UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 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, 2020

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: 001-36709

SIENTRA, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**20-5551000**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
420 South Fairview Avenue, Suite 200 Santa Barbara, California	**93117**
(Address of Principal Executive Offices)	(Zip Code)

(805) 562-3500
(Registrant's Telephone Number, Including Area Code)

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

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock, par value $0.01 per share	SIEN	The Nasdaq Stock Market LLC

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

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

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☐

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

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

As of November 2, 2020, the number of outstanding shares of the registrant's common stock, par value $0.01 per share, was 50,454,122.

SIENTRA, INC.

FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2020

TABLE OF CONTENTS

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SIENTRA, INC.
Condensed Consolidated Balance Sheets
(In thousands, except per share and share amounts)
(Unaudited)

	September 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 63,483	$ 87,608
Accounts receivable, net of allowances of $4,893 and $3,835 at September 30, 2020 and December 31, 2019, respectively	23,637	27,548
Inventories, net	48,467	39,612
Prepaid expenses and other current assets	2,113	2,489
Total current assets	137,700	157,257
Property and equipment, net	12,742	12,314
Goodwill	9,202	9,202
Other intangible assets, net	9,719	17,390
Other assets	8,441	8,241
Total assets	$ 177,804	$ 204,404
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	$ 928	$ 6,508
Accounts payable	4,071	9,352
Accrued and other current liabilities	26,679	32,551
Customer deposits	15,490	13,943
Sales return liability	10,079	8,116
Total current liabilities	57,247	70,470
Long-term debt	63,330	38,248
Derivative liability	24,520	—
Deferred and contingent consideration	5,342	5,177
Warranty reserve and other long-term liabilities	9,281	8,627
Total liabilities	159,720	122,522
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Preferred stock, $0.01 par value – Authorized 10,000,000 shares; none issued or outstanding	—	—
Common stock, $0.01 par value — Authorized 200,000,000 shares; issued 50,507,635 and 49,612,907 and outstanding 50,434,908 and 49,540,180 shares at September 30, 2020 and December 31, 2019, respectively	504	495
Additional paid-in capital	555,465	550,562
Treasury stock, at cost (72,727 shares at September 30, 2020 and December 31, 2019)	(260)	(260)
Accumulated deficit	(537,625)	(468,915)
Total stockholders' equity	18,084	81,882
Total liabilities and stockholders' equity	$ 177,804	$ 204,404

See accompanying notes to condensed consolidated financial statements.

SIENTRA, INC.
Condensed Consolidated Statements of Operations
(In thousands, except per share and share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net sales	$ 19,217	$ 22,412	48,597	60,489
Cost of goods sold	8,391	9,754	20,733	24,041
Gross profit	10,826	12,658	27,864	36,448
Operating expenses:				
Sales and marketing	12,872	18,668	37,614	60,987
Research and development	2,060	3,201	7,747	9,526
General and administrative	10,238	12,249	27,500	37,538
Restructuring	(386)	—	1,849	—
Impairment	—	—	6,432	12,674
Total operating expenses	24,784	34,118	81,142	120,725
Loss from operations	(13,958)	(21,460)	(53,278)	(84,277)
Other income (expense), net:				
Interest income	5	510	203	1,083
Interest expense	(2,059)	(1,344)	(7,289)	(3,276)
Change in fair value of derivative liability	10,090	—	(8,420)	—
Other income (expense), net	101	(139)	74	(101)
Total other income (expense), net	8,137	(973)	(15,432)	(2,294)
Loss before income taxes	(5,821)	(22,433)	(68,710)	(86,571)
Income tax	—	—	—	—
Net loss	$ (5,821)	$ (22,433)	(68,710)	(86,571)
Basic and diluted net loss per share attributable to common stockholders	$ (0.12)	$ (0.45)	(1.37)	(2.30)
Weighted average outstanding common shares used for net loss per share attributable to common stockholders:				
Basic and diluted	50,394,858	49,401,094	50,155,623	37,671,215

See accompanying notes to condensed consolidated financial statements.

