

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended **September 30, 2021**

OR

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

For the transition period from _____ to _____

Commission File Number: **001-39293**

Inari Medical, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

45-2902923

(I.R.S. Employer
Identification No.)

6001 Oak Canyon, Suite 100

Irvine, California

(Address of principal executive offices)

92618

(Zip Code)

Registrant's telephone number, including area code: (877) 923-4747

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$0.001 par value per share	NARI	The Nasdaq Global Select Market

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

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

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

As of November 5, 2021, the registrant had 50,204,758 shares of common stock, \$0.001 par value per share, outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. All statements other than statements of historical facts contained in this Quarterly Report are forward-looking statements. In some cases, you can identify forward-looking statements by terms such as “may,” “can,” “will,” “would,” “should,” “expect,” “plan,” “anticipate,” “could,” “intend,” “target,” “project,” “contemplate,” “believe,” “estimate,” “predict,” “potential,” or “continue” or the negative of these terms or other similar expressions, although not all forward-looking statements contain these words. All statements other than statements of historical facts contained in this Quarterly Report, including without limitation statements regarding our business model and strategic plans for our products, technologies and business, including our implementation thereof, the impact on our business, financial condition and results of operations from the ongoing and global COVID-19 pandemic, or any other pandemic, epidemic or outbreak of an infectious disease in the United States or worldwide, the timing of and our ability to obtain and maintain regulatory approvals, our commercialization, marketing and manufacturing capabilities and strategy, our expectations about the commercial success and market acceptance of our products, the sufficiency of our cash, cash equivalents and short-term investments, and the plans and objectives of management for future operations and capital expenditures are forward-looking statements.

The forward-looking statements in this Quarterly Report are only predictions and are based largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements speak only as of the date of this Quarterly Report and are subject to a number of known and unknown risks, uncertainties, and assumptions, including those described under the sections in this Quarterly Report entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this Quarterly Report. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, the future events and trends discussed in this Quarterly Report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely upon these forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, performance, or achievements. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise. We intend the forward-looking statements contained in this Quarterly Report to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

PART I—FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited).

INARI MEDICAL, INC.
Condensed Consolidated Balance Sheets
(in thousands, except share data and par value)
(unaudited)

	September 30, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	\$ 81,158	\$ 114,229
Short-term investments	81,436	49,981
Accounts receivable, net	38,916	28,008
Inventories, net	19,499	10,597
Prepaid expenses and other current assets	7,141	2,808
Restricted cash	—	50
Total current assets	228,150	205,673
Property and equipment, net	14,748	7,498
Long-term investments	6,002	—
Operating lease right-of-use assets	42,855	—
Deposits and other assets	672	583
Restricted cash	—	338
Total assets	\$ 292,427	\$ 214,092
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	5,083	3,047
Payroll-related accruals	16,987	8,198
Accrued expenses and other current liabilities	6,583	2,593
Operating lease liabilities, current portion	857	—
Total current liabilities	29,510	13,838
Operating lease liabilities, noncurrent portion	28,547	—
Total liabilities	58,057	13,838
Commitments and contingencies (Note 7)		
Stockholders' equity		
Preferred stock, \$0.001 par value, 10,000,000 shares authorized, no shares issued and outstanding as of September 30, 2021 and December 31, 2020	—	—
Common stock, \$0.001 par value, 300,000,000 shares authorized as of September 30, 2021 and December 31, 2020; 50,144,590 and 49,251,614 shares issued and outstanding as of September 30, 2021 and December 31, 2020, respectively	50	49
Additional paid in capital	253,256	227,624
Accumulated other comprehensive (loss) income	(246)	4
Accumulated deficit	(18,690)	(27,423)
Total stockholders' equity	234,370	200,254
Total liabilities and stockholders' equity	\$ 292,427	\$ 214,092

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

INARI MEDICAL, INC.
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue	\$ 72,916	\$ 38,715	\$ 193,766	\$ 91,059
Cost of goods sold	7,040	3,228	16,477	9,420
Gross profit	65,876	35,487	177,289	81,639
Operating expenses				
Research and development	12,499	5,217	32,292	11,863
Selling, general and administrative	56,104	23,080	135,899	58,353
Total operating expenses	68,603	28,297	168,191	70,216
(Loss) income from operations	(2,727)	7,190	9,098	11,423
Other income (expense)				
Interest income	27	208	130	409
Interest expense	(73)	(251)	(220)	(1,060)
Change in fair value of warrant liabilities	—	—	—	(3,317)
Other income (expense)	30	(651)	(4)	(651)
Total other expenses	(16)	(694)	(94)	(4,619)
(Loss) income before income taxes	(2,743)	6,496	9,004	6,804
Provision for income taxes	61	—	271	—
Net (loss) income	\$ (2,804)	\$ 6,496	\$ 8,733	\$ 6,804
Other comprehensive (loss) income				
Foreign currency translation adjustments	(146)	—	(269)	—
Unrealized gain on available-for-sale securities	7	—	19	—
Total other comprehensive loss	(139)	—	(250)	—
Comprehensive (loss) income	\$ (2,943)	\$ 6,496	\$ 8,483	\$ 6,804
Net (loss) income per share				
Basic	\$ (0.06)	\$ 0.13	\$ 0.18	\$ 0.26
Diluted	\$ (0.06)	\$ 0.12	\$ 0.16	\$ 0.14
Weighted average common shares used to compute net (loss) income per share				
Basic	50,001,996	48,335,443	49,664,037	26,423,681
Diluted	50,001,996	55,355,846	55,511,061	49,940,409

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

INARI MEDICAL, INC.
Condensed Consolidated Statements of Mezzanine Equity and Stockholders' Equity (Deficit)
(in thousands, except share data)
(unaudited)

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance, December 31, 2020	—	\$ —	49,251,614	\$ 49	\$ 227,624	\$ 4	\$ (27,423)	\$ 200,254
Options exercised for common stock	—	—	296,019	1	380	—	—	381
Issuance of common stock under employee stock purchase plan	—	—	36,881	—	1,882	—	—	1,882
Issuance of common stock upon vesting of restricted stock units, net of shares withheld for taxes	—	—	901	—	(49)	—	—	(49)
Share-based compensation	—	—	—	—	3,836	—	—	3,836
Other comprehensive loss	—	—	—	—	—	(162)	—	(162)
Net income	—	—	—	—	—	—	7,469	7,469
Balance, March 31, 2021	—	—	49,585,415	50	233,673	(158)	(19,954)	213,611
Options exercised for common stock	—	—	213,605	—	193	—	—	193
Issuance of common stock upon vesting of restricted stock units, net of shares withheld for taxes	—	—	29,809	—	(706)	—	—	(706)
Share-based compensation	—	—	—	—	4,604	—	—	4,604
Other comprehensive income	—	—	—	—	—	51	—	51
Net income	—	—	—	—	—	—	4,068	4,068
Balance, June 30, 2021	—	—	49,828,829	50	237,764	(107)	(15,886)	221,821
Options exercised for common stock	—	—	150,662	—	159	—	—	159
Issuance of common stock under employee stock purchase plan	—	—	48,168	—	3,676	—	—	3,676
Issuance of common stock upon vesting of restricted stock units, net of shares withheld for taxes	—	—	116,931	—	(842)	—	—	(842)
Share-based compensation	—	—	—	—	12,499	—	—	12,499
Other comprehensive loss	—	—	—	—	—	(139)	—	(139)
Net loss	—	—	—	—	—	—	(2,804)	(2,804)
Balance, September 30, 2021	—	\$ —	50,144,590	\$ 50	\$ 253,256	\$ (246)	\$ (18,690)	\$ 234,370

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance, December 31, 2019	31,968,570	\$ 54,170	6,720,767	\$ 7	\$ 2,061	\$ —	\$ (41,212)	(39,144)
Options exercised for common stock	—	—	58,498	—	22	—	—	22
Share-based compensation	—	—	—	—	495	—	—	495
Net income	—	—	—	—	—	—	4,112	4,112
Balance, March 31, 2020	31,968,570	54,170	6,779,265	7	2,578	—	(37,100)	(34,515)

Conversion of preferred stock to common stock upon initial public offering	(31,968,570)	(54,170)	31,968,570	32	54,138	—	—	54,170
Issuance of common stock in connection with initial public offering, net of issuance costs of \$16.3 million	—	—	9,432,949	9	162,970	—	—	162,979
Conversion and reclassification of preferred stock warrants to common stock warrants upon initial public offering	—	—	—	—	4,486	—	—	4,486
Exercise of common stock warrants	—	—	102,533	—	4	—	—	4
Options exercised for common stock	—	—	76,764	—	45	—	—	45
Share-based compensation	—	—	—	—	505	—	—	505
Net loss	—	—	—	—	—	—	(3,804)	(3,804)
Balance, June 30, 2020	—	—	48,360,081	48	224,726	—	(40,904)	183,870
Options exercised for common stock	—	—	298,139	1	160	—	—	161
Issuance of common stock upon vesting of restricted stock units, net of shares withheld for taxes	—	—	51	—	(2)	—	—	(2)
Share-based compensation	—	—	—	—	959	—	—	959
Net income	—	—	—	—	—	—	\$ 6,496	6,496
Balance, September 30, 2020	—	\$ —	48,658,271	\$ 49	\$ 225,843	\$ —	\$ (34,408)	\$ 191,484

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

INARI MEDICAL, INC.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2021	2020
Cash flows from operating activities		
Net income	\$ 8,733	\$ 6,804
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,108	931
Amortization of deferred financing costs	108	142
Amortization of right-of-use assets	537	—
Share based compensation expense	20,939	1,959
Provision for doubtful accounts	(22)	15
Loss on extinguishment of debt	—	648
Loss on change in fair value of warrant liabilities	—	3,317
Changes in:		
Accounts receivable	(10,898)	(9,550)
Inventories	(8,924)	(3,242)
Prepaid expenses, deposits and other assets	(4,525)	(2,945)
Accounts payable	2,042	984
Payroll-related accruals, accrued expenses and other liabilities	12,919	4,473
Lease prepayments for lessor's owned leasehold improvements	(11,964)	—
Operating lease liabilities	(574)	—
Net cash provided by operating activities	<u>10,479</u>	<u>3,536</u>
Cash flows from investing activities		
Purchases of property and equipment	(10,927)	(3,076)
Purchases of marketable security investments	(105,438)	—
Maturities of marketable security investments	68,000	—
Net cash used in investing activities	<u>(48,365)</u>	<u>(3,076)</u>
Cash flows from financing activities		
Proceeds from issuance of common stock under employee stock purchase plan	5,558	—
Proceeds from exercise of stock options	732	227
Payment of taxes related to vested restricted stock units	(1,597)	—
Proceeds from issuance of common stock upon initial public offering, net of issuance costs paid	—	164,361
Proceeds from notes payable	—	10,000
Repayments of notes payable	—	(30,250)
Debt financing costs	—	(453)
Proceeds from exercise of warrants	—	4
Net cash provided by financing activities	<u>4,693</u>	<u>143,889</u>
Effect of foreign exchange rate on cash and cash equivalents	(266)	—
Net (decrease) increase in cash	<u>(33,459)</u>	<u>144,349</u>
Cash, cash equivalents and restricted cash beginning of period	<u>114,617</u>	<u>24,027</u>
Cash, cash equivalents and restricted cash end of period	<u>\$ 81,158</u>	<u>\$ 168,376</u>
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	\$ 271	\$ 82
Cash paid for interest	\$ 113	\$ 966
Noncash investing and financing:		
Lease liabilities arising from obtaining new right-of-use assets	\$ 28,648	\$ —
Common stock issued on conversion of convertible preferred stock	\$ —	\$ 54,170
Common stock warrants issued on conversion of preferred stock warrants and the reclassification of the warrant liability	\$ —	\$ 4,486
Deferred initial public offering cost recorded to additional paid in capital	\$ —	\$ 1,382

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

1. Organization

Description of Business

Inari Medical, Inc. (the "Company") was incorporated in Delaware in July 2011 and is headquartered in Irvine, California. The Company develops, manufactures, markets and sells devices for the interventional treatment of venous diseases.

