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 June 30, 2024

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 53,518,210 shares of the registrant's common stock, $0.001 par value, outstanding as of August 2, 2024.

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 data)

	June 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 90,769	$ 281,263
Marketable securities	189,479	49,787
Accounts and other receivables, net	1,375	805
Prepaid expenses and other current assets	9,636	9,039
Inventory	3,672	3,906
Total current assets	294,931	344,800
Property and equipment, net	6,899	5,251
Operating lease right-of-use assets	22,269	4,983
Restricted cash	150	150
Total assets	$ 324,249	$ 355,184
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 14,296	$ 6,504
Accrued expenses	13,341	17,521
Deferred revenue	33,335	38,592
Other current liabilities	1,130	646
Total current liabilities	62,102	63,263
Deferred revenue – noncurrent	11,678	20,692
Operating lease liabilities – noncurrent	22,164	4,906
Total liabilities	95,944	88,861
Contingencies (Note 12)		
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 June 30, 2024 and December 31, 2023; 52,160,305 and 49,043,074 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively	52	49
Additional paid-in capital	1,029,717	1,007,556
Accumulated deficit	(802,256)	(742,146)
Accumulated other comprehensive income	792	864
Total stockholders' equity	228,305	266,323
Total liabilities and stockholders' equity	$ 324,249	$ 355,184

See notes to condensed 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 June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Revenues:				
Product sales, net	$ 1,068	$ 5,273	$ 1,726	$ 12,667
License and collaboration agreements	7,782	3,597	18,345	3,631
Royalty income	627	235	1,090	490
Total revenues	9,477	9,105	21,161	16,788
Operating expenses:				
Cost of sales	1,401	1,792	2,160	2,432
Research and development	29,822	15,730	60,011	29,348
Sales and marketing	50	5,288	56	11,025
General and administrative	12,750	9,056	26,801	18,298
Total operating expenses	44,023	31,866	89,028	61,103
Loss from operations	(34,546)	(22,761)	(67,867)	(44,315)
Other (expense) income:				
Interest and other income, net	3,720	1,623	7,757	2,825
Interest expense	—	(435)	—	(1,247)
Loss on extinguishment of debt	—	(1,347)	—	(1,347)
Total other (expense) income, net	3,720	(159)	7,757	231
Net loss	$ (30,826)	$ (22,920)	$ (60,110)	$ (44,084)
Net loss per share:				
Basic and diluted	$ (0.58)	$ (0.61)	$ (1.13)	$ (1.17)
Weighted average common shares outstanding:				
Basic and diluted	53,206	37,576	53,059	37,531
Net loss	$ (30,826)	$ (22,920)	$ (60,110)	$ (44,084)
Other comprehensive gain (loss):				
Unrealized gain (loss) on available-for-sale securities	(44)	(1)	(72)	56
Comprehensive loss	$ (30,870)	$ (22,921)	$ (60,182)	$ (44,028)

See notes to condensed 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 April 1, 2023	34,301,926	$ 34	$ 770,028	$ (692,515)	$ 843	$ 78,390
Net loss	—	—	—	(22,920)	—	(22,920)
Other comprehensive loss	—	—	—	—	(1)	(1)
Employee stock purchase plan	—	—	—	—	—	—
Exercise of stock options	880	—	5	—	—	5
Vesting of stock units	3,312	—	—	—	—	—
Stock-based compensation	—	—	1,788	—	—	1,788
Balance at June 30, 2023	34,306,118	$ 34	$ 771,821	$ (715,435)	$ 842	$ 57,262
Balance at April 1, 2024	49,885,701	$ 50	$ 1,020,478	$ (771,430)	$ 836	$ 249,934
Net loss	—	—	—	(30,826)	—	(30,826)
Other comprehensive loss	—	—	—	—	(44)	(44)
Issuance of stock, net of issue costs	—	—	—	—	—	—
Cashless exercise of warrants	2,180,776	2	(2)	—	—	—
Employee stock purchase plan	—	—	—	—	—	—
Exercise of stock options	77,532	—	624	—	—	624
Vesting of stock units	16,296	—	(78)	—	—	(78)
Stock-based compensation	—	—	8,695	—	—	8,695
Balance at June 30, 2024	52,160,305	$ 52	$ 1,029,717	$ (802,256)	$ 792	$ 228,305

	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, 2023	34,082,934	$ 34	$ 766,899	$ (671,351)	$ 786	$ 96,368
Net loss	—	—	—	(44,084)	—	(44,084)
Other comprehensive gain	—	—	—	—	56	56
Employee stock purchase plan	63,721	—	248	—	—	248
Exercise of stock options	880	—	5	—	—	5
Vesting of stock units	158,583	—	(169)	—	—	(169)
Stock-based compensation	—	—	4,838	—	—	4,838
Balance at June 30, 2023	34,306,118	$ 34	$ 771,821	$ (715,435)	$ 842	$ 57,262
Balance at January 1, 2024	49,043,074	$ 49	$ 1,007,556	$ (742,146)	$ 864	$ 266,323
Net loss	—	—	—	(60,110)	—	(60,110)
Other comprehensive loss	—	—	—	—	(72)	(72)
Issuance of stock, net of issue costs	—	—	18	—	—	18
Cashless exercise of warrants	2,206,442	2	(2)	—	—	—
Employee stock purchase plan	25,015	—	268	—	—	268
Exercise of stock options	521,716	1	4,917	—	—	4,918
Vesting of stock units	364,058	—	(4,434)	—	—	(4,434)
Stock-based compensation	—	—	21,394	—	—	21,394
Balance at June 30, 2024	52,160,305	$ 52	$ 1,029,717	$ (802,256)	$ 792	$ 228,305

See notes to condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2024	**2023**
Cash flows from operating activities:		
Net loss	$ (60,110)	$ (44,084)
Adjustments to reconcile net loss to cash flows used in operating activities:		
Depreciation of property and equipment	665	237
Amortization of debt discount and premium and discount on available-for-sale marketable securities	(2,267)	(295)
Provision for excess and obsolete inventory	—	693
Loss on extinguishment of debt	—	1,347
Stock-based compensation	21,394	4,838
Changes in operating assets and liabilities:		
Accounts receivable and other current assets	(1,168)	3,953
Inventory	233	(1,909)
Accounts payable and accrued expenses	3,636	3,680
Right-of-use assets and operating lease liabilities	539	385
Deferred revenue	(14,271)	71,343
Net cash (used in) provided by operating activities	(51,349)	40,188
Cash flows from investing activities:		
Purchases of marketable securities	(184,995)	(5,851)
Sales and maturities of marketable securities	47,500	52,284
Purchases of property and equipment	(2,094)	(880)
Net cash (used in) provided by investing activities	(139,589)	45,553
Cash flows from financing activities:		
Payment of equity issue costs	(307)	—
Payment of long-term debt	—	(30,000)
Payment of extinguishment of debt costs	—	(1,350)
Borrowings under revolving facility	—	5,300
Repayment under revolving facility	—	(15,775)
Net settlement of stock units to satisfy statutory tax withholding	(4,434)	(169)
Proceeds from exercise of stock options	5,185	253
Principal payments on finance lease obligations	—	(36)
Net cash provided by (used in) financing activities	444	(41,777)
Net (decrease) increase in cash, cash equivalents and restricted cash	(190,494)	43,964
Cash, cash equivalents and restricted cash at beginning of period	281,413	95,783
Cash, cash equivalents and restricted cash at end of period	$ 90,919	$ 139,747
Reconciliation of cash, cash equivalents and restricted cash to the consolidated balance sheets:		
Cash and cash equivalents	$ 90,769	$ 139,597
Restricted cash	150	150
Total cash, cash equivalents and restricted cash at end of period	$ 90,919	$ 139,747
Supplemental cash flow information:		
Cash interest paid	$ —	$ 1,405
Supplemental disclosure of non-cash investing and financing activities:		
Lease liability arising from obtaining right-of-use assets	$ 17,656	$ —
Property and equipment additions in accounts payable and accrued expenses	$ 220	$ —

See notes to condensed consolidated financial statements.

EYEPOINT PHARMACEUTICALS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Operations

The accompanying condensed consolidated financial statements of EyePoint Pharmaceuticals, Inc., a Delaware corporation (together with its subsidiaries, the Company), as of June 30, 2024 and for the three and six months ended June 30, 2024 and 2023 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. 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, 2023. 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, 2023, 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, and cash flows for the periods indicated. The preparation of financial statements in accordance with United States (U.S.) generally accepted accounting principles 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 and six months ended June 30, 2024 are not necessarily indicative of the results that may be expected for the entire 2024 fiscal year or any future period.

The Company is committed to developing and commercializing therapeutics to help improve the lives of patients with serious eye disorders. The Company's pipeline leverages its proprietary bioerodible Durasert E™ technology (Durasert E™) for sustained intraocular drug delivery. The Company's lead product candidate, DURAVYU™, previously EYP-1901, is an investigational sustained delivery treatment for anti-vascular endothelial growth factor (anti-VEGF) mediated retinal diseases combining vorolanib, a selective and patent-protected tyrosine kinase inhibitor with Durasert E™, DURAVYU™ is currently in Phase 2 clinical trials for 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 and diabetic macular edema (DME). The Company is also advancing EYP-2301, a promising TIE-2 agonist, razuprotafib, formulated in Durasert E™ to potentially improve outcomes in serious retinal diseases.

The Company plans to identify and advance additional product candidates through clinical and regulatory development for its pipeline. This may be accomplished through internal discovery efforts, research collaborations and/or in-licensing arrangements and potential acquisitions of additional products, product candidates or technologies.

Liquidity

The Company had cash, cash equivalents and investments in marketable securities of $280.2 million at June 30, 2024. 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 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, 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 $280.2 million at June 30, 2024 will enable the Company to fund its current and planned operations for at least the next twelve months from the date these condensed consolidated financial statements were issued. Actual cash requirements could differ from management's projections due to many factors, including the timing and results of the Company's clinical trials for DURAVYU™, additional investments in research and development programs, competing technological and market developments and the costs of any strategic acquisitions and/or development of complementary business opportunities.

2. Summary of Significant Accounting Policies

The Company's significant accounting policies are disclosed in the audited consolidated financial statements for the year ended December 31, 2023, and notes thereto, which are included in the Company's Annual Report on Form 10-K that was filed with the Securities and Exchange Commission, or the SEC, on March 8, 2024, or the 2023 Form 10-K. Since the date of those financial statements, there have been no material changes to the Company's 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 — Effective January 2023, commercial sales of DEXYCU® were no longer supported by the Company, remaining available only through specialty distributors. Effective May 2023, YUTIQ® has been and continues to be sold under commercial supply agreements with Alimera Sciences, Inc. (Alimera) and Ocumension Therapeutics (Ocumension) (see Note 3).

