# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
# WASHINGTON, D.C. 20549

## FORM 10-Q

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

**For the quarterly period ended March 31, 2022**

**OR**

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

**For the transition period from _____ to _____**

**COMMISSION FILE NUMBER 000-51122**

# EyePoint Pharmaceuticals, Inc.

(Exact name of registrant as specified in its charter)

| **Delaware** | **26-2774444** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **480 Pleasant Street Watertown, MA** | **02472** |
| (Address of principal executive offices) | (Zip Code) |

**(617) 926-5000**

(Registrant's telephone number, including area code)

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

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, par value $0.001 | EYPT | The Nasdaq Stock Market LLC |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes** ☒ **No** ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). **Yes** ☒ **No** ☐

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

There were 34,047,128 shares of the registrant's common stock, $0.001 par value, outstanding as of April 29, 2022.

**EYEPOINT PHARMACEUTICALS, INC. AND SUBSIDIARIES**
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## PART I. FINANCIAL INFORMATION

**Item 1. Unaudited Financial Statements**

**EYEPOINT PHARMACEUTICALS, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(Unaudited)**
**(In thousands except share amounts)**

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| **Assets** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 101,545 | $ 178,593 |
| Marketable securities | 89,239 | 32,965 |
| Accounts and other receivables, net | 19,589 | 18,354 |
| Prepaid expenses and other current assets | 5,920 | 4,217 |
| Inventory | 3,336 | 3,616 |
| Total current assets | 219,629 | 237,745 |
| Property and equipment, net | 545 | 476 |
| Operating lease right-of-use assets | 2,097 | 2,252 |
| Intangible assets, net | 22,134 | 22,749 |
| Restricted cash | 150 | 150 |
| **Total assets** | $ 244,555 | $ 263,372 |
| **Liabilities and stockholders' equity** | | |
| **Current liabilities:** | | |
| Accounts payable | $ 7,302 | $ 7,385 |
| Accrued expenses | 12,329 | 14,422 |
| Deferred revenue | 1,102 | 1,069 |
| Short-term borrowings | 10,475 | — |
| Other current liabilities | 763 | 782 |
| Total current liabilities | 31,971 | 23,658 |
| Long-term debt | 29,108 | 36,562 |
| Deferred revenue - noncurrent | 14,302 | 14,560 |
| Operating lease liabilities - noncurrent | 1,697 | 1,860 |
| Other long-term liabilities | 658 | 2,352 |
| **Total liabilities** | 77,736 | 78,992 |
| **Contingencies (Note 13)** | | |
| **Stockholders' equity:** | | |
| Preferred stock, $.001 par value, 5,000,000 shares authorized, no shares issued and outstanding | — | — |
| Common stock, $.001 par value, 300,000,000 shares authorized at March 31, 2022 and December 31, 2021; 34,047,128 and 33,905,826 shares issued and outstanding at March 31, 2022 and December 31, 2021, respectively | 34 | 34 |
| Additional paid-in capital | 756,070 | 752,602 |
| Accumulated deficit | (590,073) | (569,097) |
| Accumulated other comprehensive income | 788 | 841 |
| Total stockholders' equity | 166,819 | 184,380 |
| **Total liabilities and stockholders' equity** | $ 244,555 | $ 263,372 |

See notes to consolidated financial statements

**EYEPOINT PHARMACEUTICALS, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**
**(Unaudited)**
**(In thousands except per share data)**

| | Three Months Ended March 31, | |
|---|---|---|
| | **2022** | **2021** |
| Revenues: | | |
| Product sales, net | $ 9,010 | $ 6,802 |
| License and collaboration agreements | 59 | 341 |
| Royalty income | 225 | 180 |
| Total revenues | 9,294 | 7,323 |
| Operating expenses: | | |
| Cost of sales, excluding amortization of acquired intangible assets | 1,777 | 1,390 |
| Research and development | 9,945 | 5,479 |
| Sales and marketing | 6,693 | 5,659 |
| General and administrative | 8,548 | 5,115 |
| Amortization of acquired intangible assets | 615 | 615 |
| Total operating expenses | 27,578 | 18,258 |
| Loss from operations | (18,284) | (10,935) |
| Other income (expense): | | |
| Interest and other income, net | 61 | 1 |
| Interest expense | (1,194) | (1,346) |
| Loss on extinguishment of debt | (1,559) | — |
| Total other expense, net | (2,692) | (1,345) |
| Net loss | $ (20,976) | $ (12,280) |
| Net loss per share - basic and diluted | $ (0.56) | $ (0.50) |
| Weighted average shares outstanding - basic and diluted | 37,253 | 24,735 |
| | | |
| Net loss | $ (20,976) | $ (12,280) |
| Other comprehensive loss: | | |
| Unrealized loss on available-for-sale securities, net of tax of $0 for periods presented | (53) | — |
| Comprehensive loss | $ (21,029) | $ (12,280) |

See notes to consolidated financial statements

**EYEPOINT PHARMACEUTICALS, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**
**(Unaudited)**
**(In thousands except share data)**

| | Common Stock | | Additional | | Accumulated Other | Total |
|---|---|---|---|---|---|---|
| | Number of Shares | Par Value Amount | Paid-In Capital | Accumulated Deficit | Comprehensive Income | Stockholders' Equity |
| Balance at January 1, 2021 | 18,139,981 | $ 18 | $ 528,362 | $ (510,680) | $ 841 | $ 18,541 |
| Net loss | — | — | — | (12,280) | — | (12,280) |
| Issuance of stock, net of issue costs | 10,513,538 | 11 | 108,392 | — | — | 108,403 |
| Employee stock purchase plan | 27,713 | — | 173 | — | — | 173 |
| Exercise of stock options | 827 | — | 10 | — | — | 10 |
| Vesting of stock units | 59,416 | — | (128) | — | — | (128) |
| Stock-based compensation | — | — | 988 | — | — | 988 |
| Balance at March 31, 2021 | 28,741,475 | $ 29 | $ 637,797 | $ (522,960) | $ 841 | $ 115,707 |
| | | | | | | |
| Balance at January 1, 2022 | 33,905,826 | $ 34 | $ 752,602 | $ (569,097) | $ 841 | $ 184,380 |
| Net loss | — | — | — | (20,976) | — | (20,976) |
| Other comprehensive loss | — | — | — | — | (53) | (53) |
| Employee stock purchase plan | 28,504 | — | 201 | — | — | 201 |
| Exercise of stock options | 4,223 | — | 40 | — | — | 40 |
| Vesting of stock units | 108,575 | — | (250) | — | — | (250) |
| Stock-based compensation | — | — | 3,477 | — | — | 3,477 |
| Balance at March 31, 2022 | 34,047,128 | $ 34 | $ 756,070 | $ (590,073) | $ 788 | $ 166,819 |

See notes to consolidated financial statements

**EYEPOINT PHARMACEUTICALS, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Unaudited)**
**(In thousands)**

| | Three Months Ended March 31, | |
|---|---|---|
| | **2022** | **2021** |
| **Cash flows from operating activities:** | | |
| Net loss | $ (20,976) | $ (12,280) |
| Adjustments to reconcile net loss to cash flows used in operating activities: | | |
| Amortization of intangible assets | 615 | 615 |
| Depreciation of property and equipment | 81 | 72 |
| Amortization of debt discount and premium and discount on available-for-sale marketable securities | 110 | 147 |
| Loss on extinguishment of debt | 1,559 | — |
| Stock-based compensation | 3,477 | 988 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable and other current assets | (2,937) | (2,317) |
| Inventory | 280 | (248) |
| Accounts payable and accrued expenses | (2,107) | (1,798) |
| Right-of-use assets and operating lease liabilities | (35) | (38) |
| Deferred revenue | (225) | (240) |
| Net cash used in operating activities | (20,158) | (15,099) |
| **Cash flows from investing activities:** | | |
| Purchases of marketable securities | (62,293) | — |
| Sales and maturities of marketable securities | 6,000 | — |
| Purchases of property and equipment | (149) | — |
| Net cash used in investing activities | (56,442) | — |
| **Cash flows from financing activities:** | | |
| Proceeds from issuance of stock | — | 115,667 |
| Proceeds from issuance of long-term debt | 30,000 | — |
| Payment of equity and debt issue costs | (352) | (6,935) |
| Payment of long-term debt | (38,235) | — |
| Payment of extinguishment of debt costs | (2,294) | — |
| Borrowings under revolving facility | 11,459 | — |
| Repayment under revolving facility | (984) | — |
| Net settlement of stock units to satisfy statutory tax withholding | (250) | (128) |
| Proceeds from exercise of stock options | 241 | 183 |
| Principal payments on finance lease obligations | (33) | (18) |
| Net cash (used in) provided by financing activities | (448) | 108,769 |
| **Net increase (decrease) in cash, cash equivalents and restricted cash** | (77,048) | 93,670 |
| **Cash, cash equivalents and restricted cash at beginning of period** | 178,743 | 45,059 |
| **Cash, cash equivalents and restricted cash at end of period** | $ 101,695 | $ 138,729 |
| **Supplemental cash flow information:** | | |
| Cash interest paid | $ 941 | $ 1,195 |
| **Supplemental disclosure of non-cash investing and financing activities:** | | |
| Stock issuance costs | $ — | $ 329 |
| Debt issue costs | 244 | — |
| Accrued term loan exit fee | 600 | — |
| Principal portion of finance lease liabilities | $ — | $ 12 |

See notes to consolidated financial statements

## 1. Operations

The accompanying condensed consolidated financial statements of EyePoint Pharmaceuticals, Inc., a Delaware corporation (together with its subsidiaries, the "Company"), as of March 31, 2022 and for the three months ended March 31, 2022 and 2021 are unaudited. Certain information in the footnote disclosures of these financial statements has been condensed or omitted in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC"). These financial statements should be read in conjunction with the Company's audited consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021. In the opinion of management, these statements have been prepared on the same basis as the audited consolidated financial statements as of and for the year ended December 31, 2021, and include all adjustments, consisting only of normal recurring adjustments, that are necessary for the fair presentation of the Company's financial position, results of operations, comprehensive loss and cash flows for the periods indicated. The preparation of financial statements in accordance with United States ("U.S.") generally accepted accounting principles ("GAAP") requires management to make assumptions and estimates that affect, among other things, (i) reported amounts of assets and liabilities; (ii) disclosure of contingent assets and liabilities at the date of the consolidated financial statements; and (iii) reported amounts of revenues and expenses during the reporting period. The results of operations for the three months ended March 31, 2022 are not necessarily indicative of the results that may be expected for the entire fiscal year or any future period.

The Company is a pharmaceutical company committed to developing and commercializing innovative therapeutics to help improve the lives of patients with serious eye disorders. The Company's pipeline leverages its proprietary Durasert® technology for sustained intraocular drug delivery including EYP-1901, an investigational sustained delivery anti-VEGF treatment initially targeting wet age-related macular degeneration ("wet AMD"), the leading cause of vision loss among people 50 years of age and older in the United States. The Company also has two commercial products: YUTIQ®, a once every three-year treatment for chronic non-infectious uveitis affecting the posterior segment of the eye, and DEXYCU®, a single dose treatment for postoperative inflammation following ocular surgery. Both commercial products are currently being sold in the United States.

The Company plans to identify and advance additional pipeline product candidates through clinical and regulatory development. This may be accomplished through internal discovery efforts, research collaborations and/or in-licensing arrangements with partner molecules and potential acquisitions of additional ophthalmic products, product candidates or technologies that complement the Company's current product portfolio.

### Effects of the COVID-19 Coronavirus Pandemic

The ongoing COVID-19 coronavirus pandemic (the "Pandemic") has had a material and adverse impact on the Company's business. The duration and full extent to which the Pandemic impacts the Company's business, revenues, financial condition and cash flows depends on future developments that are highly uncertain, subject to change and are difficult to predict, including new information that may emerge concerning the Pandemic, and may cause intermittent or prolonged periods of reduced patient services at the Company's customers' facilities, which may negatively affect customer demand. The Company's revenues, financial condition and cash flows may be adversely affected in the future as well. The Company is continuously monitoring the Pandemic and its potential effect on the Company's financial position, results of operations and cash flows. This uncertainty could have an impact in future periods on certain estimates used in the preparation of the Company's periodic financial results, including reserves for variable consideration related to product sales, realizability of certain receivables, assessment for excess or obsolete inventory, and impairment of long-lived assets. Uncertainty around the extent and length of time of the Pandemic, and any future related financial impact cannot be reasonably estimated at this time.

### Liquidity

The Company had cash, cash equivalents, and investments in marketable securities of $190.8 million at March 31, 2022. The Company has a history of operating losses and has not had significant recurring cash inflows from revenue. The Company's operations have been financed primarily from sales of its equity securities, issuance of debt and a combination of license fees, milestone payments, royalty income and other fees received from its collaboration partners. The Company anticipates that it will continue to incur losses as it continues the research and development of its product candidates and the Company does not expect revenues from its product sales to generate sufficient funding to sustain its operations in the near-term. The Company expects to continue fulfilling its funding needs through cash inflows from revenues of its product sales, licensing and research collaboration transactions,

additional equity capital raises and other arrangements. The Company believes that its cash, cash equivalents, and investments in marketable securities of $190.8 million at March 31, 2022 coupled with expected cash inflows from its product sales will enable the Company to fund its current and planned operations for at least the next twelve months from the date these consolidated financial statements were issued. Actual cash requirements could differ from management's projections due to many factors, including the continued effect of the Pandemic on the Company's business and the medical community, the timing and results of the Company's clinical trials for EYP-1901, additional investments in research and development programs, the success of ongoing commercialization efforts for YUTIQ and DEXYCU, the actual costs of these ongoing commercialization efforts, competing technological and market developments and the costs of any strategic acquisitions and/or development of complementary business opportunities.