Initial Public Offering

In May 2020, the Company completed an initial public offering ("IPO") of its common stock. As part of the IPO, the Company issued and sold 9,432,949 shares of its common stock, which included 1,230,384 shares sold pursuant to the exercise of the underwriters' over-allotment option, at a public offering price of \$19.00 per share. The Company received net proceeds of approximately \$163.0 million from the IPO, after deducting underwriters' discounts and commissions of \$12.6 million and offering costs of \$3.7 million, of which \$1.4 million was incurred as of December 31, 2019. Upon the completion of the IPO, all shares of Series A, B, and C redeemable convertible preferred stock then outstanding were converted into 31,968,570 shares of common stock on a one-to-one basis.

In addition, on the completion of the IPO, all the Company's outstanding preferred stock warrants were converted into warrants to purchase an aggregate of 256,588 shares of common stock, which resulted in the reclassification of the convertible preferred stock warrant liability to additional paid-in capital.

In connection with the Company's IPO, in May 2020, the Company's certificate of incorporation was amended and restated to provide for 300,000,000 authorized shares of common stock with a par value of \$0.001 per share and 10,000,000 authorized shares of preferred stock with a par value of \$0.001 per share.

2. Summary of Significant Accounting Policies

COVID-19 and the Act

The global healthcare system continues to face an unprecedented challenge as a result of the novel coronavirus, or COVID-19, situation and its impact. COVID-19 is having, and may continue to have, an adverse impact on significant aspects of the Company and the business, including the demand for products, business operations, and the ability to research and develop and bring to market new products and services. The business was most acutely affected by a decline in procedural volumes during the first and second quarter of 2020, and the results of 2021 reflect some recovery from these declines the Company experienced in 2020 as a result of COVID-19. However, with cases continuing to resurge in certain areas, and hospitals at capacity in some instances due to non-COVID-19 treatments, to the extent individuals and hospital systems de-prioritize, delay or cancel deferrable medical procedures, the Company's business, cash flows, financial condition and results of operations may continue to be negatively affected.

In response to the impact of COVID-19, the Company implemented a variety of measures to help manage through the impact and position it to resume operations quickly and efficiently once these restrictions were lifted. The Company continues to focus its efforts on the health and safety of patients, healthcare providers and employees, while executing its mission of transforming lives of venous thromboembolism ("VTE") patients. However, the Company expects the COVID-19 pandemic may continue to negatively impact 2021 performance.

The Taxpayer Certainty and Disaster Tax Relief Act of 2020 ("the Act"), was enacted on December 27, 2020. It was a response to continued market volatility and instability resulting from COVID-19 and includes provisions to support businesses in the form of loans, grants, and tax changes, among other types of relief. The Company has reviewed and incorporated the income tax changes included in the Act, including the deductibility of meals expenses previously not deductible for tax purposes. We do not believe there will be a material effect on the Company's income tax provision. The Company currently does not expect to apply for loans or grants expanded by the Act.

Basis of Presentation of Unaudited Interim Condensed Consolidated Financial Statements

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The interim condensed consolidated balance sheet as of September 30, 2021, the condensed consolidated statements of operations and comprehensive income (loss), mezzanine equity and stockholders' equity, and cash flows for the three and nine months ended September 30, 2021 and 2020 are unaudited. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and reflect, in the opinion of management, all adjustments

INARI MEDICAL, INC.
Notes to Unaudited Condensed Consolidated Financial Statements

of a normal and recurring nature that are necessary for the fair presentation of the Company's consolidated financial position as of September 30, 2021 and its consolidated results of operations and cash flows for the three and nine months ended September 30, 2021 and 2020. The financial data and the other financial information disclosed in the notes to the condensed consolidated financial statements related to the three and nine months ended September 30, 2021 are also unaudited. The condensed consolidated results of operations for any interim period are not necessarily indicative of the results to be expected for the full year or for any other future annual or interim period. The condensed consolidated balance sheet as of December 31, 2020 included herein was derived from the audited financial statements as of that date. These interim condensed consolidated financial statements should be read in conjunction with our audited financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020 filed on March 9, 2021.

Principles of Consolidation

In May 2020, the Company formed Inari Medical International, Inc., a wholly-owned subsidiary incorporated in Delaware. In September 2020, the Company formed Inari Medical Europe, GmbH, a wholly-owned subsidiary of Inari Medical International, Inc. organized in Switzerland. In August 2021, the Company formed Inari Medical Asia PTE, LTD., a wholly-owned subsidiary of Inari Medical International, Inc. incorporated in Singapore. All intercompany balances and transactions have been eliminated in consolidation.

Management Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates and assumptions made in the accompanying financial statements include, but are not limited to, the collectability of receivables, the valuation of inventory, the fair value of common stock warrants, the fair value of preferred stock warrant liabilities, the fair value of stock options, recoverability of the Company's net deferred tax assets and related valuation allowance, and certain accruals. The Company evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors and adjusts those estimates and assumptions when facts and circumstances dictate. Actual results could materially differ from those estimates.

JOBS Act Accounting Election

As an emerging growth company under the Jumpstart Our Business Startups Act of 2012 ("the JOBS Act"), the Company is eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. The Company has elected to take advantage of the extended transition period for adopting new or revised accounting standards that have different effective dates for public and private companies until such time as those standards apply to private companies. However, we will no longer qualify as an emerging growth company as of December 31, 2021 and will no longer be able to take advantage of the extended transition period. Therefore, as of December 31, 2021, we will be required to adopt new or revised accounting standards when they are applicable to public companies that are not emerging growth companies.

Cash, Cash Equivalents and Restricted Cash

The Company considers cash on hand, cash in demand deposit accounts including money market funds, and instruments with a maturity date of 90 days or less at date of purchase to be cash equivalents. The Company maintains its cash, cash equivalent and restricted cash balances with banks. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, deposits of up to \$250,000 at FDIC-insured institutions are covered by FDIC insurance. At times, deposits may be in excess of the FDIC insurance limit; however, management does not believe the Company is exposed to any significant related credit risk.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheets that sum to the total of the same amounts shown in the condensed consolidated statements of cash flows (in thousands):

	September 30, 2021	December 31, 2020
Cash and cash equivalents	\$ 81,158	\$ 114,229
Restricted cash	—	388
Total cash, cash equivalent and restricted cash	\$ 81,158	\$ 114,617

INARI MEDICAL, INC.
Notes to Unaudited Condensed Consolidated Financial Statements

Restricted cash as of December 31, 2020 consisted of a cash secured letter of credit in the amount of \$338,000 representing collateral for the Company's facility lease and a compensating balance of \$50,000 to secure the Company's corporate purchasing cards. In February 2021, the Company cancelled both the cash secured letter of credit and corporate purchasing card program and moved them both to its current bank, with no required cash security. Accordingly, as of September 30, 2021, the Company had no restricted cash.

Investments

Investments have been classified as available-for-sale and are carried at estimated fair value as determined based upon quoted market prices or pricing models for similar securities. The Company determines the appropriate classification of its investments in debt securities at the time of purchase. Available-for-sale securities with original maturities less than 12 months at the date of purchase are considered short-term investments.

Unrealized gains and losses are excluded from earnings and are reported as a component of comprehensive income (loss). The Company periodically evaluates whether declines in fair values of its marketable securities below their book value are other-than-temporary. This evaluation consists of several qualitative and quantitative factors regarding the severity and duration of the unrealized loss as well as the Company's ability and intent to hold the marketable security until a forecasted recovery occurs. Additionally, the Company assesses whether it has plans to sell the security or it is more likely than not it will be required to sell any marketable securities before recovery of its amortized cost basis. Realized gains and losses and declines in fair value judged to be other than temporary, if any, on marketable securities are included in other income (expenses), net on the condensed consolidated statements of operations. The cost of investments sold is based on the specific-identification method. Interest on marketable securities is included in interest income.

Accounts Receivable, net

Trade accounts receivable are recorded at the invoiced amount, net of any allowance for doubtful accounts. The allowance for doubtful accounts, which is included in selling, general and administrative ("SG&A") expenses, is developed based upon several factors including the customers' credit quality, historical write-off experience and any known specific issues or disputes which exist as of the balance sheet date. Accounts receivable balances are written off against the allowance after appropriate collection efforts are exhausted. The allowance for doubtful accounts was \$40,000 and \$62,000 as of September 30, 2021 and December 31, 2020, respectively, and no accounts receivable write-offs were recognized during the three and nine months ended September 30, 2021 and 2020. Despite the Company's efforts to minimize credit risk exposure, customers could be adversely affected if future economic and industry trends, including those related to COVID-19, change in such a manner as to negatively impact their cash flows. The full effects of COVID-19 on the Company's customers are highly uncertain and cannot be predicted. As a result, the Company's future collection experience can differ significantly from historical collection trends. If the Company's customers experience a negative impact on their cash flows, it could have a material adverse effect on the Company's results of operations and financial condition.

Inventories, net

The Company values inventory at the lower of the actual cost to purchase or manufacture the inventory, or net realizable value for such inventory. Cost, which includes materials, labor and overhead costs, is determined on the first-in, first-out method ("FIFO"). The Company regularly reviews inventory quantities in process and on hand, and when appropriate, records a provision for obsolete and excess inventory. The Company writes down inventory that has become obsolete, inventory that has a cost basis in excess of its expected net realizable value, and inventory in excess of expected requirements based on future demand and as compared to remaining shelf life. The estimate of excess quantities is subjective and primarily dependent on the Company's estimates of future demand for a particular product. If the estimate of future demand is inaccurate based on actual sales, the Company may increase the write down for excess inventory for that component and record a charge to inventory impairment in the accompanying condensed consolidated statement of operations and comprehensive income (loss).

Property and Equipment

Property and equipment are stated at cost. Additions and improvements that extend the lives of the assets are capitalized while expenditures for repairs and maintenance are expensed as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from three to seven years. Leasehold improvements are depreciated over the shorter of the useful lives of the improvements or the lease term, including renewal periods that are reasonably assured.

Upon sale or disposition of property and equipment, any gain or loss is included in the accompanying condensed consolidated statement of operations.

Right-of-use Assets and Lease Liabilities

The Company determines if an arrangement contains a lease at inception and determine the classification of the lease, as either operating or finance, at commencement.

Right-of-use assets and lease liabilities are recorded based on the present value of future lease payments which factors in certain qualifying initial direct costs incurred as well as any lease incentives received. If an implicit rate is not readily determinable, the Company utilizes inputs from third-party lenders to determine the appropriate discount rate. Lease expense for operating lease payments are recognized on a straight-line basis over the lease term. Lease terms may factor in options to extend or terminate the lease.

The Company adheres to the short-term lease recognition exemption for all classes of assets (i.e. facilities and equipment). As a result, leases with an initial term of twelve months or less are not recorded on the balance sheet and are recognized on a straight-line basis over the lease term. In addition, for certain equipment leases, the Company accounts for lease and non-lease components, such as services, as a single lease component as permitted.

Impairment of Long-lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparing the carrying amount to the future net undiscounted cash flows which the assets are expected to generate. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the projected discounted future net cash flows arising from the assets. The Company has not identified any such impairment losses to date.

Fair Value of Financial Instruments

The Company's cash, cash equivalents and restricted cash, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to their liquidity or short maturities.

The Company measures and records certain financial assets and liabilities at fair value on a recurring basis. U.S. GAAP provides a fair value hierarchy that distinguishes between (i) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (ii) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels.

- Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of assets or liabilities.

See Note 3 for further information.