SIENTRA, INC.
Condensed Consolidated Statement of Stockholders' Equity
(In thousands, except share amounts)
(Unaudited)

	Preferred stock		Common stock		Treasury stock		Additional paid-in capital	Accumulated deficit	Total stockholders' equity
	Shares	Amount	Shares	Amount	Shares	Amount			
Balances at December 31, 2018	—	$ —	28,701,494	$ 286	72,727	$ (260)	$ 428,949	$ (362,097)	$ 66,878
Stock-based compensation	—	—	—	—	—	—	3,772	—	3,772
Stock option exercises			45,453	—	—	—	106	—	106
Employee stock purchase program (ESPP)	—	—	68,899	1	—	—	682	—	683
Vested restricted stock	—	—	671,245	7	—	—	(7)	—	—
Shares withheld for tax obligations on vested RSUs	—	—	(212,714)	(2)	—	—	(2,723)	—	(2,725)
Net loss	—	—	—	—	—	—	—	(26,484)	(26,484)
Balances at March 31, 2019	—	—	29,274,377	$ 292	72,727	$ (260)	$ 430,779	$ (388,581)	$ 42,230
Proceeds from follow-on offering, net of costs	—	—	20,000,000	200	—	—	107,534	—	107,734
Stock-based compensation	—	—	—	—	—	—	2,963	—	2,963
Vested restricted stock	—	—	88,454	1	—	—	(1)	—	—
Shares withheld for tax obligations on vested RSUs	—	—	(12,565)	—	—	—	(100)	—	(100)
Net loss	—	—	—	—	—	—	—	(37,654)	(37,654)
Balances at June 30, 2019	—	$ —	49,350,266	$ 493	72,727	$ (260)	$ 541,175	$ (426,235)	$ 115,173
Stock-based compensation	—	—	—	—	—	—	3,115	—	3,115
Stock option exercises	—	—	3,271	—	—	—	9	—	9
Employee stock purchase program (ESPP)	—	—	106,725	1	—	—	533	—	534
Vested restricted stock	—	—	92,676	1	—	—	(1)	—	—
Shares withheld for tax obligations on vested RSUs	—	—	(18,524)	—	—	—	(131)	—	(131)
Net loss	—	—	—	—	—	—	—	(22,433)	(22,433)
Balances at September 30, 2019	—	$ —	49,534,414	$ 495	72,727	$ (260)	$ 544,700	$ (448,668)	$ 96,267

	Preferred stock		Common stock		Treasury stock		Additional paid-in capital	Accumulated deficit	Total stockholders' equity
	Shares	Amount	Shares	Amount	Shares	Amount			
Balances at December 31, 2019	—	$ —	49,612,907	$ 495	72,727	$ (260)	$ 550,562	$ (468,915)	$ 81,882
Issuance of common stock through ATM	—	—	37,000	1	—	—	263	—	264
Stock-based compensation	—	—	—	—	—	—	2,000	—	2,000
Employee stock purchase program (ESPP)	—	—	113,615	1	—	—	533	—	534
Vested restricted stock	—	—	472,914	5	—	—	(5)	—	—
Shares withheld for tax obligations on vested RSUs	—	—	(157,412)	(2)	—	—	(1,199)	—	(1,201)
Net loss	—	—	—	—	—	—	—	(28,612)	(28,612)
Balances at March 31, 2020	—	—	50,079,024	$ 500	72,727	$ (260)	$ 552,154	$ (497,527)	$ 54,867
Stock-based compensation	—	—	—	—	—	—	1,718	—	1,718
Stock option exercises	—	—	5,454	—	—	—	13	—	13
Employee stock purchase program (ESPP)	—	—	(1,012)	—	—	—	(5)	—	(5)
Vested restricted stock	—	—	363,795	4	—	—	(4)	—	—
Shares withheld for tax obligations on vested RSUs	—	—	(91,529)	(1)	—	—	(226)	—	(227)
Net loss	—	—	—	—	—	—	—	(34,277)	(34,277)
Balances at June 30, 2020	—	$ —	50,355,732	$ 503	72,727	$ (260)	$ 553,650	$ (531,804)	$ 22,089
Stock-based compensation	—	—	—	—	—	—	1,574	—	1,574
Stock option exercises	—	—	727	—	—	—	3	—	3
Employee stock purchase program (ESPP)	—	—	91,125	1	—	—	306	—	307
Vested restricted stock	—	—	85,255	1	—	—	(1)	—	—
Shares withheld for tax obligations on vested RSUs	—	—	(25,204)	(1)	—	—	(67)	—	(68)
Net loss	—	—	—	—	—	—	—	(5,821)	(5,821)
Balances at September 30, 2020	—	$ —	50,507,635	$ 504	72,727	$ (260)	$ 555,465	$ (537,625)	$ 18,084

