pharmacies and hospitals. Internationally, in countries where we sell direct, our customers are hospitals, clinics and pharmacies. We sometimes refer to physician offices, pharmacies, hospitals and clinics as end users. Internationally, in countries where we sell to distributors, these distributors purchase ILUVIEN from us and maintain inventories of ILUVIEN that they sell to their customers.

Transactions with Ocumension Therapeutics

On April 14, 2021, we entered into a transaction with Ocumension Therapeutics (Ocumension). In the Ocumension transaction, we received a total of $20.0 million in cash under two agreements:

- an Exclusive License Agreement (the Ocumension License Agreement) with a wholly owned subsidiary of Ocumension, pursuant to which we granted an exclusive license for the development and commercialization of our 0.19 mg fluocinolone acetonide intravitreal implant in applicator under Ocumension's own branded label in China, East Asia, and the Western Pacific, in exchange for a nonrefundable upfront payment of $10.0 million and aggregated potential sales milestone payments of up to $89.0 million upon achievement by the Ocumension subsidiary of specified amounts of net sales of the licensed product in in the future. We recognized $11.0 million in license revenue from the Ocumension transaction (including the value of a warrant subscription agreement, which we received as consideration, to purchase 1,000,000 shares of Ocumension Therapeutics during a period of four years), in accordance with ASC 606, Revenue from Contracts with Customers, with the remaining approximate $300,000 in consideration received classified as deferred revenue that will be recognized over the remaining term of the license agreement once Ocumension begins to sell products. Revenue from the Ocumension License Agreement is included within net revenue in the accompanying Interim Financial Statements; and
- a Share Purchase Agreement with Ocumension, pursuant to which we offered and sold to Ocumension 1,144,945 shares of our common stock at a purchase price of $8.734044 per share, or $10.0 million in total.

For more information about the Ocumension transaction, see Notes 8 and 15 in the Interim Financial Statements.

Agreements with EyePoint Parent and EyePoint

In July 2017, we amended and restated our license agreement with EyePoint Pharmaceuticals US, Inc. (EyePoint) (the New Collaboration Agreement). Under the New Collaboration Agreement, we hold a worldwide license from EyePoint for the use of steroids, including FAc, in EyePoint's proprietary insert technology for the treatment of all ocular diseases, other than uveitis, outside of Europe, the Middle East and Africa. The New Collaboration Agreement converted our previous profit share obligation to a royalty payable on global net revenues of ILUVIEN. The New Collaboration Agreement included a right to offset $15.0 million of future royalty payments (the Future Offset). As of September 30, 2023, the balance of the Future Offset was approximately $6.6 million, which is fully reserved. We will be able to recover the balance of the Future Offset as a reduction of future royalties that would otherwise be owed to EyePoint by reducing the royalty owed from 6% to 5.2% for net revenues and other related consideration up to $75.0 million annually and from 8% to 6.8% for net revenues and other related consideration in excess of $75.0 million on an annual basis.

On May 17, 2023 we entered into a product rights agreement (the Product Rights Agreement) with EyePoint Parent whereby we were granted an exclusive and sublicensable right and license under EyePoint Parent's and its affiliates' interest in certain of EyePoint Parent's and its affiliates' intellectual property to develop, manufacture, sell, commercialize and otherwise exploit certain products, including YUTIQ, for the treatment and prevention of uveitis in the entire world, except Europe, the Middle East and Africa. Pursuant to the agreement, we paid EyePoint Parent an upfront payment of $75.0 million and will also make four quarterly guaranteed payments to EyePoint Parent totaling $7.5 million during 2024 (the payments). We will also pay royalties to EyePoint Parent from 2025 to 2028 at a percentage of mid-to-low double digits of annual U.S. net sales of certain products (including YUTIQ and ILUVIEN) in excess of certain thresholds, beginning at $70.0 million in 2025, increasing annually thereafter. Upon making the payments, the licenses and rights granted to Alimera will automatically become perpetual and irrevocable.

We also entered into a commercial supply agreement (the Supply Agreement) with EyePoint Parent pursuant to which, during the term of the Product Rights Agreement, EyePoint Parent will be responsible for manufacturing and exclusively supplying (subject to certain exceptions) to us agreed-upon quantities of YUTIQ necessary for us to commercialize YUTIQ in the United States at certain cost-plus amounts, subject to adjustments. EyePoint Parent's manufacture and supply to us of YUTIQ will be exclusive (subject to certain exceptions) until we have the right and ability to manufacture and supply YUTIQ for commercialization in the United States. The term of the Supply Agreement is for a period of two years and thereafter automatically renews for successive one-year terms unless either party provides notice of non-renewal to the other party within a specified period of time prior to the beginning of the next automatic renewal term, provided that the Supply Agreement automatically terminates upon the successful completion of the transfer of manufacturing for YUTIQ to us or our designee. The Supply Agreement also automatically terminates upon termination of the Product Rights Agreement.

For more information about our agreements with EyePoint Parent and EyePoint, including how we calculate the royalty percentages we are required to pay, see Note 8 and Note 16 in the Interim Financial Statements.

Consolidated Results of Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(In thousands, except share and per share data)			
NET REVENUE	$ 23,364	$ 13,598	$ 54,448	$ 40,100
COST OF GOODS SOLD, EXCLUDING DEPRECIATION AND AMORTIZATION	(2,758)	(2,006)	(7,211)	(5,852)
GROSS PROFIT	20,606	11,592	47,237	34,248
RESEARCH, DEVELOPMENT AND MEDICAL AFFAIRS EXPENSES	4,045	4,483	11,857	11,998
GENERAL AND ADMINISTRATIVE EXPENSES	3,607	3,352	12,151	9,537
SALES AND MARKETING EXPENSES	7,940	6,504	20,178	20,222
DEPRECIATION AND AMORTIZATION	3,160	664	5,707	2,023
OPERATING EXPENSES	18,752	15,003	49,893	43,780
INCOME (LOSS) FROM OPERATIONS	1,854	(3,411)	(2,656)	(9,532)
INTEREST EXPENSE AND OTHER	(2,070)	(1,500)	(5,431)	(4,247)
UNREALIZED FOREIGN CURRENCY (LOSS) GAIN, NET	(138)	(67)	(158)	79
LOSS ON EXTINGUISHMENT OF DEBT	—	—	(1,079)	—
CHANGE IN FAIR VALUE OF WARRANT ASSET	(22)	(267)	(113)	(598)
CHANGE IN FAIR VALUE OF WARRANT LIABILITY	(925)	—	(6,836)	—
NET LOSS BEFORE TAXES	(1,301)	(5,245)	(16,273)	(14,298)
INCOME TAX PROVISION	(53)	(12)	(78)	(29)
NET LOSS	(1,354)	(5,257)	(16,351)	(14,327)
PREFERRED STOCK DIVIDENDS	(576)	—	(1,259)	—
NET LOSS APPLICABLE TO COMMON STOCKHOLDERS	$ (1,930)	$ (5,257)	$ (17,610)	$ (14,327)
NET LOSS PER SHARE APPLICABLE TO COMMON STOCKHOLDERS — Basic and Diluted	$ (0.06)	$ (0.75)	$ (1.11)	$ (2.05)
WEIGHTED AVERAGE SHARES OUTSTANDING — Basic and Diluted	32,106,014	6,996,575	15,835,807	6,995,695

Revenue

We generate revenue primarily from sales of ILUVIEN and YUTIQ, our two products. In addition to generating revenue from product sales, we seek to generate revenue from other sources such as upfront fees, milestone payments in connection with collaborative or strategic relationships, and royalties resulting from the licensing of ILUVIEN or any future product candidates and other intellectual property. Revenue from our international distributors fluctuates depending on the timing of the shipment of ILUVIEN to the distributors and the distributors' sales of ILUVIEN to their customers.