Convertible Preferred Stock Warrant Liability

The Company accounted for its freestanding warrants to purchase shares of the Company's convertible preferred stock as liabilities at fair value upon issuance primarily because the preferred shares underlying the warrants contained contingent redemption features outside the control of the Company. The warrants were subject to remeasurement at each balance sheet date and any change in fair value was recognized as the change in fair value of warrant liability and included as a component of other income (expense) in the condensed consolidated statements of operations and comprehensive income (loss). The carrying value of the warrants continued to be adjusted until the completion of the IPO, which occurred in May 2020. At that time, the preferred stock warrant liability was adjusted to fair value and reclassified to additional paid-in capital, a component of stockholders' equity (deficit) (see Note 3).

Revenue Recognition

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The Company recognizes revenue in accordance with ASC 606, *Revenue from Contracts with Customers*. Under ASC 606, revenue is recognized when a customer obtains control of promised goods or services, in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that are within the scope of 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.

Product sales of the FlowTrier and ClotTrier systems are made to hospitals primarily in the United States utilizing the Company's direct sales force. Revenue is comprised of product revenue net of returns, administration fees and sales rebates.

Performance Obligation—The Company has revenue arrangements that consist of a single performance obligation, delivery of the Company's products. The satisfaction of this performance obligation occurs with the transfer of control of the Company's product to its customers, either upon shipment or delivery of the product.

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods. The amount of revenue that is recognized is based on the transaction price, which represents the invoiced amount and includes estimates of variable consideration such as rebate and administrative fees, where applicable. The Company provides a 30-day unconditional right of return period. The Company establishes estimated provisions for returns at the time of sale based on historical experience. Historically, the actual product returns have been immaterial to the Company's financial statements.

Assuming all other revenue recognition criteria have been met, the Company recognizes revenue for arrangements where the Company has satisfied its performance obligation of shipping or delivering the product. For sales where the Company's sales representatives hand deliver products directly to the hospital, control of the products transfers to the customer upon such hand delivery. For sales where products are shipped, control of the products transfers either upon shipment or delivery of the products to the customer, depending on the shipping terms and conditions. As of September 30, 2021 and December 31, 2020, the Company recorded \$597,000 and \$498,000, respectively, of unbilled receivables, which are included in accounts receivable, net, in the accompanying condensed consolidated balance sheets.

Revenue for ClotTrier and FlowTrier products as a percentage of total revenue was derived as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
ClotTrier	30 %	37 %	33 %	38 %
FlowTrier	70 %	63 %	67 %	62 %

The Company offers payment terms to its customers of less than three months and these terms do not include a significant financing component. The Company excludes taxes assessed by governmental authorities on revenue-producing transactions from the measurement of the transaction price.

The Company offers its standard warranty to all customers. The Company does not sell any warranties on a standalone basis. The Company's warranty provides that its products are free of material defects and conform to specifications, and includes an offer to repair, replace or refund the purchase price of defective products. This assurance does not constitute a service and is not considered a separate performance obligation. The Company estimates warranty liabilities at the time of revenue recognition and records it as a charge to cost of goods sold.

Costs associated with product sales include commissions and are recorded in SG&A expenses. The Company applies the practical expedient and recognizes commissions as an expense when incurred because the amortization period is less than one year.

Cost of Goods Sold

Cost of goods sold consists primarily of the cost of raw materials, components, direct labor and manufacturing overhead. Overhead costs include the cost of quality assurance, material procurement, inventory control, facilities, equipment and operations supervision and management, including stock-based compensation. Cost of goods sold also includes depreciation expense for production equipment and certain direct costs such as shipping costs and royalty expense.

Shipping Costs

Shipping costs billed to customers are not included in revenue and are reported as a reduction of costs of goods sold.

Advertising Costs

Advertising costs are charged to operations as incurred. Advertising costs were \$79,000 and \$106,000 for the three months ended September 30, 2021 and 2020, and \$224,000 and \$217,000 for the nine months ended September 30, 2021 and 2020, respectively. Advertising costs are included in SG&A expenses in the accompanying condensed consolidated statements of operations.

Research and Development

Research and development costs are expensed as incurred and include the costs to design, develop, test, deploy and enhance new and existing products. Research and development costs also include expenses associated with clinical studies, registries and sponsored research. These costs include direct salary and employee benefit related costs for research and development personnel, costs for materials used and costs for outside services.

Patent-related Expenditures

Expenditures related to patent research and applications, which are primarily legal fees, are expensed as incurred and are included in SG&A expenses in the accompanying condensed consolidated statements of operations.

Share-based Compensation

The Company's employee and non-employee share-based awards result in a cost that is measured at fair value on the awards' grant date, based on the estimated number of awards that are expected to vest. Share-based compensation is recognized over the service period.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and the tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Management assesses the likelihood that the resulting deferred tax assets will be realized. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized. Due to the Company's historical operating performance and the recorded cumulative net losses in prior fiscal periods, the net deferred tax assets have been fully offset by a valuation allowance.

The Company recognizes uncertain income tax positions at the largest amount that is more likely than not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Changes in recognition or measurement are reflected in the period in which judgment occurs. The Company's policy is to recognize interest and penalties related to the underpayment of income taxes as a component of provision for income taxes.

Foreign Currency Translation

When the functional currencies of the Company's foreign subsidiaries are currencies other than the U.S. dollar, the assets and liabilities of the foreign subsidiaries are translated into U.S. dollars at the exchange rate in effect on the balance sheet date. Income and expense items of the subsidiaries are translated into U.S. dollars at the average exchange rates prevailing during the period. Gains or losses from these translation adjustments are reported as a separate component of stockholders' equity in accumulated other comprehensive income (loss) until there is a sale or complete or substantially complete liquidation of the Company's investment in the foreign subsidiaries at which time the gains or losses will be realized and included in net income (loss). Transaction gains and losses are included in other income (expense) and have not been significant for the periods presented.

Comprehensive Income (Loss)

The Company's comprehensive income (loss) is comprised of net income (loss), unrealized gains and losses on available-for-sale investments and gains and losses from foreign currency translation adjustments.

Net Income (Loss) per Share of Common Stock

Basic net income (loss) per share is computed by dividing the net income (loss) attributable to common stockholders by the weighted average number of shares of common stock outstanding during the period, without consideration for potential dilutive common shares. Diluted net income (loss) per share is computed by dividing the net income (loss) attributable to common stockholders by the weighted average number of shares of common stock and potentially dilutive securities outstanding for the period. For purposes of the diluted net income (loss) per share calculation, redeemable convertible preferred stock and warrants, and common stock options are potentially dilutive securities. For the periods the Company is in a net loss position, basic net loss per share is the same as diluted net loss per share as the inclusion of all potential dilutive common shares would have been anti-dilutive.

The Company allocates no loss to participating securities because they have no contractual obligation to share in the losses of the Company. The shares of the Company's convertible preferred stock participated in any dividends declared by the Company and were therefore considered to be participating securities.

Segment Reporting

Operating segments are defined as components of an entity for which separate financial information is available and that is regularly reviewed by the Chief Operating Decision Maker ("CODM") in deciding how to allocate resources to an individual segment and in assessing performance. The Company's CODM is its Chief Executive Officer. The Company has determined it operates in one segment - the development and commercialization of innovative and minimally invasive mechanical thrombectomy devices to treat thromboembolism in the venous system. Geographically, the Company primarily sells to hospitals in the United States. Segment information is consistent with how management reviews the business, makes investing and resource allocation decisions and assesses operating performance.

Recently Adopted Accounting Pronouncements

In June 2018, the FASB issued ASU No. 2018-07, *Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*, which expands guidance on accounting for share-based payment awards, which includes share-based payment transactions for acquiring goods and services from nonemployees and aligns the accounting for share-based payments for employees and non-employees. The Company adopted this guidance effective January 1, 2020. The adoption of this guidance did not have a material impact on the Company's financial statements.

In February 2017, the FASB issued ASU 2016-02, *Leases (Topic 842) ("ASC 842")*, as amended, which requires lessees to recognize "right of use" assets and liabilities for all leases with terms of more than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. ASC842 requires additional quantitative and qualitative financial statement note disclosures about the leases, significant judgments made in accounting for those leases and amounts recognized in the financial statements about those leases.

The Company adopted the requirement of ASC 842 effective January 1, 2021 and elected the modified retrospective method for all lease arrangements with a cumulative-effect adjustment as of January 1, 2021. Results for reporting periods beginning on or after January 1, 2021 are presented under ASC 842, while prior period amounts were not adjusted and are reported in accordance with the Company's historic accounting under ASC 840, Leases. For leases that commenced before the effective date of ASC 842, the Company elected the transition package of three practical expedients permitted within ASC 842, which eliminates the requirements to reassess prior conclusions about lease identification, lease classification, and initial direct costs. The Company also elected the hindsight practical expedient, which permits the use of hindsight when determining lease term and impairment of right-of-use assets. Further, the Company elected a short-term lease exception policy, permitting the Company to not apply the recognition requirements of this standard to short-term leases (i.e., leases with terms of 12 months or less) and an accounting policy to account for lease and non-lease components as a single component for certain classes of assets.

The Company determines if an arrangement is a lease at inception. As a lessee, right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent an obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As the Company does not have any outstanding debt or committed credit facilities, the Company estimates the incremental borrowing rate based on prevailing financial market conditions, peer company credit analyses, and management judgment. Operating lease right-of-use assets also include any lease payments made at or before lease commencement and exclude any lease incentives received. The lease terms used to calculate the right-of-use asset and related lease liability include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for operating leases is recognized on a straight-line basis over the lease term as an operating expense, while the expense for finance leases is recognized as amortization expense and interest expense using the accelerated interest method of recognition.

As a result of adopting ASC 842 as of January 1, 2021, the Company recorded an operating lease right-of-use asset of approximately \$1.2 million and related operating lease liability of approximately \$1.3 million based on the present value of the future lease payments on the date of adoption. There was no cumulative-effect adjustment recorded to retained earnings upon adoption. Adopting ASC 842 did not have a material impact on the Company's condensed consolidated statements of operations and cash flows. See Note 7, Commitments and Contingencies, for further discussion of the Company's adoption of ASC 842 and related disclosures.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes – Simplifying the Accounting for Income Taxes*, which simplifies the accounting for income taxes by clarifying and amending existing guidance related to the recognition of franchise tax, the evaluation of a step-up in the tax basis of goodwill and the effects of enacted changes in tax laws or rates in the effective tax rate computation, among other clarifications. ASU 2019-12 is effective for annual periods beginning after December 15, 2020, including

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interim periods within those fiscal years, and early adoption is permitted. The Company adopted this guidance effective January 1, 2021 and the adoption of this standard did not have a material impact on its consolidated financial statements.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments*, which changes the impairment model for most financial assets. The new model uses a forward-looking expected loss method, which will generally result in earlier recognition of allowances for losses. It also eliminates the concept of other-than-temporary impairment and requires credit losses related to available-for-sale debt securities to be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. This standard provides guidance regarding methodologies and disclosures related to expected credit losses. The guidance will become effective for the Company on December 31, 2021 when the Company no longer qualifies for emerging growth company status. Management is evaluating the impact that adopting this guidance will have on the Company's consolidated financial statements; however, the Company does not expect it will have a material impact on its consolidated financial statements.

3. Fair Value Measurements

The following tables summarize the Company's financial assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy as of September 30, 2021 and December 31, 2020 (in thousands):

	September 30, 2021			Aggregate Fair Value
	Level 1	Level 2	Level 3	
Financial Assets				
Cash and cash equivalents:				
Money market mutual funds	\$ 48,519	\$ —	\$ —	\$ 48,519
Total included in cash and cash equivalents	48,519	—	—	48,519
Investments:				
U.S. Treasury securities	42,362	—	—	42,362
Corporate debt securities and commercial paper	—	39,074	—	39,074
Total included in short-term investments	42,362	39,074	—	81,436
U.S. Treasury securities included in long-term investments	6,002	—	—	6,002
Total assets	<u>\$ 96,883</u>	<u>\$ 39,074</u>	<u>\$ -</u>	<u>\$ 135,957</u>

	December 31, 2020			Aggregate Fair Value
	Level 1	Level 2	Level 3	
Financial Assets				
Cash and cash equivalents:				
Money market mutual funds	\$ 1,034	\$ —	\$ —	\$ 1,034
U.S. Treasury securities	33,996	—	—	33,996
Total included in cash and cash equivalents	35,030	—	—	35,030
Investments:				
U.S. Treasury securities	24,992	—	—	24,992
U.S. Government agencies	—	24,989	—	24,989
Total included in short-term investments	24,992	24,989	—	49,981
Total assets	<u>\$ 60,022</u>	<u>\$ 24,989</u>	<u>\$ —</u>	<u>\$ 85,011</u>

There were no transfers between Levels 1, 2 or 3 for the periods presented.