See accompanying notes to condensed consolidated financial statements.

SIENTRA, INC.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2020	**2019**
Cash flows from operating activities:		
Net loss	$ (68,710)	$ (86,571)
Adjustments to reconcile net loss to net cash used in operating activities		
Impairment	6,432	12,674
Depreciation and amortization	2,996	2,538
Provision for doubtful accounts	4,665	1,804
Provision for warranties	711	843
Provision for inventory	1,774	2,209
Fair value adjustments to derivative liability	8,420	—
Fair value adjustments of other liabilities held at fair value	29	480
Amortization of debt discount and issuance costs	3,430	223
Stock-based compensation expense	5,465	9,681
Payments of contingent consideration liability in excess of acquisition-date fair value	—	(1,968)
Other non-cash adjustments	198	181
Changes in operating assets and liabilities:		
Accounts receivable	(720)	(4,068)
Inventories	(10,801)	(8,329)
Prepaid expenses, other current assets and other assets	537	2,735
Accounts payable, accrueds, and other liabilities	(10,642)	(8,790)
Customer deposits	1,547	1,750
Sales return liability	1,930	1,515
Legal settlement payable	—	(410)
Net cash used in operating activities	(52,739)	(73,503)
Cash flows from investing activities:		
Purchase of property and equipment	(3,192)	(3,180)
Net cash used in investing activities	(3,192)	(3,180)
Cash flows from financing activities:		
Proceeds from option exercises and employee stock purchase plan	852	1,332
Net proceeds from issuance of common stock	264	107,734
Tax payments related to shares withheld for vested restricted stock units (RSUs)	(1,496)	(2,956)
Gross borrowings under the Term Loan	—	5,000
Repayments under the Term Loan	(25,000)	—
Gross borrowings under the PPP loan	6,652	—
Gross borrowings under the Revolving Loan	—	15,788
Repayment of the Revolving Loan	(6,508)	(8,436)
Net proceeds from issuance of the Convertible Note	60,000	—
Payments of contingent consideration up to acquisition-date fair value	—	(5,766)
Deferred financing costs	(2,958)	(1,997)
Net cash provided by financing activities	31,806	110,699
Net increase (decrease) in cash, cash equivalents and restricted cash	(24,125)	34,016
Cash, cash equivalents and restricted cash at:		
Beginning of period	87,951	87,242
End of period	$ 63,826	$ 121,258
Reconciliation of cash, cash equivalents, and restricted cash to the consolidated balance sheets		
Cash and cash equivalents	$ 63,483	$ 120,915
Restricted cash included in other assets	343	343
Total cash, cash equivalents and restricted cash	$ 63,826	$ 121,258
Supplemental disclosure of cash flow information:		
Interest paid	$ 3,781	$ 3,015
Supplemental disclosure of non-cash investing and financing activities:		
Property and equipment in accounts payable and accrued liabilities	$ 114	$ 1,113

See accompanying notes to condensed consolidated financial statements.