Net revenue increased by approximately $9.8 million, or 72%, to approximately $23.4 million for the three months ended September 30, 2023, compared to approximately $13.6 million for the three months ended September 30, 2022. The increase was primarily due to sales of YUTIQ beginning in May 2023 in the U.S. as well as increased unit sales volume of ILUVIEN in both the U.S. and International segments of our business.

Net revenue increased by approximately $14.3 million, or 36%, to approximately $54.4 million for the nine months ended September 30, 2023, compared to approximately $40.1 million for the nine months ended September 30, 2022. The increase was primarily due to sales of YUTIQ beginning in May 2023 in the U.S. as well as increased unit sales volume of ILUVIEN in both the U.S. and International segments of our business.

Cost of Goods Sold, Excluding Depreciation and Amortization, and Gross Profit

Gross profit is affected by costs of goods sold, which includes costs of manufactured goods sold and royalty payments to EyePoint under the New Collaboration Agreement. Additionally, cost of goods sold by our international distributors fluctuates depending on the revenue share attributable to the respective contract.

Cost of goods sold, excluding depreciation and amortization, increased by approximately $750,000, or 37%, to approximately $2.8 million for the three months ended September 30, 2023, compared to approximately $2.0 million for the three months ended September 30, 2022. The increase was primarily related to our increased product sales.

Cost of goods sold, excluding depreciation and amortization, increased by approximately $1.3 million, or 23%, to approximately $7.2 million for the nine months ended September 30, 2023, compared to approximately $5.9 million for the nine months ended September 30, 2022. The increase was primarily related to our increased product sales.

Gross profit increased by approximately $9.0 million, or 78%, to approximately $20.6 million for the three months ended September 30, 2023, compared to approximately $11.6 million for the three months ended September 30, 2022. Gross margin was 88% and 85% for the three months ended September 30, 2023 and 2022, respectively.

Gross profit increased by approximately $13.0 million, or 38%, to approximately $47.2 million for the nine months ended September 30, 2023, compared to approximately $34.2 million for the nine months ended September 30, 2022. Gross margin was 87% and 85% for the nine months ended September 30, 2023 and 2022, respectively.

Research, Development and Medical Affairs Expenses

Currently, our research, development and medical affairs expenses are primarily focused on activities that support ILUVIEN and YUTIQ. These expenses include salaries and related expenses for research and development and medical affairs personnel, expenses related to clinical trials including our NEW DAY Study, SYNCHRONICITY Study, which is a prospective, open-label clinical study evaluating the safety and efficacy of YUTIQ for the treatment and prevention of chronic NIU-PS and related intraocular inflammation and expenses tied to physician engagement by our medical science liaisons. Our research, development and medical affairs expenses also include costs related to symposia development for physician education, and costs related to compliance with FDA, EEA or other regulatory requirements. We expense both internal and external research and development costs as they are incurred.

Research, development and medical affairs expenses decreased by approximately $440,000, or 11%, to approximately $4.0 million for the three months ended September 30, 2023, compared to approximately $4.5 million for the three months ended September 30, 2022. The decrease was primarily attributable to decreases of approximately $230,000 in consultant costs, $230,000 in clinical study costs and $140,000 in applicator design costs, partially offset by an increase of $130,000 in registration costs for YUTIQ under the Prescription Drug User Fee Act, and $100,000 in scientific communications costs.

Research, development and medical affairs expenses decreased by approximately $140,000, or 1%, to approximately $11.9 million for the nine months ended September 30, 2023, compared to approximately $12.0 million for the nine months ended September 30, 2022. The decrease was primarily attributable to decreases of approximately $350,000 in consultant costs, $190,000 in scientific communications costs, and $120,000 in safety and quality costs, partially offset by an increase of $300,000 in clinical study costs and $160,000 in registration costs for YUTIQ under the Prescription Drug User Fee Act.

General and Administrative Expenses

General and administrative expenses consist primarily of compensation for employees in executive and administrative functions, including finance, accounting, legal, information technology, and human resources. Other significant costs include facilities costs and professional fees for accounting and legal services, including legal services associated with obtaining and maintaining patents and managing license agreements. We expect to continue to incur significant costs to comply with the corporate governance, internal control and similar requirements applicable to public companies.

General and administrative expenses increased by approximately $250,000, or 8%, to approximately $3.6 million for the three months ended September 30, 2023, compared to approximately $3.4 million for the three months ended September 30, 2022. The increase was primarily attributable to an increase of approximately $220,000 in personnel costs during the three months ended September 30, 2023.

General and administrative expenses increased by approximately $2.6 million, or 27%, to approximately $12.2 million for the nine months ended September 30, 2023, compared to approximately $9.5 million for the nine months ended September 30, 2022. The increase was primarily attributable to increases of approximately $1.5 million of bad debt expense, $630,000 in professional fees, $160,000 in office related costs, and $140,000 in personnel costs for the nine months ended September 30, 2023.

Sales and Marketing Expenses

Sales and marketing expenses consist primarily of compensation for employees for commercial promotion of ILUVIEN and YUTIQ, including the assessment of the commercial opportunity, development of market awareness, pursuit of reimbursement approval, and commercialization generally, including launch plans in new markets. Other costs include third-party service fees, professional fees associated with developing plans for ILUVIEN and YUTIQ or any future products or product candidates and maintaining public relations.

Sales and marketing expenses increased by approximately $1.4 million, or 22%, to approximately $7.9 million for the three months ended September 30, 2023, compared to approximately $6.5 million for the three months ended September 30, 2022. The increase was primarily attributable to an increase of approximately $1.1 million in marketing costs, including costs to attend conventions, costs related to our direct to patient marketing campaign, costs associated with customer engagement, and costs to market YUTIQ.

Sales and marketing expenses were $20.2 million for both the nine months ended September 30, 2023 and 2022.

Operating Expenses

As a result of the increases and decreases in various expenses described above, total operating expenses increased by approximately $3.7 million, or 25%, to approximately $18.8 million for the three months ended September 30, 2023, compared to approximately $15.0 million for the three months ended September 30, 2022. The increase was primarily attributable to increases of approximately $2.5 million in depreciation and amortization, $1.4 million in sales and marketing expenses, and $260,000 in general and administrative expenses, partially offset by a decrease of $440,000 in research and development expenses as described above.