**Recently Adopted and Recently Issued Accounting Pronouncements**

New accounting pronouncements are issued periodically by the Financial Accounting Standards Board ("FASB") and are adopted by the Company as of the specified effective dates. Unless otherwise disclosed below, the Company believes that recently issued and adopted pronouncements will not have a material impact on the Company's financial position, results of operations and cash flows or do not apply to the Company's operations.

In May 2021, the FASB issued ASU No. 2021-04, *Earnings Per Share (Topic 260), Debt – Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40)* ("ASU 2021-04")*: Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options.* The amendments are designed to clarify an issuer's accounting for certain modifications or exchanges of freestanding equity-classified written call options that remain equity-classified after modification or exchange. The ASU provides guidance on how an issuer would measure and recognize the effects of these transactions. The standard provides a principles-based framework to determine whether an issuer should recognize the modification or exchange as an adjustment to equity or an expense. The Company adopted ASU 2021-04 on January 1, 2022.

**2. Summary of Significant Accounting Policies**

**Revenue Recognition**

Revenue is recognized when a customer obtains control of promised goods or services, in an amount that reflects the consideration which 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* ("ASC 606"), the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of ASC 606, the Company assesses the goods or services promised within the contract, determines those that are performance obligations and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. Sales, value add, and other taxes collected on behalf of third parties are excluded from revenue.

***Product sales, net*** — The Company sells YUTIQ and DEXYCU to a limited number of specialty distributors and specialty pharmacies (collectively the "Distributors") in the U.S., with whom the Company has entered into formal agreements, for delivery to physician practices for YUTIQ and to hospital outpatient departments and ambulatory surgical centers for DEXYCU. The Company recognizes revenue on sales of its products when Distributors obtain control of the products, which occurs at a point in time, typically upon delivery. In addition to agreements with Distributors, the Company also enters into arrangements with healthcare providers, ambulatory surgical centers, 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 from Distributors.

*Reserves for variable consideration* — Product sales are recorded at the wholesale acquisition costs, net of applicable reserves for variable consideration. Components of variable consideration include trade discounts and allowances, provider chargebacks and discounts, payor rebates, product returns, and other allowances that are offered within contracts between the Company and its Distributors, payors, and other contracted purchasers relating

to the Company's product sales. These reserves, as detailed below, are based on the amounts earned, or to be claimed on the related sales, and are classified either as reductions of product revenue and accounts receivable or a current liability, depending on how the amount is to be settled. 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 respective underlying contracts. Actual amounts of consideration ultimately received may differ from the Company's estimates. If actual results in the future vary from the estimates, the Company adjusts product revenue and earnings in the period such variances become known.

*Distribution fees* — The Company compensates its Distributors for services explicitly stated in the Company's contracts and are recorded as a reduction of revenue in the period the related product sale is recognized.

*Provider chargebacks and discounts* — Chargebacks are discounts that represent the estimated obligations resulting from contractual commitments to sell products at prices lower than the list prices charged to the Company's Distributors. These Distributors charge the Company for the difference between what they pay for the product and the Company's contracted selling price. These reserves are established in the same period that the related revenue is recognized, resulting in a reduction of product revenue and the establishment of a current liability. Reserves for chargebacks consist of amounts that the Company expects to pay for units that remain in the distribution channel inventories at each reporting period-end that the Company expects will be sold under a contracted selling price, and chargebacks that Distributors have claimed, but for which the Company has not yet settled.

*Government rebates* — The Company is subject to discount obligations under state Medicaid programs and Medicare. These reserves are recorded in the same period the related revenue is recognized, resulting in a reduction of product revenue and the establishment of a current liability which is included in accrued expenses and other current liabilities on the condensed consolidated balance sheets. The Company's liability for these rebates consists of invoices received for claims from prior quarters that have not been paid or for which an invoice has not yet been received, estimates of claims for the current quarter, and estimated future claims that will be made for product that has been recognized as revenue, but which remains in the distribution channel inventories at the end of each reporting period.

*Payor rebates* — The Company contracts with certain private payor organizations, primarily insurance companies, for the payment of rebates with respect to utilization of its products. The Company estimates these rebates and records such estimates in the same period the related revenue is recognized, resulting in a reduction of product revenue and the establishment of a current liability.

*Co-Payment assistance* — The Company offers co-payment assistance to commercially insured patients meeting certain eligibility requirements. The calculation of the accrual for co-pay assistance is based on an estimate of claims and the cost per claim that the Company expects to receive associated with product that has been recognized as revenue.

*Product returns* — The Company generally offers a limited right of return based on its returned goods policy, which includes damaged product and remaining shelf life. The Company estimates the amount of its product sales that may be returned and records this estimate as a reduction of revenue in the period the related product revenue is recognized, as well as reductions to trade receivables, net on the condensed consolidated balance sheets.

***License and collaboration agreement revenue*** — The Company analyzes each element of its license and collaboration arrangements to determine the appropriate revenue recognition. The terms of the license agreement may include payment to the Company of 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.

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 and internally approved pricing guidelines related to the performance obligations.

The Company recognizes sales-based milestone payments as revenue upon the achievement of the cumulative sales amount specified in the contract in accordance with ASC 606-10-55-65. 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 most-likely amount method. As such, the Company assesses each milestone to determine the probability 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.

When determining the transaction price of a contract, an adjustment is made if payment from a customer occurs either significantly before or significantly after performance, resulting in a significant financing component. Applying the practical expedient in paragraph 606-10-32-18, the Company does not assess whether a significant financing component exists if the period between when the Company performs its obligations under the contract and when the customer pays is one year or less. None of the Company's contracts contained a significant financing component as of March 31, 2022.

***Royalties*** — The Company recognizes revenue from license arrangements with its commercial partners' net sales of products. Such revenues are included as royalty income. In accordance with ASC 606-10-55-65, royalties are recognized when the subsequent sale of the commercial partner's products occurs. The Company's commercial partners are obligated to report their net product sales and the resulting royalty due to the Company typically within 60 days from the end of each quarter. Based on historical product sales, royalty receipts and other relevant information, the Company recognizes royalty income each quarter and subsequently determines a true-up when it receives royalty reports and payment from its commercial partners. Historically, these true-up adjustments have been immaterial.

***Sale of Future Royalties*** — The Company has sold its rights to receive certain royalties on product sales. In the circumstance where the Company has sold its rights to future royalties under a royalty purchase agreement and also maintains limited continuing involvement in the arrangement (but not significant continuing involvement in the generation of the cash flows that are due to the purchaser), the Company defers recognition of the proceeds it receives for the sale of royalty streams and recognizes such unearned revenue as revenue under the units-of-revenue method over the life of the underlying license agreement. Under the units-of-revenue method, amortization for a reporting period is calculated by computing a ratio of the proceeds received from the purchaser to the total payments expected to be made to the purchaser over the term of the agreement, and then applying that ratio to the period's cash payment.

Estimating the total payments expected to be received by the purchaser over the term of such arrangements requires management to use subjective estimates and assumptions. Changes to the Company's estimate of the payments expected to be made to the purchaser over the term of such arrangements could have a material effect on the amount of revenues recognized in any particular period.

***Research Collaborations*** — The Company recognizes revenue over the term of the statements of work under any funded research collaborations. Revenue recognition for consideration, if any, related to a license option right is assessed based on the terms of any such future license agreement or is otherwise recognized at the completion of the research collaborations.

Please refer to Note 3 for further details on the license and collaboration agreements into which the Company has entered and corresponding amounts of revenue recognized during the current and prior year periods.

***Cost of sales, excluding amortization of acquired intangible assets*** — Cost of sales, excluding amortization of acquired intangible assets, consist of costs associated with the manufacture of YUTIQ and DEXYCU, certain period costs, product shipping and, as applicable, royalty expense. The inventory costs for YUTIQ include purchases of various components, the active pharmaceutical ingredient ("API") and internal labor and overhead for the product manufactured in the Company's Watertown, MA facility. The inventory costs for DEXYCU include purchased components, the API and third-party manufacturing and assembly.

For the three months ended March 31, 2022 and 2021, the Company accrued DEXYCU product revenue-based royalty expense of $674,000 and $455,000, respectively, as a component of cost of sales.

## 3. Revenue

### Product Revenue Reserves and Allowances

The Company's product revenues have been primarily from sales of YUTIQ and DEXYCU in the U.S.

Net product revenues by product for the three months ended March 31, 2022 and 2021 were as follows (in thousands):

| | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| YUTIQ (A) | $ 4,611 | $ 3,029 |
| DEXYCU (B) | 4,399 | 3,773 |
| Total product sales, net | $ 9,010 | $ 6,802 |

(A) Included approximately $56 and $5 of revenue from YUTIQ product sales to Ocumension under a supply agreement for the three months ended March 31, 2022 and 2021, respectively.

(B) No revenue was recognized from DEXYCU product sales to Ocumension under a supply agreement for the three months ended March 31, 2022 and 2021.

The following table summarizes activity in each of the product revenue allowance and reserve categories for the three months ended March 31, 2022 and 2021 (in thousands):

| | Chargebacks, Discounts and Fees | Government and Other Rebates | Returns | Total |
|---|---|---|---|---|
| Beginning balance at January 1, 2022 | $ 1,153 | $ 1,821 | $ 379 | $ 3,353 |
| Provision related to sales in the current year | 2,674 | 2,003 | 140 | 4,817 |
| Adjustments related to prior period sales | — | — | — | — |
| Deductions applied and payments made | (1,904) | (1,693) | (87) | (3,684) |
| Ending balance at March 31, 2022 | $ 1,923 | $ 2,131 | $ 432 | $ 4,486 |

| | Chargebacks, Discounts and Fees | Government and Other Rebates | Returns | Total |
|---|---|---|---|---|
| Beginning balance at January 1, 2021 | $ 574 | $ 535 | $ 603 | $ 1,712 |
| Provision related to sales in the current year | 1,041 | 679 | 171 | 1,891 |
| Adjustments related to prior period sales | (50) | (22) | (100) | (172) |
| Deductions applied and payments made | (809) | (473) | (184) | (1,466) |
| Ending balance at March 31, 2021 | $ 756 | $ 719 | $ 490 | $ 1,965 |

Returns are recorded as a reduction of accounts receivable on the condensed consolidated balance sheets. Chargebacks, discounts and fees and rebates are recorded as a component of accrued expenses on the condensed consolidated balance sheets (See Note 6).

### License and Collaboration Agreements and Royalty Income

#### SWK Royalty Purchase Agreement

On December 17, 2020, the Company entered into a royalty purchase agreement (the "RPA") with SWK Funding LLC ("SWK"). Under the RPA, the Company sold its right to receive royalty payments on future sales of products subject to a licensing and development agreement, as amended, with Alimera Sciences, Inc. ("Alimera") (the "Amended Alimera Agreement") for an upfront cash payment of $16.5 million. Except for the rights to the royalties, the Company retains all rights and obligations under the Amended Alimera Agreement, pursuant to which, Alimera owns worldwide rights to the Company's Durasert technology in ILUVIEN for diabetic macular edema ("DME") and rights for ILUVIEN (currently marketed by the Company as YUTIQ in the U.S.) for non-infectious posterior uveitis in Europe, the Middle East, and Africa ("EMEA"). Alimera has the sole rights to utilize the

intellectual property developed under the Amended Alimera Agreement. There has been no intellectual property developed jointly by Alimera and the Company as part of the Amended Alimera Agreement. The Company cannot utilize the intellectual property for the indication licensed to Alimera in order to manufacture and sell ILUVIEN.

The Company's ongoing efforts under the Amended Alimera Agreement will consist of continuing to maintain and enforce its patents as well as providing safety data and regulatory support as necessary. None of these obligations require significant efforts on the part of the Company with respect to the generation of sales in the market. The Company will only be required to expend more extensive efforts if litigation were to arise that requires the Company to protect its patents rights pursuant to the terms of the Amended Alimera Agreement. Historically, such a defense has not been required. Similarly, regulatory support and safety data is only provided on an ad-hoc basis depending on the regulatory requests, which has been minimal historically. It remains Alimera's sole responsibility to manufacture, actively market and promote the products under the Amended Alimera Agreement to generate the sales, which ultimately generate the royalties to be paid to SWK.

The Company classified the proceeds received from SWK as deferred revenue, to be recognized as revenue under the units-of-revenue method over the life of the RPA because of the Company's limited continuing involvement in the Amended Alimera Agreement. SWK has no recourse and the Company assumes no credit risk in event that Alimera fails to make a royalty payment. The Company must only forward all material correspondence from Alimera to SWK, including royalty reports, notices and any other correspondence with respect to royalties to SWK. SWK has the right to audit and inspect the books and records pertaining to net sales and royalties under the Amended Alimera Agreement. Neither the Company nor SWK has the unilateral ability to cancel the agreement. There is no cap or limitation on the royalties to be received by SWK in the future and its return will reflect all royalties paid by Alimera. Because the transaction was structured as a non-cancellable sale, the Company does not have significant continuing involvement in the generation of the cash flows due to SWK and there is no limitation on the rates of return to SWK, the Company recorded the total proceeds of $16.5 million as deferred revenue under royalty sale agreement. The deferred revenue is being recognized as revenue over the life of the RPA under the "units-of-revenue" method. Under this method, amortization for a reporting period is calculated by computing a ratio of the proceeds received from SWK to the payments expected to be made by Alimera to SWK over the term of the Amended Alimera Agreement, and then applying that ratio to the period's cash payment.