Prior to the above dates, the Company sold YUTIQ® and DEXYCU® to a limited number of specialty distributors and specialty pharmacies (collectively the Distributors) in the U.S., with whom the Company had entered into formal agreements, for delivery to physician practices for YUTIQ® and to hospital outpatient departments and ambulatory surgical centers (ASCs) for DEXYCU®. The Company recognized revenue on sales of its products when Distributors obtained control of the products, which occurred at a point in time, typically upon delivery. In addition to agreements with Distributors, the Company also entered into arrangements with healthcare providers, ASCs, and payors that provided for government mandated and/or privately negotiated rebates, chargebacks, and discounts with respect to their purchase of the Company's products from Distributors.

Reserves for variable consideration — Product sales were recorded at the wholesale acquisition costs, net of applicable reserves for variable consideration. Components of variable consideration included trade discounts and allowances, provider chargebacks and discounts, payor rebates, product returns, and other allowances that were offered within contracts between the Company and its Distributors, payors, and other contracted purchasers relating to the Company's product sales. These reserves were based on the amounts earned, or to be claimed on the related sales, and were classified either as reductions of product revenue and accounts receivable or a current liability, depending on how the amount was to be settled. Overall, these reserves reflected the Company's best estimates of the amount of consideration to which it was entitled based on the terms of the respective underlying contracts. The 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 these estimates, which would affect product revenue and earnings in the period such variances become known.

Distribution fees — The Company compensated its Distributors for services explicitly stated in the Company’s contracts and were recorded as a reduction of revenue in the period the related product sale was recognized.

Provider chargebacks and discounts — Chargebacks were discounts that represented 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 charged the Company for the difference between what they paid for the product and the Company’s contracted selling price. These reserves were established in the same period that the related revenue was recognized, resulting in a reduction of product revenue and the establishment of a current liability. Reserves for chargebacks consisted of amounts that the Company expected to pay for units that remained in the distribution channel inventories at each reporting period-end that the Company expected to be sold under a contracted selling price, and chargebacks that Distributors had claimed, but for which the Company had not yet settled.

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

Payor rebates — The Company contracted with certain private payor organizations, primarily insurance companies, for the payment of rebates with respect to utilization of its products. The Company estimated these rebates and recorded such estimates in the

same period the related revenue was recognized, resulting in a reduction of product revenue and the establishment of a current liability.

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

Product returns — The Company generally offered a limited right of return based on its returned goods policy, which included damaged product and remaining shelf life. The Company estimated the amount of its product sales that may be returned and recorded.

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 upfront 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. For licenses that are combined with other promises, the Company determines whether the combined performance obligation is satisfied over time or at a point in time, when (or as) the associated performance obligation in the contract is satisfied.

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price based on the estimated relative standalone selling prices of the promised products or services underlying each performance obligation. The Company determines standalone selling prices based on the price at which the performance obligation is sold separately. If the standalone selling price is not observable through past transactions, the Company estimates the standalone selling price taking into account available information such as market conditions 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 June 30, 2024.

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 (RPA) 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 — Cost of sales consist of costs associated with the manufacture of YUTIQ® and DEXYCU®, certain period costs for DEXYCU® product revenue, product shipping, and as applicable, royalty expense. The inventory costs for YUTIQ® include purchases of various components, the active pharmaceutical ingredient (API), and direct labor and overhead for the product manufactured in the Company's Watertown, Massachusetts facility. The inventory costs for DEXYCU® include purchased components, the API and third-party manufacturing, and assembly.

For the three and six months ended June 30, 2024 and 2023, DEXYCU® product revenue-based royalty expense as a component of cost of sales was immaterial.

Recently Adopted and Recently Issued Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07—*Segment Reporting* (Topic 280): *Improvements to Reportable Segment Disclosures*. This ASU was issued to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. This ASU applies to all public entities that are required to report segment information in accordance with Topic 280, Segment Reporting. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted and the standard should be applied retrospectively. ASU 2023-07 will be effective for the Company for the annual period of its fiscal year ending December 31, 2024. The Company does not anticipate the adoption of this ASU will have a material impact on its consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09—*Income Taxes* (Topic 740)*: Improvements to Income Tax Disclosures.* This ASU was issued to address investor requests for more transparency about income tax information through improvements to income tax disclosure primarily related to the rate reconciliation and income taxes paid information, and to improve the effectiveness of income tax disclosures. This ASU is effective for public entities for annual periods beginning after December 15, 2024. Early adoption is permitted. ASU 2023-09 will be effective for the Company in the first quarter of its fiscal year ending December 31, 2025. The Company is currently evaluating the impact the adoption of this ASU will have on its consolidated financial statements.

3. Revenue

Product Revenue Reserves and Allowances

From January 1, 2023 through May 17, 2023 (the date the Company entered into the product rights agreement (PRA) with Alimera, pursuant to which the Company granted an exclusive license and rights to its YUTIQ® (fluocinolone acetonide intravitreal implant) 0.18 mg (YUTIQ®) product to Alimera, the Company's product revenues were primarily from sales of YUTIQ® in the U.S.

For the three and six months ended June 30, 2024, the Company's product revenues were primarily from the Company's existing commercial supply agreements with Alimera and Ocumension. For the three-and six-month periods ended June 30, 2024, the Company's product revenues were made up of $1.1 million and $1.7 million from the sales of YUTIQ®. For the three-and six-month periods ended June 30, 2023, the Company's product revenues were made up of $5.3 million and $12.7 million from the sales of YUTIQ®. Sales of DEXYCU® for the three and six months ended June 30, 2024 and 2023 were immaterial.

The following table summarizes activity in each of the product revenue allowance and reserve categories for the six months ended June 30, 2024 and 2023 (in thousands):

	Chargebacks, Discounts and Fees	Government and Other Rebates	Returns	Total
Beginning balance at January 1, 2024	$ 83	$ —	$ 677	$ 760
Provision related to sales in the current year	—	—	—	—
Adjustments related to prior period sales	70	—	—	70
Deductions applied and payments made	(130)	—	(54)	(184)
Ending balance at June 30, 2024	$ 23	$ —	$ 623	$ 646

	Chargebacks, Discounts and Fees	Government and Other Rebates	Returns	Total
Beginning balance at January 1, 2023	$ 859	$ 158	$ 871	$ 1,888
Provision related to sales in the current year	1,358	—	—	1,358
Adjustments related to prior period sales	40	(55)	(154)	(169)
Deductions applied and payments made	(1,696)	(103)	(111)	(1,910)
Ending balance at June 30, 2023	$ 561	$ —	$ 606	$ 1,167

Returns estimates 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

Eyebiotech Limited

On May 17, 2024, the Company entered into a license agreement (the Eyebiotech License Agreement) with Eyebiotech Limited (Eyebiotech). Under this agreement, the Company granted Eyebiotech a non-exclusive, sublicensable, assignable license to certain patent rights to make, have made, use, offer to sell, sell, import, and export licensed products for therapeutic ophthalmological uses worldwide.

In consideration for the rights granted, Eyebiotech made a one-time upfront payment of $0.5 million to the Company upon execution of the Eyebiotech License Agreement. Additionally, Eyebiotech agreed to pay certain milestone payments and tiered royalties based on the achievement of development and regulatory milestones and the annual net sales of licensed products, respectively.

The Company classified the cash proceeds of the $0.5 million upfront payment received from Eyebiotech as license and collaboration revenue upon the execution of the Eyebiotech License Agreement, as this was the only performance obligation identified. This amount is not an advance payment for the provision of future goods or services and is included in the current transaction price. The non-exclusive, sublicensable, assignable license is a functional, right-to-use license, and, therefore, any consideration associated with it is recognized at a point in time.

During the three months ended June 30, 2024, the Company recorded $0.5 million in license and collaboration revenue related to the upfront payment.

On July 12, 2024, Merck & Co., Inc. announced the completion of the acquisition of Eyebiotech. Eyebiotech is now a wholly-owned subsidiary of Merck & Co., Inc. The acquisition does not materially impact the terms of the Eyebiotech License Agreement.

Alimera Product Rights Agreement and Commercial Supply Agreement

On May 17, 2023 (the Closing Date), the Company entered into a PRA with Alimera. Under the PRA, the Company granted to Alimera an exclusive and sublicensable right and license (the License) under the Company's and its affiliates' interest in certain of the Company's and its affiliates' intellectual property to develop, manufacture, sell, commercialize, and otherwise exploit certain products, including YUTIQ®, for the treatment and prevention of uveitis in the entire world except Europe, the Middle East and Africa (EMEA).

Additionally, pursuant to the PRA, the Company transferred and assigned to Alimera certain assets (the Transferred Assets) and certain contracts with third parties related to YUTIQ®, including the new drug application for YUTIQ® (collectively, the Asset Transfer). Pursuant to the PRA, Alimera paid the Company a $75.0 million upfront payment. Alimera will also make four quarterly payments of $1.875 million to the Company totaling $7.5 million during 2024. Alimera will also pay royalties to the Company from 2025 to 2028 at a percentage of low-to-mid double digits of Alimera's related U.S. annual net sales of certain products (including YUTIQ®) in excess of certain thresholds, beginning at $70 million in 2025, and increasing annually thereafter. Upon Alimera's payment of the Upfront Payment and the 2024 quarterly payments, the licenses and rights granted to Alimera will automatically become perpetual and irrevocable. Payments received from Alimera are non-refundable.

On the Closing Date, the Company and Alimera also entered into a commercial supply agreement (CSA), pursuant to which, during the term of the PRA, the Company agreed to manufacture and exclusively supply to Alimera agreed-upon quantities of YUTIQ® necessary for Alimera to commercialize YUTIQ® in the United States at certain cost plus amounts, subject to adjustments and potential extensions and terminations set forth in the CSA (the Supply Transaction and together with the License and the Asset Transfer, the Transaction).

The Company classified the cash proceeds of the $75.0 million Upfront Payment received from Alimera as deferred revenue at the Closing Date, pursuant to the PRA and the CSA because the License and supply units to be delivered under both agreements comprise a single, combined performance obligation as Alimera will not have the right or ability to manufacture YUTIQ® (or have YUTIQ® manufactured by a third-party contract manufacturing organization) over the initial two-year term pursuant to the CSA. The combined performance obligation is satisfied over time using the units delivered output method to measure progress based on initial estimated supply units of YUTIQ® over the two-year term for purposes of recognizing revenue, such that revenue is recognized based on the value transferred in the form of units of product in the satisfaction of a performance obligation. Through this method, the Company compares the actual units delivered to date with the current estimated total to be delivered in the contractual term to measure the satisfaction of the performance obligation and recognize revenue. The Company will monitor its estimate of total units to be delivered to determine if an adjustment is needed to ensure that revenue is recognized proportionally for units delivered to date relative to the total units expected to be delivered for the combined performance obligation. Such estimates of the total delivery will be reassessed on an ongoing basis. If the Company determines that a change in estimate is necessary, it will adjust revenue using a cumulative catch-up method.