As a result of the increases and decreases in various expenses described above, total operating expenses increased by approximately $6.1 million, or 14%, to approximately $49.9 million for the nine months ended September 30, 2023, compared to approximately $43.8 million for the nine months ended September 30, 2022. The increase was primarily attributable to increases of approximately $3.7 million in depreciation and amortization and $2.6 million in general and administrative expenses, partially offset by a decrease of $140,000 in research and development expenses as described above.

Interest Expense and Other

Interest expense and other increased by approximately $1.3 million, or 72%, to approximately $3.2 million for the three months ended September 30, 2023, compared to approximately $1.8 million for the three months ended September 30, 2022. This increase is primarily related to the additional borrowing under our credit facility.

Interest expense and other increased by approximately $8.9 million, or 186%, to approximately $13.6 million for the nine months ended September 30, 2023, compared to approximately $4.8 million for the nine months ended September 30, 2022. This increase is related to the change in the fair value of our outstanding common stock warrants held as liabilities until the mandatory conversion of our Series B Convertible Preferred Stock in full into our common stock in August 2023 (the Mandatory Conversion), as well as additional borrowing under our credit facility.

Basic and Diluted Net Loss Applicable to Common Stockholders per Share of Common Stock

We follow FASB Accounting Standards Codification, *Earnings Per Share* (ASC 260), which requires the reporting of both basic and diluted earnings per share. Because our preferred stockholders could participate in dividends equally with common stockholders (if we were to declare and pay dividends), we use the two-class method to calculate EPS. However, our preferred stockholders were not contractually obligated to share in losses. Following the Mandatory Conversion, we no longer have any series of preferred stock outstanding.

Basic EPS is computed by dividing net (loss) income available to stockholders by the weighted average number of shares outstanding for the period. Diluted EPS is calculated in accordance with ASC 260 by adjusting weighted average shares outstanding for the dilutive effect of common stock options and warrants we have issued. In periods where a net loss is recorded, no effect is given to potentially dilutive securities, because the effect would be anti-dilutive.

Common stock equivalent securities that would potentially dilute basic EPS in the future but were not included in the computation of diluted EPS because they were either classified as participating and do not share in losses or would have been anti-dilutive. Those securities were approximately 2.8 million for the three and nine months ended September 30, 2023, and 1.9 million for the three and nine months ended September 30, 2022.

Results of Operations – Segment Review

The following selected unaudited financial and operating data are derived from our Interim Financial Statements. The results and discussions that follow reflect how our Chief Executive Officer (CEO), who is the Company's chief operating decision maker, monitors the performance of our reporting segments.

Our U.S. and International segments represent the sales and marketing, general and administrative and research and development activities dedicated to the respective geographies. The Operating Cost segment primarily represents the general and administrative and research and development activities not specifically associated with the U.S. or International segments and includes expenses such as executive management; information technology administration and support; legal; compliance; clinical studies; and business development. In monitoring performance, aligning strategies, and allocating resources, our chief operating decision maker manages and evaluates our U.S., International and Operating Cost segments based on segment income or loss from operations adjusted for certain non-cash items, such as stock-based compensation expense and depreciation and amortization. Therefore, we classify within Other (a) the non-cash expenses included in research, development and medical affairs expenses; general and administrative expenses; and sales and marketing expenses; and (b) depreciation and amortization.

Each of our U.S., International and Operating Cost segments is separately managed and is evaluated primarily upon segment income or loss from operations. Other is presented to reconcile to our consolidated totals. For that reconciliation, please see Note 14 in the Interim Financial Statements. We do not report balance sheet information by segment because our chief operating decision maker does not review that information. We allocate certain operating expenses among our reporting segments based on activity-based costing methods. These activity-based costing methods require us to make estimates that affect the amount of each expense category that is attributed to each segment. Changes in these estimates will directly affect the amount of expense allocated to each segment and therefore the operating profit of each reporting segment.

U.S. Segment

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(In thousands)			
NET REVENUE	$ 18,064	$ 8,920	$ 37,520	$ 24,783
COST OF GOODS SOLD, EXCLUDING DEPRECIATION AND AMORTIZATION	(1,773)	(1,057)	(3,969)	(2,932)
GROSS PROFIT	16,291	7,863	33,551	21,851
RESEARCH, DEVELOPMENT AND MEDICAL AFFAIRS EXPENSES	867	1,229	3,064	3,680
GENERAL AND ADMINISTRATIVE EXPENSES	216	367	1,903	878
SALES AND MARKETING EXPENSES	6,028	4,439	15,080	13,739
OPERATING EXPENSES	7,111	6,035	20,047	18,297
SEGMENT INCOME FROM OPERATIONS	$ 9,180	$ 1,828	$ 13,504	$ 3,554

U.S. Segment – three months ended September 30, 2023 compared to the three months ended September 30, 2022

Net revenue. Net revenue increased by approximately $9.2 million, or 103%, to approximately $18.1 million for the three months ended September 30, 2023, compared to approximately $8.9 million for the three months ended September 30, 2022. The increase was primarily driven by the addition of YUTIQ in May 2023 and continuing growth of ILUVIEN sales due to increased end-user demand, which represents units purchased by physicians and pharmacies from distributors. The difference between GAAP revenue and end user demand is due to the timing of distributor purchases.

Cost of goods sold, excluding depreciation and amortization. Cost of goods sold, excluding depreciation and amortization, increased by approximately $720,000, or 68%, to approximately $1.8 million for the three months ended September 30, 2023, compared to approximately $1.1 million for the three months ended September 30, 2022. The increase was primarily attributable to our increased product sales.

Research, development and medical affairs expenses. Research, development and medical affairs expenses decreased by approximately $360,000, or 29%, to approximately $870,000 for the three months ended September 30, 2023, compared to approximately $1.2 million for the three months ended September 30, 2022. The decrease was primarily attributable to decreases of approximately $310,000 in clinical study costs and $160,000 in personnel costs, partially offset by an increase of $150,000 in registration costs primarily related to YUTIQ under the Prescription Drug User Fee Act.

General and administrative expenses. General and administrative expenses decreased by approximately $150,000, or 41%, to approximately $216,000 for the three months ended September 30, 2023, compared to approximately $370,000 for the three months ended September 30, 2022. The decrease was primarily attributable to a decrease in insurance and personnel costs of $100,000.

Sales and marketing expenses. Sales and marketing expenses increased by approximately $1.6 million, or 36%, to approximately $6.0 million for the three months ended September 30, 2023, compared to approximately $4.4 million for the three months ended September 30, 2022. The increase was primarily attributable to an increase of $1.5 million in marketing costs, including costs to attend conventions, costs related to our direct-to-patient marketing campaign, costs associated with customer engagement, and costs to market YUTIQ.

U.S. Segment – nine months ended September 30, 2023 compared to the nine months ended September 30, 2022

Net revenue. Net revenue increased by approximately $12.7 million, or 51%, to approximately $37.5 million for the nine months ended September 30, 2023, compared to approximately $24.8 million for the nine months ended September 30, 2022. The increase was primarily due to increased end-user demand, which represents units purchased by physicians and pharmacies from distributors, as well as sales of YUTIQ beginning in May 2023. The difference between GAAP revenue and end-user demand is due to the timing of distributor purchases.