The Company recognized $225,000 and $180,000 of royalty revenue related to the RPA for the three months ended March 31, 2022 and 2021, respectively, in connection with the royalty payment of $724,000 and $583,000 in the first quarter of 2022 and 2021 from Alimera to SWK, pursuant to the Amended Alimera Agreement, respectively. As of March 31, 2022, the Company had $1.1 million and $14.3 million as current and non-current deferred revenue recognized under royalty sale agreement, respectively. As of December 31, 2021, the Company classified $1.1 million and $14.6 million as current and non-current deferred revenue recognized under royalty sale agreement, respectively.

**Ocumension Therapeutics**

In November 2018, the Company entered into an exclusive license agreement with Ocumension Therapeutics ("Ocumension") for the development and commercialization of its three-year micro insert using the Durasert technology for the treatment of chronic non-infectious uveitis affecting the posterior segment of the eye (YUTIQ in the U.S.) in Mainland China, Hong Kong, Macau and Taiwan. The Company received a one-time upfront payment of $1.75 million from Ocumension and is eligible to receive up to (i) $7.25 million upon the achievement by Ocumension of certain prescribed development and regulatory milestones, and (ii) $3.0 million commercial sales-based milestones. In addition, the Company is entitled to receive mid-single digit sales-based royalties. Ocumension has also received a special approval by the Hainan Province People's Government to market this product for chronic, non-infectious posterior segment uveitis in the Hainan Bo Ao Lecheng International Medical Tourism Pilot Zone ("Hainan Pilot Zone"). In March 2019, the Company entered into a Memorandum of Understanding ("2019 MOU"), pursuant to which, the Company will supply product for the clinical trials and Hainan Pilot Zone use. Paralleling to Ocumension's normal registration process of the product with the Chinese Regulatory Authorities, the 2019 MOU modified the Company's entitlement to the development and regulatory milestones of up to $7.25 million under the license agreement to product supply milestones or development milestones, whichever comes first, totaling up to $7.25 million. In August 2019, the Company began shipping this product to Ocumension.

The Company was required to provide a fixed number of hours of technical assistance support to Ocumension at no cost, which support has been completed and no future performance obligation exists. Ocumension is responsible for all development, regulatory and commercial costs, including any additional technical assistance

requested. Ocumension has a first right of negotiation for an additional exclusive license to the Company's shorter-duration line extension candidate for this indication.

In August 2019, the Company received a $1.0 million development milestone payment from Ocumension triggered by the approval of its Investigational New Drug ("IND") in China for this program. The IND allows the importation of finished product into China for use in a clinical trial to support regulatory filing.

In January 2020, the Company entered into an exclusive license agreement with Ocumension for the development and commercialization in Mainland China, Hong Kong, Macau and Taiwan of DEXYCU for the treatment of post-operative inflammation following ocular surgery. Pursuant to the terms of the license agreement, the Company received upfront payments of $2.0 million from Ocumension in February 2020 and will be eligible to receive up to (i) $6.0 million upon the achievement by Ocumension of certain prescribed development and regulatory milestones, and (ii) $6.0 million commercial sales-based milestones. In addition, the Company is entitled to receive mid-single digit sales-based royalties. In exchange, Ocumension will receive exclusive rights to develop and commercialize DEXYCU in Mainland China, Hong Kong, Macau and Taiwan, at its own cost and expense with the Company supplying product for clinical trials and commercial sale. In addition, Ocumension will receive a fixed number of hours of technical assistance support from the Company at no cost.

In August 2020, the Company entered into a Memorandum of Understanding ("2020 MOU"), pursuant to which, the Company received a one-time non-refundable payment of $9.5 million (the "Accelerated Milestone Payment") from Ocumension as a full and final payment of the combined remaining development, regulatory and sales milestone payments under the Company's license agreements with Ocumension for the treatment of chronic non-infectious uveitis affecting the posterior segment of the eye and for the treatment of post-operative inflammation following ocular surgery, respectively. Upon payment of the Accelerated Milestone Payment, the remaining $11.75 million in combined remaining development and sales milestone payments under the Company's original license agreement with Ocumension upon the achievement by Ocumension of (i) remaining development and regulatory milestones of $6.25 million and commercial sales-based milestones of $3.0 million for the development and commercialization of its three-year micro insert using the Durasert technology for the treatment of chronic non-infectious uveitis affecting the posterior segment of the eye; and (ii) $6.0 million upon the achievement by Ocumension of certain prescribed development and regulatory milestones, and $6.0 million commercial sales-based milestones for the development and commercialization in Mainland China, Hong Kong, Macau and Taiwan of DEXYCU for the treatment of post-operative inflammation following ocular surgery, totaling up to $21.25 million, were permanently extinguished and will no longer be due and owed to the Company. In exchange, Ocumension also received exclusive rights to develop and commercialize YUTIQ and DEXYCU products under its own brand names in South Korea and other jurisdictions across Southeast Asia in Brunei, Burma (Myanmar), Cambodia, Timor-Leste, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam, at its own cost and expense with the Company supplying product for clinical trials and commercial sale. The Company continues to be entitled to royalties on future product sales by Ocumension. In April 2021, Ocumension announced its filing of a New Drug Application ("NDA") for YUTIQ under Ocumension's distinct name to Chinese regulatory authorities and it is under review. Ocumension has been granted approval to have its NDA submission reviewed based on the U.S. NDA data and the real-world data Ocumension has collected from marketing the product in Hainan Pilot Zone. In September 2021, Ocumension announced its receipt of approval from Chinese regulatory authorities for DEXYCU under Ocumension's distinct name to conduct a Phase 3 clinical trial in China.

Other than a fixed number of hours of technical assistance support to be provided at no cost by the Company, Ocumension is responsible for all development, regulatory and commercial costs, including any additional technical assistance requested. All technical assistance was provided during 2020. The Chief Executive Officer of Ocumension became a director of the Company starting December 31, 2020, pursuant to a Share Purchase Agreement pursuant to which the Company sold to Ocumension 3,010,722 shares of common stock, at which time, Ocumension became a related party of the Company.

During the three months ended March 31, 2022 and 2021, in addition to $56,000 and $5,000 of revenue from product sales, respectively, the Company recognized approximately $59,000 and $268,000 of license and collaboration revenue, respectively, related to additional technical assistance.

**Exclusive License Agreement with Betta Pharmaceuticals, Co., Ltd.**

On May 2, 2022, the Company entered into an Exclusive License Agreement (the "Betta License Agreement") with Betta Pharmaceuticals Co., Ltd. ("Betta"), an affiliate of Equinox Sciences, LLC ("Equinox") (see Note 11).

Under the Betta License Agreement, the Company granted to Betta an exclusive, sublicensable, royalty-bearing license under certain of the Company's intellectual property to develop, use (but not make or have made), sell, offer for sale and import the Company's product candidate, EYP-1901, an investigational sustained delivery intravitreal anti-VEGF treatment that combines a bioerodible formulation of the Company's proprietary sustained-release technology with the compound vorolanib (the "Licensed Product"), in the field of ophthalmology (except diabetic macular edema unless permitted pursuant to the Company's existing agreement with Alimera Sciences, Inc.) (the "Betta Field") in the Greater Area of China, including China, the Hong Kong Special Administrative Region, the Macau Special Administrative Region, and Taiwan (the "Betta Territory"). The Company retained rights under the Company's intellectual property to, among other things, conduct clinical trials on the Licensed Product in the Betta Field in the Betta Territory.

In consideration for the rights granted by the Company, Betta agreed to pay the Company tiered, mid-to-high single-digit royalties based upon annual net sales of Licensed Products in the Betta Territory. The royalties are payable on a Licensed Product-by-Licensed Product and region-by-region basis commencing on the first commercial sale of a Licensed Product in a region and continuing until the later of (i) the date that is twelve (12) years after first commercial sale of such Licensed Product in such region, and (ii) the first day of the month following the month in which a generic product corresponding to such Licensed Product is launched in the relevant region. The royalty rate is subject to reduction under certain circumstances, including when there is no valid claim of a licensed patent that covers a Licensed Product in a particular region.

Betta is responsible for all costs relating to development, registration, manufacturing, marketing, advertising, promotional, launch and sales activities in connection with the Licensed Products in the Betta Field in the Betta Territory. Betta is required to use commercially reasonable efforts to develop, seek regulatory approval for, and commercialize at least one Licensed Product in the Betta Field in the Betta Territory. The Betta License Agreement also requires Betta to achieve certain diligence milestones relating to regulatory filings, patient dosing and regulatory approval by certain specified deadlines set forth in the Betta License Agreement, subject to certain exceptions and extensions as set forth in the Betta License Agreement. Betta's development activities will be conducted pursuant to a development plan subject to periodic updates. In the event that the Company conducts a global registrational clinical trial for a Licensed Product in the Betta Field, Betta will have the right to participate in such clinical trial by including clinical trial sites in the Betta Territory in accordance with the terms of the Betta License Agreement. The Company has also agreed to provide certain technology transfer and other support services to Betta subject to certain conditions and limitations set forth in the Betta License Agreement.

**Research Collaborations**

The Company from time to time enters into agreements to evaluate the potential use of its technology systems for sustained release of third-party partner drug candidates. Consideration received is generally recognized as revenue over the term of the research collaborations. Revenue recognition for consideration, if any, related to a license option right is assessed based on the terms of any such future license agreement or is otherwise recognized at the completion of the research collaborations. Revenues under research collaborations totaled $0 and $60,000 for the three months ended March 31, 2022 and 2021, respectively.

## 4. Inventory

Inventory consisted of the following (in thousands):

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Raw materials | $ 1,628 | $ 2,727 |
| Work in process | 671 | 405 |
| Finished goods | 1,037 | 484 |
| Total inventory | $ 3,336 | $ 3,616 |

## 5. Intangible Assets

The reconciliation of intangible assets for the three months ended March 31, 2022 and 2021 (in thousands) was as follows:

| | March 31, 2022 | March 31, 2021 |
|---|---|---|
| **Patented technologies** | | |
| Gross carrying amount at beginning of period | $ 68,322 | $ 68,322 |
| Gross carrying amount at end of period | 68,322 | 68,322 |
| Accumulated amortization at beginning of period | (45,573) | (43,113) |
| Amortization expense | (615) | (615) |
| Accumulated amortization at end of period | (46,188) | (43,728) |
| Net book value at end of period | $ 22,134 | $ 24,594 |

The Company amortizes intangible assets with finite lives on a straight-line basis over their respective estimated useful lives of 13 years. Amortization of intangible assets totaled $615,000 for the three months ended March 31, 2022 and 2021.

In connection with the Company's acquisition of Icon Bioscience, Inc., the initial purchase price was attributed to the DEXYCU product intangible asset. This finite-lived intangible asset is being amortized on a straight-line basis over its expected remaining useful life of 9 years at the rate of approximately $2.5 million per year. Amortization expense was reported as a component of cost of sales for the three months ended March 31, 2022 and 2021, respectively.

## 6. Accrued Expenses

Accrued expenses consisted of the following at March 31, 2022 and December 31, 2021 (in thousands):

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Personnel costs | $ 3,057 | $ 7,321 |
| Clinical trial costs | 2,016 | 753 |
| Professional fees | 482 | 712 |
| Sales chargebacks, rebates and other revenue reserves | 4,054 | 2,974 |
| Commissions due to DEXYCU commercial partner | 1,573 | 1,518 |
| Other | 1,147 | 1,144 |
| | $ 12,329 | $ 14,422 |

## 7. Leases

On May 17, 2018, the Company amended the lease for its headquarters in Watertown, Massachusetts. The original five-year lease for approximately 13,650 square feet of combined office and laboratory space was set to expire in April 2019. Under the amendment, the Company leased an additional 6,590 square feet of rentable area of the building, with a commencement date of September 10, 2018. The amendment extended the term of the lease for the combined space through May 31, 2025, and the landlord provided the Company a construction allowance of up to $670,750 to be applied toward renovations and improvements within the total space. On April 5, 2021, the Company further amended the lease to include an additional 1,409 square feet of rentable area of the building, through May 31, 2025, with a commencement date of July 1, 2021. On March 8, 2022, the Company further amended the lease (i) to extend the term to May 31, 2028 for 13,650 square feet of laboratory and manufacturing operations space, with the landlord agreeing to provide the Company a construction allowance of up to $555,960 to be applied toward upgrades and improvements within the space; (ii) to rent an additional 11,999 square feet of office space within the building through May 31, 2028, with an anticipated commencement date in the third quarter of 2022; and (iii) to terminate a portion of the lease comprising 7,999 square feet of office space in the building on May 31, 2025. The Company previously provided a cash-collateralized $150,000 irrevocable standby letter of credit as security for the Company's obligations under the lease, which will remain in effect through the period that is four months beyond the expiration date of the amended lease. The Company will also be required to pay its proportionate

share of certain operating costs and property taxes applicable to the leased premises in excess of new base year amounts.