During the three and six months ended June 30, 2024, the Company recognized $0.6 million and $1.2 million, respectively, of revenue from sales of product supply to Alimera under the CSA and recorded this amount in product sales, net on the condensed consolidated statements of operations and comprehensive loss. The Company recognized $7.1 million and $17.5 million of license and collaboration revenue related to the PRA during the three and six months ended June 30, 2024, respectively, and $3.2 million of license and collaboration revenue related to the PRA during the three and six months ended June 30, 2023. As of June 30, 2024, the Company had $31.8 million and $0 as current and non-current deferred revenue recognized under the PRA, respectively.

On June 24, 2024, Alimera announced that it entered into a definitive agreement to be acquired by ANI Pharmaceuticals, Inc. The proposed acquisition does not materially impact the terms of the PRA or CSA.

SWK Royalty Purchase Agreement

Pursuant to a royalty purchase agreement (RPA) with SWK Funding LLC (SWK), 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 (the Amended Alimera Agreement) for an upfront cash payment of $16.5 million. The Company classified the proceeds received from SWK as deferred revenue at inception of the RPA and is recognizing revenue as royalty payments are made from Alimera to SWK. The Company recognized $0.3 million and $0.6 million of royalty revenue related to the RPA for the three and six months ended June 30, 2024, respectively, and $0.2 million and $0.5 million of royalty revenue related to the RPA for the three and six months ended June 30, 2023, respectively. As of June 30, 2024, the Company had $1.5 million and $11.7 million as current and non-current deferred revenue recognized under the RPA, respectively. As of December 31, 2023, the Company classified $1.4 million and $12.4 million as current and non-current deferred revenue recognized under the RPA, respectively.

Ocumension Therapeutics

Pursuant to license agreements and a Memorandum of Understanding signed with the Company, Ocumension has:

- An exclusive license for the development and commercialization of its three-year micro insert using the Durasert technology for the treatment of posterior segment uveitis of the eye (YUTIQ® in the U.S.) in Mainland China, Hong Kong, Macau, and Taiwan at its own cost and expense in return for royalties based on sales with the Company supplying products for clinical trials and commercial sale;

- An exclusive license 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 at its own cost and expense in return for royalties based on sales with the Company supplying product for clinical trials and commercial sale; and
- 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 in return for royalties based on sales with the Company supplying product for clinical trials and commercial sale.

During the three and six months ended June 30, 2024 and 2023, the Company recognized $0.5 million of revenue from sales of product supply to Ocumension under the supply agreement and recorded this amount in product sales, net on the condensed consolidated statements of operations and comprehensive loss. Royalty income of $0.3 million and 0.5 million was recorded for the three and six months ended June 30, 2024. No royalty income was recorded for the three and six months ended June 30, 2023. License and collaboration revenue related to additional technical assistance during the three and six months ended June 30, 2024 and 2023 was immaterial.

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 10). 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, DURAVYU™, an investigational sustained delivery treatment for anti-VEGF-mediated retinal diseases combining vorolanib, a selective and patent-protected tyrosine kinase inhibitor (TKI) with Durasert E™ (the Licensed Product), in the field of ophthalmology (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.

Revenue from license and collaboration revenue or royalty income for the three and six months ended June 30, 2024 and 2023 related to this agreement was immaterial.

4. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following (in thousands):

	June 30, 2024	December 31, 2023
Prepaid expenses	$ 3,300	$ 1,695
Prepaid clinical	5,271	6,335
Other	1,065	1,009
Total prepaid expenses and other current assets	$ 9,636	$ 9,039

5. Inventory

Inventory consisted of the following (in thousands):

	June 30, 2024	December 31, 2023
Raw materials	$ 1,486	$ 1,303
Work in process	921	882
Finished goods	1,265	1,721
Total inventory	$ 3,672	$ 3,906

6. Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	June 30, 2024	December 31, 2023
Personnel costs	$ 6,991	$ 12,631
Clinical trial costs	4,865	3,305
Professional fees	606	666
Sales chargebacks, rebates and other revenue reserves	646	760
Other	233	159
Total accrued expenses	$ 13,341	$ 17,521

7. Leases

On January 23, 2023, the Company entered into a lease agreement (Northbridge Lease) for its new standalone commercial manufacturing facility, including office and lab space located at 600 Commerce Drive, Northbridge, Massachusetts. The new 41,141 square-foot manufacturing facility will be Current Good Manufacturing Practice (cGMP) compliant to meet U.S. FDA and European Medicines Agency (EMA) standards and will support DURAVYU™ clinical supply and commercial readiness upon regulatory approval. In addition, the building will have the capacity and capabilities for pipeline expansion. The lease includes a non-cancellable lease term of fifteen years and four months, with two options to extend the lease term for two additional terms of either five years or ten years at 95% of the then-prevailing fair market rent. The lease term, under ASC 842, commenced during the second quarter of 2024. The Company's obligation to pay base rent will begin four months following the qualification of the premises. The qualification of the premises is anticipated to occur during the fourth quarter of 2024. The Company is responsible for real estate taxes, maintenance, and other operating expenses applicable to the leased premises. The Company recognized an initial increase of $17.7 million to its lease liabilities and $17.9 million to its ROU assets resulting from the Northbridge Lease during the second quarter of 2024.

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 respective lease components. The expected lease terms include non-cancellable 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 June 30, 2024 the weighted average remaining term of the Company's operating leases was 12.6 years and the weighted average discount rate was 11.56%.

Supplemental balance sheet information related to operating leases as of June 30, 2024 and December 31, 2023 are as follows (in thousands):

	June 30, 2024	December 31, 2023
Other current liabilities – operating lease current portion	$ 1,130	$ 563
Operating lease liabilities – noncurrent portion	22,164	4,906
Total operating lease liabilities	$ 23,294	$ 5,469

The elements of lease expense were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Lease expense included in:				
Research and development	$ 518	$ 291	$ 809	$ 582
General and administrative	65	65	130	129
Variable lease costs	63	14	135	59
Total lease expense	$ 646	$ 370	$ 1,074	$ 770

Cash paid for amounts included in the measurement of operating lease liabilities was $0.2 million and $0.3 million for the six months ended June 30, 2024 and 2023.

The Company's total future minimum lease payments under non-cancellable leases at June 30, 2024 were as follows (in thousands):

	Operating Leases
Remainder of 2024	$ 1,227
2025	3,794
2026	4,136
2027	4,225
2028	3,322
Thereafter	31,900
Total lease payments	$ 48,604
Less imputed interest	(25,310)
Total	$ 23,294

8. Stockholders' Equity

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 and six months ended June 30, 2024 and 2023, the Company did not sell any shares of its common stock under the ATM Facility.

During July 2024 the Company sold 1,299,506 shares of its common stock under the ATM facility at a weighted average price of $9.36 per share for gross proceeds of approximately $12.2 million. Share issue costs, including sales agent commissions, totaled approximately $0.4 million.

Warrants to Purchase Common Shares

Pursuant to a credit agreement, the Company issued a warrant to SWK 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.

In January 2024, SWK exercised their warrants in full via cashless exercise resulting in the net share issuance of 25,666 shares.

The Company issued 3,272,727 shares of Pre-Funded Warrants (PFW) to purchase common stock, in connection with the November 2021 underwritten public offering. On April 18, 2024, 2,181,818 PFWs were exercised in full as a cashless exercise, resulting in a net issuance of 2,180,776 shares of common stock.

As of June 30, 2024 1,090,909 PFWs were outstanding. The PFWs were included in the basic and diluted net loss per share calculation during the three and six months ended June 30, 2024.

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9. Share-Based Payment Awards

Equity Incentive Plan

Prior to June 20, 2024, the Company had authorized the issuance of 9,400,000 shares of the Company's common stock under the 2016 Long-Term Incentive Plan (the 2016 Plan), of which 373,256 shares remained available for future grants.

The 2023 Long-Term Incentive Plan (the "2023 Plan"), approved by the Company's stockholders on June 20, 2023 (the "Adoption Date"), originally provided for the issuance of up to 3,500,000 shares of the Company's common stock reserved for issuance under the 2023 Plan plus any additional shares of the Company's common stock that were available for grant under the 2008 and the 2016 Incentive Plan (the "2008 & 2016 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 or 2016 Plan. At the Company's Annual Meeting of Stockholders held on June 20, 2024, the Company's stockholders approved an amendment to the 2023 Plan to increase the number of shares authorized for issuance by 4,000,000 shares. At June 30, 2024, a total of approximately 4,386,256 shares were available for new awards under the 2023 Plan.

Starting March 2022, the Company 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 any equity incentive plans, the grants are subject to and governed by the terms and conditions of the applicable plan in effect at the time of the grant.

Stock Options

The following table provides a reconciliation of stock option activity under the Company's equity incentive plan and for inducement awards for the six months ended June 30, 2024:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
			(in years)	(in thousands)
Outstanding at January 1, 2024	6,304,767	$ 9.98		
Granted	1,843,282	20.89		
Exercised	(521,716)	9.43		
Forfeited	(140,386)	7.60		
Expired	(59,256)	22.96		
Outstanding at June 30, 2024	7,426,691	$ 12.67	7.83	$ 10,801
Exercisable at June 30, 2024	3,139,191	$ 12.14	6.43	$ 4,456

The Company's stock options generally vest over four years with 25% vesting after one year of service 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 1,425,129 shares of the Company's common stock vested during the six months ended June 30, 2024.

In determining the grant date fair value of option awards during the six months ended June 30, 2024, 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	97% - 100%
Risk-free interest rate	3.84% - 4.60%
Expected dividends	0.0%

The following table summarizes information about employee, non-executive director and external consultant stock options for the six months ended June 30, 2024 (in thousands except per share amount):

	Six Months Ended June 30, 2024
Weighted average grant date fair value per share	$ 16.62
Total cash received from exercise of stock options	4,917
Total intrinsic value of stock options exercised	7,269

Time-Vested Restricted Stock Units

Time-vested restricted stock units (RSUs) issued to date under the 2016 Plan and the 2023 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 and the 2023 Plan for the six months ended June 30, 2024:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2024	1,333,192	$ 5.31
Granted	636,100	20.40
Vested	(557,000)	6.23
Forfeited	(33,469)	7.57
Nonvested at June 30, 2024	1,378,823	$ 11.85

At June 30, 2024, the weighted average remaining vesting term of the RSUs was 1.59 years.

Employee Stock Purchase Plan

The Company's Employee Stock Purchase Plan (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. During the three and six months ended June 30, 2024, 25,015 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 and six months ended June 30, 2024, the compensation expense from ESPP shares was approximately $0.1 million and $0.2 million. During the three and six months ended June 30, 2023, the compensation expense from ESPP shares was approximately $0.03 million and $0.08 million.