1. Summary of Significant Accounting Policies

a. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Sientra, Inc. ("Sientra", the "Company", "we", "our", or "us") in this Quarterly Report on Form 10-Q have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, and the rules and regulations of the U.S. Securities and Exchange Commission, or SEC. Accordingly, they do not include certain footnotes and financial presentations normally required under accounting principles generally accepted in the United States of America for complete financial reporting. The interim financial information is unaudited, but reflects all normal adjustments and accruals which are, in the opinion of management, considered necessary to provide a fair presentation for the interim periods presented. The accompanying condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019 filed with the SEC on March 16, 2020, or the Annual Report. The results for the three and nine months ended September 30, 2020 are not necessarily indicative of results to be expected for the year ending December 31, 2020, any other interim periods, or any future year or period.

b. Liquidity

Since the Company's inception, it has incurred significant net operating losses and the Company anticipates that losses will continue in the near term. Although the Company expects its operating expenses will begin to decrease with the implementation of the organizational efficiency initiative announced on November 7, 2019, and other measures introduced as announced in the Company's filing on Form 8-K on April 7, 2020, the Company will need to generate significant net sales to achieve profitability. To date, the Company has funded operations primarily with proceeds from the sales of preferred stock, borrowings under term loans and the convertible note, sales of products since 2012, and the proceeds from the sale of common stock in public offerings. The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The continuation of the Company as a going concern is dependent upon many factors including liquidity and the ability to raise capital.

During the nine months ended September 30, 2020, the Company sold 37,000 shares of its common stock under the At-The-Market Equity Offering Sales Agreement with Stifel, Nicolaus & Company, Incorporated, or Stifel, as sales agent pursuant to which the Company may sell, from time to time, through Stifel, shares of common stock having an aggregate gross offering price of up to $50.0 million. The sales of common stock resulted in net proceeds after commissions of approximately $0.3 million.

On March 11, 2020, the Company entered into a facility agreement with Deerfield Partners, L.P., issuing $60.0 million in principal amount of 4.0% unsecured and subordinated convertible notes upon the terms and conditions set forth in the facility agreement. Further on May 11, 2020, the Company amended certain credit agreements with Midcap Financial Trust pursuant to which the Company repaid certain amounts of its existing indebtedness. See Note 10 – Debt for further discussion.

As of September 30, 2020, the Company had cash and cash equivalents of $63.5 million. The Company believes that its cash and cash equivalents will be sufficient to fund its operations for at least the next 12 months. To fund ongoing operating and capital needs, the Company may need to raise additional capital in the future through the sale of equity securities and incremental debt financing.

c. Use of Estimates

The preparation of the condensed consolidated financial statements, in conformity with 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 condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

d. Recent Accounting Pronouncements

Recently Adopted Accounting Standards

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) - Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement.* The amendment modifies, removes, and adds certain disclosure requirements on fair value measurements. The ASU is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption was permitted. The Company adopted the applicable amendments within ASU 2018-13 prospectively in the first quarter of 2020 and there was no material impact on its condensed consolidated financial statements from the adoption.

In August 2018, the FASB issued 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 amendment aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by the amendment. The ASU is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2019. Early adoption was permitted. The Company adopted ASU 2018-15 prospectively in the first quarter of 2020 and there was no material impact on its condensed consolidated financial statements from the adoption.

Recently Issued Accounting Standards

In August 2020, the FASB issued ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. The amendment eliminates certain accounting models and simplifies the accounting for convertible instruments and enhances disclosures for convertible instruments and earnings per share. The amendments are effective for public entities excluding smaller reporting companies for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023 including interim periods within those fiscal years and early adoption is permitted. The Company is currently evaluating the impact that adoption of the standard will have on the consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848)-Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The amendment provides optional expedients and exceptions for contract modifications that replace a reference rate affected by reference rate reform. The amendments are effective for all entities as of March 12, 2020 through December 31, 2022, and entities may elect to apply by Topic as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the financial statements are available to be issued. The Company is currently evaluating the impact the election of the optional expedient will have on the consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The amendment removes certain exceptions for recognizing deferred taxes for investments, performing intraperiod allocation, and calculating income taxes in interim periods. The amendment also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. The ASU is effective for annual and interim periods in fiscal years beginning after December 15, 2020. Early adoption is permitted. The Company is currently evaluating the impact that adoption of the standard will have on the consolidated financial statements.