In July 2017, the Company leased approximately 3,000 square feet of office space in Basking Ridge, New Jersey under a lease term extending through June 2022, with two five-year renewal options at 95% of the then-prevailing market rates. In addition to base rent, the Company is obligated to pay its proportionate share of building operating expenses and real estate taxes in excess of base year amounts. In June 2018, the Company subleased an additional 1,381 square feet of adjoining space from Caladrius Biosciences, Inc. ("Caladrius") through May 2022. The Chief Executive Officer of Caladrius was a director of the Company through June 2020. Per the terms of the lease and sublease agreements, the Company does not have any residual value guarantees. The Company has given notice to the landlord that the Company will not be renewing this lease and the Company will vacate the facility upon expiration.

The Company identified and assessed the following significant assumptions in recognizing its right-of-use ("ROU") assets and corresponding lease liabilities:

- As the Company's leases do not provide an implicit rate, the Company estimated the incremental borrowing rate in calculating the present value of the lease payments. The Company utilized the borrowing rate under its CRG term loan facility (see Note 8) as the discount rate.
- Since the Company elected to account for each lease component and its associated non-lease components as a single combined component, all contract consideration was allocated to the combined lease component.
- The expected lease terms include noncancelable lease periods. Renewal option periods have not been included in the determination of the lease terms as they are not deemed reasonably certain of exercise.
- Variable lease payments, such as common area maintenance, real estate taxes and property insurance are not included in the determination of the lease's ROU asset or lease liability.

As of March 31, 2022, the weighted average remaining term of the Company's operating leases was 3.1 years and the lease liabilities arising from obtaining ROU assets reflect a weighted average discount rate of 12.5%.

Supplemental balance sheet information related to operating leases as of March 31, 2022 and December 31, 2021 are as follows (in thousands):

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Other current liabilities – operating lease current portion | $ 641 | $ 645 |
| Operating lease liabilities – noncurrent portion | 1,697 | 1,860 |
| Total operating lease liabilities | $ 2,338 | $ 2,505 |

Operating lease expense recognized related to ROU assets were $229,000 and $213,000, excluding $3,000 and $9,000 of variable lease costs, for each of the three months ended March 31, 2022 and 2021, and were included in general and administrative expense in the Company's statement of comprehensive loss. Cash paid for amounts included in the measurement of operating lease liabilities was $242,000 and $221,000, respectively, for the three months ended March 31, 2022 and 2021.

The Company is a party to two finance leases for laboratory equipment. The equipment leases expire in December 2022 and June 2023, respectively.

Supplemental balance sheet information related to the finance lease as of March 31, 2022 and December 31, 2021 are as follows (in thousands):

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Property and equipment, at cost | $ 270 | $ 371 |
| Accumulated amortization | (138) | (205) |
| Property and equipment, net | $ 132 | $ 166 |
| | | |
| Other current liabilities – finance lease current portion | $ 122 | $ 137 |
| Other long-term liabilities | 18 | 36 |
| Total finance lease liabilities | $ 140 | $ 173 |

The components of finance lease expense recognized during the three months ended March 31, 2022 related to ROU assets was $34,000 and interest on lease liabilities was $5,000. Cash paid for amounts included in the measurement of finance lease liabilities were operating cash flows of $5,000 and financing cash flows of $33,000 for the three months ended March 31, 2022. Cash paid for amounts included in the measurement of finance lease liabilities were operating cash flows of $6,000 and financing cash flows of $18,000 for the three months ended March 31, 2021.

As of March 31, 2022, the weighted average remaining term of the Company's finance lease was 1 year and the lease liabilities arising from obtaining ROU assets reflect a weighted average discount rate of 12.5%.

The Company's total future minimum lease payments under non-cancellable leases at March 31, 2022 were as follows (in thousands):

| | Operating Leases | Finance Leases |
|---|---|---|
| Remainder of 2022 | $ 669 | $ 111 |
| 2023 | 877 | 37 |
| 2024 | 894 | — |
| 2025 | 373 | — |
| Total lease payments | $ 2,813 | $ 148 |
| Less imputed interest | (475) | (8) |
| Total | $ 2,338 | $ 140 |

## 8. Loan Agreements

### CRG Term Loan Agreement

On February 13, 2019 (the "CRG Closing Date"), the Company entered into the CRG Loan Agreement among the Company, as borrower, CRG Servicing LLC, as administrative agent and collateral agent (the "Agent"), and the lenders party thereto from time to time, providing for a senior secured term loan of up to $60 million (the "CRG Loan"). On the CRG Closing Date, $35 million of the CRG Loan was advanced (the "CRG Initial Advance"). The Company utilized the proceeds from the CRG Initial Advance for the repayment in full of all outstanding obligations under its prior credit agreement (the "SWK Credit Agreement") with SWK Funding LLC ("SWK"). In April 2019, the Company exercised its option to borrow an additional $15 million of the CRG Loan (the "CRG Second Advance"). The Company did not draw any additional funds under the CRG Loan by the final draw deadline of March 31, 2020.

The total debt discount related to the CRG Initial Advance was approximately $3.2 million and consisted of (i) the accrual of a $2.1 million exit fee; (ii) the $525,000 upfront fee; and (iii) $591,000 of legal and other transaction costs. The discount is being amortized as additional interest expense over the term of the Loan using the effective interest rate method.

The total debt discount related to the CRG Second Advance was approximately $1.1 million and consisted of (i) the accrual of a $900,000 exit fee; and (ii) the $225,000 upfront fee. The discount is being amortized as additional interest expense over the term of the Loan using the effective interest rate method.

The CRG Loan was originally scheduled to mature on December 31, 2023 and bore interest at a fixed rate of 12.5% per annum payable in arrears on the last business day of each calendar quarter. On December 17, 2020, the Company paid $15.0 million against the CRG Loan obligations in connection with the consummation of the RPA agreement (see Note 3). This payment included (i) a $13.8 million principal portion of the CRG Loan (ii) the $828,000 Exit Fee, and (iii) accrued and unpaid interest of $378,000 through that date. In connection with the partial prepayment of the CRG Loan, the Company recorded a loss on partial extinguishment of debt of $905,000 in the year ended December 31, 2020, associated with the write-off of the remaining balance of unamortized debt discount related to the partial prepayment of the CRG Loan.

On March 9, 2022, the Company repaid the remaining CRG Loan balance totaling $41.4 million with the proceeds from the SVB Loan Agreement (discussed below). This payment included (i) the remaining $38.2 million principal portion of the CRG Loan, (ii) a $2.3 million exit fee of 6% of the aggregate principal amount advanced under the CRG Loan, and (iii) accrued and unpaid interest of $0.9 million through the pay-off date. As a result of the early repayment of the CRG Loan, the Company recorded a loss on extinguishment of debt of $1.6 million for the quarter ended March 31, 2022 related to the write-off of the remaining balance of unamortized debt discount.

**SVB Loan Agreement**

On March 9, 2022 (the "SVB Closing Date"), the Company entered into a loan and security agreement (the "SVB Loan Agreement") with Silicon Valley Bank ("SVB") providing for (i) a senior secured term loan facility of $30.0 million (the "Term Facility") and (ii) a senior secured revolving credit facility of up to $15.0 million (the "Revolving Facility" and together with the Term Facility, the "Credit Facilities"). The maximum amount available for borrowing at any time under the Revolving Facility is limited to a borrowing base valuation of the Company's eligible accounts receivable. On the SVB Closing Date, $30.0 million of the Term Facility and $11.5 million of the Revolving Facility, were advanced, to pay off the CRG Loan, including the accrued interest through that date. The Revolving Facility is classified as short-term borrowings in the consolidated balance sheets.

The loans under the Credit Facilities are due and payable on January 1, 2027 (the "SVB Maturity Date"). The Credit Facilities bear interest that is payable monthly in arrears at a per annum rate (subject to increase during an event of default) equal to (i) with respect to the Term Facility, the greater of (x) the Wall Street Journal prime rate plus 2.25% and (y) 5.50% and (ii) with respect to the Revolving Facility, the Wall Street Journal Prime Rate. An unused commitment fee of 0.25% per annum applies to unutilized borrowing capacity under the Revolving Facility. Commencing on February 1, 2024, the Company is required to repay the principal of the Term Facility in 36 consecutive equal monthly installments. At maturity or if earlier prepaid, the Company will also be required to pay an exit fee equal to 2.00% of the aggregate principal amount of the Term Facility.

The repayment of all unpaid principal and accrued interest under the Credit Facilities may be accelerated upon consummation of a specified change of control transaction or the occurrence of certain other events of default (as specified in the SVB Loan Agreement). Subject to certain exceptions, the Company is also required to make mandatory prepayments of outstanding loans under the Credit Facilities with the proceeds of assets sales and insurance proceeds, which amounts in the case of the Revolving Facility, subject to the conditions set forth in the SVB Loan Agreement, may be re-borrowed. All voluntary and mandatory prepayments of the Term Facility are subject to the payment of prepayment premiums as follows: (i) if prepayment occurs on or prior to the first anniversary of the SVB Closing Date, an amount equal to 3.0% of the aggregate outstanding principal amount of the Term Facility being prepaid, (ii) if prepayment occurs after the first anniversary of the SVB Closing Date and on or prior to the second anniversary of the SVB Closing Date, 2.0% of the aggregate outstanding principal amount of the Term Facility being prepaid, (iii) if prepayment occurs after the second anniversary of the SVB Closing Date and on or prior to the third anniversary of the SVB Closing Date, 1.0% of the aggregate outstanding principal amount of the Term Facility being prepaid and (iv) if prepayment occurs after the third anniversary of the SVB Closing Date but prior to the SVB Maturity Date, an amount equal to 0.50% of the aggregate outstanding principal amount of the Term Facility being prepaid. The prepayment of the Term Facility in full is also subject to the payment of an exit fee of $600,000. The Company may voluntarily terminate the Revolving Facility at any time, subject to the payment of a termination fee as follows: (i) if such termination occurs on or prior to the first anniversary of the SVB Closing Date, an amount equal to 3.0% of the Revolving Facility and (ii) if such termination occurs after the first anniversary of the SVB Closing Date, 1.0% of the Revolving Facility.

The obligations of the Company under the SVB Loan Agreement are secured by a pledge of substantially all of the Company's assets, excluding intellectual property. Certain of the Company's future subsidiaries will be required to become co-borrowers under the SVB Loan Agreement or guarantee the obligations of the Company under the SVB Loan Agreement. In addition, such subsidiaries will be required to pledge substantially all of their assets, excluding intellectual property, to secure the obligations of the Company under the SVB Loan Agreement.

The SVB Loan Agreement contains affirmative and negative covenants customary for financings of this type, including limitations on the Company and its subsidiaries' abilities, among other things, to incur additional debt, grant or permit additional liens, make investments and acquisitions, merge or consolidate with others, dispose of assets, pay dividends and distributions, enter into affiliate transactions and change its line of business, in each case, subject to certain exceptions. In addition, the SVB Loan Agreement contains the following quarterly financial covenants requiring the Company to maintain either:

- minimum product revenue from YUTIQ and DEXYCU assessed on a quarterly basis commencing from the three-month period ending on March 31, 2022 through the SVB Maturity Date, with such minimum quarterly product revenue ranging from approximately $7.8 million to approximately $11.5 million in fiscal year 2022. Such minimum quarterly product revenue will be subject to incremental increases in fiscal year 2023 and will thereafter be such amounts as agreed upon between the Company and SVB based on certain agreed-upon factors commencing for the three-month period ending on March 31, 2024 and for each three-month period thereafter through the SVB Maturity Date; or
- if the Company is unable to achieve the minimum quarterly product revenue level required as of the end of any three-month period, cash and cash equivalents in an amount equal to the greater of (i) $50,000,000 and (ii) the Company's six-month Cash Burn (as defined in the SVB Loan Agreement).

Amortization of debt discount under the SVB Loan Agreement totaled $18,000 for the three months ended March 31, 2022. Commitment fees under the revolving facility were immaterial.

The Company's scheduled principal payments for debt at March 31, 2022 were as follows (in thousands):

| | |
|---|---|
| Remainder of 2022 | — |
| 2023 | — |
| 2024 | 9,167 |
| 2025 | 10,000 |
| 2026 | 10,000 |
| Thereafter | 833 |
| Total | $ 30,000 |

## 9. Stockholders' Equity

### Equity Financings

### Common Stock Offering

In February 2021, the Company sold 10,465,000 shares of its common stock in an underwritten public offering at a price of $11.00 per share, including the exercise in full by the underwriters of their option to purchase up to 1,365,000 additional shares of the Company's common stock. The gross proceeds of the offering to the Company were approximately $115.1 million. Underwriter discounts and commissions and other share issue costs totaled approximately $7.2 million.

### ATM Facility

In August 2020, the Company entered into an at-the-market facility (the "ATM Facility") with Cantor Fitzgerald & Co ("Cantor"). Pursuant to the ATM Facility, the Company may, at its option, offer and sell shares of its common stock from time to time, through or to Cantor, acting as sales agent. The Company will pay Cantor a commission of 3.0% of the gross proceeds from any future sales of such shares.

During the three months ended March 31, 2021, the Company sold 48,538 shares of its common stock at a weighted average price of $11.37 per share for gross proceeds of approximately $552,000. Share issue costs, including sales agent commissions, totaled approximately $53,000 during the reporting period.

During the three months ended March 31, 2022, the Company did not sell any shares of its common stock under the ATM Facility.