Stock-Based Compensation Expense

The Company's condensed consolidated statements of comprehensive loss included total compensation expense from stock-based payment awards as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Compensation expense included in:				
Research and development	$ 3,610	$ 902	$ 11,438	$ 2,142
Sales and marketing	—	(200)	—	230
General and administrative	5,085	1,086	9,956	2,466
	$ 8,695	$ 1,788	$ 21,394	$ 4,838

During the three and six months ended June 30, 2024, the Company modified certain stock options and restricted stock awards in connection with the termination of executives resulting in incremental compensation expense of $0.1 million and $5.7 million, respectively.

At June 30, 2024, there was approximately $36.5 million of unrecognized compensation expense related to outstanding equity awards under the 2023 Plan, the 2016 Plan, the inducement awards and the ESPP that is expected to be recognized as expense over a weighted average period of approximately 1.7 years.

10. 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 (see Note 3), 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.

For the both the three and six months ended June 30, 2024 the Company recorded $5.0 million of R&D expenses in connection with the milestone payment for completion of a Phase II clinical trial for the compound or a licensed product under the Equinox License Agreement. No R&D expense was recorded for the three and six months ended June 30, 2023 related to the Equinox License Agreement.

11. Fair Value Measurements

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

	June 30, 2024					
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cash Equivalents	Marketable Securities
Level 1:						
Money market funds	$ 64,561	$ —	$ —	$ 64,561	$ 64,561	$ —
Subtotal	$ 64,561	$ —	$ —	$ 64,561	$ 64,561	$ —
Level 2:						
Commercial paper	$ 94,145	$ —	$ (18)	$ 94,127	$ 7,978	$ 86,149
U.S. Treasury securities	$ 41,195	$ —	$ (13)	$ 41,182	$ —	$ 41,182
U.S. Agency securities	$ 62,165	$ 3	$ (20)	$ 62,148	$ —	$ 62,148
Subtotal	$ 197,505	$ 3	$ (51)	$ 197,457	$ 7,978	$ 189,479
Total	$ 262,066	$ 3	$ (51)	$ 262,018	$ 72,539	$ 189,479

	December 31, 2023					
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cash Equivalents	Marketable Securities
Level 1:						
Money market funds	$ 270,476	$ —	$ —	$ 270,476	$ 270,476	$ —
Subtotal	$ 270,476	$ —	$ —	$ 270,476	$ 270,476	$ —
Level 2:						
Commercial paper	$ 19,295	$ 8	$ —	$ 19,303	$ 1,998	$ 17,305
U.S. Treasury securities	17,762	8	—	17,771	2,990	14,781
U.S. Agency securities	17,694	8	(1)	17,701	—	17,701
Subtotal	$ 54,751	$ 24	$ (1)	$ 54,775	$ 4,988	$ 49,787
Total	$ 325,227	$ 24	$ (1)	$ 325,251	$ 275,464	$ 49,787

At June 30, 2024 and December 31, 2023, a total of $64.6 million or 24.6%, and a total of $270.5 million or 98.2%, respectively, of the Company's interest-bearing cash equivalent balances were concentrated in one institutional money market fund that has investments consisting primarily of Repurchase Agreements, U.S Treasuries, and U.S. Government Agency Debts. The Company had $8.0 million or 11.0%, and a total $5.0 million or 1.8% of the Company's interest-bearing cash equivalent balance which consisted of investment-grade Commercial paper and investment-grade U.S. Treasury securities at June 30, 2024, and December 31, 2023, respectively. Generally, these deposits may be redeemed upon demand and, therefore, the Company believes they have minimal risk.

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.

12. 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.

U.S. Department of Justice Subpoena

In August 2022, the Company received a subpoena from the U.S. Attorney's Office for the District of Massachusetts seeking production of documents related to sales, marketing, and promotional practices, including as pertain to DEXYCU® (DOJ Investigation). The Company is cooperating fully with the government in connection with this matter. At this time, the Company is unable to predict the duration, scope or outcome of this matter or whether it could have a material impact on the Company's financial condition, results of operations, or cash flow.

13. 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 and six months ended June 30, 2024 and 2023 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:

	As of June 30,	
	2024	**2023**
Stock options	7,426,691	6,170,968
ESPP	9,102	38,434
Warrants	—	48,683
Restricted stock units	1,378,823	1,260,219
	8,814,616	7,518,304

14. Related Party Transactions

On May 17, 2024, the Company executed the Eyebiotech License Agreement with Eyebiotech. The Chief Executive Officer (David Guyer) and Chief Scientific Officer (Anthony Adamis) of Eyebiotech are members of the Company's board of directors. The Company recorded $0.5 million in license and collaboration revenue in connection with the upfront payment pursuant to the Eyebiotech License Agreement.

On December 18, 2023, the Company entered into a consulting agreement with Dr. John Landis who also serves as the Company's Chair of the Science Committee and a member of the board of directors. Pursuant to the terms of the consulting agreement, Dr. Landis is entitled to receive an annual compensation payment of up to $0.6 million in exchange for performing certain research and development services as the Company's interim head of development. On January 5, 2024, pursuant to the consulting agreement, the Company granted Dr. Landis (i) stock options to purchase 20,000 shares of the Company's common stock and (ii) 10,000 of restricted stock units. All equity grants to Dr. Landis vest after one year. He also received the Board stock option award to purchase 25,014 shares of the Company's common stock. The compensation expense related to the consulting agreement recognized by the Company for the three and six months ended June 30, 2024, was $0.2 million and $0.4 million, respectively. Additionally, the Company recorded accounts payable of $0.1 million in the accompanying consolidated balance sheets related to services provided by Dr. Landis, as of June 30, 2024. Services under this agreement concluded during the second quarter of 2024.

Nancy S. Lurker, the former Chief Executive Officer and Executive Vice Chair of the Company and current Vice Chair of the Board is a member of the board of directors of Altasciences, the parent company of Calvert Laboratories, Inc. (Calvert Labs), an entity with which the Company conducts business. The Company recorded $0.3 million and $0.9 million of research and development expense in the accompanying condensed consolidated statements of operations and comprehensive loss related to preclinical and analytical services provided by Altasciences for the three and six months ended June 30, 2024, respectively. Additionally, the Company recorded accounts payable of $0.6 million and $0.3 million, and prepaid expenses of $0.2 million and $0.5 million in the

accompanying condensed consolidated balance sheets related to services provided by Altasciences, as of June 30, 2024 and December 31, 2023, respectively.

15. Subsequent Events

FDA Warning Letter

On July 12, 2024, the Company received a warning letter from the FDA (Warning Letter) pertaining to YUTIQ® manufacturing, citing alleged violations of cGMP requirements in connection with an FDA inspection at the Company's Watertown facility in February 2024. The Warning Letter does not represent a final FDA determination of compliance. The Warning Letter requires the Company to implement improvements to the process by which the Company investigates unexplained discrepancies, the implementation of additional written procedures for production and process control, and the adoption of additional control procedures to monitor the output and to validate the performance of manufacturing processes. The Company timely responded to the FDA on August 1, 2024 and is addressing the FDA's observations. Based on current information, the Company believes that the supply of YUTIQ® to patients should not be materially interrupted and that the Company's other products in development, including DURAVYU™, are not impacted by this regulatory action.

Nancy S. Lurker Separation Agreement

On July 10, 2024, Nancy S. Lurker's term as Executive Vice Chair of the Company expired in accordance with the terms of her Employment Letter Agreement, dated September 16, 2016 and amended on January 3, 2023 and July 10, 2023. Ms. Lurker continues to serve as a member and Vice Chair of the Board of Directors of the Company. On August 6, 2024, Ms. Lurker and the Company entered into a severance agreement and general release (the "Separation Agreement"). Pursuant to the Separation Agreement, subject to Ms. Lurker agreeing to a release of claims and complying with certain other continuing obligations contained therein, the Company will pay Ms. Lurker a lump sum cash payment equal to $0.3 million, less applicable taxes and withholdings.

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 DURAVYU™, as an investigational sustained delivery intravitreal treatment deploying a bioerodible Durasert E™ insert of vorolanib, a selective and patented tyrosine kinase inhibitor (TKI) targeting wet age-related macular degeneration (wet AMD) and diabetic macular edema (DME);
- our expectations regarding the timing and outcome of our ongoing and planned clinical trials for DURAVYU™ for the treatment of wet AMD and DME;
- our expectations regarding the timing and clinical development of our other product candidates, including EYP-2301, a TIE-2 agonist, razuprotafib, formulated in Durasert E™ to potentially improve outcomes in serious retinal diseases;
- our strategic alliances with other companies;
- our belief that our cash, cash equivalents, and investments in marketable securities of $280.2 million at June 30, 2024, will provide a cash runway through anticipated Phase 3 wet AMD topline data for DURAVYU™ in 2026;
- 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 the timing and results of the August 2022 subpoena from the U.S. Attorney's Office for the District of Massachusetts (DOJ) seeking production of documents related to sales, marketing and promotional practices (DOJ Subpoena), including as pertain to DEXYCU®;
- our ability to manufacture DURAVYU™ or any other products or product candidates, in sufficient quantities and quality;
- our expectations regarding our ability to obtain and adequately maintain sufficient intellectual property protection for DURAVYU™ and any other products or product candidates, and to avoid claims of infringement of third-party intellectual property rights;
- our expectations regarding the FDA Warning Letter and our plans to implement corrective and preventive actions required by the Warning Letter;
- the effect of legal and regulatory developments; and,
- 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.

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 effectiveness and timeliness of our clinical trials, and the usefulness of the data;
- the sufficiency of our existing cash resources;
- our access to needed capital;
- fluctuations in our operating results;
- the duration, scope, and outcome of any governmental inquiries or investigations;
- the success of current and future license and collaboration agreements, including our agreements with Alimera Sciences, Inc. (Alimera), Betta Pharmaceuticals Co., Ltd. (Betta), Equinox Science, LLC (Equinox), and Ocumension Therapeutics (Ocumension);
- our dependence on contract research organizations, vendors, and investigators;
- our ability to manufacture clinical and commercial supply of our products and product candidates;

- the extent to which the global economic conditions, uncertainty caused by geopolitical violence and unrest and public health crises impact our business, the medical community, and the global economy;
- market acceptance of our product candidates, if approved;
- protection of intellectual property and avoiding intellectual property infringement;
- our ability to implement corrective and preventive actions required by the Warning Letter to the satisfaction of the FDA;
- 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, 2023, as supplemented by the risks set forth under Item 1A of this Quarterly Report on Form 10-Q, 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.