e. Risks and Uncertainties

The rapid, global spread of COVID-19 has resulted in significant economic uncertainty, significant declines in business and consumer confidence and global demand in the non-essential healthcare industry (among others), a global economic slowdown, and could lead to a global recession. The Company is subject to risks and uncertainties as a result of the COVID-19 pandemic. The full extent to which the COVID-19 pandemic will directly or indirectly impact the Company's business, results of operations and financial condition, including sales, expenses, reserves and allowances, manufacturing, and employee-related amounts, will depend on future developments that are highly uncertain. The Company continues to monitor and assess new information related to the COVID-19 pandemic, the actions taken to contain or treat COVID-19, as well as the economic impact on local, regional, national and international customers and markets.

As an aesthetics company, surgical procedures involving the Company's products are susceptible to local and national government restrictions, such as social distancing, "shelter in place" orders and business closures, due to the economic and logistical impacts these measures have on consumer demand as well as the practitioners' ability to administer such procedures. The inability or limited ability to perform such non-emergency procedures significantly harmed the Company's revenues during the three months ended June 30, 2020 and continued to harm the Company's revenues during the three months ended September 30, 2020. While some states have lifted certain restrictions on non-emergency procedures during the three months ended September 30, 2020, the Company will likely continue to experience future harm to its revenues while existing or new restrictions remain in place.

Further, the spread of COVID-19 has caused the Company to modify workforce practices, and the Company may take further actions determined to be in the best interests of the Company's employees or as required by governments. In addition, capital markets and economies worldwide have also been negatively impacted by the COVID-19 pandemic, and it is possible that this can lead to a local and/or global economic recession, which may result in further harm to the aesthetics market. Such economic disruption could adversely affect the Company's

business. The continued spread of COVID-19, or another infectious disease, could also result in delays or disruptions in the Company's supply chain or adversely affect the Company's manufacturing facilities and personnel. Further, trade and/or national security protection policies may be adjusted as a result of the COVID-19 pandemic, such as actions by governments that limit, restrict or prevent the movement of certain goods into a country and/or region, and current U.S./China trade relations may be further exacerbated by the pandemic.

The estimates used for, but not limited to, determining the collectability of accounts receivable, fair value of long-lived assets and goodwill, and sales returns liability required could be impacted by the pandemic. While the full impact of COVID-19 is unknown at this time, the Company has made appropriate estimates based on the facts and circumstances available as of the reporting date. These estimates may change as new events occur and additional information is obtained.

f. Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

2. Restructuring

On November 7, 2019, the Company announced an organizational efficiency initiative, or the Plan, designed to reduce spending and simplify operations. Under the Plan, the Company is implementing numerous initiatives to reduce spending, including closing the Santa Clara offices of miraDry, Inc. and consolidating a number of business support services via a shared services organization at the Company's Santa Barbara headquarters.

Under the Plan, the Company intends to reduce its workforce by terminating approximately 70 employees. The Company expects to incur total charges of approximately $2.5 million in connection with one-time employee termination costs, retention costs and other benefits. In addition, the Company expects to incur estimated charges of approximately $0.5 million related to duplicate operating costs and other associated costs. In total, the Plan is estimated to cost approximately $3.0 million, excluding non-cash charges, with related cash payments expected to be substantially paid out with cash on hand by the end of 2020.

