

August 1, 2017



## Second Sight Reports Second Quarter 2017 Financial Results

SYLMAR, Calif.--(BUSINESS WIRE)-- Second Sight Medical Products, Inc. (NASDAQ: EYES) ("Second Sight" or "the Company"), a developer, manufacturer and marketer of implantable visual prosthetics to provide useful vision to blind patients, today reported financial results for the three- and six-month periods ended June 30, 2017.

### Recent Company Highlights:

- Generated net sales of \$2.2 million in the second quarter of 2017 compared to \$1.0 million in the second quarter of 2016;
- Increased implant volume to 19 Argus® II Retinal Prosthesis Systems (Argus II) during the second quarter of 2017, compared to 14 in the first quarter of 2017 and 11 in the second quarter of 2016;
- Submitted an Investigational Device Exemption (IDE) application to the FDA in mid-July seeking approval to conduct a feasibility study of the Orion™ Visual Cortical Prosthesis System (Orion) treating up to five human subjects;
- Expanded U.S. reimbursement coverage with the decision by Novitas authorizing coverage for medically necessary Argus II outpatient procedures. Novitas is the largest Medicare Administrative Contractor (MAC) in the U.S. with jurisdictions in 11 states and the District of Columbia, representing almost 80 million people;
- Performed the first Argus II implant at a center in Boston, Massachusetts, which represents our first Center of Excellence in the Northeastern U.S.; and,
- Continued the expansion of our global footprint with market entry into South Korea and Russia in the second quarter of 2017.

"We are encouraged by the momentum in the business and pleased with our second quarter results, including our expanded Medicare coverage and the submission of the Orion IDE to the FDA requesting approval to begin human trials. The Novitas decision authorizing coverage for medically necessary Argus procedures significantly expands the Company's total coverage area by almost 50% in the U.S. to include 28 states, two territories, and the District of Columbia," stated Will McGuire, President and Chief Executive Officer of Second Sight.

"We are also pleased to have opened our first center in the Northeastern U.S., where we have Medicare coverage and access to a significant patient population. We expect to open additional centers in this region later this year and are excited about the opportunity for growth. Lastly, the Orion IDE submission to the FDA is an important milestone as we

advance a technology that could provide useful vision to millions of people with no option today," McGuire added.

## **Second Quarter 2017 Financial Results**

Total revenue was \$2.2 million for the second quarter of 2017, compared with \$1.0 million in the second quarter of 2016. The higher revenue is mainly due to the increase in implant volume and the higher CMS U.S. reimbursement rate available in 2017.

Gross profit was \$1.1 million in the second quarter of 2017, compared to a \$2.2 million gross loss in the second quarter of 2016. Gross profit in the second quarter of 2017 included a credit of \$743,000 to partially reverse for a previously established reserve for slow-moving inventory as implant volume rebounded. The gross loss for the second quarter of 2016 included a reserve for slow-moving inventory of \$1.5 million.

Total operating expenses in the second quarter of 2017 were \$8.0 million, compared to \$6.3 million in the second quarter of 2016, reflecting higher personnel and consulting costs related to the Company's development and commercial efforts. Grant revenue, which is used to offset research and development costs, also declined by \$682,000 in the second quarter of 2017 compared to the second quarter of 2016, due to a grant that was fully utilized by the end of the first quarter of 2017 and provided no benefit in the second quarter of 2017.

Net loss for the second quarter of 2017 was \$6.8 million, or \$0.12 per share, compared to a net loss of \$8.5 million, or \$0.23 per share, in the prior year quarter. The Company recorded net non-cash charges of \$0.3 million and \$2.3 million during the second quarters of 2017 and 2016, respectively.

The non-GAAP adjusted net loss for the second quarter of 2017, excluding non-cash charges, was \$6.6 million, or \$0.12 per share, compared with a non-GAAP adjusted net loss of \$6.2 million, or \$0.17 per share in the second quarter of 2016.

## **Six Months Ended June 30, 2017 and 2016 Financial Results**

For the six months ended June 30, 2017, total revenue was \$3.2 million compared to \$2.1 million in 2016. This increase is mainly due to the higher implant levels and U.S. reimbursements rates in 2017 compared to the prior year.

Gross profit in first six months of 2017 was \$1.0 million, versus a gross loss of \$2.1 million in 2016. Gross profit for the first six months of 2017 included a credit of \$1.5 million to partially reverse for a previously established reserve for slow-moving inventory as implant volume rebounded. The gross loss for the first half of 2016 included a reserve for slow-moving inventory of \$1.5 million.