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Our Business

Overview

We are a company committed to developing and commercializing innovative therapeutics to help improve the lives of patients with serious retinal diseases. Our pipeline leverages our proprietary bioerodible Durasert E™ technology for sustained intraocular drug delivery. The Company's lead product candidate, DURAVYU™, is an investigational sustained delivery treatment for anti-vascular endothelial growth factor (anti-VEGF) -mediated retinal diseases combining vorolanib, a selective and patent-protected tyrosine kinase inhibitor with bioerodible Durasert E™. DURAVYU™ is presently in Phase 2 clinical trials as a sustained delivery treatment for 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, and diabetic macular edema (DME). We expect to randomize patients for inclusion in pivotal Phase 3 clinical trials in wet AMD in 2024.

Recent Developments

- In July 2024, Marcia Sellos-Moura, formerly SVP, Program Leadership, assumed a new position as SVP, Head of Development and Program Management, continuing to report to Dr. Jay S. Duker, President and CEO of the Company. In her expanded role, Dr. Sellos-Moura will manage both the R&D and Product Development teams in addition to Program Management.
- On June 26, 2024, we hosted an R&D Day in New York City, featuring presentations from EyePoint's management team as well as key opinion leader (KOL) guest speakers.

  R&D day highlights included:

  - Phase 3 plans for DURAVYU™ in wet AMD, including key design elements of the Phase 3 LUGANO and LUCIA pivotal trials
  - Positive twelve-month safety and efficacy data from the Phase 2 DAVIO 2 clinical trial evaluating DURAVYU™ for the treatment of wet AMD
  - The VERONA trial, a Phase 2 trial of DURAVYU™ in diabetic macular edema (DME) patients has completed enrollment with 27 patients

R&D Highlights

- In May 2024, we announced topline results of our Phase 2 PAVIA clinical trial evaluating DURAVYU™ (vorolanib intravitreal insert), previously known as EYP-1901, in patients with non-proliferative diabetic retinopathy (NPDR). The data demonstrated that DURAVYU™ has a biologic effect in patients with NPDR with a favorable safety and tolerability profile, however the trial did not meet the pre-specified primary endpoint. We expect 12-month data from this trial in 3Q 2024.
- In May 2024, we completed enrollment in the VERONA trial, a Phase 2 trial of DURAVYU™ in diabetic macular edema (DME) patients. The trial enrolled 27 patients with topline data anticipated in the first quarter of 2025.
- In June 2024, we announced alignment on pathway to approval with U.S. Food and Drug Administration (FDA) based on positive End of Phase 2 meeting in April 2024 for two non-inferiority trials, 6-month redosing of DURAVYU™ and sham for masking with a one-year endpoint. Each trial is expected to enroll approximately 400 patients with active wet AMD, including previously treated and treatment naïve patients, randomly assigned to either a 2.7mg dose of DURAVYU™ or an on-label aflibercept control. All patients to receive three monthly loading doses of aflibercept prior to DURAVYU™ with randomization occurring on Day 1. The LUGANO (US) trial remains on track to randomize patients for inclusion in 2024 with LUCIA (US/ex-US) to follow.
- In June 2024, we announced positive twelve-month safety and efficacy data from the Phase 2 DAVIO 2 clinical trial evaluating DURAVYU™ for the treatment of wet AMD.

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, 2023, 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 June 30, 2024 Compared to Three Months Ended June 30, 2023:

	Three Months Ended June 30,		Change	
	2024	2023	Amounts	%
Revenues:				
Product sales, net	$ 1,068	$ 5,273	$ (4,205)	-80%
License and collaboration agreements	7,782	3,597	4,185	116%
Royalty income	627	235	392	167%
Total revenues	9,477	9,105	372	4%
Operating expenses:				
Cost of sales	1,401	1,792	(391)	-22%
Research and development	29,822	15,730	14,092	90%
Sales and marketing	50	5,288	(5,238)	-99%
General and administrative	12,750	9,056	3,694	41%
Total operating expenses	44,023	31,866	12,157	38%
Loss from operations	(34,546)	(22,761)	(11,785)	52%
Other income (expense):				
Interest and other income, net	3,720	1,623	2,097	129%
Interest expense	—	(435)	435	-100%
Loss on extinguishment of debt	—	(1,347)	1,347	-100%
Total other income (expense), net	3,720	(159)	3,879	-2440%
Net loss	$ (30,826)	$ (22,920)	$ (7,906)	34%
Net loss per share - basic and diluted	$ (0.58)	$ (0.61)	$ 0.03	-5%
Weighted average shares outstanding - basic and diluted	53,206	37,576	15,630	42%
Net loss	$ (30,826)	$ (22,920)	$ (7,906)	34%

Product Sales, Net

Product sales, net represents the gross sales of YUTIQ® and DEXYCU® less provisions for product sales allowances. Product sales, net decreased by $4.2 million, or 80%, to $1.1 million for the three months ended June 30, 2024 compared to the same period the prior year. This decrease was driven by the agreement that granted license and rights to YUTIQ® to Alimera in May 2023. For the three months ended June 30, 2024, product sales, net included $0.6 million of product supply under the existing commercial supply agreement (CSA) with Alimera of $0.6 million, as well as $0.5 million of product supply to Ocumension.

License and Collaboration Agreement

License and collaboration agreement revenue increased by $4.1 million, or 116%, to $7.8 million for the three months ended June 30, 2024 compared to the same period the prior year. This increase was due to higher recognition of deferred revenue related to the agreement to license YUTIQ® product rights to Alimera.

Royalty Income

Royalty income increased by $0.4 million, or 167%, to $0.6 million for the three months ended June 30, 2024 compared to the same period the prior year. The increase was attributable to increased Ocumension Therapeutics royalties from YUTIQ® product sales in China.

Cost of Sales, Excluding Amortization of Acquired Intangible Assets

Cost of sales decreased by $0.4 million, or 22%, to $1.4 million for the three months ended June 30, 2024 compared to the same period the prior year. This decrease was primarily due to lower commercial product sales year over year.

Research and Development

Research and development expenses increased by $14.1 million, or 90%, to $29.8 million for the three months ended June 30, 2024 compared to the same period the prior year. This increase was attributable primarily to (i) $5.0 million for a milestone payment for completion of our Phase 2 wet AMD (DAVIO2) clinical trial, (ii) $4.3 million higher personnel expense to support clinical trial activity and product development, including $2.7 million of non-cash stock compensation, (iii) $2.1 million higher DURAVYU™ non-clinical expenses, (iv) $1.3 million higher clinical trial material expense, (v) $0.7 million higher facility and IT expenses, and (vi) $0.5 million in increased clinical trial costs related to DURAVYU™ in Phase 2 clinical trials for wet AMD (DAVIO2), NPDR (PAVIA), and DME (VERONA).

Sales and Marketing

Sales and marketing expenses decreased by $5.2 million, or 99%, to $0.1 million for the three months ended June 30, 2024 compared to the same period the prior year. This decrease was driven by discontinued YUTIQ® promotion due to the agreement that granted YUTIQ® license and rights to Alimera in Q2 2023 and the Company's exit from the commercial business. Expenses for the three months ended June 30, 2024 included support for ongoing government reporting requirements.

General and Administrative

General and administrative expenses increased by $3.7 million, or 41%, to $12.8 million for the three months ended June 30, 2024 compared to the same period the prior year. This increase was primarily attributable to $4.0 million in stock-based compensation and $1.0 million in personnel costs, partially offset by lower legal and other administrative expenses.

Interest (Expense) Income

Interest income from investments in marketable securities and institutional money market funds increased by $2.1 million, or 129%, to $3.7 million for the three months ended June 30, 2024 compared to the same period the prior year. This increase was due primarily to an increase in cash and marketable securities and higher interest rates in the current calendar quarter.

There was no interest expense in the three months ended June 30, 2024 due to the repayment of the loan under the loan and security agreement with Silicon Valley Bank (SVB Loan Agreement) on May 17, 2023. Interest expense for the three months ended June 30, 2023 was $0.4 million.

Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023:

	Six months ended June 30,		Change	
	2024	2023	Amounts	%
Revenues:				
Product sales, net	$ 1,726	$ 12,667	$ (10,941)	-86%
License and collaboration agreements	18,345	3,631	14,714	405%
Royalty income	1,090	490	600	122%
Total revenues	21,161	16,788	4,373	26%
Operating expenses:				
Cost of sales, excluding amortization of acquired intangible assets	2,160	2,432	(272)	-11%
Research and development	60,011	29,348	30,663	104%
Sales and marketing	56	11,025	(10,969)	-99%
General and administrative	26,801	18,298	8,503	46%
Total operating expenses	89,028	61,103	27,925	46%
Loss from operations	(67,867)	(44,315)	(23,552)	53%
Other income (expense):				
Interest and other income, net	7,757	2,825	4,932	175%
Interest expense	—	(1,247)	1,247	-100%
Gain (loss) on extinguishment of debt	—	(1,347)	1,347	-100%
Total other income (expense), net	7,757	231	7,526	3258%
Net loss before income taxes	$ (60,110)	$ (44,084)	$ (16,026)	36%
Provision for income taxes		$ —	$ —	
Net loss	$ (60,110)	$ (44,084)	$ (16,026)	36%
Net loss per share - basic and diluted	$ (1.13)	$ (1.17)	$ 0.04	-3%
Weighted average shares outstanding - basic and diluted	53,059	37,531	15,528	41%
Net loss	$ (60,110)	$ (44,084)	$ (16,026)	36%

Product Sales, Net

Product sales, net represents the gross sales of YUTIQ® and DEXYCU® less provisions for product sales allowances. Product sales, net decreased by $10.9 million, or 86%, to $1.7 million for the six months ended June 30, 2024 compared to the same period the prior year. This decrease was driven by the agreement that granted license and rights to YUTIQ® to Alimera in May 2023 as the Company exited its commercial business. For the six months ended June 30, 2024, product sales, net were primarily from the sales of product supply under the existing commercial supply agreement (CSA) with Alimera of $1.2 million, as well as $0.5 million of product supply to Ocumension.

License and Collaboration Agreement

License and collaboration agreement revenue increased by $14.7 million, or 405%, to $18.3 million for the six months ended June 30, 2024 compared to the same period the prior year. This increase was due to higher recognition of deferred revenue related to the agreement to license YUTIQ® product rights to Alimera.

Royalty Income

Royalty income increased by $0.6 million, or 122%, to $1.1 million for the six months ended June 30, 2024 compared to the same period the prior year. The increase was attributable to increased Ocumension Therapeutics royalties from YUTIQ® product sales in China.

Cost of Sales, Excluding Amortization of Acquired Intangible Assets

Cost of sales decreased by $0.3 million, or 11%, to $2.2 million for the six months ended June 30, 2024 compared to the same period the prior year. This decrease was primarily due to lower commercial product sales year over year.