Cost of goods sold, excluding depreciation and amortization. Cost of goods sold, excluding depreciation and amortization, increased by approximately $1.1 million, or 35%, to approximately $4.0 million for the nine months ended September 30, 2023, compared to approximately $2.9 million for the nine months ended September 30, 2022. The increase was primarily attributable to our increased product sales.

Research, development and medical affairs expenses. Research, development and medical affairs expenses decreased by approximately $620,000, or 17%, to approximately $3.1 million for the nine months ended September 30, 2023, compared to approximately $3.7 million for the three months ended September 30, 2022. The decrease was primarily attributable to decreases of approximately $450,000 in personnel costs, $170,000 in scientific communications costs, and $150,000 in consultant costs, partially offset by an increase of $180,000 in registration costs primarily related to YUTIQ under the Prescription Drug User Fee Act.

General and administrative expenses. General and administrative expenses increased by approximately $1.0 million, or 117%, to approximately $1.9 million for the nine months ended September 30, 2023, compared to approximately $880,000 for the nine months ended September 30, 2022. The increase was primarily attributable to an increase of approximately $1.3 million in bad debt expense, partially offset by a decrease of $280,000 in personnel costs.

Sales and marketing expenses. Sales and marketing expenses increased by approximately $1.3 million, or 10%, to approximately $15.1 million for the nine months ended September 30, 2023, compared to approximately $13.7 million for the nine months ended September 30, 2022. The increase was primarily attributable to an increase of approximately $1.2 million in marketing costs, including costs to attend conventions, costs related to our direct-to-patient marketing campaign, costs associated with customer engagement, and costs to market YUTIQ.

International Segment

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(In thousands)			
NET REVENUE	$ 5,300	$ 4,678	$ 16,928	$ 15,317
COST OF GOODS SOLD, EXCLUDING DEPRECIATION AND AMORTIZATION	(985)	(949)	(3,242)	(2,920)
GROSS PROFIT	4,315	3,729	13,686	12,397
RESEARCH, DEVELOPMENT AND MEDICAL AFFAIRS EXPENSES	671	942	2,027	2,665
GENERAL AND ADMINISTRATIVE EXPENSES	266	434	1,592	1,326
SALES AND MARKETING EXPENSES	1,688	1,873	4,481	5,932
OPERATING EXPENSES	2,625	3,249	8,100	9,923
SEGMENT INCOME FROM OPERATIONS	$ 1,690	$ 480	$ 5,586	$ 2,474

International Segment - three months ended September 30, 2023 compared to the three months ended September 30, 2022

Net revenue. Net revenue increased by approximately $620,000, or 13%, to approximately $5.3 million for the three months ended September 30, 2023 compared to approximately $4.7 million for the three months ended September 30, 2022. The increase was primarily due to an increase in end-user demand in direct markets.

Cost of goods sold, excluding depreciation and amortization. Cost of goods sold, excluding depreciation and amortization increased by approximately $50,000 to $990,000 for the three months ended September 30, 2023 compared to approximately $950,000 for the three months ended September 30, 2022.

Research, development and medical affairs expenses. Research, development and medical affairs expenses decreased by approximately $270,000, or 29%, to approximately $670,000 the three months ended September 30, 2023 compared to approximately $940,000 for the three months ended September 30, 2022. The decrease was primarily attributable to a decrease of approximately $300,000 in consultant costs.

General and administrative expenses. General and administrative expenses decreased by approximately $160,000, or 39%, to approximately $270,000 for the three months ended September 30, 2023 compared to approximately $430,000 for the three months ended September 30, 2022. The decrease was primarily attributable to a decrease of approximately $100,000 in logistics fees.

Sales and marketing expenses. Sales and marketing expenses decreased by approximately $190,000, or 10%, to approximately $1.7 million for the three months ended September 30, 2023, compared to approximately $1.9 million for the three months ended September 30, 2022. The decrease was primarily attributable to a decrease of approximately $200,000 in marketing costs, including costs to attend conventions and costs associated with customer engagement.

International Segment - nine months ended September 30, 2023 compared to the nine months ended September 30, 2022

Net revenue. Net revenue increased by approximately $1.6 million, or 11%, to approximately $16.9 million for the nine months ended September 30, 2023, compared to approximately $15.3 million for the nine months ended September 30, 2022. The increase was primarily due to an increase in end-user demand in direct markets.

Cost of goods sold, excluding depreciation and amortization. Cost of goods sold, excluding depreciation and amortization increased by approximately $320,000, or 11%, to approximately $3.2 million for the nine months ended September 30, 2023, compared to approximately $2.9 million for the nine months ended September 30, 2022. The increase was primarily attributable to our increased product sales.

Research, development and medical affairs expenses. Research, development and medical affairs expenses decreased by approximately $640,000, or 24%, to approximately $2.0 million for the nine months ended September 30, 2023, compared to approximately $2.7 million for the nine months ended September 30, 2022. The decrease was primarily attributable to a decrease of $600,000 in consultant costs.

General and administrative expenses. General and administrative expenses increased by approximately $260,000, or 20%, to approximately $1.6 million for the nine months ended September 30, 2023 compared to approximately $1.3 million for the nine months ended September 30, 2022. The increase was primarily attributable to an increase in bad debt expense related to a former distributor of $190,000 and $120,000 of logistics fees during the nine months ended September 30, 2023.

Sales and marketing expenses. Sales and marketing expenses decreased by approximately $1.4 million, or 24%, to approximately $4.5 million for the nine months ended September 30, 2023, compared to approximately $5.9 million for the nine months ended September 30, 2022. The decrease was primarily attributable to a decrease of approximately $1.3 million in marketing costs, including costs to attend conventions and costs associated with customer engagement.

Operating Cost Segment

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(In thousands)			
RESEARCH, DEVELOPMENT AND MEDICAL AFFAIRS EXPENSES	$ 2,483	$ 2,353	$ 6,695	$ 5,612
GENERAL AND ADMINISTRATIVE EXPENSES	3,007	2,417	8,241	6,810
SALES AND MARKETING EXPENSES	178	142	473	392
OPERATING EXPENSES	5,668	4,912	15,409	12,814
SEGMENT LOSS FROM OPERATIONS	$ (5,668)	$ (4,912)	$ (15,409)	$ (12,814)

Operating Cost Segment - three months ended September 30, 2023 compared to the three months ended September 30, 2022

Research, development and medical affairs expenses. Research, development and medical affairs expenses increased by approximately $130,000, or 6%, to approximately $2.5 million for the three months ended September 30, 2023, compared to approximately $2.4 million for the three months ended September 30, 2022. The increase was primarily attributable to increases of approximately $200,000 in personnel costs, $140,000 in consultant costs, and $120,000 in clinical study costs, partially offset by decreases of $190,000 in safety and quality related costs and $140,000 in applicator design costs.