The following table details the amount of the liabilities related to the Plan included in "Accrued and other current liabilities" in the condensed consolidated balance sheet as of September 30, 2020 (amounts in thousands):

	Severance costs	Other associated costs	Duplicate operating costs
Balance at December 31, 2019	$ 894	$ —	$ —
Costs charged to expense	1,467	208	174
Costs paid or otherwise settled	(1,995)	(208)	(174)
Balance at September 30, 2020	$ 366	$ —	$ —

The following table details the charges by reportable segment, recorded in "Restructuring" under operating expenses in the condensed consolidated statements of operations for the nine months ended September 30, 2020 (amounts in thousands):

	Year Ended December 31, 2019	Nine Months Ended September 30, 2020	Cumulative Restructuring Charges
Breast Products	$ 499	$ 389	$ 888
miraDry	584	1,460	2,044
Total	$ 1,083	$ 1,849	$ 2,932

The Company anticipates incurring approximately $0.1 million of additional restructuring costs during the remainder of 2020 attributable to the miraDry segment. As the development of the Plan is completed, the Company will update its costs by reportable segment as needed.

3. Revenue

Revenue Recognition

The Company generates revenue primarily through the sale and delivery of promised goods or services to customers and recognizes revenue when control is transferred to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for the goods or services.

Performance obligations typically include the delivery of promised products, such as breast implants, tissue expanders, BIOCORNEUM, miraDry Systems and bioTips, along with service-type warranties and deliverables under certain marketing programs. Other deliverables may be promised but are ancillary and insignificant in the context of the contract as a whole. For delivery of promised products, control transfers and revenue is recognized upon shipment, unless the contractual arrangement requires transfer of control when products reach their destination, for which revenue is recognized once the product arrives at its destination. Revenue for service warranties are recognized ratably over the term of the agreements, and revenue related to marketing program deliverables are recognized upon delivery of the marketing product or performance of the service.

The liability for unsatisfied performance obligations under the service warranty and deliverables under certain marketing programs as of September 30, 2020 were as follows:

	Nine Months Ended September 30, 2020
Balance as of December 31, 2019	$ 2,089
Additions and adjustments	2,077
Revenue recognized	(1,389)
Balance as of September 30, 2020	$ 2,777

4. Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, customer deposits and sales return liability are reasonable estimates of their fair value because of the short maturity of these items. The fair value of the common stock warrant liability, contingent consideration, and the convertible feature related to the convertible note are discussed in Note 5. The fair value of debt is based on the amount of future cash flows associated with the instrument discounted using the Company's estimated market rate. As of September 30, 2020, the carrying value of the long-term debt and convertible note was not materially different from the fair value.

5. Fair Value Measurements

Certain assets and liabilities are carried at fair value under GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.

- Level 2 — Observable inputs (other than Level 1 quoted prices) such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.

- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

Common Stock Warrants

The Company's common stock warrant liabilities are carried at fair value determined according to the fair value hierarchy described above. The Company has utilized an option pricing valuation model to determine the fair value of its outstanding common stock warrant liabilities. The inputs to the model include fair value of the common stock related to the warrant, exercise price of the warrant, expected term, expected volatility, risk-free interest rate and dividend yield. The warrants are valued using the fair value of common stock as of the measurement date. The Company estimates its expected stock volatility based on company-specific historical and implied volatility information of its stock. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve for time periods approximately equal to the remaining contractual term of the warrants. The Company has estimated a 0% dividend yield based on the expected dividend yield and the fact that the Company has never paid or declared dividends. As of September 30, 2020, the fair value of the warrants was immaterial as a result of the decline in the Company's stock price.

Contingent Consideration

The Company assessed the fair value of the contingent consideration for future royalty payments related to the acquisition of BIOCORNEUM and the contingent consideration for the future milestone payments related to the acquisition of miraDry using a Monte-Carlo simulation model. The contingent consideration related to the acquisition of BIOCORNEUM consist of royalty obligations based on future net sales for a defined term, beginning in 2024. The significant assumption utilized in the fair value measurement was the revenue discount rate, which was 20.0%. The contingent consideration for future milestone payments related to the acquisition of miraDry is based on the timing of achievement of target net sales, which is estimated based on an internal management forecast. The significant assumption utilized in the fair value measurement was the miraDry company discount rate, which was 11.2%. As these inputs are not observable, the overall fair value measurement of the contingent consideration is classified as Level 3. During the nine months ended September 30, 2020, the total change in the fair value of contingent consideration was $0.1 million and no settlements were recorded.