Total operating expenses during the first six months of 2017 were \$15.4 million versus \$12.3 million during the same period in 2016. This increase is primarily due to higher costs for compensation and outside consultants as the Company increased its commercial and development activities. Grant revenue, which is used to offset research and development costs, also declined by \$1.1 million in the first half of 2017, due to a grant that was fully utilized by the end of first quarter of 2017, and provided minimal expense offset in the first half of 2017 compared to the first half of 2016.

Operating loss in the first half of 2017 was \$14.4 million, compared to an operating loss of \$14.3 million in the comparable 2016 period.

Net loss for the six months ended June 30, 2017 was \$14.4 million, or \$0.28 per share, compared with a net loss of \$14.3 million, or \$0.39 per share in the prior year period. The non-GAAP adjusted net loss for the six months ended June 30, 2017, excluding non-cash expenses, was \$13.8 million, or a loss of \$0.27 per share, compared with a non-GAAP adjusted net loss of \$11.0 million, or \$0.30 per share in the prior year period.

## **2017 Key Objectives**

- Validate revised Centers of Excellence commercial model in U.S. in order to demonstrate adoption
- Implant Orion in humans, creating the opportunity to treat up to six million blind individuals worldwide who today have no options
- Demonstrate the ability to treat better-sighted Retinitis Pigmentosa (RP) patients in order to expand our treatable population beyond bare light RP

## **Conference Call**

As previously announced, Second Sight management will host its second quarter 2017 conference call as follows:

Date	August 1, 2017
Time	4:30 PM EDT
Telephone U.S.:	(888) 225-7848
International:	(303) 223-2685

Webcast (live and archive) [www.secondsight.com](http://www.secondsight.com) under the 'Investor Relations' section.

A replay of the conference call will be available for two weeks after the call's completion by dialing (800) 633-8284 (U.S.) or (402) 977-9140 (International). The conference ID for the replay is 21855626. The archived webcast will be available for 30 days via the aforementioned URL.

## **About the Argus II Retinal Prosthesis System**

Second Sight's Argus II System provides electrical stimulation that bypasses the defunct retinal cells and stimulates remaining viable cells inducing visual perception in individuals with severe to profound Retinitis Pigmentosa. The Argus II works by converting images captured by a miniature video camera mounted on the patient's glasses into a series of small electrical pulses, which are transmitted wirelessly to an array of electrodes implanted on the surface of the retina. These pulses stimulate the retina's remaining cells, intending to result in the perception of patterns of light in the brain. The patient must learn to interpret these visual patterns, having the potential to regain some visual function. The Argus II was the first artificial retina to receive widespread approval, and is offered at approved centers in Canada, France, Germany, Italy, Russia, Saudi Arabia, South Korea, Spain, Taiwan, Turkey, United Kingdom, and the U.S.

## **About Second Sight**

Second Sight's mission is to develop, manufacture and market innovative implantable visual prosthetics to enable blind individuals to achieve greater independence. Second Sight has developed and now manufactures and markets the Argus® II Retinal Prosthesis System. Enrollment has been completed in a feasibility trial to test the safety and utility of the Argus II in individuals with Dry Age-Related Macular Degeneration. Second Sight is also developing the Orion™ Visual Cortical Prosthesis to restore some vision to individuals who are blind due to causes other than preventable or treatable conditions. U.S. Headquarters are in Sylmar, California, and European Headquarters are in Lausanne, Switzerland. For more information, visit [www.secondsight.com](http://www.secondsight.com).

## **Safe Harbor**

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange and Exchange Act of 1934, as amended, which are intended to be covered by the "safe harbor" created by those sections. All statements in this release that are not based on historical fact are "forward looking statements." These statements may be identified by words such as "estimates," "anticipates," "projects," "plans," or "planned," "seeks," "may," "will," "expects," "intends," "believes," "should" and similar expressions or the negative versions thereof and which also may be identified by their context. All statements that address operating performance or events or developments that Second Sight expects or anticipates will occur in the future are forward-looking statements. While management has based any forward looking statements included in this release on its current expectations, the information on which such expectations were based may change. Forward-looking statements involve inherent risks and uncertainties which could cause actual results to differ materially from those in the forward-looking statements, as a result of various factors including those risks and uncertainties described in the Risk Factors and in Management's Discussion and Analysis of Financial Condition and Results of Operations sections of our Annual Report on Form 10-K as filed on March 16, 2017, and our other reports filed from time to time with the Securities and Exchange Commission. We urge you to consider those risks and uncertainties in evaluating our forward-looking statements. We caution readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. Except as otherwise required by the federal securities laws, we disclaim any obligation or undertaking to publicly release any updates or revisions to any forward-looking statement contained herein (or elsewhere) to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