The change in the fair value of the warrant liability for the nine months ended September 30, 2020 is summarized below (in thousands):

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	Nine Months Ended September 30, 2020
Beginning balance	\$ 1,169
Change in fair value of warrant liability	3,317
Conversion of preferred stock warrants to common stock warrants upon the closing of the IPO	(4,486)
Ending balance	\$ —

The valuation of the Company's convertible preferred stock warrant liability contains unobservable inputs that reflect the Company's own assumptions for which there was little, if any, market activity for at the measurement date. Accordingly, the Company's convertible preferred stock warrant liability was measured at fair value in a recurring basis using unobservable inputs and are classified as Level 3 inputs, and any change in fair value was recognized as other expense in the statements of operations (see Note 11).

4. Cash Equivalents and Investments

The following is a summary of the Company's cash equivalents and investments as of September 30, 2021 and December 31, 2020 (in thousands):

	September 30, 2021			
	Amortized Cost Basis	Unrealized Gain	Unrealized Loss	Fair Value
Financial Assets				
Cash and cash equivalents:				
Money market mutual funds	\$ 48,519	\$ —	\$ —	\$ 48,519
Total included in cash and cash equivalents	48,519	—	—	48,519
Investments:				
U.S. Treasury securities	42,359	3	—	42,362
Corporate debt securities and commercial paper	39,052	22	—	39,074
Total included in short-term investments	81,411	25	—	81,436
U.S. Treasury securities included in long-term investments	6,003	—	(1)	6,002
Total assets	\$ 135,933	\$ 25	\$ (1)	\$ 135,957

	December 31, 2020			
	Amortized Cost Basis	Unrealized Gain	Unrealized Loss	Fair Value
Financial Assets				
Cash and cash equivalents:				
Money market mutual funds	\$ 1,034	\$ —	\$ —	\$ 1,034
U.S. Treasury securities	33,996	—	—	33,996
Total included in cash and cash equivalents	35,030	—	—	35,030
Investments:				
U.S. Treasury securities	24,991	1	—	24,992
U.S. Government agencies	24,986	3	—	24,989
Total included in short-term investments	49,977	4	—	49,981
Total assets	\$ 85,007	\$ 4	\$ —	\$ 85,011

5. Inventories, net

Inventories consist of the following (in thousands):

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	September 30, 2021	December 31, 2020
Raw materials	\$ 5,287	\$ 2,607
Work-in-process	2,096	787
Finished goods	12,116	7,203
	<u>\$ 19,499</u>	<u>\$ 10,597</u>

6. Property and Equipment, net

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

	September 30, 2021	December 31, 2020
Manufacturing equipment	\$ 5,912	\$ 4,003
Leasehold improvements	4,410	1,737
Assets in progress	2,861	2,320
Furniture and fixtures	2,800	363
Computer hardware	2,584	980
Computer software	255	128
Total property and equipment, gross	18,822	9,531
Accumulated depreciation	(4,074)	(2,033)
Total property and equipment, net	<u>\$ 14,748</u>	<u>\$ 7,498</u>

Depreciation expense of \$648,000 and \$271,000 was included in SG&A expenses and \$172,000 and \$87,000 was included in cost of goods sold for the three months ended September 30, 2021 and 2020, respectively. Depreciation expense of \$1,633,000 and \$688,000 was included in SG&A expenses and \$475,000 and \$243,000 was included in cost of goods sold for the nine months ended September 30, 2021 and 2020, respectively. In connection with the adoption of ASC 842, the Company reclassified \$1,556,000 of tenant improvement costs related to the Oak Canyon lease that were deemed to be landlord assets, which were included in assets in progress as of December 31, 2020, to operating lease right-of-use assets (see Note 7).

Capitalized Implementation Costs of a Hosting Arrangement

The Company has several software systems that are cloud-based hosting arrangements with service contracts. The Company accounts for costs incurred in connection with the implementation of these various software systems under ASU 2018-15, *Intangibles—Goodwill and Other—Internal Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*. The Company expenses all costs (internal and external) that are incurred in the planning and post-implementation operation stages. As of September 30, 2021, the Company has capitalized approximately \$631,000 in implementation costs related to the application development stage. The capitalized costs are amortized on a straight-line basis over the non-cancelable contract terms, generally three years. As of September 30, 2021 and December 31, 2020, approximately \$284,000 and \$228,000, respectively, of the capitalized costs were included in prepaid expenses and other current assets, and \$57,000 and \$0, respectively, were included in deposits and other assets. The Company starts amortizing capitalized implementation costs when the systems are placed in production and ready for their intended use. Amortization expense, which was included in SG&A expenses, was approximately \$67,000 and \$27,000 for the three months ended September 30, 2021 and 2020 and \$173,000 and \$66,000 for the nine months ended September 30, 2021 and 2020, respectively.

7. Commitments and Contingencies

Operating Leases

The Company has operating leases for facilities and certain equipment. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheet. Lease expense for operating leases is recognized on a straight-line basis over the lease term. For lease agreements entered into or reassessed after the adoption of ASC 842, the Company combines lease and non-lease components. See Note 2, Summary of Significant Accounting Policies for additional information.

In March 2019, the Company executed a five-year lease for a facility in Irvine, California, where substantially all operations of the Company have been located since September 2019. The lease expires in September 2024 and contains two optional extension periods of five years each. In addition to the minimum future lease commitments presented below, the lease requires the Company to pay property taxes, insurance, maintenance, and repair costs. The lease includes a one-month rent holiday concession and escalation

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clauses for increased rent over the lease term. Concurrent with the execution of a new ten-year lease (see below), the Company entered into a termination agreement (as amended) that releases the Company from the current facility lease obligation 12 months following the commencement date of the new lease, with options to extend the lease term for up to three periods of an additional 30 days each. As of September 30, 2021, the operating lease right-of-use asset and liability were \$521,000 and \$589,000, respectively, with the remaining lease term of 10 months.

In October 2020, the Company entered into a ten-year lease for a facility located in Irvine, California (the “Oak Canyon lease”) with two option extension periods of five years each, which the Company has determined that it’s reasonably certain to exercise. The Oak Canyon lease requires the Company to make variable lease payments, which are not included in the lease liability due to the amounts not being fixed, for property taxes, insurance, maintenance, repair costs, and certain improvements deemed to be assets of the lessor. The Oak Canyon lease includes scheduled payment escalation clauses over the lease term. The Oak Canyon lease also requires the Company to maintain a letter of credit for the benefit of the landlord in the amount of \$1.5 million, which is secured by the Company’s Credit Agreement. The Company has moved in and taken control of the facility and has determined the lease commencement date to be September 30, 2021. On the commencement date, the Company recorded approximately \$42,167,000 and \$28,648,000 of right-of-use asset and lease liability, respectively. The right-of use-asset includes approximately \$13,519,000, net of \$3,673,000 tenant allowance, related to prepaid lease payments for the lessor’s owned leasehold improvements which were reclassified from assets in progress and deposits and other assets. As of September 30, 2021, the weighted average remaining lease term was 238 months.

The Company also leases two additional warehouse spaces located in Lake Forest and Irvine, California. As of September 30, 2021, the operating lease right-of-use assets and liabilities were \$53,000 and \$54,000, respectively, with the weighted average remaining lease term of 9 months.

The Company also leases certain equipment for warehouse and office use. As of September 30, 2021, the operating lease right-of-use assets and liabilities were \$114,000 and \$113,000, respectively, with the weighted average remaining lease term of 46 months.

As of September 30, 2021, the weighted average incremental borrowing rate used to measure operating lease liabilities was 6.0%. During the three and nine months ended September 30, 2021, cash paid for amounts included in the measurement of operating lease liabilities was \$13,718,000 and \$14,116,000, respectively, \$13,519,000 of which related to Oak Canyon lease.

Operating lease costs under the lease agreements for the three and nine months ended September 30, 2021 were \$186,000 and \$557,000, respectively. Future minimum lease payments under operating leases liabilities as of September 30, 2021 are as follows (in thousands):

Year ending December 31:	Amount
Remainder of 2021	\$ 593
2022	2,548
2023	2,169
2024	2,240
2025	2,302
Thereafter	41,933
Total lease payments	51,785
Less imputed interest	(22,381)
Total lease liabilities	29,404
Less: lease liabilities - current portion	(857)
Lease liabilities - noncurrent portion	\$ 28,547

Indemnification

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

The Company’s amended and restated certificate of incorporation contains provisions limiting the liability of directors, and its amended and restated bylaws provide that the Company will indemnify each of its directors to the fullest extent permitted under Delaware law. The Company’s amended and restated certificate of incorporation and amended and restated bylaws also provide its board of directors with discretion to indemnify its officers and employees when determined appropriate by the board. In addition, the Company has entered and expects to continue to enter into agreements to indemnify its directors and executive officers.

Legal Proceedings

From time to time, the Company may become involved in legal proceedings arising out of the ordinary course of its business. Management is currently not aware of any matters that will have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Company.

8. Concentrations

The Company's revenue is derived primarily from the sale of catheter-based therapeutic devices in the United States. For the three and nine months ended September 30, 2021 and 2020, there were no customers that accounted for more than 10% of the Company's revenue. As of September 30, 2021 and December 31, 2020, there were no customers that accounted for more than 10% of the Company's accounts receivable.

No vendor accounted for more than 10% of the Company's purchases for the three and nine months ended September 30, 2021 and 2020. There were no vendors that accounted for more than 10% of the Company's accounts payable as of September 30, 2021 and December 31, 2020.

9. Related Party

Licensed Patents

Certain stockholders of the Company are stockholders of Inceptus Medical, Inc. ("Inceptus"). Beginning in September 2011, the Company engaged Inceptus to develop the technology that has led to certain components used in the Company's products, the FlowTrier and the ClotTrier systems. In October 2014, the Company, through a license agreement with Inceptus, obtained an exclusive, perpetual, fully paid-up irrevocable, worldwide license to the patents, patent applications and technology, including the right to grant and authorize sublicenses, to make, have made, use, sell, offer for sale, import and otherwise exploit products in connection with the licensed technology. The licensed technology is any and all technology involving a high wire count braid, excluding the tubular braiding subject to the sublicense agreement described below. Since the completion of the Company's IPO, Inceptus was no longer considered a related party as its stockholders were no longer principal stockholders of the Company. This disclosure is included for comparative purposes only.

Sublicense Agreement

In August 2019, the Company entered into a sublicense agreement with Inceptus, pursuant to which Inceptus granted to the Company a non-transferable, worldwide, exclusive sublicense to its licensed intellectual property rights related to the tubular braiding for the non-surgical removal of clots and treatment of embolism and thrombosis in human vasculature other than carotid arteries, coronary vasculature and cerebral vasculature; such rights were originally granted to Inceptus pursuant to an intellectual property license agreement with Drexel University, or Drexel License, under which Drexel retained certain rights to use, and to permit other non-commercial entities to use, the sublicensed intellectual property for educational and non-commercial research purposes. The Company is obligated to comply with, and to avoid acts or omissions that would reasonably be likely to cause a breach of the Drexel License. The sublicense agreement will continue until the expiration of the sublicensed patent, unless terminated earlier pursuant to the terms of the agreement. The Company may terminate the sublicense agreement at any time by providing prior written notice.