General and administrative expenses. General and administrative expenses increased by approximately $590,000, or 24%, to approximately $3.0 million for the three months ended September 30, 2023, compared to approximately $2.4 million for the three months ended September 30, 2022. The increase was primarily attributable to increases of approximately $300,000 in personnel costs, $160,000 in professional fees, and $130,000 in insurance costs.

Sales and marketing expenses. Sales and marketing expenses increased by approximately $40,000, or 25%, to approximately $180,000 for the three months ended September 30, 2023, compared to approximately $140,000 for the three months ended September 30, 2022.

Operating Cost Segment - nine months ended September 30, 2023 compared to the nine months ended September 30, 2022

Research, development and medical affairs expenses. Research, development and medical affairs expenses increased by approximately $1.1 million, or 19%, to approximately $6.7 million for the nine months ended September 30, 2023, compared to approximately $5.6 million for the nine months ended September 30, 2022. The increase was primarily attributable to increases of approximately $560,000 in personnel costs, $400,000 in consultant costs, and $300,000 of clinical study costs, partially offset by a decrease of $150,000 in safety and quality related costs.

General and administrative expenses. General and administrative expenses increased by approximately $1.4 million, or 21%, to approximately $8.2 million for the nine months ended September 30, 2023, compared to approximately $6.8 million for the nine months ended September 30, 2022. The increase was primarily attributable to increases of approximately $570,000 in professional fees, $310,000 in personnel costs, $230,000 in insurance costs, and $230,000 in office related costs.

Sales and marketing expenses. Sales and marketing expenses increased by approximately $80,000, or 21%, to approximately $470,000 for the nine months ended September 30, 2023, compared to approximately $390,000 for the nine months ended September 30, 2022.

Other

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(In thousands)			
RESEARCH, DEVELOPMENT AND MEDICAL AFFAIRS EXPENSES	$ 24	$ (41)	$ 71	$ 41
GENERAL AND ADMINISTRATIVE EXPENSES	118	134	415	523
SALES AND MARKETING EXPENSES	46	50	144	159
DEPRECIATION AND AMORTIZATION	3,160	664	5,707	2,023
OPERATING EXPENSES	3,348	807	6,337	2,746
SEGMENT LOSS FROM OPERATIONS	$ (3,348)	$ (807)	$ (6,337)	$ (2,746)

Our CEO, who is our chief operating decision maker, manages and evaluates our U.S., International, and Operating Cost segments based upon segment income or loss from operations adjusted for certain non-cash items, such as stock-based compensation expense and depreciation and amortization. We classify the non-cash expenses included in research, development and medical affairs expenses, general and administrative expenses, and sales and marketing expenses within Other in the Interim Financial Statements.

Operating expenses. Operating expenses in Other increased by approximately $2.5 million, or 315%, to approximately $3.3 million for the three months ended September 30, 2023, compared to approximately $810,000 for the three months ended September 30, 2022. The increase was primarily attributable to an increase of $2.5 million in depreciation and amortization expenses, as described below.

Operating expenses. Operating expenses in Other increased by approximately $3.6 million, or 131%, to approximately $6.3 million for the nine months ended September 30, 2023, compared to approximately $2.7 million for the nine months ended September 30, 2022. The increase was primarily attributable to an increase of $3.7 million in depreciation and amortization expenses, as described below, partially offset by a decrease of $110,000 in general and administrative expenses.

Depreciation and amortization. Depreciation and amortization increased by approximately $2.5 million, or 376%, to approximately $3.2 million for the three months ended September 30, 2023, compared to approximately $660,000 for the three months ended September 30, 2022. The increase was primarily attributable to amortization of the YUTIQ intangible asset which was acquired in May 2023.

Depreciation and amortization. Depreciation and amortization increased by approximately $3.7 million, or 182%, to approximately $5.7 million for the nine months ended September 30, 2023, compared to approximately $2.0 million for the nine months ended September 30, 2022. The increase was primarily attributable to amortization of the YUTIQ intangible asset which was acquired in May 2023.

Liquidity and Capital Resources

Overview

Since inception, we have incurred recurring losses, negative cash flow from operations and have accumulated a deficit in stockholders' equity of $414.7 million as of September 30, 2023. As of September 30, 2023, we had approximately $8.3 million in cash and cash equivalents. In March 2023 we received $12.0 million in gross proceeds from the Tranche 1 closing of our Series B Convertible Preferred Stock financing and an additional $2.5 million in cash in connection with the Fifth Amendment to the 2019 Loan Agreement. We have used these funds to commercialize ILUVIEN, to fund our NEW DAY Study and for general corporate purposes. In May 2023 we received $67.0 million in gross proceeds from the Tranche 2 closing of our Series B Convertible Preferred Stock financing and an additional $20.0 million in cash in connection with the Sixth Amendment to the 2019 Loan Agreement. We used these funds to fund a portion of the upfront payment to acquire the commercial rights for YUTIQ.

Indebtedness

Loans from SLR Investment Corp. (SLR). In December 2019, we refinanced our previously outstanding debt facility by entering into a $45.0 million loan and security agreement (the 2019 Loan Agreement) with SLR, as Agent, and the parties signing the loan agreement from time to time as Lenders, including SLR in its capacity as a Lender (collectively, the Lenders). The 2019 Loan Agreement has been amended on multiple occasions.

On February 22, 2022, we entered into a Third Amendment to the 2019 Loan Agreement (the Third Amendment), which, among other things:

(a) specified the minimum revenue amount, calculated on a trailing six-month basis and tested at the end of each calendar quarter in 2022, that we must achieve for each such period (the Third Revenue Covenant);

(b) consented to maintaining a lower minimum revenue amount under the Third Revenue Covenant for the trailing six-month period ended December 31, 2021 than previously required under the 2019 Loan Agreement (and waived any event of default that may have occurred or may be deemed to have occurred as a result of our lower revenue amount for that period); and

(c) required that the Third Revenue Covenant be tested at June 30, 2023 and at the last day of each quarter thereafter, with the minimum revenue amount equal to a percentage of our projected revenues in accordance with an annual plan we must submit to the Collateral Agent by January 15 of such year, such plan to be thereafter approved by our board of directors (the Board) and the Collateral Agent in its sole discretion no later than February 28 of such year.

On December 7, 2022, we entered into a Fourth Amendment to the 2019 Loan Agreement (the Fourth Amendment), which, among other things:

(a) extended the amortization date from January 1, 2023 to April 1, 2023, provided that such date could be further extended to July 1, 2023 upon our request and in consultation with the Lenders, in each of the Lenders' sole discretion;

(b) specified the minimum revenue amount, calculated on a trailing six-month basis and tested at the end of each calendar quarter in 2023, that we must achieve for each such period (the Fourth Revenue Covenant); and

(c) required that the Fourth Revenue Covenant be tested at June 30, 2024 and at the last day of each quarter thereafter, with the minimum revenue amount equal to a percentage of our projected revenues in accordance with an annual plan submitted to the Collateral Agent by January 15th of such year, such plan to be thereafter approved by the Board and the Collateral Agent in its sole discretion no later than February 28 of such year.