**Warrants to Purchase Common Shares**

The following table provides a reconciliation of fixed price warrants to purchase shares of the Company's common stock for the three months ended March 31, 2022 and 2021:

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | Number of Warrants | Weighted Average Exercise Price | Number of Warrants | Weighted Average Exercise Price |
| Balance at beginning of period | 48,683 | $ 12.33 | 48,683 | $ 12.33 |
| Balance and exercisable at end of period | 48,683 | $ 12.33 | 48,683 | $ 12.33 |

Pursuant to a credit agreement, the Company issued a warrant to SWK Funding LLC to purchase (i) 40,910 shares of the Company's common stock on March 28, 2018 at an exercise price of $11.00 per share with a seven-year term and (ii) 7,773 shares of the Company's common stock on June 26, 2018 at an exercise price of $19.30 per share with a seven-year term. At March 31, 2022, the weighted average remaining life of the warrant was approximately 3.0 years.

**10. Share-Based Payment Awards**

**Equity Incentive Plan**

The 2016 Long-Term Incentive Plan (the "2016 Plan"), approved by the Company's stockholders on December 12, 2016 (the "Adoption Date"), provides for the issuance of up to 300,000 shares of the Company's common stock reserved for issuance under the 2016 Plan plus any additional shares of the Company's common stock that were available for grant under the 2008 Incentive Plan (the "2008 Plan") at the Adoption Date or would otherwise become available for grant under the 2008 Plan as a result of subsequent termination or forfeiture of awards under the 2008 Plan. At the Company's Annual Meeting of Stockholders held on June 25, 2019, the Company's stockholders approved an amendment to the 2016 Plan to increase the number of shares authorized for issuance by 1,100,000 shares. At the Company's Annual Meeting of Stockholders held on June 22, 2021, the Company's stockholders approved an amendment to the 2016 Plan to increase the number of shares authorized for issuance by 2,500,000 shares. At March 31, 2022, a total of approximately 8,000 shares were available for new awards.

The Company also granted non-statutory stock options to new employees as inducement awards to enter into employment with the Company. The grants were approved by the Compensation Committee of the Board of Directors and awarded in accordance with Nasdaq Listing Rule 5635(c)(4). Although not awarded under the 2016 Plan or the 2008 Plan, the grants are subject to and governed by the terms and conditions of the 2016 Plan or 2008 Plan, as applicable.

***Stock Options***

The following table provides a reconciliation of stock option activity under the Company's equity incentive plans and for inducement awards for the three months ended March 31, 2022:

| | Number of Options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life | Aggregate Intrinsic Value |
|---|---|---|---|---|
| | | | (in years) | (in thousands) |
| Outstanding at January 1, 2022 | 2,517,680 | $ 16.49 | | |
| Granted | 1,473,800 | 10.49 | | |
| Exercised | (4,223) | 9.44 | | |
| Forfeited | (13,155) | 13.39 | | |
| Outstanding at March 31, 2022 | 3,974,102 | $ 14.29 | 8.57 | $ 3,255 |
| Exercisable at March 31, 2022 | 1,202,550 | $ 20.35 | 6.64 | $ 122 |

The Company has granted stock options with 25% of the option vesting after one year followed by ratable monthly vesting over the remaining three years. Nonemployee awards are granted similar to the Company's employee awards. All option grants have a 10-year term. Options to purchase a total of 293,583 shares of the Company's common stock vested during the three months ended March 31, 2022. Starting February 2021, the Company (i) ceased vesting ratable monthly over four years and (ii) retained 25% vesting after one year followed by ratable monthly vesting over the remaining three years.

In determining the grant date fair value of option awards during the three months ended March 31, 2022, the Company applied the Black-Scholes option pricing model based on the following key assumptions:

| | |
|---|---|
| Option life (in years) | 5.50 - 6.08 |
| Stock volatility | 76% - 78% |
| Risk-free interest rate | 1.46% - 2.12% |
| Expected dividends | 0.0% |

The following table summarizes information about employee, non-executive director and external consultant stock options for the three months ended March 31, 2022 (in thousands except per share amount):

| | Three Months Ended Mar 31, 2022 |
|---|---|
| Weighted-average grant date fair value per share | $ 7.06 |
| Total cash received from exercise of stock options | 40 |
| Total intrinsic value of stock options exercised | 13 |

***Time-Vested Restricted Stock Units***

Time-vested restricted stock units ("RSUs") issued to date under the 2016 Plan generally vest on a ratable annual basis over 3 years. The related stock-based compensation expense is recorded over the requisite service period, which is the vesting period. The fair value of all time-vested RSUs is based on the closing share price of the Company's common stock on the date of grant.

The following table provides a reconciliation of RSU activity under the 2016 Plan for the three months ended March 31, 2022:

| | Number of Restricted Stock Units | Weighted Average Grant Date Fair Value |
|---|---|---|
| Nonvested at January 1, 2022 | 291,575 | $ 13.19 |
| Granted | 403,500 | 10.13 |
| Vested | (132,724) | 13.57 |
| Forfeited | (2,765) | 13.51 |
| Nonvested at March 31, 2022 | 559,586 | $ 10.89 |

At March 31, 2022, the weighted average remaining vesting term of the RSUs was 1.74 years.

***Employee Stock Purchase Plan***

On June 25, 2019, the Company's stockholders approved the adoption of the EyePoint Pharmaceuticals, Inc. 2019 Employee Stock Purchase Plan (the "ESPP") and authorized up to 110,000 shares of common stock reserved for issuance to participating employees. At the Company's Annual Meeting of Stockholders held on June 22, 2021, the Company's stockholders approved an amendment to the ESPP to increase the number of shares authorized for issuance by 250,000 shares. The ESPP allows qualified participants to purchase the Company's common stock twice a year at 85% of the lesser of the average of the high and low sales price of the Company's common stock on (i) the first trading day of the relevant offering period and (ii) the last trading day of the relevant offering period. The number of shares of the Company's common stock each employee may purchase under this plan, when combined with all other employee stock purchase plans, is limited to the lower of an aggregate fair market value of $25,000 during each calendar year, or 5,000 shares of the Company's common stock in any one offering period. The Company has maintained consecutive six-month offering periods since August 1, 2019. As of March 31, 2022, 28,504 shares of the Company's common stock were issued pursuant to the ESPP.

The Company estimated the fair value of the option component of the ESPP shares at the date of grant using a Black-Scholes valuation model. During the three months ended March 31, 2022, the compensation expense from ESPP shares was approximately $33,000. During the three months ended March 31, 2021, the compensation expense from ESPP shares was immaterial.

**Stock-Based Compensation Expense**

The Company's consolidated statements of comprehensive loss included total compensation expense from stock-based payment awards for the three months ended March 31, 2022 and 2021, respectively, as follows (in thousands):

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Compensation expense included in: | | |
| Research and development | $ 1,473 | $ 484 |
| Sales and marketing | 409 | 263 |
| General and administrative | 1,595 | 241 |
| | $ 3,477 | $ 988 |

At March 31, 2022, there was approximately $20.4 million of unrecognized compensation expense related to outstanding equity awards under the 2016 Plan, the 2008 Plan, the inducement awards and the ESPP that is expected to be recognized as expense over a weighted-average period of approximately 1.86 years.

## 11. License and Asset Purchase Agreements

**Equinox Science, LLC**

In February 2020, the Company entered into an Exclusive License Agreement (the "Equinox License Agreement") with Equinox, pursuant to which Equinox granted the Company an exclusive, sublicensable, royalty-bearing right and license to certain patents and other Equinox intellectual property to research, develop, make, have made, use, sell, offer for sale and import the compound vorolanib and any pharmaceutical products comprising the compound for local delivery to the eye for the prevention or treatment of age-related macular degeneration, diabetic retinopathy and retinal vein occlusion using the Company's proprietary localized delivery technologies (the "Original Field"), in each case, throughout the world except China, Hong Kong, Taiwan and Macau (the "Company Territory").

In consideration for the rights granted by Equinox, the Company (i) made a one time, non-refundable, non-creditable upfront cash payment of $1.0 million to Equinox in February 2020, and (ii) agreed to pay milestone payments totaling up to $50 million upon the achievement of certain development and regulatory milestones, consisting of (a) completion of a Phase II clinical trial for the compound or a licensed product, (b) the filing of a new drug application or foreign equivalent for the compound or a licensed product in the United States, European Union or United Kingdom and (c) regulatory approval of the compound or a licensed product in the United States, European Union or United Kingdom.

The Company also agreed to pay Equinox tiered royalties based upon annual net sales of licensed products in the Company Territory. The royalties are payable with respect to a licensed product in a particular country in the Company Territory on a country-by-country and licensed product-by-licensed product basis until the later of (i) twelve years after the first commercial sale of such licensed product in such country and (ii) the first day of the month following the month in which a generic product corresponding to such licensed product is launched in such country. The royalty rates range from the high-single digits to low-double digits depending on the level of annual net sales. The royalty rates are subject to reduction during certain periods when there is no valid patent claim that covers a licensed product in a particular country.

On May 2, 2022, concurrent with the Company entering into the Betta License Agreement, the Company entered into Amendment #1 to the Equinox License Agreement, pursuant to which the Original Field was expanded to cover the prevention or treatment of ophthalmology indications using the Company's proprietary localized delivery technologies and certain conforming changes were made to the Equinox License Agreement in connection therewith.

No R&D expense was recorded during the three months ended March 31, 2022 and 2021 for this license.

## 12. Fair Value Measurements

The following tables summarize the Company's assets by significant categories carried at fair value measured on a recurring basis at March 31, 2022 and December 31, 2021 by valuation hierarchy (in thousands):

| | March 31, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying Value | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | Cash Equivalents | Marketable Securities |
| Level 1: | | | | | | |
| Money market funds | $ 87,731 | $ — | $ — | $ 87,731 | $ 87,731 | $ — |
| Subtotal | $ 87,731 | $ — | $ — | $ 87,731 | $ 87,731 | $ — |
| Level 2: | | | | | | |
| Commercial paper | $ 45,887 | $ — | $ — | $ 45,887 | $ — | $ 45,887 |
| U.S. treasury securities | 43,405 | — | (53) | 43,352 | — | 43,352 |
| Subtotal | $ 89,292 | $ — | $ (53) | $ 89,239 | $ — | $ 89,239 |
| Total | $ 177,023 | $ — | $ (53) | $ 176,970 | $ 87,731 | $ 89,239 |

| | December 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying Value | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | Cash Equivalents | Marketable Securities |
| Level 1: | | | | | | |
| Money market funds | $ 155,551 | $ — | $ — | $ 155,551 | $ 155,551 | $ — |
| Subtotal | $ 155,551 | $ — | $ — | $ 155,551 | $ 155,551 | $ — |
| Level 2: | | | | | | |
| Commercial paper | $ 49,514 | $ — | $ — | $ 49,514 | $ 16,549 | $ 32,965 |
| Subtotal | $ 49,514 | $ — | $ — | $ 49,514 | $ 16,549 | $ 32,965 |
| Total | $ 205,065 | $ — | $ — | $ 205,065 | $ 172,100 | $ 32,965 |

At March 31, 2022, substantially all of the Company's interest-bearing cash equivalent balances, were concentrated in one U.S. Government institutional money market fund that had investments consisting primarily of U.S. Government Agency debt, U.S. Treasury Repurchase Agreements and U.S. Government Agency Repurchase Agreements. Generally, these deposits may be redeemed upon demand and, therefore, the Company believes they have minimal risk. Marketable securities consist of investments with an original or remaining maturity of greater than three months but less than one year at the date of purchase. The Company had investments of $89.2 million in marketable securities at March 31, 2022.

At December 31, 2021, a total of $155.6 million, or 90.4% of the Company's interest-bearing cash equivalent balances, were concentrated in one U.S. Government institutional money market fund that had investments consisting primarily of U.S. Government Agency debt, U.S. Treasury debt, U.S. Treasury Repurchase Agreements and U.S. Government Agency Repurchase Agreements. $16.5 million, or 9.6% of the Company's interest-bearing cash equivalent balances consisted of investment-grade commercial paper. Generally, these investments may be sold upon demand and, therefore, the Company believes they have minimal risk. The Company had investments of $33.0 million in marketable securities at December 31, 2021.

The Company's cash equivalents and marketable securities are classified within Level 1 or Level 2 on the basis of valuations using quoted market prices or alternative pricing sources and models utilizing market observable inputs, respectively. The marketable securities have been valued on the basis of valuations provided by third-party pricing services, as derived from such services' pricing models. Inputs to the models may include, but are not limited to, reported trades, executable bid and ask prices, broker/dealer quotations, prices or yields of securities with similar characteristics, benchmark curves or information pertaining to the issuer, as well as industry and economic events. The pricing services may use a matrix approach, which considers information regarding securities with similar characteristics to determine the valuation for a security, and have been classified as Level 2.

The carrying amounts of accounts receivable, accounts payable and accrued expenses approximate fair value because of their short-term maturity.

The carrying amounts of the short-term borrowings and long-term debt under the Company's SVB Loan Agreement approximate the estimated fair value. These borrowings under the Credit Facilities have a variable interest rate structure and are classified within Level 2 of the fair value hierarchy.

## 13. Contingencies

### Legal Proceedings

The Company is subject to various routine legal proceedings and claims incidental to its business, which management believes will not have a material effect on the Company's financial position, results of operations or cash flows.