Research and Development

Research and development expenses increased by $30.7 million, or 104%, to $60.0 million for the six months ended June 30, 2024 compared to the same period the prior year. This increase was attributable primarily to (i) $6.3 million higher personnel expense to support clinical trial activity and product development, including $3.7 million of non-cash stock compensation, (ii) $5.7 million associated with non-cash equity award modifications expense, (iii) $5.0 million for a milestone payment due for completion of our Phase 2 wet AMD (DAVIO2) clinical trial (iv) $4.8 million in increased clinical trial costs related to DURAVYU™ in Phase 2 clinical trials for wet AMD (DAVIO2), NPDR (PAVIA), and DME (VERONA), (v) $3.1 million in higher clinical trial material expense, (vi) $2.7 million higher DURAVYU™ non-clinical expenses, (vii) $1.5 million in severance related expense, and (viii) $1.1 million of other R&D expenses.

Sales and Marketing

Sales and marketing expenses decreased by $11.0 million, or 99%, to $0.1 million for the six months ended June 30, 2024 compared to the same period the prior year. This decrease was driven by discontinued YUTIQ® promotion due to the agreement that granted YUTIQ® license and rights to Alimera in Q2 2023 and the Company's exit from the commercial business. Expenses for the six months ended June 30, 2024 included support for ongoing government reporting requirements.

General and Administrative

General and administrative expenses increased by $8.5 million, or 46%, to $26.8 million for the six months ended June 30, 2024 compared to the same period the prior year. This increase was driven by (i) $7.5 million in stock-based compensation, (ii) $2.2 million in higher personnel costs, partially offset by $1.2 million in lower legal and other administrative expenses.

Interest (Expense) Income

Interest income from investments in marketable securities and institutional money market funds increased by $4.9 million, or 175%, to $7.8 million for the six months ended June 30, 2024 compared to the same period the prior year. This increase was due primarily to an increase in cash and marketable securities and higher interest rates in the current year to date period.

There was no interest expense in the six months ended June 30, 2024 due to the repayment of the loan under the loan and security agreement with Silicon Valley Bank (SVB Loan Agreement) on May 17, 2023. Interest expense for the six months ended June 30, 2023 was $1.2 million.

Liquidity and Capital Resources

We have had a history of operating losses and an absence of significant recurring cash inflows from revenue, and at June 30, 2024 we had a total accumulated deficit of $802.3 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.

Financing Activities

On May 17, 2023, we utilized a portion of the Upfront Payment from the Alimera PRA (see Note 3) and repaid in full all outstanding amounts under the SVB Loan Agreement. The SVB Loan Agreement was then terminated, and all security interests and other liens granted to or held by the Lender were terminated and released.

During the six months ended June 30, 2024, we did not sell any shares of our common stock under our at-the-market offering facility. During July 2024, we sold 1,299,506 shares of our common stock under our at-the-market offering facility at a weighted average price of $9.36 per share for gross proceeds of approximately $12.2 million. Share issue costs, including sales agent commissions, totaled approximately $0.4 million.

Future Funding Requirements

At June 30, 2024, we had cash, cash equivalents, and investments in marketable securities of $280.2 million. We expect that our cash and investments in marketable securities will enable us to fund our current operating plan through anticipated Phase 3 wet AMD topline data for DURAVYU™ in 2026. Due to the difficulty and uncertainty associated with the design and implementation of preclinical studies and 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. We expect to continue to incur substantial additional operating losses for at least the next several years as we continue to develop our product candidates and seek marketing approval and, subject to obtaining such approval, the eventual commercialization of our product candidates. If we obtain marketing approval for any of our product candidates, we will incur significant sales, marketing, and manufacturing expenses. We also expect to continue to incur significant costs to comply with corporate governance, internal controls, and similar requirements associated with operating as a public reporting company.

Actual cash requirements could differ from management's projections due to many factors including additional investments in research and development programs, clinical trial expenses for DURAVYU™ and EYP-2301, competing technological and market developments and the costs of any strategic acquisitions and/or development of complementary business opportunities.

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

1. the scope, progress, results, and costs of clinical trials of DURAVYU™, as a sustained delivery intravitreal treatment for wet AMD, NPDR, and DME
2. our expectations regarding the timing and clinical development of our product candidates, including DURAVYU™, and EYP-2301;
3. the duration, scope, and outcome of the DOJ Subpoena and its impact on our financial condition, results of operations, or cash flows;
4. whether and to what extent we internally fund, whether and when we initiate, and how we conduct additional pipeline product development programs;
5. payments we receive under any new collaboration agreements or payments expected from existing agreements;
6. whether and when we are able to enter into strategic arrangements for our products or product candidates and the nature of those arrangements;
7. the costs involved in preparing, filing, prosecuting, maintaining, defending, and enforcing any patent claims;
8. the costs and timing to implement corrective and preventive actions required by the Warning Letter to the satisfaction of the FDA;
9. changes in our operating plan, resulting in increases or decreases in our need for capital; and
10. our views on the availability, timing, and desirability of raising capital.

We expect to seek additional funding to sustain our future operations and while we have successfully raised capital in the past, the ability to raise capital in future periods is not assured. 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. 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, 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):

	Six Months Ended June 30,		
	2024	2023	Change
Cash flows from operating activities:			
Net loss	$ (60,110)	$ (44,084)	$ (16,026)
Changes in operating assets and liabilities	(11,031)	77,452	(88,483)
Other adjustments to reconcile net loss to cash flows from operating activities:	19,792	6,820	12,972
Net cash (used in) provided by operating activities	$ (51,349)	$ 40,188	$ (91,537)
Net cash (used in) provided by investing activities	$ (139,589)	$ 45,553	$ (185,142)
Net cash (used in) provided by financing activities	$ 444	$ (41,777)	$ 42,221

Operating cash outflows for the six months ended June 30, 2024 totaled $51.4 million primarily due to our net loss of $60.1 million reduced by $19.8 million of non-cash expenses, which included $21.4 million of stock-based compensation, partially offset by $2.3 million for amortization of discount on available for sale of marketable securities. This was further offset by changes in working capital of $11.0 million, including $14.3 million of deferred revenue related to the agreement to license YUTIQ® product rights to Alimera.

Operating cash inflows for the six months ended June 30, 2023 totaled $40.2 million, primarily due to our net loss of $44.1 million reduced by $6.8 million of non-cash expenses, which included $4.8 million of stock-based compensation, $1.3 million of loss on extinguishment of debt, $0.7 million for the provision of excess and obsolete inventory, and $0.06 million of other non-cash charges. This was further offset by changes in working capital of $77.5 million, including $71.3 million of deferred revenue related to the agreement to license YUTIQ® product rights to Alimera.

For the six months ended June 30, 2024, $137.5 million of net cash was used for the purchase of marketable securities, and $2.1 million was used for the purchase of property and equipment.

For the six months ended June 30, 2023, $46.4 million of net cash was provided by the sales of marketable securities, and $0.9 million was used for the purchase of property and equipment.

Net cash provided by financing activities for the six months ended June 30, 2024 totaled $0.4 million and consisted of the following:
(i) $5.2 million from the exercise of stock options
(ii) $4.7 million used for the settlement of stock units and payment of equity issue costs

Net cash used in financing activities for the six months ended June 30, 2023 totaled $41.8 million and consisted of the following:
(i) $40.5 million used to pay off the SVB loan
(ii) $1.4 million used to extinguish debt costs related to the SVB loan

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 principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2024. 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 an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, 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 its 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 June 30, 2024, our principal executive officer and 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

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2024 covered by this Quarterly Report on Form 10-Q that have 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.

We previously disclosed that in August 2022, we received a subpoena from the U.S. Attorney's Office for the District of Massachusetts seeking production of documents related to sales, marketing, and promotional practices, including as pertain to DEXYCU®. We are cooperating fully with the government in connection with this matter. At this time, we are unable to predict the duration, scope or outcome of this matter or whether it could have a material impact on our financial condition, results of operations or cash flow.

Item 1A. Risk Factors

This section augments and updates certain risk factors disclosed in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2023 (the Annual Report). The following risk factors should be read together with the other risk factors disclosed in the Annual Report. In addition to the other information in this Quarterly Report on Form 10-Q, all of the risk factors should be carefully considered in evaluating us and our common stock. Any of these risks, many of which are beyond our control, could materially and adversely affect our financial condition, results of operations or cash flows, or cause our actual results to differ materially from those projected in any forward-looking statements. We may also face other risks and uncertainties that are not presently known, are not currently believed to be material, or are not identified below because they are common to all businesses. Past financial performance may not be a reliable indicator of future performance, and historical trends should not be used to anticipate results or trends in future periods. For more information, see "Note Regarding Forward-Looking Statements" in this Quarterly Report on Form 10-Q.

We use our own facility for the manufacturing of YUTIQ® and rely on third party suppliers for key components, and any disruptions to our or our suppliers' operations could adversely affect YUTIQ®'s commercial viability and our ability to supply YUTIQ® to Alimera and Ocumension.

Pursuant to our agreements with our commercialization partners, we currently manufacture commercial supplies of YUTIQ® ourselves at our Watertown, MA facility and rely on third party suppliers for key components of YUTIQ®. We have, and will continue, to perform extensive audits of our suppliers, vendors, and contract laboratories. The cGMP requirements govern, among other things, recordkeeping, production processes, and controls, personnel, and quality control. To ensure that we continue to meet these requirements, we have and will continue to expend significant time, money, and effort.

The commercial manufacture of medical products is complex and requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls. Manufacturers of medical products often encounter difficulties in production, particularly in scaling up and validating initial production and ensuring the absence of contamination. These problems include difficulties with production costs and yields, quality control, including stability of the product, quality assurance testing, operator error, shortages of qualified personnel, as well as compliance with strictly enforced federal, state, and foreign regulations. We cannot assure you that any issue relating to the manufacture of YUTIQ® will not occur in the future.

The FDA also may, at any time following approval of a product for sale, audit our manufacturing facilities. If any such inspection or audit identifies a failure to comply with applicable regulations or if a violation of our product specifications or applicable regulation occurs independent of such an inspection or audit, the FDA may issue a Form FDA-483 and/or a warning letter, which may require remedial measures that may be costly and time consuming for us to implement and that may include the temporary or permanent suspension of commercial sales, recalls, market withdrawals, seizures or the temporary or permanent closure of a facility. In February 2024, we received an FDA Form-483 at the conclusion of an FDA inspection of our Watertown facility which included certain observations specifically related to the manufacturing of YUTIQ®, and a subsequent determination that our facility had been classified as Official Action Indicated (OAI), which could lead to an enforcement action or, if left un-addressed, negatively affect our manufacturing of YUTIQ®. We submitted written responses to the FDA in March 2024 and May 2024 addressing the FDA's observations.