On March 24, 2023, we entered into a Fifth Amendment to the 2019 Loan Agreement (the Fifth Amendment), which among other things:

(a) added an additional tranche of $2,500,000 to increase the existing term loan facility to $47,500,000, subject to certain closing conditions (the New Term Loan);

(b) extended a $15,000,000 additional term loan available to be funded at the Lender's sole discretion;

(c) specified an annual interest rate equal to 5.15% plus the greater of (i) 4.60% and (ii) one-month SOFR, which will reset monthly, on the New Term Loan;

(d) extended the maturity date to April 30, 2028 and the interest-only period to April 30, 2025, which may be extended an additional 12 months if the Company meets certain financial targets by June 30, 2025; and

(e) specified the minimum revenue amount, calculated on a trailing six-month basis beginning with the six month period ended September 30, 2023, and tested at the end of each calendar quarter, that the Company must achieve for each such period.

On May 17, 2023 we entered into a Sixth Amendment to the 2019 Loan Agreement (the Sixth Amendment and the 2019 Loan Agreement as so amended, the Amended Loan Agreement), which among other things, increased the term loan available to $20,000,000 and fully funded the term loan, and specified the minimum revenue amount calculated on a trailing six-month basis and tested at the end of each calendar quarter in 2023 and 2024, that we must achieve for each such period. We currently have no additional borrowing capacity, and the 2019 Loan Agreement generally prohibits any additional debt unless we obtain the prior consent of the lenders.

The Federal Reserve raised interest rates seven times in 2022 and four times to date in 2023 and it may continue to do so to combat the effects of inflation. An increase in SOFR would increase our interest costs. Significant increases in our interest costs could materially and adversely affect our results of operations and our ability to pay amounts due under the Amended Loan Agreement, and any increase in the interest we pay would reduce our cash available for working capital, acquisitions, and other uses.

We have maintained compliance with our revenue covenant throughout 2022 and 2023, including at September 30, 2023. We expect to comply with the revenue covenant for the remaining measurement date in 2023. If we fail to comply with the revenue covenant and the lenders do not provide consent and waiver, acceleration of the maturity of the loan is one of the remedies available to the lenders. If the lenders accelerate the maturity of the loan, we would be forced to find alternative financing or enter into an alternative agreement with the lenders. We cannot be sure that alternative financing will be available when needed or that, if available, the alternative financing could be obtained on terms that are not significantly detrimental to us or our stockholders.

$20.0 million Ocumension Transaction

On April 14, 2021, we entered into a Share Purchase Agreement with Ocumension Therapeutics, pursuant to which we offered and sold to Ocumension 1,144,945 shares of our common stock, at a purchase price of $8.734044 per share, for aggregate gross proceeds of $10.0 million. The number of shares sold was equal to 19.9% of the number of shares of common stock outstanding immediately before the closing. In addition, we received a nonrefundable upfront license payment of $10.0 million pursuant to the Ocumension License Agreement. Under that agreement, we granted an exclusive license for the development and commercialization of our 0.19 mg fluocinolone acetonide intravitreal implant in applicator under Ocumension's own branded label in China, East Asia and the Western Pacific.

Series B Preferred Stock Financings

In March 2023, we issued and sold an aggregate of 12,000 shares of Series B Convertible Preferred Stock at a per-share purchase price of $1,000 and warrants to purchase common stock for aggregate gross proceeds of $12.0 million. In May 2023, we issued and sold an aggregate of 67,000 shares of Series B Convertible Preferred Stock at a per-share purchase price of $1,000 and warrants to purchase common stock for aggregate gross proceeds of $67.0 million. On August 1, 2023, we amended the Certificate of Designation of Series B Convertible Preferred Stock to allow for the issuance of Pre-Funded Warrants. Stockholder approval was received at our 2023 annual meeting of stockholders held on August 1, 2023, and we designated August 15, 2023 as the date for Mandatory Conversion of the Series B Convertible Preferred Stock into our common stock and Pre-Funded Warrants to purchase common stock. In connection with the Mandatory Conversion, we issued 43,617,114 shares of common stock and Pre-Funded Warrants exercisable for 2,000,000 shares of common stock to the holders of the Series B Convertible Preferred Stock. Following the Mandatory Conversion, no shares of the Series B Convertible Preferred Stock remain outstanding.

Current Cash Position

As of September 30, 2023, we had approximately $8.3 million in cash and cash equivalents, an increase of $3.0 million from the $5.3 million in cash and cash equivalents that we reported as of December 31, 2022.

We believe our commercial operations will generate sufficient cash flow, combined with our current financial assets, to fund all conditional and unconditional financial obligations for at least the next 12 months. Therefore, we have concluded the factors which previously raised substantial doubt about our ability to continue as a going concern no longer exist. However, we may need to raise alternative or additional financing to fund our operations and support growth. The source, timing, and availability of any future financing will depend upon market conditions and other factors that may be outside of our control. Funding may not be available when needed, at all, or on terms acceptable us. If we were to raise additional funds by issuing equity securities, substantial dilution to existing stockholders could result, and the terms of any new equity securities may have a preference over our common stock. If we were to attempt to raise additional funds through strategic collaboration agreements, we may not be successful in obtaining those agreements, or in receiving milestone or royalty payments under them. If we were to attempt to raise additional funds through debt financing, we would be required to obtain the permission or participation of SLR, which we might not be able to obtain.

Sources and Uses of Cash for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022

For the nine months ended September 30, 2023, net cash used in our operations was approximately $18.0 million. The cash used in our operations was impacted by our net loss of approximately $16.4 million, a net increase of $14.4 million in accounts receivable due to payment terms with YUTIQ distributors, a net decrease of $1.8 million in accounts payable, accrued expenses and other current liabilities, and an increase of $150,000 in inventory. Cash used in operations for the nine months ended September 30, 2023 was offset by the change in the estimated fair value of warrant liabilities of $6.8 million, $5.7 million of non-cash depreciation and amortization, $1.1 million loss on the extinguishment of debt associated with the Sixth Amendment, an increase in long-term liabilities of $820,000, $760,000 of non-cash interest expense associated with the amortization of our debt discount and deferred financing costs, and $630,000 of non-cash stock-based compensation expense.

For the nine months ended September 30, 2022, net cash used in our operations was approximately $9.7 million. The cash used in our operations was impacted by our net loss of approximately $14.3 million and an increase of approximately $960,000 in accounts receivable. Cash used in operations for the nine months ended September 30, 2022 was offset by $2.0 million of non-cash depreciation and amortization, $850,000 of non-cash interest expense associated with the amortization of our debt discount and deferred financing costs, a decrease of $740,000 in inventory, $720,000 of non-cash stock-based compensation expense, a net increase of $680,000 in accounts payable, accrued expenses and other current liabilities, a $600,000 non-cash decrease in fair value of our warrant asset and a decrease of $320,000 in prepaid expenses and other current assets.

For the nine months ended September 30, 2023, net cash used in our investing activities was approximately $75.4 million, which was primarily due to the acquisition of the YUTIQ intangible asset in May 2023.

For the nine months ended September 30, 2022, net cash used in our investing activities was approximately $170,000, which was primarily due to purchases of furniture and equipment for our new office in Alpharetta, Georgia.