## **Reconciliation to Non-GAAP Financial Measures**

In addition to reporting all financial information required in accordance with generally accepted accounting principles (GAAP), the Company is also reporting Non-GAAP net loss and Non-GAAP net loss per share which are non-GAAP financial measures. Non-GAAP net loss and Non-GAAP net loss per share are not measurements of financial performance under GAAP and should not be used in isolation or as a substitute or alternative to net income, operating income or any other performance measure derived in accordance with GAAP, or as a substitute or alternative to cash flow from operating activities or a measure of the Company's liquidity. In addition, the Company's definition of Non-GAAP net loss and Non-GAAP net loss per share may not be comparable to similarly titled non-GAAP financial

measures reported by other companies. Non-GAAP net loss and Non-GAAP net loss per share, as defined by the Company, represent net loss adjusted for non-cash stock-based compensation and a reserve for excess inventory. Management believes that these non-GAAP financial measures provide useful supplemental information regarding the performance of the Company's business operations and facilitates comparisons to the Company's historical operating results. For a full reconciliation of Non-GAAP net loss to the most comparable GAAP financial measures, please see the tables at the end of this press release.

*Financial Tables Follow*

**SECOND SIGHT MEDICAL PRODUCTS, INC.  
AND SUBSIDIARY**

**Condensed Consolidated Balance Sheets**  
(in thousands)

	June 30, 2017 <u>(unaudited)</u>	December 31, 2016 <u></u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 763	\$ 539
Money market funds	17,366	10,336
Accounts receivable, net	926	274
Inventories, net	3,052	3,416
Prepaid expenses and other current assets	<u>702</u>	<u>717</u>
Total current assets	22,809	15,282
Property and equipment, net	1,414	1,489
Deposits and other assets	<u>44</u>	<u>39</u>
Total assets	<u>\$ 24,267</u>	<u>\$ 16,810</u>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 558	\$ 1,156
Accrued expenses	2,304	2,088
Accrued compensation expenses	1,823	1,600
Accrued clinical trial expenses	632	629
Deferred revenue	147	85
Deferred grant revenue	<u>-</u>	<u>104</u>
Total current liabilities	5,464	5,662
Commitments and contingencies		
Stockholders' equity	<u>18,803</u>	<u>11,148</u>
Total liabilities and stockholders' equity	<u>\$ 24,267</u>	<u>\$ 16,810</u>

**SECOND SIGHT MEDICAL PRODUCTS, INC.  
AND SUBSIDIARY**

**Condensed Consolidated Statements of Operations**

(in thousands, except per share data)  
(unaudited)

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Net sales	\$ 2,236	\$ 1,037	\$ 3,245	\$ 2,090
Cost of sales	1,127	3,241	2,254	4,153
Gross profit (loss)	1,109	(2,204)	991	(2,063)
Operating expenses:				
Research and development, net of grants	1,949	916	3,796	1,678
Clinical and regulatory	684	568	1,298	1,346
Selling and marketing	2,447	2,199	4,682	4,211
General and administrative	2,901	2,620	5,642	5,030
Total operating expenses	7,981	6,303	15,418	12,265
Loss from operations	(6,872)	(8,507)	(14,427)	(14,328)
Interest and other income, net	29	3	36	8
Net loss	<u>\$ (6,843)</u>	<u>\$ (8,504)</u>	<u>\$ (14,391)</u>	<u>\$ (14,320)</u>
Net loss per common share – basic and diluted	<u>\$ (0.12)</u>	<u>\$ (0.23)</u>	<u>\$ (0.28)</u>	<u>\$ (0.39)</u>
Weighted average shares outstanding – basic and diluted	<u>56,513</u>	<u>37,540</u>	<u>51,380</u>	<u>36,756</u>

**SECOND SIGHT MEDICAL PRODUCTS, INC.  
AND SUBSIDIARY**

**Reconciliation of Non-GAAP Information to Most Comparable GAAP Measures**

(in thousands, except per share data)  
(unaudited)

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Net loss	\$ (6,843)	\$ (8,504)	\$ (14,391)	\$ (14,320)
Add back non-cash charges:				
Stock-based compensation	1,000	802	2,046	1,823
Excess inventory reserve	(743)	1,505	(1,456)	1,505
Non GAAP net loss	<u>\$ (6,586)</u>	<u>\$ (6,197)</u>	<u>\$ (13,801)</u>	<u>\$ (10,992)</u>
Net loss per share	\$ (0.12)	\$ (0.23)	\$ (0.28)	\$ (0.39)
Add back non-cash charges:				
Stock-based compensation	0.01	0.02	0.04	0.05
Excess inventory reserve	(0.01)	0.04	(0.03)	0.04
Non GAAP net loss per share	<u>\$ (0.12)</u>	<u>\$ (0.17)</u>	<u>\$ (0.27)</u>	<u>\$ (0.30)</u>

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Source: Second Sight Medical Products, Inc.