On July 12, 2024, we received a warning letter from the FDA ("Warning Letter"), citing alleged violations of current good manufacturing practice (CGMP) requirements in connection with the February 2024 FDA inspection at the Watertown facility and the associated February 2024 Form FDA-483, specifically related to the manufacturing of YUTIQ®. The Warning Letter does not represent a final FDA determination of compliance. The Warning Letter requires that we implement certain corrective and preventive actions, including improvements to the process by which we investigate unexplained discrepancies, the implementation of additional

written procedures for production and process control, and the adoption of additional control procedures to monitor the output and to validate the performance of manufacturing processes. Addressing FDA observations and advancing quality initiatives are key priorities for the Company, and the Company has implemented and plans to further implement improvements to strengthen quality and sustainable compliance. We responded to the FDA on August 1, 2024 and, based on current information, we believe the supply of YUTIQ® to patients should not be materially interrupted. However, if we are unable to remediate the findings to the FDA's satisfaction, we may face additional consequences including an inability to satisfy our obligations under our supply agreements with Alimera and Ocumension and possible FDA regulatory or legal actions. Notwithstanding, based on current information, we believe our other products in development, including DURAVYU™, are not impacted by this regulatory action.

If our Contract Research Organizations (CROs), Contract Manufacturing Organizations (CMOs), Contract Development Manufacturing Organizations (CDMOs), vendors, and investigators do not successfully carry out their responsibilities or if we lose our relationships with them, our development efforts with respect to our product candidates could be delayed.

We are dependent on CROs, CMOs, CDMOs, vendors, and investigators for pre-clinical testing and clinical trials related to our product development programs, including for DURAVYU™ and other product candidates. These parties are not our employees, and we cannot control the amount or timing of resources that they devote to our programs. If they do not timely fulfill their responsibilities or if their performance is inadequate, the development, and commercialization of our product candidates could be delayed.

The parties with which we contract for execution of clinical trials play a significant role in the conduct of the trials and the subsequent collection and analysis of data. Their failure to meet their obligations could adversely affect clinical development of our product candidates. In addition, if we or our CROs fail to comply with applicable current Good Clinical Practices (GCP), the clinical data generated in our clinical trials may be deemed unreliable and the Food and Drug Administration (FDA) may require us to perform additional clinical trials before approving any marketing applications. Upon inspection, the FDA may determine that our clinical trials did not comply with GCP.

Switching or adding additional CROs involves additional cost and requires management time and focus. Identifying, qualifying, and managing performance of third-party service providers can be difficult, time-consuming, and cause delays in our development programs. In addition, there is a natural transition period when a new CRO commences work and the new CRO may not provide the same type or level of services as the original provider. Though we carefully manage our relationships with our CROs, there can be no assurance that we will not encounter challenges or delays in the future or that these delays or challenges will not have a material adverse impact on our business, financial condition, and prospects. If any of our relationships with our CROs terminate, we may not be able to enter into arrangements with alternative CROs or to do so on commercially reasonable terms. As a result, delays may occur, which can materially impact our ability to meet our desired clinical development timelines.

Additionally, our CMOs may experience manufacturing difficulties due to resource constraints or as a result of labor disputes or unstable political environments. If our CMOs were to encounter any of these difficulties, our ability to provide our product candidate to patients in clinical trials, or to provide product for the treatment of patients once approved, would be jeopardized.

In addition, any facilities located outside the United States (U.S.) that are used by us or by our CMOs or CDMOs to manufacture, test, and optimize our product candidates will be subject to various regulatory requirements of the jurisdiction in which they are located and in addition be subject to trade laws and regulations of the U.S. that may restrict our ability to continue to utilize certain CMOs or CDMOs. Foreign CMOs or CDMOs may be subject to U.S. legislation or investigations, including the proposed BIOSECURE Act, sanctions, trade restrictions, and other foreign regulatory requirements, which could increase the cost or reduce the supply of material available to us, delay the procurement or supply of such material, delay or impact clinical trials, have an adverse effect on our clinical drug development efforts and could adversely affect our financial condition and business prospects. For example, we currently engage with WuXi Apptec (WuXi), to perform certain process development, manufacturing, and testing associated with one of our product candidates, EYP-2301. WuXi has been identified as a U.S. national security threat in the proposed BIOSECURE Act, which, if enacted, or if alternatively implemented through executive or administrative action, could restrict WuXi's business in the U.S. or the ability of businesses in the U.S. to conduct business with WuXi.

Moreover, if a foreign regulatory authority curtails operations at such foreign facilities of our CMOs or CDMOs, or if trade laws are adopted limiting our ability to use such CMO or CDMO facilities, we may need to find alternative facilities, which could negatively impact our clinical development timelines.

Because we have relied on third parties, our internal capacity to perform certain functions is limited. Outsourcing these functions involves risks that third parties may not perform to our standards, may not produce results in a timely manner or may fail to perform at all. In addition, the use of third-party service providers requires us to disclose our proprietary information to these parties,

which could increase the risk that this information will be misappropriated. We currently have a small number of employees, which limits the internal resources we have available to identify and monitor our third-party providers. To the extent we are unable to identify and successfully manage the performance of third-party service providers in the future, our ability to advance our product candidates through clinical trials will be compromised. Though we carefully manage our relationships with our CROs, CMOs, and CDMOs, there can be no assurance that we will not encounter similar challenges or delays in the future or that these delays or challenges will not have a material adverse impact on our business, financial condition, and prospects.

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

(a)

Nancy S. Lurker Separation Agreement

On July 10, 2024 (the "Lurker Expiration Date"), Nancy S. Lurker's term as Executive Vice Chair of the Company expired in accordance with the terms of that certain Employment Letter Agreement between the Company and Ms. Lurker, initially dated September 15, 2016 and subsequently amended on January 3, 2023 and July 10, 2023 (as amended, the "Lurker Employment Agreement"). Ms. Lurker continues to serve as a member and Vice Chair of the Board of Directors of the Company. On August 6, 2024, Ms. Lurker and the Company entered into a severance agreement and general release (the "Separation Agreement"), which will become effective as of August 14, 2024, the 8th day after Ms. Lurker signed the Separation Agreement (unless earlier revoked by Ms. Lurker in accordance with the terms of the Separation Agreement). Pursuant to the Separation Agreement, subject to Ms. Lurker agreeing to a release of claims and complying with certain other continuing obligations contained therein, the Company will pay Ms. Lurker a lump sum cash payment equal to $0.3 million, less applicable taxes and withholdings. The foregoing description of the Separation Agreement contained herein does not purport to be complete and is qualified in its entirety by reference to the complete text of the Separation Agreement, a copy of which is filed as Exhibit 10.3 to this Form 10-Q for the quarterly period ended June 30, 2024.

In addition to the foregoing, Ms. Lurker remains eligible to participate in the Company's annual target bonus program for fiscal year 2024 based on the target bonus percentage in the Lurker Employment Agreement. Ms. Lurker's annual target bonus payment, if any, will be payable at the time annual performance bonuses are paid to Company management in 2025 and will be pro-rated based on the number of days during 2024 that Ms. Lurker was employed by the Company. The Company will also pay the employer portion of COBRA premiums for Ms. Lurker and her eligible dependents for the period from August 1, 2024 to January 31, 2026, except that such coverage will be discontinued if Ms. Lurker or her eligible dependents become ineligible for COBRA coverage pursuant to applicable law or insurance plan terms.

(c)

Rule 10b5-1 Trading Arrangements

The Company permits officers and directors to adopt written trading plans, known as "Rule 10b5-1 trading arrangements", as such term defined in Item 408(a) of Regulation S-K for the purchase or sale of the Company's securities, which are intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act. During the three months ended June 30, 2024, our executive officers and directors adopted, modified or terminated Rule 10b5-1 trading arrangements for the purchase or sale of our common stock as noted below:

Name and Title of Director or Officer	Action	Date of Adoption	Duration of the Plan or Termination Date	Aggregate Number of Shares of Common Stock that may be Sold under the Plan
The Nancy S. Lurker 2020 Irrevocable Trust, Director	Adoption	June 06, 2024	June 05, 2025	100,000

Item 6. Exhibits

Exhibit No.	Exhibit Description	Incorporated by Reference to SEC Filing		
		Form	SEC Filing Date	Exhibit No.
2.1#	Product Rights Agreement, dated May 17, 2023, by and between EyePoint Pharmaceuticals, Inc. and Alimera Sciences, Inc.	8-K	05/18/23	2.1
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	06/23/20	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	Form of Pre-Funded Warrant to Purchase Common Stock	8-K	11/19/21	4.1
10.1+	EyePoint Pharmaceuticals, Inc. Amendment No.1 to 2023 Long-Term Incentive Plan	8-K	06/21/24	10.1
10.2+	EyePoint Pharmaceuticals, Inc. Amendment No. 2 to 2019 Employee Stock Purchase Plan	8-K	06/21/24	10.2
10.3*+	Severance Agreement and General Release, dated August 6, 2024, by and between EyePoint Pharmaceuticals, Inc. and Nancy S. Lurker			
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			
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

+ Indicates management contract or compensatory arrangement.

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: August 8, 2024

By: /s/ Jay S. Duker
Name: Jay S. Duker, M.D.
Title: President and Chief Executive Officer
(Principal Executive Officer)

Date: August 8, 2024

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

Exhibit 10.3

SEVERANCE AGREEMENT AND GENERAL RELEASE

This Severance Agreement and General Release (this "Agreement") is entered into by **Nancy S. Lurker** ("Employee") and **EyePoint Pharmaceuticals, Inc.** ("EyePoint" or the "Company"). This Agreement is effective only if it has been executed by the parties on or after the Separation Date *and* the revocation period has expired without revocation as set forth in Sections 12(f) and (g) below. This Agreement shall become effective on the 8th day after Employee signs and does not revoke this Agreement (the "Effective Date").

1. **Termination of Employment.** Employee's employment with the Company terminated on **July 10, 2024** (the "Separation Date").

Employee has received payment for all earned wages and accrued, unused vacation through the Separation Date, and Employee has elected the period of continued health benefits coverage to which she and her eligible dependents are entitled under the Consolidated Omnibus Budget Reconciliation Act ("COBRA"). EyePoint has also reimbursed Employee for all appropriately documented business expenses incurred up to the Separation Date.

2. **Consideration; Taxes.** In exchange for and in consideration of Employee signing, complying with, and not revoking this Agreement, EyePoint will pay or provide Employee with the following benefits which Employee understands are in addition to anything of value to which she is already entitled:

a. Severance Pay. EyePoint agrees to pay to Employee severance in the total amount of ($320,000) (Three Hundred Twenty Thousand Dollars, and No Cents), payable as a lump sum within fifteen (15) days following the Effective Date.

b. Taxes. Any tax obligations of Employee that arise from the severance and other benefits made to Employee under this Section 2 shall be Employee's sole responsibility and liability. EyePoint will report each payment provided for in this Section 2 on form W-2 for the tax year in which the payment is made. All payments or benefits made under this Agreement shall be subject to applicable tax withholdings laws and regulations. Employee understands and agrees that she is not entitled to any severance money or benefits, other than those specified in this Agreement.