**14. Net Loss per Share**

Basic net loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. For periods in which the Company reports net income, diluted net income per share is determined by adding to the basic weighted average number of common shares outstanding the total number of dilutive common equivalent shares using the treasury stock method, unless the effect is anti-dilutive. Potentially dilutive shares were not included in the calculation of diluted net loss per share for each of the three months ended March 31, 2022 and 2021 as their inclusion would be anti-dilutive.

Potential common stock equivalents excluded from the calculation of diluted earnings per share because the effect would have been anti-dilutive were as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2022** | **2021** |
| Stock options | 3,974,102 | 1,442,053 |
| ESPP | 7,964 | 5,402 |
| Warrants | 48,683 | 48,683 |
| Restricted stock units | 559,586 | 135,989 |
| | 4,590,335 | 1,632,127 |

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

**Note Regarding Forward-Looking Statements**

Various statements made in this Quarterly Report on Form 10-Q are forward-looking and involve risks and uncertainties. All statements that address activities, events or developments that we intend, expect or believe may occur in the future are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements give our current expectations or forecasts of future events and are not statements of historical or current facts. These statements include, among others, statements about:

- the potential for EYP-1901, as an investigational sustained delivery intravitreal anti-VEGF treatment targeting wet age-related macular degeneration ("wet AMD"), non-proliferative diabetic retinopathy ("NPDR") and diabetic macular edema ("DME");
- our expectations regarding the timing and outcome of our planned Phase 2 clinical trials for EYP-1901, for the treatment of wet AMD, NPDR and DME;
- our expectations regarding the timing and clinical development of our product candidates, including EYP-1901;
- the extent to which our business, the medical community and the global economy will continue to be materially and adversely impacted by the effects of the COVID-19 pandemic (the "Pandemic"), or by other pandemics, epidemics or outbreaks;
- our cash flow expectations from commercial sales of YUTIQ and DEXYCU;
- our ability to manufacture YUTIQ and DEXYCU, or any future products or product candidates, in sufficient quantities and quality;
- our belief that our cash, cash equivalents, and marketable securities of $190.8 million at March 31, 2022, combined with anticipated net cash inflows from product sales, will fund our operating plans into the second half of 2024, under current expectations regarding the initiation of our Phase 2 clinical trials for EYP-1901;
- our ability to obtain additional capital in sufficient amounts and on terms acceptable to us, and the consequences of failing to do so;
- our future expenses and capital expenditures;
- our expectations regarding our ability to obtain and adequately maintain sufficient intellectual property protection for EYP-1901, YUTIQ, DEXYCU and any future products or product candidates, and to avoid claims of infringement of third-party intellectual property rights;
- our expectation that we will continue to incur significant expenses and that our operating losses and our net cash outflows to fund operations will continue for the foreseeable future;
- our expectations regarding our expanded commercial alliance with ImprimisRx for the sales and marketing of DEXYCU, and ImprimisRx's ability to execute on sales and marketing activities for the brand; and
- the effect of legal and regulatory developments.

Forward-looking statements also include statements other than statements of current or historical fact, including, without limitation, all statements related to any expectations of revenues, expenses, cash flows, earnings or losses from operations, cash required to maintain current and planned operations, capital or other financial items; any statements of the plans, strategies and objectives of management for future operations; any plans or expectations with respect to product research, development and commercialization, including regulatory approvals; any other statements of expectations, plans, intentions or beliefs; and any statements of assumptions underlying any of the foregoing. We often, although not always, identify forward-looking statements by using words or phrases such as "likely", "expect", "intend", "anticipate", "believe", "estimate", "plan", "project", "forecast" and "outlook".

The following are some of the factors that could cause actual results to differ materially from the anticipated results or other expectations expressed, anticipated or implied in our forward-looking statements:

- the extent to which the Pandemic impacts our business, the medical community and the global economy;
- the effectiveness and timeliness of our preclinical studies and clinical trials, and the usefulness of the data;

- our expectations regarding the timing and clinical development of our product candidates, including EYP-1901, and the potential for EYP-1901 as a sustained delivery treatment for serious eye diseases, including wet AMD, NPDR and DME;
- our ability to achieve profitable operations and access to needed capital;
- fluctuations in our operating results;
- our ability to successfully produce sufficient commercial quantities of YUTIQ and DEXYCU and to successfully commercialize YUTIQ and DEXYCU in the U.S.;
- our ability to sustain and enhance an effective commercial infrastructure and enter into and maintain commercial agreements for the commercialization of YUTIQ and DEXYCU;
- consequences of fluocinolone acetonide side effects for YUTIQ;
- consequences of dexamethasone side effects for DEXYCU;
- the success of current and future license and collaboration agreements, including our agreements with Ocumension Therapeutics ("Ocumension"), Equinox Science, LLC ("Equinox") and Betta Pharmaceuticals Co., Ltd.;
- our dependence on contract research organizations, our commercial alliance partner ImprimisRx, vendors and investigators;
- effects of competition and other developments affecting sales of products;
- market acceptance of our products;
- protection of intellectual property and avoiding intellectual property infringement;
- product liability; and
- other factors described in our filings with the SEC.

We cannot guarantee that the results and other expectations expressed, anticipated or implied in any forward-looking statement will be realized. The risks set forth under Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 describe major risks to our business, and you should read and interpret any forward-looking statements together with these risks. A variety of factors, including these risks, could cause our actual results and other expectations to differ materially from the anticipated results or other expectations expressed, anticipated or implied in our forward-looking statements. Should known or unknown risks materialize, or should underlying assumptions prove inaccurate, actual results could differ materially from past results and those anticipated, estimated or projected in the forward-looking statements. You should bear this in mind as you consider any forward-looking statements.

Our forward-looking statements speak only as of the dates on which they are made. We do not undertake any obligation to publicly update or revise our forward-looking statements even if experience or future changes makes it clear that any projected results expressed or implied in such statements will not be realized.

**Our Business**

***Overview***

We are a pharmaceutical company committed to developing and commercializing innovative therapeutics to help improve the lives of patients with serious eye disorders. Our pipeline leverages our proprietary Durasert® technology for sustained intraocular drug delivery including EYP-1901, an investigational sustained delivery intravitreal anti-VEGF treatment initially targeting wet age-related macular degeneration ("wet AMD"), the leading cause of vision loss among people 50 years of age and older in the United States. We also have two commercial products: YUTIQ®, a once every three-year treatment for chronic non-infectious uveitis affecting the posterior segment of the eye, and DEXYCU®, a single dose treatment for postoperative inflammation following ocular surgery.

***Recent Developments***

- In May 2022, we entered into an exclusive license agreement with Betta Pharmaceuticals Co. Ltd. ("Betta") to develop and commercialize EYP-1901 in China, Hong Kong, Macau and Taiwan (the "Betta Territory"). Under the terms of this agreement, we retain all ophthalmic rights for EYP-1901 outside of the Betta Territory. Concurrently, we and Equinox Sciences LLC, a Betta affiliate, executed an amendment to the 2020 exclusive license agreement between the parties, expanding our exclusive rights to develop and commercialize vorolanib, the tyrosine kinase inhibitor used in EYP-1901, through localized delivery for the treatment of all ophthalmic diseases, including DME, in the Territory. We are prioritizing DME (instead of

RVO) as the third potential indication for EYP-1901, with a Phase 2 clinical trial anticipated in the first quarter of 2023.

- Customer demand for YUTIQ in Q1 2022, represented as units purchased by physicians from our distributors, was flat versus Q4 2021, driven by the annual reset of health plan deductibles and out-of-pocket minimums.
- Customer demand for DEXYCU in Q1 2022, represented as units purchased by ambulatory surgical centers ("ASCs"), was up approximately 7% over Q4 2021, driven by increases in cataract surgeries and re-opening of ASCs.
- In March 2022, we entered into a loan agreement for senior secured credit facilities in the aggregate amount of $45 million with Silicon Valley Bank to replace our existing credit facility with CRG.

***R&D Highlights***

- The FDA has recently updated the regulatory requirements for combination drug/device products such as YUTIQ 50. Based on updated guidance from the FDA, these regulatory changes will require us to conduct additional clinical trials for YUTIQ 50 beyond what was originally contemplated for the efficacy supplement of our NDA, resulting in a significant increase in the program's anticipated cost. Accordingly, we have decided to pause enrollment for the YUTIQ 50 clinical trial and evaluate if there is a viable path for resumption of the program.
- In February 2022, we announced updated positive interim safety and efficacy data from the ongoing Phase 1 DAVIO clinical trial evaluating EYP-1901 for the treatment of wet AMD. We presented eight-month data from the DAVIO Phase 1 clinical trial of EYP-1901 for wet AMD at the Angiogenesis, Exudation, and Degeneration 2022 virtual meeting. The data showed no dose limiting toxicities, no reports of ocular serious adverse events (SAEs) and no drug-related systemic SAEs, consistent with the six-month data presented in November 2021. The DAVIO data has also shown that following a single dose of EYP-1901, 53% and 41% of patients did not require a supplemental anti-VEGF treatment up to six and nine months, respectively. The treatment burden was reduced by 79% and 75% at six months and eight months respectively compared to prior to dosing with EYP-1901. Additionally, the eight-month data confirmed continued stable and sustained best corrected visual acuity (BCVA) (-3.0 ETDRS letters) and central subfield thickness/optical coherence tomography (CST/OCT) (+13 μm).
- In January 2022, we announced that we completed a positive Type C meeting with the U.S. Food and Drug Administration (FDA) and expect to initiate a Phase 2 trial of EYP-1901 for wet AMD in Q3 2022 and in NPDR in the second half of 2022 with initial top-line data for the wet AMD trial anticipated in the second half of 2023.

**Critical Accounting Policies and Estimates**

The preparation of consolidated financial statements in conformity with GAAP requires that we make certain estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. We base our estimates, judgments and assumptions on historical experience, anticipated results and trends, and on various other factors that we believe are reasonable under the circumstances at the time. By their nature, these estimates, judgments and assumptions are subject to an inherent degree of uncertainty. Actual results may differ from our estimates under different assumptions or conditions. In our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, we set forth our critical accounting policies and estimates, which included revenue recognition, reserves for variable consideration associated with our commercial revenue and recognition of expense in outsourced clinical trial agreements. See Note 2 of the notes to our unaudited condensed consolidated financial statements contained in this quarterly report on Form 10-Q for a description of our accounting policies and estimates for reserves for variable consideration related to product sales.

**Results of Operations**

**Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021:**

| | Three Months Ended March 31, | | Change | |
|---|---|---|---|---|
| | 2022 | 2021 | Amounts | % |
| | (In thousands except percentages) | | | |
| Revenues: | | | | |
| Product sales, net | $ 9,010 | $ 6,802 | $ 2,208 | 32% |
| License and collaboration agreements | 59 | 341 | (282) | (83)% |
| Royalty income | 225 | 180 | 45 | 25% |
| Total revenues | 9,294 | 7,323 | 1,971 | 27% |
| Operating expenses: | | | | |
| Cost of sales, excluding amortization of acquired intangible assets | 1,777 | 1,390 | 387 | 28% |
| Research and development | 9,945 | 5,479 | 4,466 | 82% |
| Sales and marketing | 6,693 | 5,659 | 1,034 | 18% |
| General and administrative | 8,548 | 5,115 | 3,433 | 67% |
| Amortization of acquired intangible assets | 615 | 615 | — | na |
| Total operating expenses | 27,578 | 18,258 | 9,320 | 51% |
| Loss from operations | (18,284) | (10,935) | (7,349) | (67)% |
| Other income (expense): | | | | |
| Interest and other income | 61 | 1 | 60 | 6000% |
| Interest expense | (1,194) | (1,346) | 152 | 11% |
| Loss on extinguishment of debt | (1,559) | — | (1,559) | na |
| Other (expense) income, net | (2,692) | (1,345) | (1,347) | (100)% |
| Net loss | $ (20,976) | $ (12,280) | $ (8,696) | (71)% |

***Product Sales, net***

Product sales, net represents the gross sales of YUTIQ and DEXYCU less provisions for product sales allowances. Product sales, net increased by $2.2 million to $9.0 million for the three months ended March 31, 2022 compared to $6.8 million for the three months ended March 31, 2021. The increase was driven by increases in cataract surgeries and re-opening of ASCs. Customer demand has a direct impact on product orders from our specialty distributors that we record as net product sales. Net product revenue represents product purchased by our distributors whereas customer demand represents purchases of product by physician practices and ASCs from our distributors. The progression of the Pandemic and its effects on our business and operations remain uncertain at this time. Depending on the future developments that are uncertain and difficult to predict, including new information that may emerge concerning the Pandemic, our customer demand may be adversely affected in the future as well.

***License and collaboration agreement***

License and collaboration agreement revenues decreased by $282,000, or 83%, to $59,000 for the three months ended March 31, 2022 compared to $341,000 for the three months ended March 31, 2021. The decrease was primarily due to the reduction of revenue by $209,000 from Ocumension related to the additional technical assistance during the three months ended March 31, 2022.

***Royalty Income***

Royalty income increased by $45,000, or 25%, to $225,000 for the three months ended March 31, 2022 compared to $180,000 for the three months ended March 31, 2021. The increase was attributable to higher non-cash Alimera royalties payable to SWK.

***Cost of Sales, Excluding Amortization of Acquired Intangible Assets***

Cost of sales, excluding amortization of acquired intangible assets, increased by $387,000, or 28%, to $1.8 million for the three months ended March 31, 2022 from $1.4 million for the three months ended March 31, 2021. This increase was primarily attributable to increased costs associated with higher product sales, primarily costs of goods and distribution fees.