Convertible note conversion feature

The Company assesses on a quarterly basis the fair value of the conversion feature related to the convertible note due in 2025. The conversion feature was bifurcated and recorded as a derivative liability on the condensed consolidated balance sheet with a corresponding discount at the date of issuance that is netted against the principal amount of the note. The Company utilizes a binomial lattice method to determine the fair value of the conversion feature, which utilizes inputs including the common stock price, volatility of common stock, the risk-free interest rate and the probability of conversion to common shares at the Base Conversion Rate in the event of a major transaction (e.g. a change in control). As the probability of conversion is a significant unobservable input, the overall fair value measurement of the conversion feature is classified as Level 3. During the three months ended September 30, 2020, the change in the fair value of the derivative liability was a decrease of $10.1 million. During the nine months ended September 30, 2020, the change in the fair value of the derivative liability was an increase of $8.4 million. No settlements were recorded.

The following tables present information about the Company's liabilities that are measured at fair value on a recurring basis as of September 30, 2020 and December 31, 2019 and indicate the level of the fair value hierarchy utilized to determine such fair value (in thousands):

	Fair Value Measurements as of September 30, 2020 Using:			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Liability for contingent consideration	$ —	—	6,959	6,959
Liability for convertible note conversion feature	—	—	24,520	24,520
	$ —	—	31,479	31,479

	Fair Value Measurements as of December 31, 2019 Using:			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Liability for common stock warrants	$ —	—	38	38
Liability for contingent consideration	—	—	6,891	6,891
	$ —	—	6,929	6,929

The liability for the current portion of contingent consideration is included in "accrued and other current liabilities" and the long-term portion is included in "deferred and contingent consideration" in the condensed consolidated balance sheet. The liability for the conversion feature related to the convertible note is included in "derivative liability" in the condensed consolidated balance sheet.

The Company recognizes changes in the fair value of the derivative liability in "change in fair value of derivative liability" in the condensed consolidated statement of operations and changes in the contingent consideration are recognized in "general and administrative" expense in the condensed consolidated statement of operations.

6. Product Warranties

The Company offers a product replacement and limited warranty program for the Company's silicone gel breast implants, and a product warranty for the Company's miraDry Systems and consumable bioTips. For silicone gel breast implant surgeries occurring prior to May 1, 2018, the Company provides lifetime replacement implants and up to $3,600 in financial assistance for revision surgeries, for covered rupture events that occur within ten years of the surgery date. The Company introduced its Platinum20 Limited Warranty Program in May 2018, covering OPUS silicone gel breast implants implanted in the United States or Puerto Rico on or after May 1, 2018. The Company considers the program to have an assurance warranty component and a service warranty component. The service warranty component is discussed in Note 3 above. The assurance component is primarily related to the lifetime no-charge contralateral replacement implants and up to $5,000 in financial assistance for revision surgeries, for covered rupture events that occur within twenty years of the surgery date. Under the miraDry warranty, the Company provides a standard product warranty for the miraDry System and bioTips, which the Company considers an assurance-type warranty.