Under the sublicense agreement, the Company is required to pay an ongoing quarterly administration fee, which amounted to \$29,000 and \$29,000 for the three months ended September 30, 2021 and 2020 and \$87,000 and \$58,000 for the nine months ended September 30, 2021 and 2020, respectively. Additionally, the Company is obligated to pay Inceptus an ongoing royalty ranging from 1% to 1.5% of the net sales of products utilizing the licensed intellectual property, subject to a minimum royalty quarterly fee of \$1,000. The Company recorded royalty expense of \$201,000 and \$139,000 for the three months ended September 30, 2021 and 2020, and \$586,000 and \$325,000 for the nine months ended September 30, 2021 and 2020, respectively.

Other Services

The Company utilizes MRI The Hoffman Group ("MRI"), a recruiting services company owned by the brother of the Chief Executive Officer and President and member of the board of directors of the Company. The Company paid for recruiting services provided by MRI amounting to \$38,000 and \$140,000 for the three months ended September 30, 2021 and 2020, and \$301,000 and \$387,000 for the nine months ended September 30, 2021 and 2020, respectively, which was included in operating expenses on the condensed consolidated statements of operations. As of September 30, 2021 and December 31, 2020, there was no balance payable to MRI.

10. Debt

Bank of America Credit Facility

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In September 2020, the Company entered into a senior secured revolving credit facility with Bank of America (the "Credit Agreement"), as amended, under which the Company may borrow loans up to a maximum principal amount of \$30 million. The amount available to borrow under the Credit Agreement is comprised of a) 85% of eligible accounts receivable, plus b) pledged cash (up to \$10 million). There was no principal amount outstanding and no cash was pledged under the Credit Agreement as of September 30, 2021 and December 31, 2020.

Advances under the Credit Agreement will bear interest at a base rate per annum (the "Base Rate") plus an applicable margin (the "Margin"). The Base Rate equals the greater of (i) the Prime Rate, (ii) the Federal funds rate plus 0.50%, or (iii) the LIBOR rate based upon an interest period of 30 days plus 1.00%. The Margin ranges from 1.00% to 1.50% based on the Company's applicable fixed charge coverage ratio. Advances under the Credit Agreement designated as "LIBOR Loans" will bear interest at a rate per annum equal to the LIBOR rate plus the applicable Margin ranging from 2.00% to 2.50% based on the Company's applicable fixed charge coverage ratio. Interest on loans outstanding under the Credit Agreement is payable monthly. Loan principal balances outstanding under the Credit Agreement are due at maturity in September 2023. The Company may prepay any loans under the Credit Agreement at any time without any penalty or premium. The Company is also required to pay an unused line fee at an annual rate ranging from 0.25% to 0.375% per annum of the average daily unused portion of the aggregate revolving credit commitments under the Credit Agreement.

The Credit Agreement also includes a Letter of Credit subline facility (the "LC Facility") of up to \$5 million. The aggregate stated amount outstanding of letter of credits reduces the total borrowing base available under the Credit Agreement. The Company is required to pay the following fees under the LC Facility are as follows: (a) a fee equal to the applicable margin in effect for LIBOR loans (currently 2.25%) times the average daily stated amount of outstanding letter of credits; (b) a fronting fee equal to 0.125% per annum on the stated amount of each letter of credit outstanding. As of September 30, 2021, the Company had two letters of credit in the aggregated amount of \$1.8 million outstanding under the LC Facility. As of December 31, 2020, the Company had one letter of credit in the amount of \$1.5 million outstanding under the LC Facility.

The Company paid Bank of America a closing fee of \$150,000 and incurred approximately \$290,000 in legal and other fees directly related to the Credit Agreement. The Credit Agreement contains certain customary covenants and events of default, including: payment defaults, breaches of any representation, warranty or covenants, judgment defaults, cross defaults to certain other contracts, certain events with respect to governmental approvals if such events could cause a material adverse change, a material impairment in the perfection or priority of the lender's security interest or in the value of the collateral, a material adverse change in the business, operations, or condition of us or any of our subsidiaries, and a material impairment of the prospect of repayment of the loans. Upon the occurrence of an event of default, a default increase in the interest rate of an additional 2.0% could be applied to the outstanding loan balance and the lender could declare all outstanding obligations immediately due and payable and take such other actions as set forth in the loan and security agreement. The Company was in compliance with its covenant requirements as of September 30, 2021. Obligations under the Credit Agreement are secured by substantially the Company's assets, excluding intellectual property.

Signature Bank Credit Facility

In December 2019, the Company entered into a \$40 million credit facility with Signature Bank (the "SB Credit Facility") and concurrently repaid and extinguished its term loan with East West Bank. The SB Credit Facility consisted of a term loan of up to \$25 million and a revolving line of credit of \$15 million. The term loan was available in two tranches: a \$15 million tranche that was fully funded on the closing date, and a \$10 million tranche that was available through December 2020. In March 2020, the Company borrowed an additional \$10 million which was available under the term loan.

The maturity date of the term loan was in December 2024. Under the agreement, the Company was required to make monthly interest payments through December 2021. The term loan bore interest at an annual rate equal to the greater of 5.50% or the Prime Rate plus 0.50%. Under the revolving line of credit, the Company could borrow, repay and re-borrow up to 80% of eligible accounts receivable up to a maximum of \$15 million. The revolving line of credit bore interest at an annual rate equal to the greater of 5.00% or the prime rate.

In August 2020, the Company repaid the SB Credit Facility in full.

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Deferred Financing Costs

As of September 30, 2021 and December 31, 2020, costs incurred directly related to debt financings were included in deposits and other assets and are being amortized over the three-year life of the Credit Agreement on the straight-line basis as follows (in thousands):

	September 30, 2021	December 31, 2020
Deferred financing costs	\$ 430	\$ 430
Accumulated amortization	(155)	(47)
Unamortized deferred financing costs	<u>\$ 275</u>	<u>\$ 383</u>

11. Stockholder's Equity

Redeemable Convertible Preferred Stock

In connection with the IPO in May 2020, the 31,968,570 shares of redeemable convertible preferred stock then outstanding were converted into 31,968,570 shares of common stock.

Warrants

There were no warrants outstanding as of September 30, 2021 and December 31, 2020. The Company had previously issued common stock warrants and redeemable convertible preferred stock warrants ("Preferred Warrants") allowing the holders to obtain shares of redeemable convertible preferred stock that contain a liquidation preference. Because this liquidation preference may have been payable in cash upon a change in control of the Company or upon exercise of redemption rights and because such a transaction was considered to be outside of the control of the Company, the Preferred Warrants were classified as liabilities in the Company's consolidated balance sheets and were presented at their estimated fair values at each reporting date. On the completion of the IPO, all the outstanding Preferred Warrants were converted into warrants to purchase an aggregate of 256,588 shares of common stock, which resulted in the reclassification of the convertible preferred stock warrant liabilities to additional paid-in capital.

In June 2020, 27,810 common stock warrants were exercised for cash. In addition, 77,030 warrants were net exercised and the Company issued 74,723 shares of common stock. In November 2020, the remaining 179,558 warrants were net exercised and the Company issued 174,776 shares of common stock.

The fair value of the Preferred Warrants was determined using the Black Scholes option pricing model with the following assumptions:

	May 21, 2020 (1)	
	Series A	Series B
Expected volatility	51.10 %	50.00 %
Preferred stock fair value (per share)	\$ 19.00	\$ 19.00
Dividend yield	0.00 %	0.00 %
Risk free interest rates	0.17 %	0.53 %
Expected remaining term in years	1.55	5.94-6.86

(1) Date the Company's registration statement on Form S-1 was declared effective.

12. Equity Incentive Plans

2011 Equity Incentive Plan and 2020 Incentive Award Plan

In 2011, the Company adopted the 2011 Equity Incentive Plan (the “2011 Plan”) to permit the grant of share-based awards, such as stock grants and incentives and non-qualified stock options to employees, directors, consultants and advisors. The Board has the authority to determine to whom awards will be granted, the number of shares, the term and the exercise price.

In March 2020, the Company adopted the 2020 Incentive Award Plan (the “2020 Plan”), which became effective in connection with the IPO. As a result, the Company may not grant any additional awards under the 2011 Plan. The 2011 Plan will continue to govern outstanding equity awards granted thereunder. The Company has initially reserved 3,468,048 shares of common stock for the issuance of a variety of awards under the 2020 Plan, including stock options, stock appreciation rights, awards of restricted stock and awards of restricted stock units. In addition, the number of shares of common stock reserved for issuance under the 2020 Plan will automatically increase on the first day of January for a period of up to ten years, commencing on January 1, 2021, in an amount equal to 3% of the total number of shares of the Company’s capital stock outstanding on the last day of the preceding year, or a lesser number of shares determined by the Company’s board of directors. As of September 30, 2021, there were 4,737,872 shares available for issuance under the 2020 Plan, including 1,477,548 additional shares reserved effective January 1, 2021.

Stock Options

A summary of stock option activities under the 2011 Plan for the nine months ended September 30, 2021 is as follows (intrinsic value in thousands):

	Number of Awards	Weighted Average Exercise Price	Weighted Average Fair Value	Weighted Average Remaining Contractual Life (in years)	Intrinsic Value
Outstanding, December 31, 2020	3,436,785	\$ 1.36	\$ 0.98	7.76	\$ 295,331
Exercised	(660,286)	\$ 1.11	\$ 0.86		\$ 61,295
Cancelled	(54,086)	\$ 2.00	\$ 1.27		\$ 5,126
Outstanding, September 30, 2021	<u>2,722,413</u>	\$ 1.41	\$ 1.00	7.31	\$ 216,962
Vested and exercisable at September 30, 2021	<u>1,500,483</u>	\$ 1.02	\$ 0.75	7.10	\$ 120,162
Vested and expected to vest at September 30, 2021	<u>2,656,225</u>	\$ 1.38	\$ 0.99	7.30	\$ 211,758

The aggregate intrinsic values of options outstanding, vested and exercisable, and vested and expected to vest were calculated as the difference between the exercise price of the options and the estimated fair value of the Company’s common stock.

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option pricing model.

Restricted Stock Units

In March 2019, the Company granted, under the 2011 Plan, 2,867,326 restricted stock unit awards (“RSUs”) to certain employees that vest only upon the satisfaction of both a time-based service condition and a performance-based condition. The performance-based condition is a liquidity event requirement that was satisfied on the effective date of the IPO of the Company’s common stock. The RSUs are subject to a four-year cliff vesting and will vest in March 2023. If the RSUs vest, the actual number of RSUs that will vest will be dependent on the per share value of the Company’s common stock, which is a market-based condition, determined based on the average closing price of the Company’s common stock for the three-month period immediately preceding the satisfaction of the service condition. In July 2021, the Company accelerated the vesting of 96,658 RSUs and accounted for the vesting acceleration as a modification under ASC 718. The Company recognized a one-time stock-based compensation expense as a result of this modification of approximately \$8.3 million, which was determined based on the fair value of the Company’s shares of common stock at the time of the modification and is included in general and administrative expenses on the consolidated statements of operations and comprehensive income (loss).

RSU activities under the 2011 Plan is set forth below (intrinsic value in thousands):

	Number of Awards	Weighted Average Fair Value	Intrinsic Value
Outstanding, December 31, 2020	2,867,326	\$ 0.17	\$ 250,289
Vested	(96,658)	\$ 0.17	\$ 8,679
Cancelled	(57,994)	\$ 0.17	\$ 5,207
Outstanding, September 30, 2021	<u>2,712,674</u>	\$ 0.17	\$ 219,998

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2020 Plan

RSUs are share awards that entitle the holder to receive freely tradable shares of the Company's common stock upon vesting. The RSUs cannot be transferred and the awards are subject to forfeiture if the holder's employment terminates prior to the release of the vesting restrictions. The RSUs generally vest over a four-year period with straight-line vesting and a 25% one-year cliff or over a three-year period in equal amounts on a quarterly basis, provided the employee remains continuously employed with the Company. The fair value of the RSUs is equal to the closing price of the Company's common stock on the grant date.