***Research and Development***

Research and development expenses increased by $4.5 million, or 82%, to $9.9 million for the three months ended March 31, 2022 from $5.5 million for the same period in the prior year. This increase was attributable primarily to (i) $3.3 million of personnel related costs for investment in new employees across the research and clinical organizations, including $1.2 million of stock based compensation, and (ii) $1.5 million in increased clinical costs, primarily related to our ongoing EYP-1901 Phase 1 clinical trial and Phase 2 trial preparations, partially offset by a decrease of approximately $250,000 in other development costs.

***Sales and Marketing***

Sales and marketing expenses increased by $1.0 million, or 18%, to $6.7 million for the three months ended March 31, 2022 from $5.7 million for the same period in the prior year. This increase was primarily attributable to (i) $765,000 increase in commission due to our commercial partner for DEXYCU and (ii) $304,000 in other marketing and related expenses.

***General and Administrative***

General and administrative expenses increased by $3.4 million, or 67%, to $8.5 million for the three months ended March 31, 2022 from $5.1 million for the same period in the prior year. This increase was attributable primarily to (i) $2.7 million in personnel expense, including $484,000 of stock based compensation, for organizational expansion across executive, Finance, HR, and IT functions and (ii) $734,000 in legal and other professional services.

***Amortization of Acquired Intangible Assets***

Amortization of acquired intangible assets totaled $615,000 for both the three months ended March 31, 2022 as well as the same period in the prior year. This amount was attributable to the DEXYCU product intangible asset that resulted from the Icon Acquisition (see Note 5).

***Interest (Expense) Income***

Interest expense totaled $1.2 million for the three months ended March 31, 2022. We incurred lower interest expense due to the conversion of debt from the CRG Loan to the SVB Loan, which carries a lower interest rate. Interest expense in the three months ended March 31, 2021 was $1.3 million.

Interest income from amounts invested in an institutional money market fund increased to $61,000 for the three months ended March 31, 2022 compared to $1,000 in the prior year quarter, due primarily to cash invested in marketable securities in the current year.

**Liquidity and Capital Resources**

We have had a history of operating losses and an absence of significant recurring cash inflows from revenue, and at March 31, 2022 we had a total accumulated deficit of $590.1 million. Our operations have been financed primarily from sales of our equity securities, issuance of debt and a combination of license fees, milestone payments, royalty income and other fees received from collaboration partners. In the first quarter of 2019, we commenced the U.S. launch of our first two commercial products, YUTIQ and DEXYCU. However, we have not received sufficient revenues from our product sales to fund operations and we do not expect revenues from our product sales to generate sufficient funding to sustain our operations in the near-term.

***Financing Activities***

During the three months ended March 31, 2021, we recorded net proceeds of $107.9 million from the issuance of shares of our common stock (“Common Stock”) in an underwritten public offering (see Note 9). We also sold

shares of our Common Stock under our at-the-market facility during the three months ended March 31, 2021 and recorded net proceeds of approximately $499,000. During the three months ended March 31, 2022, we did not sell any shares of its common stock under the at-the-market facility but the program remains available for use.

On March 9, 2022 (the "SVB Closing Date"), we entered into a loan and security agreement (the "SVB Loan Agreement") with Silicon Valley Bank ("SVB") providing for (i) a senior secured term loan facility of $30.0 million (the "Term Facility") and (ii) a senior secured revolving credit facility of up to $15.0 million (the "Revolving Facility" and together with the Term Facility, the "Credit Facilities"). The maximum amount available for borrowing at any time under the Revolving Facility is limited to a borrowing base valuation of our eligible accounts receivable. On the SVB Closing Date, $30.0 million of the Term Facility and $11.5 million of the Revolving Facility, were advanced, to pay off the CRG Loan, including the accrued interest through that date.

The loans under the Credit Facilities are due and payable on January 1, 2027 (the "SVB Maturity Date"). The Credit Facilities bear that is payable monthly in arrears at a per annum rate (subject to increase during an event of default) equal to (i) with respect to the Term Facility, the greater of (x) the Wall Street Journal prime rate plus 2.25% and (y) 5.50% and (ii) with respect to the Revolving Facility, the Wall Street Journal Prime Rate. An unused commitment fee of 0.25% per annum applies to unutilized borrowing capacity under the Revolving Facility. Commencing on February 1, 2024, we are required to repay the principal of the Term Facility in 36 consecutive equal monthly installments. At maturity or if earlier prepaid, we will also be required to pay an exit fee equal to 2.00% of the aggregate principal amount of the Term Facility.

The repayment of all unpaid principal and accrued interest under the Credit Facilities may be accelerated upon consummation of a specified change of control transaction or the occurrence of certain other events of default (as specified in the SVB Loan Agreement). Subject to certain exceptions, we are also required to make mandatory prepayments of outstanding loans under the Credit Facilities with the proceeds of asset sales and insurance proceeds, which amounts in the case of the Revolving Facility, subject to the conditions set forth in the SVB Loan Agreement, may be re-borrowed. In addition, we may make a voluntary prepayment of the SVB Loan, in whole but not in part, at any time. All mandatory and voluntary prepayments of the Term Facility are subject to the payment of prepayment premiums as follows: (i) if prepayment occurs on or prior to March 9, 2023, 3% of the aggregate outstanding principal amount of the Term Facility being prepaid, (ii) if prepayment occurs after March 9, 2023 but on or prior to March 9, 2024, an amount equal to 2% of the aggregate outstanding principal amount of the Term Facility being prepaid, (iii) if prepayment occurs after March 9, 2024 but on or prior to March 9, 2025, an amount equal to 1% of the aggregate outstanding principal amount of the Term Facility being prepaid, and (iv) if prepayment occurs after March 9, 2025 but prior to January 1, 2027, an amount equal to 0.5% of the aggregate outstanding principal amount of the Term Facility being prepaid. We may voluntarily terminate the Revolving Facility at any time, subject to the payment of a termination fee as follows: (i) if such termination occurs on or prior to March 9, 2023, an amount equal to 3.0% of the Revolving Facility and (ii) if such termination occurs after March 9, 2023, 1.0% of the Revolving Facility.

Certain of our future subsidiaries will be required to become co-borrowers under the SVB Loan Agreement or guarantee the obligations of ours under the SVB Loan Agreement. Our obligations under the SVB Loan Agreement and the guarantee of such obligations are secured by a pledge of substantially all of our and such subsidiaries' assets, excluding intellectual property.

The SVB Loan Agreement contains affirmative and negative covenants customary for financings of this type, including limitations on our and our subsidiaries' abilities, among other things, to incur additional debt, grant or permit additional liens, make investments and acquisitions, merge or consolidate with others, dispose of assets, pay dividends and distributions, enter into affiliate transactions and change its line of business, in each case, subject to certain exceptions. In addition, the SVB Loan Agreement contains the following quarterly financial covenants requiring the Company to maintain either:

- minimum product revenue from YUTIQ® and DEXYCU® assessed on a quarterly basis commencing from the three-month period ending on March 31, 2022 through the SVB Maturity Date, with such minimum quarterly product revenue ranging from approximately $7.8 million to approximately $11.5 million in fiscal year 2022. Such minimum quarterly product revenue will be subject to incremental increases in fiscal year 2023 and will thereafter be such amounts as agreed upon between us and SVB based on certain agreed-upon factors commencing for the three-month period ending on March 31, 2024 and for each three-month period thereafter through the SVB Maturity Date; or

- if we are unable to achieve the minimum quarterly product revenue level required as of the end of any three-month period, cash and cash equivalents in an amount equal to the greater of (i) $50,000,000 and (ii) our six-month Cash Burn (as defined in the SVB Loan Agreement).

***Future Funding Requirements***

At March 31, 2022, we had cash, cash equivalents, and marketable securities of $190.8 million. We expect that our cash and cash equivalents combined with anticipated net cash inflows from net product sales will fund our operating plan into the second half of 2024, under current expectations regarding the timing and outcomes of our Phase 2 clinical trials for EYP-1901 for the treatment of wet AMD, NPDR, and DME. Due to the difficulty and uncertainty associated with the design and implementation of clinical trials, we will continue to assess our cash and cash equivalents and future funding requirements. However, there is no assurance that additional funding will be achieved and that we will succeed in our future operations.

Actual cash requirements could differ from management's projections due to many factors, including cash generation from sales of YUTIQ and DEXYCU, additional investments in research and development programs, clinical trial expenses for EYP-1901, competing technological and market developments and the costs of any strategic acquisitions and/or development of complementary business opportunities. In addition, the Pandemic has had, and may continue to have, a material and adverse impact on our business, including as a result of preventive and precautionary measures that we, other businesses, and governments are taking. Due to these impacts and measures, we have experienced and may continue to experience significant and unpredictable reductions in the demand for our commercial products as customers have shut down their facilities and non-essential surgical procedures have been postponed in an effort to promote social distancing and to redirect medical resources and priorities towards the treatment of COVID-19.

The amount of additional capital we will require will be influenced by many factors, including, but not limited to:

- the potential for EYP-1901, as a sustained delivery intravitreal anti-VEGF treatment for wet AMD, NPDR, and DME;
- our expectations regarding the timing and clinical development of our product candidates, including EYP-1901;
- the success of our U.S. direct commercialization of YUTIQ and DEXYCU;
- the cost of commercialization activities for YUTIQ and DEXYCU, including product manufacturing, marketing, sales and distribution;
- the scheduled December 31, 2022 expiration of pass-through coverage under which DEXYCU is reimbursed for Medicare Part B patients, if not otherwise extended;
- whether and to what extent we internally fund, whether and when we initiate, and how we conduct additional pipeline product development programs;
- payments we receive under any new collaboration agreements;
- whether and when we are able to enter into strategic arrangements for our products or product candidates and the nature of those arrangements;
- the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing any patent claims;
- changes in our operating plan, resulting in increases or decreases in our need for capital;
- our views on the availability, timing and desirability of raising capital; and
- the extent to which our business could be adversely impacted by the effects of the Pandemic or by other pandemics, epidemics or outbreaks.

We do not know if additional capital will be available when needed or on terms favorable to us or our stockholders. Collaboration, licensing or other agreements may not be available on favorable terms, or at all. We do not know the extent to which we will receive funds from the commercialization of YUTIQ or DEXYCU. If we seek to sell our equity securities, we do not know whether and to what extent we will be able to do so, or on what terms. If available, additional equity financing may be dilutive to stockholders, debt financing may involve restrictive covenants or other unfavorable terms and dilute our existing stockholders' equity, and funding through collaboration, licensing or other commercial agreements may be on unfavorable terms, including requiring us to relinquish rights to certain of our technologies or products. If adequate financing is not available if and when needed, we may delay, reduce the scope of, or eliminate research or development programs, independent commercialization of YUTIQ and DEXYCU, or other new products, if any, postpone or cancel the pursuit of product candidates, or otherwise significantly curtail our operations to reduce our cash requirements and extend our capital.

Our consolidated statements of historical cash flows are summarized as follows (in thousands):

| | Three Months Ended March 31, | | |
|---|---|---|---|
| | 2022 | 2021 | Change |
| Net loss: | $ (20,976) | $ (12,280) | $ (8,696) |
| Changes in operating assets and liabilities | (5,024) | (4,641) | (383) |
| Other adjustments to reconcile net loss to cash flows from operating activities | 5,842 | 1,822 | 4,020 |
| Net cash used in operating activities | $ (20,158) | $ (15,099) | $ (5,059) |
| Net cash used in investing activities | $ (56,442) | $ - | $ (56,442) |
| Net cash (used in) provided by financing activities | $ (448) | $ 108,769 | $ (109,217) |

Operating cash outflows for the three months ended March 31, 2022 totaled $20.2 million, primarily due to our net loss of $21.0 million, reduced by $5.8 million of non-cash expenses, which included $3.5 million of stock-based compensation, $1.6 million of loss on extinguishment of debt, $615,000 of amortization of the DEXYCU finite-lived intangible asset, and $110,000 of amortization of debt discount and premium and discount on available-for-sale marketable securities, partially offset by $2.9 million of accounts receivable and other assets and $2.1 million of accounts payable and accrued expenses.

Operating cash outflows for the three months ended March 31, 2021 totaled $15.1 million, primarily due to our net loss of $12.3 million, reduced by $1.8 million of non-cash expenses, which included $988,000 of stock-based compensation, $615,000 of amortization of the DEXYCU finite-lived intangible asset, and $147,000 of amortization of debt discount.

For the three months ended March 31, 2022, $56.3 million of cash was used to purchase marketable securities, as well as $149,000 for the purchase of property and equipment.

For the three months ended March 31, 2021, there was no net cash used in investing activities.

Net cash used in financing activities for the three months ended March 31, 2022 totaled $448,000 and consisted of the following:

(i) $38.2 million used to pay off the CRG loan;
(ii) $2.3 million used to extinguish debt costs related to the CRG loan;
(iii) $30.0 million of proceeds from the issuance for long-term debt related to the SVB loan;
(iv) $10.5 million of proceeds from the revolving facility.

Net cash provided by financing activities for the three months ended March 31, 2021 totaled $108.8 million and consisted of the following:

(i) $107.9 million of net proceeds from the issuance of 10,465,000 shares of our Common Stock;
(ii) $499,000 of net proceeds from the issuance of 48,538 shares of our Common Stock sold utilizing our ATM; and

(iii) $173,000 of proceeds from stock issued under our employee stock purchase plan.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934, as amended, and are not required to provide the information under this item.