For the nine months ended September 30, 2023, net cash provided by our financing activities was approximately $96.6 million, which was primarily due to the $78.6 million gross proceeds from the closings of our Series B Convertible Preferred Stock financings, the $22.5 million received in connection with the Fifth and Sixth Amendments to the 2019 Loan Agreement, and $2.4 million received in connection with common stock issuances. The cash provided was partially offset by $4.1 million of debt issuance costs, $1.2 million in preferred stock issuance costs, the $940,000 repurchase of Series A Preferred Stock, and the $310,000 repurchase of common stock.

For the nine months ended September 30, 2022, net cash used in our financing activities was approximately $110,000, which was primarily due to payments of finance lease obligations.

Contractual Obligations and Commitments

The NEW DAY Study. In January 2020, we began entering into agreements with contract research organizations (CROs) and physician clinics in connection with a multicenter, single masked, randomized and controlled trial designed to generate prospective data evaluating ILUVIEN as a baseline therapy in the treatment of DME and demonstrate its advantages over the current standard of care of repeat anti-VEGF injections (the NEW DAY Study). The NEW DAY Study is planned to enroll approximately 300 treatment-naïve, or almost naïve, DME patients in approximately 40 sites around the U.S. For the three months ended September 30, 2023 and 2022, we incurred approximately $1.2 million and $1.4 million, respectively, of expense associated with the NEW DAY Study. For each of the nine months ended September 30, 2023 and 2022, we incurred approximately $4.0 million of expense associated with the NEW DAY Study. In connection with the NEW DAY Study, we expect to incur additional expenses of approximately $1.0 million for the remainder of 2023, and $2.1 million in 2024.

Manufacturing Services Agreement with Alliance. In February 2016, we and Alliance Medical Products Inc., a Siegfried Company (Alliance), a third-party manufacturer, amended and restated the parties' existing agreement for the manufacture of the ILUVIEN implant, the assembly of the ILUVIEN applicator and the packaging of the completed ILUVIEN commercial product. Under the amended and restated Alliance agreement, its term was extended by five years, at which point the agreement became automatically renewable for successive one-year periods unless either party delivers notice of non-renewal to the other party at least 12 months before the end of the term or any renewal term. We are responsible for supplying the ILUVIEN applicator and the active pharmaceutical ingredient, and we must order at least 80% of the ILUVIEN units required in the covered territories from Alliance.

Manufacturing Services Agreement with Cadence. On October 30, 2020, we entered into a Manufacturing Services Agreement (the Cadence Agreement) with Cadence, Inc., for the manufacture of certain component parts of the ILUVIEN applicator (the components) at its facility near Pittsburgh, Pennsylvania. Under the Cadence Agreement, we will pay certain per-unit prices based on regularly scheduled shipments of a minimum number of components. The initial term of the Cadence Agreement expires on October 30, 2025. After the expiration of the initial term, the Cadence Agreement will automatically renew for separate, successive one-year terms unless either party provides written notice to the other party that it does not intend to renew the Cadence Agreement at least 24 months before the end of the term. The Cadence Agreement may be terminated by either party under certain circumstances. We have transferred the manufacturing of component parts of the ILUVIEN inserter to Cadence from our prior manufacturer and have spent cash resources to purchase new equipment, to update clean room facilities and to assist in the regulatory approval process. In connection with the Cadence Agreement, we expect to be invoiced approximately $650,000 in 2023.

Commercial Supply Agreement with EyePoint. In connection with the Product Rights Agreement with EyePoint Parent, we entered into a commercial supply agreement (the Supply Agreement) pursuant to which, during the term of the Product Rights Agreement, EyePoint Parent will be responsible for manufacturing and exclusively supplying (subject to certain exceptions) agreed-upon quantities of YUTIQ necessary

for us to commercialize YUTIQ in the United States at certain cost plus amounts, subject to adjustments set forth in the Supply Agreement. EyePoint Parent's manufacture and supply of YUTIQ under the Supply Agreement is exclusive (subject to certain exceptions set forth in the Supply Agreement) until we have the right and ability to manufacture and supply YUTIQ for commercialization in the United States. We may elect to manufacture YUTIQ after an initial 18-month term following the date of the Product Rights Agreement upon the satisfaction of certain conditions.

Off-Balance Sheet Arrangements

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, that would have been established to facilitate off-balance sheet arrangements (as that term is defined in Item 303(a)(4)(ii) of SEC Regulation S-K) or other contractually narrow or limited purposes. As such, we are not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in those types of relationships. We enter into guarantees in the ordinary course of business related to the guarantee of our own performance and the performance of our subsidiaries.

Impact of Recent Accounting Pronouncements

See Note 3 in the Interim Financial Statements for a description of recent accounting pronouncements, including the expected dates of adoption and expected effects on results of operations and financial condition, if known.

Foreign Exchange

Our international operations are subject to certain opportunities and risks, including currency fluctuations and governmental actions. The impact of fluctuations in foreign currency exchange rates decreased our net product revenue for the nine months ended September 30, 2023 by approximately $290,000.

We expect foreign currency exchange rate fluctuations will have an unfavorable impact through the end of the year.

ITEM 3. *Quantitative and Qualitative Disclosures About Market Risk*

Because we are allowed to comply with the disclosure obligations applicable to a “smaller reporting company,” as defined by Rule 12b-2 of the Exchange Act, with respect to this Quarterly Report on Form 10-Q, we are not required to provide the information required by this Item.

ITEM 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and the Chief Financial Officer, we evaluated the effectiveness of the design and operation of our “disclosure controls and procedures” (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2023.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the three months ended September 30, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

Control systems, no matter how well conceived and operated, are designed to provide a reasonable, but not an absolute, level of assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Because of the inherent limitations in any control system, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

ITEM 1. *Legal Proceedings*

From time to time, we may become subject to legal proceedings, claims, and litigation arising in the ordinary course of business. We currently are not a party to any threatened or pending material litigation and do not have contingency reserves established for any litigation liabilities. However, third parties might allege that we are infringing their patent rights or that we are otherwise violating their intellectual property rights, including trade names and trademarks. Such third parties may resort to litigation. We accrue contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated.

ITEM 1A. *Risk Factors*

In the 2022 Form 10-K, we identify under Item 1A of Part I important factors that could affect our business, financial condition, results of operations and future operations and could cause our actual results for future periods to differ materially from our anticipated results or other expectations, including those expressed in any forward-looking statements made in this Quarterly Report on Form 10-Q. However, the risks described in the 2022 Form 10-K are not the only risks we face. Additional risks and uncertainties that we currently deem to be immaterial or not currently known to us, as well as other risks reported from time to time in our reports to the SEC, also could cause our actual results to differ materially from our anticipated results or other expectations. There have been no material changes in our risk factors since the filing of the 2022 Form 10-K, other than the addition of the text below.

Failure to integrate YUTIQ or any business, product or technology we may acquire in the future will cause our business, financial condition and operating results to suffer.