3. **Employee's General Release of Claims and Representations**. In exchange for the severance payment described in Section 2 and other consideration set forth in this Agreement, Employee hereby covenants not to sue, and knowingly and voluntarily releases EyePoint and its affiliates, subsidiaries, divisions, predecessors, insurers, successors and assigns, and each of their current and former employees, attorneys, officers, directors, shareholders, agents,

representatives and employee benefit plans and programs and their administrators and fiduciaries (collectively referred to in this Agreement and General Release as the "Released Parties"), from any and all claims, causes of action, costs, damages and liabilities of whatever kind or nature, in law or in equity, that Employee ever had, may have had, now has, or that Employee may have (whether known and unknown, asserted or unasserted), arising out of or in any way related to Employee's hire, benefits or employment or the termination thereof, including any claims for unpaid wages, bonuses, back pay, commissions, vacation pay, severance or other compensation, except as expressly provided otherwise in this Agreement, and claims arising under tort or for breach of contract, express or implied, wrongful discharge, mental anguish, or employment discrimination, up to the date Employee signs this Agreement ("Released Claims"). The Released Claims include, but are not limited to, all claims under the Age Discrimination in Employment Act, as amended by the Older Workers Benefit Protection Act; Title VII of the Civil Rights Act of 1964; Sections 1981 and 1983 of the Civil Rights Act of 1866; the Employee Retirement Income Security Act (except for any vested benefits under any tax qualified benefit plan); the Genetic Information and Discrimination Act; the Americans with Disabilities Act; the Workers Adjustment and Retraining Notification Act; the Fair Credit Reporting Act; the Family and Medical Leave Act; the Equal Pay Act; the Massachusetts Payment of Wages Law (the "Wage Act"); the Massachusetts Fair Employment Practices Act; any and all other federal, state or local laws (including statutes, regulations, administrative guidance and common law doctrines) prohibiting employment discrimination, relating to employment, restricting an employer's right to terminate employees or otherwise regulating employment, enforcing express or implied employment contracts or requiring an employer to deal with employees fairly or in good faith, providing recourse for alleged wrongful discharge; tort; physical or personal injury; breach of contract; quasi contract; negligence; interference with contract/business advantage; fraud; defamation; intentional infliction of emotional distress; and any other duty or obligation of any kind or description to the fullest extent permissible by law.

Employee does not waive or release: (1) her right to enforce or challenge the validity of this Agreement pursuant to the Age Discrimination in Employment Act; (2) breach of this Agreement; (3) any vested rights which Employee may have under any employer-sponsored benefit plan; (4) the right to file any unwaivable charge or complaint with a government administrative agency (although Employee does waive and release any right to recover damages in connection with any such charge or complaint relating to anything which has happened up to the date Employee signs this Agreement); (5) workers' compensation benefits; (6) state disability compensation; (7) rights or claims which cannot lawfully be released by private agreement; and/or (8) rights or claims arising after the date Employee signs this Agreement.

Employee represents that as of the date she signs this Agreement, she is not aware of any work-related illness or injury for which she might be entitled to compensation or relief (such as workers' compensation). Employee also represents that she has been fully and timely paid all wages, overtime compensation, bonuses, commissions, benefits, and/or other amounts due in connection with her employment with EyePoint. Employee further understands and agrees that the severance benefits specified in Section 2 are not compensation for Employee's services rendered through the Separation Date, but rather are being offered to Employee in exchange for the promises contained

in this Agreement, including but not limited to Employee's waiver of rights and claims specified in this Section 3, and is above and beyond any wages or salary or other sums to which Employee is entitled from EyePoint. Employee understands that EyePoint relied on these representations in entering into this Agreement.

4. **Confidentiality and Return of Property.**

Employee represents that Employee has not divulged any proprietary or confidential information of EyePoint and agrees to not disclose or communicate to any person, firm or company, or cause the unauthorized disclosure of, or otherwise make use of, EyePoint's proprietary or confidential information. Notwithstanding, Employee will continue to maintain the confidentiality of such information as required by that certain Employment Letter Agreement between Employee and the Company, initially dated September 15, 2016 and subsequently amended on January 3, 2023 and July 10, 2023 (as amended, the "Employment Agreement").

Employee represents that, with the exception of Employee's continued ability to access emails and associated folders and files on the Company's Outlook server, which Employee shall continue to be able to access for so long as Employee remains a member of the Board of Directors of the Company, Employee has returned all other EyePoint property, documents, and/or any confidential or proprietary information in Employee's possession or control. Employee agrees not to make or retain copies, reproductions or summaries of any such property, except as may be accessible on the Company's email archives. To the extent necessary to access Eyepoint property, Employee agrees to provide EyePoint with her passwords or passcodes. Employee also agrees that Employee is in possession of all of Employee's property that Employee had at EyePoint's premises and that EyePoint is not in possession of any of Employee's property.

5. **Participation in Agency Proceedings.** Nothing in this Agreement or any other agreement that Employee may have with EyePoint or its affiliates restricts or prevents Employee from initiating communications directly with, responding to any inquiries from, providing testimony before, reporting possible violations of law or regulation to, or from filing a claim or charge with, or assisting in an investigation directly with any governmental agency or entity, or self-regulatory authority, including but not limited to the EEOC, the NLRB, OSHA, the SEC, Department of Justice, Congress, any agency Inspector General, or other similar federal, state or local agency (collectively, the "Regulators"), or from making other disclosures that are protected under the whistleblower provisions of applicable state or federal law or regulation. Nothing in this Agreement prevents Employee from disclosing certain EyePoint documents as permitted by law to Regulators for the purpose of reporting an EyePoint violation of federal, state or local law. Employee is encouraged, but not required, to consult an EyePoint lawyer or personal lawyer before making a disclosure of EyePoint documents. Further, nothing in this Agreement prohibits or restricts Employee (or Employee's attorney) from filing a charge, responding to an inquiry, participating in an investigation, or providing testimony about this Agreement or its underlying facts and circumstances by, with, or before any Regulator. Notwithstanding the foregoing, in making any such disclosures or communications, Employee must take all reasonable precautions to prevent any unauthorized use or disclosure of any information that may constitute Confidential

Information (as defined in the Employment Agreement) to any party other than the applicable Regulators. Nevertheless, Employee acknowledges and agrees that by virtue of this Agreement Employee is waiving any and all rights to recover any monetary or other personal relief against the Released Parties as a result of any charge, civil action, suit or proceeding (including but not limited to any proceeding brought by any other person or by an governmental agency) with respect to any claim or right waived in this Agreement; provided, however, that nothing contained herein shall preclude Employee from receiving a monetary award from the SEC pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, 15 U.S.C. § 78u-6.

6. **Cooperation.** Employee shall cooperate with EyePoint and its subsidiaries or affiliates in connection with any pending or future investigation, litigation, proceeding or other matter which may be filed against or by EyePoint or its subsidiaries or affiliates with any agency, court, or other tribunal and concerning or relating to any matter falling within Employee's knowledge or former area of responsibility. Employee shall provide reasonable assistance and completely truthful testimony in such matters as needed. Employee shall not be entitled to any compensation for such cooperation, except that EyePoint will reimburse Employee for all reasonable associated out of pocket expenses incurred in connection with such cooperation.

7. **Governing Law and Interpretation.** This Agreement shall be interpreted in accordance with the laws of the Commonwealth of Massachusetts without regard to principles of conflicts of laws.

8. **Severability.** If any of the provisions, terms, clauses, or waivers or release of claims or rights contained in this Agreement are declared illegal, unenforceable, or ineffective in a legal forum, such provisions, terms, clauses, or waivers or release of claims or rights shall be deemed severable, such that all other provisions, terms, clauses, and waivers and releases of claims and rights contained in this Agreement shall remain valid and binding upon all parties. If the voided term is material, the parties shall immediately commence negotiations for a replacement provision of substantively similar value.

9. **Nonadmission of Wrongdoing.** Neither party, by signing this Agreement, admits any wrongdoing or liability to the other. Both Employee and EyePoint deny any wrongdoing or liability.

10. **Amendment**. This Agreement may not be modified, altered or changed except in writing and signed by both Employee and EyePoint.

11. **Entire Agreement.** This Agreement sets forth the entire agreement between Employee and EyePoint. This Agreement supersedes and replaces any prior agreements or understandings between the Employee and Company, except Section 3 of the Employment Agreement which remains in full force and effect. Employee acknowledges that Employee has not relied on any representations, promises, or agreements of any kind made to Employee in connection with Employee's decision to accept this Agreement, except for those set forth in this Agreement.

12. ADEA Waiver

Employee acknowledges that she is waiving and releasing claims arising under the Age Discrimination in Employment Act, as amended by the Older Workers' Benefit Protection Act ("ADEA"). Employee acknowledges that the consideration given for this waiver and release is in addition to anything of value to which Employee was already entitled. Employee further acknowledges that Employee has been advised by this Agreement that:

a. Employee has carefully read and fully understands the terms of this Agreement;

b. Employee is advised to consult with an attorney *before* signing this Agreement;

c. Employee has at least twenty-one (21) days to consider this Agreement;

d. Employee agrees that any change to the release contained in Section 3, whether material or immaterial, will not restart the twenty-one (21) day review period;

e. Employee has taken time to consider whether to sign this Agreement and has chosen to sign this Agreement freely, knowingly, and voluntarily;

f. Employee has up to seven (7) days following execution of this Agreement to revoke this Agreement;

g. Employee may revoke this Agreement by delivering a written revocation to Ron Honig, Chief Legal Officer, EyePoint Pharmaceuticals US, Inc., Suite C400, 480 Pleasant Street, Watertown, MA 02472, via email to rhonig@eyepointpharma.com. The revocation may also be personally delivered or sent to Ron Honig via overnight courier before the end of the seven (7) day period.

h. If Employee does not revoke during the 7-day revocation period, this Agreement will take effect on the 8th day after Employee signs this Agreement.

i. Employee may sign this Agreement no sooner than the day after Employee's Separation Date and no later than August 26, 2024. If Employee does not return an executed copy of this Agreement before 5:00 p.m. (ET) on August 26, 2024, this severance offer will expire and all provisions of this Agreement shall be void and of no legal effect.

[REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

EMPLOYEE	EyePoint Pharmaceuticals, Inc.
_/s/ Nancy S. Lurker_____	By:_/s/ Jennifer Leonard_____
Nancy S. Lurker	Jennifer Leonard Chief People Officer and SVP, IT
Date:____August 6, 2024_____	Date:____August 6, 2024_____

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, Jay S. Duker, 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: August 8, 2024

/s/ Jay S. Duker

Name: Jay S. Duker, M.D.

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: August 8, 2024

/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 June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jay S. Duker, 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: August 8, 2024

/s/ Jay S. Duker

Name: Jay S. Duker, M.D.
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 June 30, 2024, 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: August 8, 2024

/s/ George O. Elston

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