RSU activities under the 2020 Plan is set forth below (intrinsic value in thousands):

	Number of Awards	Weighted Average Fair Value	Intrinsic Value
Outstanding, December 31, 2020	222,564	\$ 58.86	\$ 19,428
Granted	432,450	\$ 101.49	\$ 43,889
Vested	(66,995)	\$ 74.18	\$ 6,424
Cancelled	(23,411)	\$ 86.60	\$ 2,196
Outstanding, September 30, 2021	<u>564,608</u>	<u>\$ 88.54</u>	<u>\$ 45,790</u>

Total compensation cost for all share-based payment arrangements recognized, including \$546,000 and \$1,867,000 of stock-based compensation expense related to the ESPP for the three and nine months ended September 30, 2021, respectively, was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Cost of goods sold	\$ 218	\$ 37	\$ 597	\$ 109
Research and development	580	199	1,601	323
Selling, general and administrative	11,701	723	18,741	1,527
	<u>\$ 12,499</u>	<u>\$ 959</u>	<u>\$ 20,939</u>	<u>\$ 1,959</u>

Total compensation costs as of September 30, 2021 related to all non-vested awards to be recognized in future periods was \$45,226,000 and is expected to be recognized over the remaining weighted average period of 3.2 years (See Note 16).

Employee Share Purchase Plan

In May 2020, the Company adopted the 2020 Employee Stock Purchase Plan ("ESPP"), which became effective on the date the ESPP was adopted by the Company's board of directors. The Company initially reserved 990,870 shares of common stock for purchase under the ESPP. Each offering to the employees to purchase stock under the ESPP begin on each August 1 and February 1 and end on the following January 31 and July 31, respectively. The Company's first offering period under the ESPP began on August 1, 2020. On each purchase date, which falls on the last date of each offering period, ESPP participants purchase shares of common stock at a price per share equal to 85% of the lesser of (1) the fair market value per share of the common stock on the offering date or (2) the fair market value of the common stock on the purchase date. The occurrence and duration of offering periods under the ESPP are subject to the determinations of the Company's Compensation Committee, in its sole discretion.

The fair value of the ESPP shares is estimated using the Black-Scholes option pricing model with the following assumptions:

	Nine Months Ended September 30, 2021
Expected term (in years)	0.5
Expected volatility	51.47% - 51.91%
Dividend yield	0.00%
Risk free interest rate	0.06% - 0.08%

As of September 30, 2021, 85,049 shares of common stock have been purchased under the ESPP and 1,398,337 shares are reserved for future purchases.

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13. Income Taxes

The following table reflects the Company's provision (benefit) for income taxes for the periods indicated (in thousands):

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
(Loss) income before income taxes	\$ (2,743)	\$ 6,496	\$ 9,004	\$ 6,804
Provision for income taxes	61	—	271	—
Net (loss) income	<u>\$ (2,804)</u>	<u>\$ 6,496</u>	<u>\$ 8,733</u>	<u>\$ 6,804</u>
Provision for income taxes as a percentage of (loss) income before income taxes	<u>2.2%</u>	<u>0.0%</u>	<u>3.0%</u>	<u>0.0%</u>

The effective tax rate for all periods is driven by business credits, equity compensation, state taxes, and the change in valuation allowance.

Valuation Allowance

ASC 740 requires that the tax benefit of net operating losses, or NOLs, temporary differences and credit carryforwards be recorded as an asset to the extent that management assesses that realization is "more likely than not." Realization of the future tax benefits is dependent on the Company's ability to generate sufficient taxable income within the carryback or carryforward periods. As of December 31, 2020, the Company maintained a full valuation allowance of \$11.9 million against the Company's net deferred tax assets. As of September 30, 2021, the Company believes that the deferred tax assets are currently not considered more likely than not to be realized and, accordingly, has maintained a full valuation allowance against its deferred tax assets. The Company will continue to assess its position on the realizability of its deferred tax assets, until such time as sufficient positive evidence may become available to allow the Company to reach a conclusion that a significant portion of the valuation allowance will no longer be needed. Any release of the valuation allowance will result in a material benefit recognized in the quarter of release.

Uncertain Tax Positions

The Company has recorded uncertain tax positions related to its federal and California research and development credit carryforwards. No interest or penalties have been recorded related to the uncertain tax positions due to available NOLs to offset the uncertain tax positions. It is not expected that there will be a significant change in uncertain tax position in the next twelve months. The Company is subject to U.S. federal and state income tax as well as to income tax in multiple state jurisdictions, and various foreign jurisdictions. In the normal course of business, the Company is subject to examination by tax authorities. As of the date of the financial statements, there are no tax examinations in progress. The statute of limitations for tax years ended after December 31, 2015 and December 31, 2016 are open for state and federal tax purposes, respectively.

Taxpayer Certainty and Disaster Tax Relief Act of 2020

The Taxpayer Certainty and Disaster Tax Relief Act of 2020 ("the Act"), was enacted on December 27, 2020. It was a response to continued market volatility and instability resulting from the coronavirus pandemic and includes provisions to support businesses in the form of loans, grants, and tax changes, among other types of relief. The Company has reviewed and incorporated the income tax changes included in the Act, including the deductibility of meals expenses previously not deductible for tax purposes. The Company does not believe there will be a material effect on its income tax provision. The Company currently does not expect to apply for loans or grants expanded by the Act.

14. Retirement Plan

In December 2017, the Company adopted the Inari Medical, Inc. 401(k) Plan which allows eligible employees after one month of service to contribute pre-tax and Roth contributions to the plan, as allowed by law. The plan assets are held by Vanguard and the plan administrator is Ascensus Trust Company. Beginning in January 2021, the Company contributes a \$1.00 match for every \$1.00 contributed by a participating employee up to the greater of \$3,000 or 4% of eligible compensation under the plan, with such Company's contributions becoming fully vested immediately. For the three and nine months ended September 30, 2021, the Company recognized \$836,000 and \$2,595,000 in matching contributions expense.

15. Net Income (Loss) Per Share

The components of net income per share are as follows:

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Numerator:				
Net income (in thousands)	\$ (2,804)	\$ 6,496	\$ 8,733	\$ 6,804
Denominator:				
Weighted average number of common shares outstanding - basic	50,001,996	48,335,443	49,664,037	26,423,681
Common stock equivalents from convertible preferred stock	—	—	—	16,684,327
Common stock equivalents from outstanding common stock options	—	3,741,595	2,927,569	3,627,363
Common stock equivalents from unvested RSUs	—	2,923,912	2,917,867	2,854,947
Common stock equivalents from ESPP	—	-	847	—
Common stock equivalents from outstanding warrants	—	174,907	—	170,102
Common stock equivalents from restricted stock	—	179,989	741	179,989
Weighted average number of common shares outstanding - diluted	50,001,996	55,355,846	55,511,061	49,940,409
Net income (loss) per share:				
Basic	\$ (0.06)	\$ 0.13	\$ 0.18	\$ 0.26
Diluted	\$ (0.06)	\$ 0.12	\$ 0.16	\$ 0.14

The following outstanding potentially dilutive common stock equivalents have been excluded from the calculation of diluted net loss per share for the three months ended September 30, 2021, due to their anti-dilutive effect:

	Three Months Ended September 30, 2021
Common stock options	2,732,986
RSUs	2,778,176
Restricted stock subject to future vesting	741
	<u>5,511,904</u>

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our audited financial statements and related notes thereto for the year ended December 31, 2020, included in our Annual Report on Form 10-K. In addition to historical financial information, the following discussion contains forward-looking statements that are based upon current plans, expectations and beliefs that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under Part II, Item 1A, “Risk Factors” in this Quarterly Report on Form 10-Q.

Overview

We are a commercial-stage medical device company focused on developing products to treat and transform the lives of patients suffering from venous diseases. Our primary product offering consists of two minimally-invasive, novel catheter-based mechanical thrombectomy devices. We purpose-built our products for the specific characteristics of the venous system and the treatment of the two distinct manifestations of venous thromboembolism (“VTE”) – deep vein thrombosis (“DVT”) and pulmonary embolism (“PE”).

We believe the best way to treat VTE and improve the quality of life of patients suffering from this disease is to safely and effectively remove the blood clot. With that in mind, we designed and purpose-built our ClotTriever and FlowTriever products to remove large clots from large vessels and eliminate the need for thrombolytic drugs. We believe our products are transformational and could be the catalyst to drive an evolution of treatment for venous diseases, establishing our products as the standard of care for DVT and PE.

We believe our venous-focused commercial organization provides a significant competitive advantage. Our most important relationships are between our sales representatives and our treating physicians, which include interventional cardiologists, interventional radiologists and vascular surgeons. We have developed systems and processes to harness the information gained from these relationships and we leverage this information to rapidly iterate products, introduce and execute physician education and training programs and scale our sales organization. We market and sell our products to hospitals, which are reimbursed by various third-party payors. We have dedicated meaningful resources to building a direct sales force in the United States, and we continue to expand our sales organization through additional sales representatives and territories.

On May 27, 2020, we completed our IPO, which resulted in the issuance and sale of 9,432,949 shares of common stock, including 1,230,384 shares sold pursuant to the exercise of the underwriters’ over-allotment option, at the IPO price of \$19.00 per share. We received net proceeds of approximately \$163.0 million from the IPO, after deducting underwriters’ discounts and commissions of \$12.6 million and offering costs of \$3.7 million.

Prior to our IPO, our primary sources of capital were private placements of preferred stock, debt financing arrangements and revenue from sales of our products. Since inception, we had raised a total of approximately \$54.2 million in net proceeds from private placements of preferred stock. As of September 30, 2021, we had cash, cash equivalents, and short-term investment of \$162.6 million, no long-term debt outstanding and an accumulated deficit of \$18.7 million.

For the three months ended September 30, 2021, the Company generated \$72.9 million in revenues with a gross margin of 90.3% and net loss of \$(2.8) million, as compared to revenues of \$38.7 million with a gross margin of 91.7% and net income of \$6.5 million for the three months ended September 30, 2020.

For the nine months ended September 30, 2021, the Company generated \$193.8 million in revenues with a gross margin of 91.5% and net income of \$8.7 million, as compared to revenues of \$91.1 million with a gross margin of 89.7% and net income of \$6.8 million for the nine months ended September 30, 2020.

COVID-19

In December 2019, a novel strain of coronavirus, SARS-CoV-2, was identified in Wuhan, China. Since then, SARS-CoV-2, and the resulting disease, COVID-19, has spread to most countries, including all 50 states in the United States. The global healthcare system continues to face an unprecedented challenge as a result of the COVID-19 situation and its impact. COVID-19 has had and may continue to have an adverse impact on aspects of our Company and business, including the demand for our products, our operations, and the ability to research and develop and bring to market new products and services.

In response to the pandemic, in March 2020, many governmental authorities suspended or canceled elective, specialty and other procedures and appointments, and some states and countries issued “stay at home” orders limiting non-essential activities, travel and business operations. These orders significantly decreased the number of procedures performed using our products during March and April 2020 and otherwise negatively impacted our operations. In response to the impact of COVID-19, we implemented a variety of measures to help manage through the impact and position us to resume operations quickly and efficiently once these restrictions were lifted. The results of 2021 reflect some recovery from the declines we experienced in 2020 as a result of COVID-19. However, with cases continuing to resurge in certain areas, and hospitals at capacity in some instances due to non-COVID-19 treatments, or staff or other resource constraints, to the extent individuals and hospital systems de-prioritize, delay or cancel deferrable medical procedures, our business, cash flows, financial condition and results of operations may continue to be negatively affected.

While we are encouraged by our results for the nine months ended September 30, 2021, we are aware that the actual and perceived impact of COVID-19 is changing and cannot be predicted. As a result, we cannot assure you that our recent procedure volumes are indicative of future results or that we will not experience additional negative impacts associated with COVID-19, which could be significant. We continue to focus our efforts on the health and safety of patients, healthcare providers and employees, while executing our mission of transforming lives of VTE patients. While we expect the COVID-19 pandemic may continue to negatively impact 2021 performance, we believe the long-term fundamentals remain strong and we will continue to effectively manage through these challenges.