Integrating any business, product or technology, including YUTIQ, we acquire is expensive and time-consuming and can disrupt and adversely affect our ongoing business, including product sales, and distract our management. Our ability to successfully integrate any business, product or technology we acquire depends on a number of factors, including, but not limited to, our ability to:

- minimize the disruption and distraction of our management and other employees in connection with the integration of any acquired business, product or technology;
- maintain and increase sales of our existing products;
- establish or manage the transition of the manufacture and supply of any acquired product, including the necessary active pharmaceutical ingredients, excipients and components;
- identify and add the necessary sales, marketing, manufacturing, regulatory and other related personnel, capabilities and infrastructure that are required to successfully integrate any acquired business, product or technology;
- manage the transition and migration of all commercial, financial, legal, clinical, regulatory and other pertinent information relating to any acquired business, product or technology;
- comply with legal, regulatory and contractual requirements applicable to any acquired business, product or technology;
- obtain and maintain adequate coverage, reimbursement and pricing from managed care, government and other third-party payors with respect to any acquired product; and
- maintain and extend intellectual property protection for any acquired product or technology.

If we are unable to perform the above functions or otherwise effectively integrate YUTIQ or any businesses, products or technologies we may acquire in the future, our business, financial condition and operating results will suffer. Additionally, substantially all of the risks attendant to the commercialization of ILUVIEN, including but not limited to competition; security breaches; the outcome of clinical trials or studies; reliance on third parties; manufacturing and supply-chain matters; and regulatory and insurance-related concerns, are also relevant to the commercialization of YUTIQ.

In addition, we may not to achieve the expected financial performance or synergies from businesses, products or technologies we acquire, including YUTIQ, or may experience unexpected delays, challenges and expenses, and unexpected costs associated with integrating and operating the acquired business, product or technology.

Prolonged economic uncertainties or downturns, as well as unstable market, credit and financial conditions, may exacerbate certain risks affecting our business and have serious adverse consequences on our business.

Economic conditions, and uncertainty as to the general direction of the macroeconomic environment, are beyond our control. In recent years, the United States and other significant markets have experienced cyclical downturns and worldwide economic conditions remain uncertain, particularly as a result of increased inflationary and recessionary pressures, and related market and macroeconomic responses

including interest rate increases. Furthermore, sustained uncertainty about, or worsening of, geopolitical tensions, including further escalation of war between Russia and Ukraine, further escalation of trade tensions between the U.S. and China, escalation of tensions between China and Taiwan, further escalation in the conflict between Israel and Hamas, as well as further escalation of tensions between Israel and various countries in the Middle East and North Africa, could result in a global economic slowdown or increased market volatility, increased cyber-attacks, supply chain disruptions or increases in costs necessary to manufacture our products, and a deterioration in political and trade relationships worldwide. Any changes related to these and other factors could adversely affect our business, both in the United States and internationally.

Economic uncertainty and associated macroeconomic conditions, including geopolitical tensions, escalating inflation, supply chain issues and the availability and cost of credit and government stimulus programs in the United States and other countries have contributed, and may continue to contribute, to increased market volatility or market declines, and make it extremely difficult for our partners, suppliers, and us to accurately forecast and plan future business activities. Sales of our products will depend, in large part, on reimbursement from government health administration authorities, private health insurers, distribution partners and other organizations in the U.S., Germany, Portugal, Ireland, the U.K. and other countries. Negative trends in the general economy in any of the jurisdictions in which we may do business may cause these organizations to be unable to satisfy their reimbursement obligations or to delay payment. In addition, health authorities in some jurisdictions may reduce reimbursements, and private insurers may increase their scrutiny of claims. A reduction in the availability or extent of reimbursement could negatively affect our product sales and revenue.

ITEM 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

None.

ITEM 3. *Defaults Upon Senior Securities*

None.

ITEM 4. *Mine Safety Disclosures*

Not applicable.

ITEM 5. *Other Information*

Not applicable.

ITEM 6. EXHIBITS

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of Registrant, as amended on various dates (filed as Exhibit 3.1 to the Registrant's Annual Report on Form 10-K, as filed on March 2, 2020, and incorporated herein by reference).
3.2	Certificate of Designation of Series B Convertible Preferred Stock (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K, as filed on March 27, 2023, and incorporated herein by reference).
3.3	Certificate of Amendment to Certificate of Designation of Series B Convertible Preferred Stock (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K, as filed on May 18, 2023, and incorporated herein by reference).
3.4	Certificate of Amendment to Certificate of Designation of Series B Convertible Preferred Stock (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K, as filed on August 2, 2023, and incorporated herein by reference).
3.5	Certificate of Elimination of Series B Convertible Preferred Stock (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K, as filed on August 15, 2023, and incorporated herein by reference).
3.6	Amended and Restated Bylaws of the Registrant, as amended (filed as Exhibit 3.2 to the Registrant's Annual Report on Form 10-K, as filed on March 2, 2020 and incorporated herein by reference).
4.1	Form of Pre-Funded Warrant (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K, as filed on August 2, 2023, and incorporated herein by reference).
10.1	Chairman Emeritus Agreement, dated as of August 1, 2023 by and between Alimera Sciences, Inc. and C. Daniel Myers (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K, as filed on August 2, 2023, and incorporated herein by reference).
10.2	Alimera Sciences, Inc. 2023 Equity Incentive Plan and forms of award agreements thereunder (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K, as filed on August 2, 2023, and incorporated herein by reference).
31.1*	Certification of the Principal Executive Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Principal Financial Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of the Chief Executive Officer and Chief Financial Officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Comprehensive Loss, (iv) Condensed Consolidated Statements of Cash Flows, (v) Condensed Consolidated Statements of Changes in Stockholders' Deficit and (vi) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text and including detailed tags.
104	Cover Page Interactive Data File (Embedded within the Inline XBRL document and included in Exhibit 101).

* Filed herewith
** Furnished herewith

The certification attached as Exhibit 32.1 that accompanies this Quarterly Report on Form 10-Q is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Alimera Sciences, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

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.

ALIMERA SCIENCES, INC.

November 1, 2023

By: /s/ Richard S. Eiswirth, Jr.
Richard S. Eiswirth, Jr.
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.1

CERTIFICATION

I, Richard S. Eiswirth, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alimera 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(s) 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(s) 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 1, 2023

/s/ Richard S. Eiswirth, Jr.
Richard S. Eiswirth, Jr.
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Russell L. Skibsted, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alimera 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(s) 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(s) 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 1, 2023

/s/ Russell L. Skibsted
Russell L. Skibsted
Chief Financial Officer and Senior Vice President
(Principal Financial and Accounting Officer)

EXHIBIT 32.1

Certification

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Alimera Sciences, Inc. (the Company), does hereby certify, to the best of such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 (the Form 10-Q) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 1, 2023

/s/ Richard S. Eiswirth, Jr.
Richard S. Eiswirth, Jr.
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 1, 2023

/s/ Russell L. Skibsted
Russell L. Skibsted
Chief Financial Officer and Senior Vice President
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request. This certification "accompanies" the Form 10-Q to which it relates, is not deemed filed with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.