**Item 4. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our principal executive officer and our principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2022. The term "disclosure controls and procedures", as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure, particularly during the period in which this Quarterly Report on Form 10-Q was being prepared. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their desired objectives, and our management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of March 31, 2022, our principal executive officer and our principal financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

**Changes in Internal Control over Financial Reporting**

During the quarter ended March 31, 2022, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II: OTHER INFORMATION

### Item 1. Legal Proceedings

We are subject to various routine legal proceedings and claims incidental to our business, which management believes will not have a material effect on our financial position, results of operations or cash flows.

### Item 1A.Risk Factors

There have been no material changes to the risk factors previously disclosed in Part I, "Item 1A, Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2021, which was filed with the SEC on March 14, 2022.

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

None.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

None.

### Item 5. Other Information

*Amendment #1 to Exclusive License Agreement with Equinox Sciences, LLC*

On May 2, 2022 (the "Effective Date"), EyePoint Pharmaceuticals, Inc. (the "Company") entered into Amendment #1 (the "First Amendment") to that certain Exclusive License Agreement, dated February 3, 2020 (the "Equinox License Agreement"), with Equinox Sciences, LLC ("Equinox") regarding the Company's exclusive, sublicensable, royalty-bearing right and license to certain intellectual property rights to research, develop, make, have made, use, sell, offer for sale and import the compound vorolanib (the "Compound") and any pharmaceutical products comprising the Compound for local delivery to the eye for the prevention or treatment of age-related macular degeneration, retinal vein occlusion and diabetic retinopathy using the Company's proprietary localized delivery technologies (the "Original Field"), in each case, throughout the world except the People's Republic of China, Hong Kong, Taiwan and Macau. Pursuant to the First Amendment, the Original Field was expanded to cover the prevention or treatment of ophthalmology indications using the Company's proprietary localized delivery technologies and certain conforming changes were made to the Equinox License Agreement in connection therewith.

*Exclusive License Agreement with Betta Pharmaceuticals, Co., Ltd.*

On the Effective Date and in accordance with the terms of the Equinox License Agreement, the Company entered into an Exclusive License Agreement (the "Betta License Agreement") with Betta Pharmaceuticals Co., Ltd. ("Betta"), an affiliate of Equinox. Under the Betta License Agreement, the Company granted to Betta an exclusive, sublicensable, royalty-bearing license under certain of the Company's intellectual property to develop, use (but not make or have made), sell, offer for sale and import the Company's product candidate, EYP-1901, an investigational sustained delivery intravitreal anti-VEGF treatment that combines a bioerodible formulation of the Company's proprietary sustained-release technology with the Compound (the "Licensed Product"), in the field of ophthalmology (except diabetic macular edema unless permitted pursuant to the Company's existing agreement with Alimera Sciences, Inc.) (the "Betta Field") in the People's Republic of China, Hong Kong, Taiwan and Macau (the "Betta Territory"). The Company retained rights under the Company's intellectual property to, among other things, conduct clinical trials on the Licensed Product in the Betta Field in the Betta Territory.

Under the Betta License Agreement, Betta has agreed that during the term of the Betta License Agreement it will not, directly or indirectly, anywhere in the world, develop, manufacture or commercialize any pharmaceutical product containing a locally delivered tyrosine kinase inhibitor other than the Licensed Product (a "Competing Product") in the Betta Field, or grant any license, sublicense or option to any third party to do so or otherwise

transfer or sell any rights in any Competing Product in the Betta Field. The Company has also agreed that during the term it will not, directly or indirectly, anywhere in the Betta Territory, develop, manufacture or commercialize a Competing Product in the Betta Field, or grant any license, sublicense or option to any third party to do so or otherwise transfer or sell any rights in any Competing Product in the Betta Field, subject to certain exceptions in the event that the Company is acquired by a third party or the Company acquires a third party with a product in development or commercialization that would otherwise violate these restrictions.

In consideration for the rights granted by the Company, Betta agreed to pay the Company tiered, mid-to-high single-digit royalties based upon annual net sales of Licensed Products in the Betta Territory. The royalties are payable on a Licensed Product-by-Licensed Product and region-by-region basis commencing on the first commercial sale of a Licensed Product in a region and continuing until the later of (i) the date that is twelve (12) years after first commercial sale of such Licensed Product in such region, and (ii) the first day of the month following the month in which a generic product corresponding to such Licensed Product is launched in the relevant region (collectively, the "Royalty Term"). The royalty rate is subject to reduction under certain circumstances, including when there is no valid claim of a licensed patent that covers a Licensed Product in a particular region.

Betta is responsible for all costs relating to development, registration, manufacturing, marketing, advertising, promotional, launch and sales activities in connection with the Licensed Products in the Betta Field in the Betta Territory. Betta is required to use commercially reasonable efforts to develop, seek regulatory approval for, and commercialize at least one Licensed Product in the Betta Field in the Betta Territory. The Betta License Agreement also requires Betta to achieve certain diligence milestones relating to regulatory filings, patient dosing and regulatory approval by certain specified deadlines set forth in the Betta License Agreement, subject to certain exceptions and extensions as set forth in the Betta License Agreement. Betta's development activities will be conducted pursuant to a development plan subject to periodic updates. In the event that the Company conducts a global registrational clinical trial for a Licensed Product in the Betta Field, Betta will have the right to participate in such clinical trial by including clinical trial sites in the Betta Territory in accordance with the terms of the Betta License Agreement. The Company has also agreed to provide certain technology transfer and other support services to Betta subject to certain conditions and limitations set forth in the Betta License Agreement.

A joint steering committee will be established between the Company and Betta to review and oversee the development and commercialization of Licensed Products in the Betta Field in the Betta Territory and to coordinate the parties' activities under the Betta License Agreement. The Company and Betta also agreed to entered into a clinical supply agreement and quality agreement within a certain period of time after the Effective Date pursuant to which the Company will supply to Betta quantities of the Licensed Products to support the development of Licensed Products in the Betta Field in the Betta Territory. The parties also agreed to negotiate in good faith the terms of and enter into a commercial supply agreement and related quality agreement within a certain period of time prior to the anticipated date of regulatory approval of a Licensed Product in China pursuant to which the Company will supply to Betta quantities of the Licensed Products to support the commercialization of Licensed Products in the Betta Field in the Betta Territory.

The Betta License Agreement will expire on a Licensed Product-by-Licensed Product and region-by-region basis on the date of the expiration of the applicable Royalty Term. Upon expiration of the Betta License Agreement, Betta will have a non-exclusive, fully paid, sublicensable, perpetual license under the Company's intellectual property to develop, use (but not make or have made), sell, offer for sale and import the Licensed Products in the Betta Field in the Betta Territory. Either party may terminate the Betta License Agreement for the other party's material breach following a cure period or upon certain bankruptcy or insolvency events. Betta may terminate the Betta License Agreement at its sole discretion and without any penalty or liability for any reason or no reason upon ninety (90) calendar days' prior written notice to the Company if notice is provided prior to receipt of regulatory approval for a Licensed Product in the Betta Field in the Betta Territory, or upon one hundred eighty (180) calendar days' prior written notice to the Company if notice is provided after receipt of regulatory approval for a Licensed Product in the Betta Field in the Betta Territory. The Company may terminate the Betta License Agreement upon three (3) months' prior written notice to Betta in the event the Company discontinues development or commercialization of a Licensed Product in the United States due to the Company's reasonable determination of certain material efficacy or safety issues. In the event of termination of the Betta License Agreement for any reason all rights and licenses granted to Betta from the Company shall terminate, subject to certain exceptions depending on the applicable termination provision, including an option for Betta to retain the exclusive license in the event the Company terminates the Betta License Agreement due to a material efficacy issue.

The Betta License Agreement includes customary representations and warranties, covenants, intellectual

property provisions and indemnification obligations for a transaction of this nature. Betta is also subject to a standstill provision prohibiting Betta from directly or indirectly taking certain actions with respect to the Company for a period of time commencing on the Effective Date.

The foregoing description of the First Amendment and the Betta License Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the First Amendment and the Betta License Agreement, which will be filed as exhibits to the Company's Quarterly Report on Form 10-Q for the quarter ending June 30, 2022.

**Item 6. Exhibits**

| Exhibit No. | Exhibit Description | Incorporated by Reference to SEC Filing | | |
|---|---|---|---|---|
| | | Form | SEC Filing Date | Exhibit No. |
| 3.1 | Certificate of Incorporation of pSivida Corp. | 8-K12G3 | 06/19/08 | 3.1 |
| 3.2 | Certificate of Amendment of the Certificate of Incorporation of pSivida Corp. | 10-K | 09/13/17 | 3.2 |
| 3.3 | Certificate of Correction to Certificate of Amendment of the Certificate of Incorporation of pSivida Corp. | 8-K | 04/02/18 | 3.1 |
| 3.4 | Certificate of Amendment of Certificate of Incorporation, as amended, of EyePoint Pharmaceuticals, Inc. | 8-K | 06/27/18 | 3.1 |
| 3.5 | By-Laws of EyePoint Pharmaceuticals, Inc. | 10-K | 09/18/18 | 3.5 |
| 3.6 | Amendment No. 1 to the By-Laws of EyePoint Pharmaceuticals, Inc. | 8-K | 11/06/18 | 3.1 |
| 3.7 | Certificate of Amendment of the Certificate of Incorporation, as amended, of EyePoint Pharmaceuticals, Inc. | 8-K | 6/23/20 | 3.1 |
| 3.8 | Certificate of Amendment of the Certificate of Incorporation, as amended, of EyePoint Pharmaceuticals, Inc. | 8-K | 12/08/20 | 3.1 |
| 4.1 | Form of Specimen Stock Certificate for Common Stock | 8-K12G3 | 06/19/08 | 4.1 |
| 4.2 | Warrant to Purchase Common Stock of pSivida Corp., issued March 28, 2018, to SWK Funding, LLC | 8-K | 3/29/18 | 4.1 |
| 4.3 | Registration Rights Agreement, dated as of March 28, 2018, by and among pSivida Corp. and EW Healthcare Partners, L.P. and EW Healthcare Partners-A, L.P. | 8-K | 3/29/18 | 10.3 |
| 4.4 | Second Registration Rights Agreement, dated as of June 25, 2018, by and among EyePoint Pharmaceuticals, Inc. and EW Healthcare Partners, L.P. and EW Healthcare Partners-A, L.P. and each other person identified on the signature pages thereto | 8-K | 06/27/18 | 10.1 |
| 4.5 | Form of Pre-Funded Warrant to Purchase Common Stock | 8-K | 11/19/21 | 4.1 |
| 10.1 | Employment Agreement, dated January 10, 2022, by and between EyePoint Pharmaceuticals, Inc. and Michael, C. Pine | 8-K | 01/10/22 | 10.1 |
| 10.2 | Fourth Amendment to Lease, dated March 8, 2022, between GRE Riverworks, LLC and EyePoint Pharmaceuticals, Inc. | 10-K | 03/14/22 | 10.28 |
| 10.3# | Loan and Security Agreement, dated March 9, 2022, among EyePoint Pharmaceuticals, Inc., EyePoint Pharmaceuticals US, Inc., Icon Bioscience, Inc. and Silicon Valley Bank | 10-K | 03/14/22 | 10.46 |
| 31.1* | Certification of Principal Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | | | |
| 31.2* | Certification of Principal Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | | | |

| | |
|---|---|
| 32.1** | Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2** | Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |

| | |
|---|---|
| 101.INS | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File (embedded within the inline XBRL document and included in Exhibit 101) |

# Portions of this exhibit have been omitted in compliance with Item 601(b)(10) of Regulation S-K. The Company agrees to furnish a supplemental copy of the exhibit or any omitted schedule or similar attachment to the Securities and Exchange Commission upon request.

* Filed herewith

** Furnished herewith

**SIGNATURES**

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

**EyePoint Pharmaceuticals, Inc.**

Date: May 6, 2022

By: /s/ Nancy Lurker
Name: Nancy Lurker
Title: President and Chief Executive Officer
(Principal Executive Officer)

Date: May 6, 2022

By: /s/ George O. Elston
Name: George O. Elston
Title: Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

**Exhibit 31.1**

**Certification of Principal Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.**

**CERTIFICATIONS**

I, Nancy Lurker, certify that:

1. I have reviewed this quarterly report on Form 10-Q of EyePoint Pharmaceuticals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2022

/s/ Nancy Lurker

Name: Nancy Lurker
Title: President and Chief Executive Officer (Principal Executive Officer)

**Exhibit 31.2**

**Certification of Principal Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.**

**CERTIFICATIONS**

I, George O. Elston, certify that:

1. I have reviewed this quarterly report on Form 10-Q of EyePoint Pharmaceuticals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2022

/s/ George O. Elston

Name: George O. Elston
Title: Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

**Exhibit 32.1**

**Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**

In connection with the Quarterly Report of EyePoint Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nancy Lurker, President and Chief Executive Officer of the Company, certify that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: May 6, 2022

/s/ Nancy Lurker

Name: Nancy Lurker
Title: President and Chief Executive Officer (Principal Executive Officer)

**Exhibit 32.2**

**Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**

In connection with the Quarterly Report of EyePoint Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, George O. Elston, Chief Financial Officer of the Company, certify that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: May 6, 2022

/s/ George O. Elston

Name: George O. Elston
Title: Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)