Procedure Volume

We regularly review various operating and financial metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate our business plan and make strategic decisions. We believe the number of procedures performed to treat DVT and PE using our products is an indicator of our ability to drive adoption and generate revenue. We believe this is an important metric for our business; however, we anticipate that additional metrics may become important as our business grows. The following table lists the number of procedures performed in each of the three-month periods as indicated:

Procedures ⁽¹⁾	Three Months Ended				
	Sept 30, 2021	June 30, 2021	March 31, 2021	Dec 31, 2020	Sept 30, 2020
DVT	3,400	3,100	2,800	2,400	2,000
PE	3,300	2,800	2,700	2,200	1,700
	6,700	5,900	5,500	4,600	3,700

(1) We define a procedure as any instance in which a physician treats DVT or PE using our products. We estimate the number of procedures performed based on records created by our sales representatives. This metric has limitations as we only have records for the procedures where our sales representatives have notice that a procedure has been performed. Revenue is recognized based on hospital purchase orders, not based on the procedure records created by our sales representatives. Numbers are rounded to the nearest hundred.

For the nine months ended September 30, 2021, our blended revenue per procedure averaged approximately \$9,000, as compared to \$9,100 for the nine months ended September 30, 2020, respectively. Blended revenue per procedure represents the average of the average selling price per ClotTrier and the average selling price per FlowTrier over total procedure volume.

Components of Our Results of Operations

Revenue

We currently derive substantially all our revenue from the sale of our ClotTrier and FlowTrier products to hospitals primarily in the United States. Our customers typically purchase an initial stocking order of our products and then reorder replenishment products as procedures are performed. No single customer accounted for 10% or more of our revenue during the three and nine months ended September 30, 2021 and 2020. We expect revenue to increase in absolute dollars as we expand our sales organization and sales territories, add customers, expand the base of physicians that are trained to use our products, expand awareness of our products with new and existing customers and as physicians perform more procedures using our products. Revenue for ClotTrier and FlowTrier products as a percentage of total revenue is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
ClotTrier	30 %	37 %	33 %	38 %
FlowTrier	70 %	63 %	67 %	62 %

Cost of Goods Sold and Gross Margin

We manufacture and/or assemble all our products at our facility in Irvine, California. Cost of goods sold consists primarily of the cost of raw materials, components, direct labor and manufacturing overhead. Overhead costs include the cost of quality assurance, material procurement, inventory control, facilities, equipment and operations supervision and management, including stock-based compensation. Cost of goods sold also includes depreciation expense for production equipment and certain direct costs such as shipping costs and royalty expense. Shipping costs billed to customers are reported as a reduction of cost of goods sold. We expect cost of goods sold to increase in absolute dollars as our revenue grows and more of our products are sold; however, we also expect to realize opportunities to increase operating leverage in our manufacturing operations.

We calculate gross margin as gross profit divided by revenue. Our gross margin has been and will continue to be affected by a variety of factors, including average selling prices, product sales mix, production and ordering volumes, manufacturing costs, product yields, headcount and cost-reduction strategies. Our gross margin could fluctuate from quarter to quarter as we introduce new products, adopt new manufacturing processes and technologies, and as we expand internationally.

Treatments using the FlowTrievers may involve one or more Triever aspiration catheters and one or more FlowTrievers catheters. We charge customers the same price for each FlowTriever procedure, regardless of the number of components used. As a result, changes in the number of components used, the cost of these components and the introduction of additional components can impact our gross margin.

Research and Development Expenses

Research and development, or R&D, expenses consist primarily of engineering, product development, clinical studies to develop and support our products, regulatory expenses, and other costs associated with products that are in development. These expenses include employee compensation, including stock-based compensation, supplies, consulting, prototyping, testing, materials, travel expenses, depreciation and an allocation of facility overhead expenses. Additionally, R&D expenses include costs associated with our clinical trials and registries, including clinical study design, clinical study site initiation and study costs, data management, and internal and external costs associated with our regulatory compliance, including the costs of outside consultants and contractors that assist in the process of submitting and maintaining regulatory filings. We expense R&D costs as incurred. We expect R&D expenses as a percentage of revenue to vary over time depending on the level and timing of our new product development efforts, as well as our clinical development, clinical trials and registries and other related activities.

Selling, General and Administrative Expenses

Selling, general and administrative, or SG&A, expenses consist primarily of compensation for personnel, including stock-based compensation, related to selling and marketing functions, physician education programs, commercial operations and analytics, finance, information technology and human resource functions. Other SG&A expenses include sales commissions, travel expenses, promotional activities, marketing initiatives, market research and analysis, conferences and trade shows, physician training, professional services fees (including legal, audit and tax fees), insurance costs, general corporate expenses and facilities-related expenses. We expect SG&A expenses to continue to increase in absolute dollars as we expand our sales and marketing organization and infrastructure to both drive and support the anticipated growth in revenue and due to additional legal, accounting, insurance and other expenses associated with being a public company.

Interest Income

Interest income consists primarily of interest income earned on our cash, cash equivalents and short-term investments.

Interest Expense

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

Change in Fair Value of Warrant Liabilities

Change in fair value of warrant liabilities consists of gains and losses resulting from the remeasurement of the fair value of our preferred stock warrant liabilities at each balance sheet date. Upon the closing of our IPO, our outstanding preferred stock warrants automatically converted into warrants to purchase shares of our common stock. At such time, the final fair value of the warrant liabilities was reclassified to stockholders' equity (deficit). We will no longer record any related periodic fair value adjustments.

Results of Operations

Comparison of the three months ended September 30, 2021 and 2020

The following table sets forth the components of our unaudited condensed consolidated statements of operations in dollars and as percentage of revenue for the periods presented (dollars in thousands):

	Three Months Ended September 30,				Change \$
	2021	%	2020	%	
Revenue	\$ 72,916	100.0 %	\$ 38,715	100.0 %	\$ 34,201
Cost of goods sold	7,040	9.7 %	3,228	8.3 %	3,812
Gross profit	65,876	90.3 %	35,487	91.7 %	30,389
Operating expenses:					
Research and development	12,499	17.1 %	5,217	13.5 %	7,282
Selling, general and administrative	56,104	76.9 %	23,080	59.6 %	33,024
Total operating expenses	68,603	94.0 %	28,297	73.1 %	40,306
Income (loss) from operations	(2,727)	(3.7 %)	7,190	18.6 %	(9,917)
Other income (expense)					
Interest income	27	0.0 %	208	0.5 %	(181)
Interest expense	(73)	(0.1 %)	(251)	(0.6 %)	178
Change in fair value of warrant liabilities	—	0.0 %	—	0.0 %	—
Other expenses	30	0.0 %	(651)	(1.7 %)	681
Total other expenses, net	(16)	(0.1 %)	(694)	(1.8 %)	678
Income (loss) before income taxes	\$ (2,743)	(3.8 %)	\$ 6,496	16.8 %	\$ (9,239)

Revenue. Revenue increased \$34.2 million, or 88.3%, to \$72.9 million during the three months ended September 30, 2021, compared to \$38.7 million during the three months ended September 30, 2020. The increase in revenue was due primarily to an increase in the number of products sold as we expanded our sales territories, opened new accounts and achieved deeper penetration of our products into existing accounts.

Cost of Goods Sold and Gross Margin. Cost of goods sold increased \$3.8 million, or 118.1%, to \$7.0 million during the three months ended September 30, 2021, compared to \$3.2 million during the three months ended September 30, 2020. This increase was due to the increase in the number of products sold and additional manufacturing overhead costs incurred as we invested significantly in our operational infrastructure to support anticipated future growth. Gross margin for the three months ended September 30, 2021 decreased to 90.3%, compared to 91.7% for the three months ended September 30, 2020, due primarily to increased investment in direct labor and overhead as we expanded and planned for our relocation to our new facility, combined with improved operating leverage and a change in product mix.

Research and Development Expenses. R&D expenses increased \$7.3 million, or 139.6%, to \$12.5 million during the three months ended September 30, 2021, compared to \$5.2 million during the three months ended September 30, 2020. The increase in R&D expenses was primarily due to increases of \$4.4 million of personnel-related expenses, \$1.2 million in materials and supplies, \$1.0 million of clinical study and registry expenses, and \$0.2 million in professional fees, in support of our growth drivers to increase our new product pipeline and build the clinical evidence base.

Selling, General and Administrative Expenses. SG&A expenses increased \$33.0 million, or 143.1%, to \$56.1 million during the three months ended September 30, 2021, compared to \$23.1 million during the three months ended September 30, 2020. The increase in SG&A costs was primarily due to an increase of \$26.8 million in personnel-related expenses as a result of increased headcount across our organization, increased commissions due to higher revenue and including an \$8.3 million one-time stock-based compensation expense as a result of accelerated vesting of RSUs, an increase of \$1.8 million in travel costs, an increase of \$1.1 million in marketing expenses, an increase of \$1.0 million in professional fees, an increase of \$0.7 million in depreciation and software license fees, an increase of \$0.5 million in insurance costs, and an increase of \$0.4 million in facility related costs.

Interest Income. Interest income decreased by \$181,000 or 87.0% to \$27,000 during the three months ended September 30, 2021, compared to \$208,000 during the three months ended September 30, 2020. The decrease in interest income was primarily due to lower interest rates during the three months ended September 30, 2021, compared to the three months ended September 30, 2020.

Interest Expense. Interest expense decreased by \$178,000 or 70.9% to \$73,000 during the three months ended September 30, 2021, compared to \$251,000 during the three months ended September 30, 2020. This decrease was primarily due to lower average borrowings under our credit facilities during the three months ended September 30, 2021.

Other Expenses. Other expenses of \$30,000 for the three months ended September 30, 2021 consisted primarily of foreign currency losses.

Comparison of the nine months ended September 30, 2021 and 2020

The following table sets forth the components of our unaudited condensed consolidated statements of operations in dollars and as percentage of revenue for the periods presented (dollars in thousands):

	Nine Months Ended September 30,				Change \$
	2021	%	2020	%	
Revenue	\$ 193,766	100.0 %	\$ 91,059	100.0 %	\$ 102,707
Cost of goods sold	16,477	8.5 %	9,420	10.3 %	7,057
Gross profit	177,289	91.5 %	81,639	89.7 %	95,650
Operating expenses:					
Research and development	32,292	16.7 %	11,863	13.0 %	20,429
Selling, general and administrative	135,899	70.1 %	58,353	64.1 %	77,546
Total operating expenses	168,191	86.8 %	70,216	77.1 %	97,975
Income from operations	9,098	4.7 %	11,423	12.6 %	(2,325)
Other income (expense)					
Interest income	130	0.1 %	409	0.4 %	(279)
Interest expense	(220)	(0.1 %)	(1,060)	(1.2 %)	840
Change in fair value of warrant liabilities	—	0.0 %	(3,317)	(3.6 %)	3,317
Other expenses	(4)	0.0 %	(651)	(0.7 %)	647
Total other expenses, net	(94)	0.0 %	(4,619)	(5.1 %)	4,525
Income before income taxes	\$ 9,004	4.7 %	\$ 6,804	7.5 %	\$ 2,200

Revenue. Revenue increased \$102.7 million, or 112.8%, to \$193.8 million during the nine months ended September 30, 2021, compared to \$91.1 million during the nine months ended September 30, 2020. The increase in revenue was due primarily to an increase in the number of products sold as we expanded our sales territories, opened new accounts, achieved deeper penetration of our products into existing accounts, and, to a lesser extent, introduced new products. Revenue for the nine months ended September 30, 2020 was also negatively impacted by a rapid deceleration in the number of products sold due to the COVID-19 pandemic.

Cost of Goods Sold and Gross Margin. Cost of goods sold increased \$7.1 million, or 74.9%, to \$16.5 million during the nine months ended September 30, 2021, compared to \$9.4 million during the nine months ended September 30, 2020. This increase was due to the increase in the number of products sold and additional manufacturing overhead costs incurred as we invested significantly in our operational infrastructure to support anticipated future growth. Gross margin for the nine months ended September 30, 2021 increased to 91.5%, compared to 89.7% for the nine months ended September 30, 2020, due to improved operating leverage and a change in product mix.

Research and Development Expenses. R&D expenses increased \$20.4 million, or 172.2%, to \$32.3 million during the nine months ended September 30, 2021, compared to \$11.9 million during the nine months ended September 30, 2020. The increase in R&D expenses was primarily due to increases of \$11.6 million of personnel-related expenses, \$3.6 million in materials and supplies, \$2.3 million of clinical study and registry expenses, and \$1.5 million in professional fees, in support of our growth drivers to increase our new product pipeline and build the clinical evidence base.

Selling, General and Administrative Expenses. SG&A expenses increased \$77.5 million, or 132.9%, to \$135.9 million during the nine months ended September 30, 2021, compared to \$58.4 million during the nine months ended September 30, 2020. The increase in SG&A costs was primarily due to an increase of \$61.1 million in personnel-related expenses as a result of increased headcount across our organization, increased commissions due to higher revenue and increased stock-based compensation expenses including an \$8.3 million one-time stock-based compensation expense as a result of accelerated vesting of RSUs, an increase of \$3.9 million in professional fees, an increase of \$3.8 million in travel costs, an increase of \$2.0 million in marketing expenses, an increase of \$1.9 million in insurance costs, and an increase of \$1.8 million in depreciation and software license fees.

Interest Income. Interest income decreased by \$279,000 or 68.2% to \$130,000 during the nine months ended September 30, 2021, compared to \$409,000 during the nine months ended September 30, 2020. The decrease in interest income was primarily due to lower interest rates during the nine months ended September 30, 2021, compared to the nine months ended September 30, 2020.

Interest Expense. Interest expense decreased by \$840,000 or 79.2% to \$220,000 during the nine months ended September 30, 2021, compared to \$1.1 million for the nine months ended September 30, 2020. This decrease was primarily due to lower average borrowings under our credit facilities during the nine months ended September 30, 2021.

Change in Fair Value of Warrant Liabilities. We recorded no change in fair value of warrant liabilities for the nine months ended September 30, 2021 as no warrants were outstanding during the current period, compared to \$3.3 million for the nine months ended September 30, 2020.

Other Expenses. Other expenses of \$4,000 for the nine months ended September 30, 2021 consisted primarily of foreign currency losses.

Liquidity and Capital Resources

To date, our primary sources of capital have been the net proceeds we received through private placements of preferred stock, debt financing agreements, the sale of common stock in our IPO, and revenue from the sale of our products. On May 27, 2020, we completed our IPO, including the underwriters full exercise of their over-allotment option, selling 9,432,949 shares of our common stock at \$19.00 per share. Upon completion of our IPO, we received net proceeds of approximately \$163.0 million, after deducting underwriting discounts and commissions and offering expenses. In August 2020, we repaid in full the \$30.0 million of principal owed under the credit facility with Signature Bank. As of September 30, 2021, we had cash and cash equivalents of \$81.2 million, short-term investments of \$81.4 million and an accumulated deficit of \$18.7 million. In September 2020, we entered into a new revolving Credit Agreement with Bank of America which provides for loans up to a maximum of \$30 million. As of September 30, 2021, we had no principal outstanding under the Credit Agreement and the amount available to borrow was approximately \$28.2 million.

Based on our current planned operations, we expect that our cash and cash equivalents and available borrowings will enable us to fund our operating expenses for at least 12 months from the date hereof.

If our available cash balances and anticipated cash flow from operations are insufficient to satisfy our liquidity requirements including because of lower demand for our products as a result of the risks described in this Quarterly Report, we may seek to sell additional common or preferred equity or convertible debt securities, enter into an additional credit facility or another form of third-party funding or seek other debt financing. The sale of equity and convertible debt securities may result in dilution to our stockholders and, in the case of preferred equity securities or convertible debt, those securities could provide for rights, preferences or privileges senior to those of our common stock. The terms of debt securities issued or borrowings pursuant to a credit agreement could impose significant restrictions on our operations. If we raise funds through collaborations and licensing arrangements, we might be required to relinquish significant rights to our platform technologies or products or grant licenses on terms that are not favorable to us. Additional capital may not be available on reasonable terms, or at all.

Cash Flows

The following table summarizes our cash flows for each of the nine-month periods indicated (in thousands):

	Nine Months Ended September 30,	
	2021	2020
Net cash provided by (used in):		
Operating activities	\$ 10,479	\$ 3,536
Investing activities	(48,365)	(3,076)
Financing activities	4,693	143,889
Effect of foreign exchange rate on cash and cash equivalents	(266)	—
Net increase (decrease) in cash and cash equivalents	<u>\$ (33,459)</u>	<u>\$ 144,349</u>

Net Cash Provided by Operating Activities

Net cash provided by operating activities for the nine months ended September 30, 2021 was \$10.5 million, consisting primarily of net income of \$8.7 million and non-cash charges of \$23.7 million, offset by an increase in net operating assets of \$21.9 million. The increase in net operating assets was primarily due to increases in accounts receivable of \$10.9 million and inventories of \$8.9 million to support the growth of our operations, an increase in prepaid and other assets of \$4.5 million primarily from prepaid insurance, which were partially offset by increases in accounts payable of \$2.0 million and accrued liabilities of \$12.9 million due to timing of payments and growth of our operations, lease prepayments for lessor's owned leasehold improvements of \$12.0 million and a decrease in operating lease liabilities of \$0.6 million. The non-cash charges primarily consisted of \$20.9 million in stock-based compensation expense, \$2.1 million in depreciation, and \$0.5 million in amortization of the right-of-use assets.

Net cash provided by operating activities for the nine months ended September 30, 2020 was \$3.5 million, consisting primarily of net income of \$6.8 million and non-cash charges of \$7.0 million, offset by an increase in net operating assets of \$10.3 million. The increase in net operating assets was primarily due to increases in accounts receivable of \$9.6 million and inventories of \$3.2 million to support the growth of our operations, an increase in prepaid and other assets of \$2.9 million primarily from prepaid insurance, which were partially offset by increases in accounts payable of \$1.0 million and accrued liabilities of \$4.5 million due to timing of payments and growth of our operations. The non-cash charges primarily consisted of \$3.3 million in change in fair value of the preferred stock warrant liabilities, stock-based compensation of \$2.0 million, \$0.9 million in depreciation, and \$0.6 million in loss on extinguishment of debt.

Net Cash Used in Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2021 was \$48.4 million, consisting of \$105.4 million purchases of marketable securities coupled with \$10.9 million purchases of property and equipment, offset by maturities of short-term investments of \$68.0 million.

Net cash used in investing activities for the nine months ended September 30, 2020 was \$3.1 million, consisting of purchases of property and equipment.

Net Cash Provided by Financing Activities

Net cash provided by financing activities in the nine months ended September 30, 2021 was \$4.7 million, consisting of proceeds of \$5.6 million in proceeds from the issuance of common stock under our employee stock purchase plan and \$0.7 million of proceeds from exercise of stock options, offset by \$1.6 million of tax payments related to vested RSUs.

Net cash provided by financing activities in the nine months ended September 30, 2020 was \$143.9 million, primarily consisting of net IPO proceeds of \$164.4 million and net proceeds of \$10.0 million received from additional borrowings under the credit facility with Signature Bank, partially offset by the \$30.3 million repayments of the amount outstanding under the credit facility.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, as defined by applicable regulations of the U.S. Securities and Exchange Commission, that are reasonably likely to have a current or future material effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

Contractual Obligations and Commitments

There have been no material changes outside the ordinary course of business to the Company's contractual obligations from those disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the year ended December 31, 2020.

Critical Accounting Policies and Estimates

Management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and assumptions for the reported amounts of assets, liabilities, revenue, expenses and related disclosures. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions and any such differences may be material.

There were no material changes to our critical accounting policies or in the methodology used for estimates from those described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the year ended December 31, 2020 with the exception of the Company's adoption of Accounting Standards Update No. 2016-02, *Leases (Topic 842)* ("ASC 842"). See the section entitled "Recently Adopted Accounting Pronouncements" within the Company's Summary of Significant Accounting Policies and Note 7, *Commitments and Contingencies* for further discussion of the Company's adoption of ASC 842 and related disclosures.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

We are exposed to certain market risks in the ordinary course of our business, including sensitivities as follows

Interest Rate Risk

The risk associated with fluctuating interest rates is primarily limited to our debt. As of September 30, 2021, we had repaid in full the SB Credit Facility and had no long-term debt outstanding. A hypothetical 10% relative change in interest rates during any of the periods presented would not have had a material impact on our financial statements. We do not currently engage in hedging transactions to manage our exposure to interest rate risk.

Credit Risk

As of September 30, 2021, our cash, cash equivalents and short-term investments were primarily maintained with two financial institutions in the United States, and our current deposits are likely in excess of insured limits. We do not believe we are exposed to any significant credit risk. Our cash equivalents are invested in highly rated money market funds.

Our accounts receivable primarily relate to revenue from the sale of our products to hospitals and medical centers primarily in the United States. No customer represented 10% or more of our accounts receivable as of September 30, 2021.

Foreign Currency Risk

Our business is currently primarily conducted in U.S. dollar. Any transactions that may be conducted in foreign currencies are not expected to have a material effect on our results of operations, financial position or cash flows. As we expand internationally, our results of operations and cash flows may become increasingly subject to fluctuations due to changes in foreign currency exchange rates.

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of September 30, 2021, our disclosure controls and procedures were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Control Over Financial Reporting

There were no other changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on effectiveness of controls and procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any control and procedure, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

We are not subject to any material legal proceedings.

Item 1A. Risk Factors.

For a discussion of our potential risks and uncertainties, see the information in Part I, "Part I, Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2020 and Part II, "Part II, Item 1A, Risk Factors" in our Quarterly Report on Form 10-Q for the three months ended March 31, 2021. There have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020 or Quarterly Report on Form 10-Q for the three months ended March 31, 2021.

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

Sales of Unregistered Securities.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable

Item 5. Other Information.

None.

Item 6. Exhibits.

Incorporated by reference

Exhibit Number	Description	Form	Incorporated by reference		
			File Number	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation	8-K	001-39293	3.1	5/28/2020
3.2	Amended and Restated Bylaws	8-K	001-39293	3.2	5/28/2020
31.1	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				<i>Filed here within</i>
31.2	Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				<i>Filed here within</i>
32.1†	Certifications 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.				<i>Furnished here within</i>
32.2†	Certifications 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.				<i>Furnished here within</i>
101.INS	Inline XBRL Instance Document - The instance document does not appear in the interactive data file because its EBRL tags are embedded within the inline XBRL document.				<i>Filed here within</i>
101.SCH	Inline XBRL Taxonomy Extension Schema Document				<i>Filed here within</i>
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				<i>Filed here within</i>
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				<i>Filed here within</i>
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				<i>Filed here within</i>
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				<i>Filed here within</i>
104	Cover Page with Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).				

† The certifications attached as Exhibit 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are deemed furnished and not filed with the U.S. Securities and Exchange Commission and are not to be incorporated by reference into any filing of Inari Medical, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mitchell Hill, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Inari Medical, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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) 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
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2021

By: _____ /s/ Mitchell Hill
Mitchell Hill
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

**CERTIFICATION 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 Inari Medical, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (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 result of operations of the Company.

Date: November 9, 2021

By: _____ /s/ William Hoffman

William Hoffman
Chief Executive Officer and President
(Principal Executive Officer)

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

**CERTIFICATION 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 Inari Medical, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (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 result of operations of the Company.

Date: November 9, 2021

By: _____ /s/ Mitchell Hill

Mitchell Hill
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

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