The following table provides a rollforward of the accrued warranties (in thousands):

	Nine Months Ended September 30,	
	2020	2019
Balance as of January 1	$ 1,562	$ 1,395
Warranty costs incurred during the period	(501)	(492)
Changes in accrual related to warranties issued during the period	717	820
Changes in accrual related to pre-existing warranties	(6)	23
Balance as of September 30	$ 1,772	$ 1,746

7. Net Loss Per Share

Basic net loss per share attributable to common stockholders is computed by dividing net loss by the weighted average number of common shares outstanding during each period. Diluted net loss per common share is computed by dividing net loss available to common stockholders by the weighted average number of common shares and dilutive potential common share equivalents then outstanding, to the extent they are dilutive. Potential common shares consist of shares issuable upon the exercise of stock options and warrants (using the treasury stock method). Dilutive net loss per share is the same as basic net loss per share for all periods presented because the effects of potentially dilutive items were anti-dilutive.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net loss (in thousands)	$ (5,821)	$ (22,433)	$ (68,710)	$ (86,571)
Weighted average common shares outstanding, basic and diluted	50,394,858	49,401,094	50,155,623	37,671,215
Net loss per share attributable to common stockholders	$ (0.12)	$ (0.45)	$ (1.37)	$ (2.30)

The Company excluded the following potentially dilutive securities, outstanding as of September 30, 2020 and 2019, from the computation of diluted net loss per share attributable to common stockholders for the three and nine months ended September 30, 2020 and 2019 because they had an anti-dilutive impact due to the net loss attributable to common stockholders incurred for the periods.

	September 30,	
	2020	2019
Stock options to purchase common stock	1,571,375	2,036,027
Warrants for the purchase of common stock	27,264	47,710
Equity contingent consideration	607,442	—
Stock issuable upon conversion of convertible note	19,733,352	—
	21,939,433	2,083,737

The Company uses the if-converted method for calculating any potential dilutive effects of the convertible note. The Company did not adjust the net loss for the three and nine months ended September 30, 2020 to eliminate any interest expense or gain/loss for the derivative liability related to the note in the computation of diluted loss per share, as the effects would be anti-dilutive.

8. Balance Sheet Components

a. Inventories

Inventories, net consist of the following (in thousands):

	September 30, 2020	December 31, 2019
Raw materials	$ 6,767	$ 8,095
Work in progress	9,356	5,543
Finished goods	28,809	23,893
Finished goods - right of return	3,535	2,081
	$ 48,467	$ 39,612

b. Property and Equipment

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

	September 30, 2020	December 31, 2019
Leasehold improvements	$ 2,857	$ 2,841
Manufacturing equipment and toolings	9,037	8,175
Computer equipment	2,375	1,250
Software	3,056	2,602
Office equipment	167	111
Furniture and fixtures	1,192	1,144
	18,684	16,123
Less accumulated depreciation	(5,942)	(3,809)
	$ 12,742	$ 12,314

Depreciation expense for the three months ended September 30, 2020 and 2019 was $1.0 million and $0.3 million, respectively. Depreciation expense for the nine months ended September 30, 2020 and 2019 was $1.8 million and $0.9 million, respectively.

c. Goodwill and Other Intangible Assets, net

The Company has determined that it has two reporting units, Breast Products and miraDry, and evaluates goodwill for impairment at least annually on October 1st and whenever circumstances suggest that goodwill may be impaired.

The changes in the carrying amount of goodwill during the nine months ended September 30, 2020 and the year ended December 31, 2019 were as follows (in thousands):

	Breast Products	miraDry	Total
Balances as of December 31, 2019			
Goodwill	23,480	7,629	31,109
Accumulated impairment losses	(14,278)	(7,629)	(21,907)
Goodwill, net	$ 9,202	$ —	$ 9,202
Balances as of September 30, 2020			
Goodwill	23,480	7,629	31,109
Accumulated impairment losses	(14,278)	(7,629)	(21,907)
Goodwill, net	$ 9,202	$ —	$ 9,202

In the first quarter of 2020, the Company noted a decline in actual and forecasted earnings for the miraDry reporting unit due to the impacts and uncertainty surrounding the COVID-19 pandemic. As a result, the Company performed a test of recoverability by comparing the carrying value of the reporting unit to the future undiscounted cash flows the reporting unit is expected to generate. As the future undiscounted cash flows attributable to the asset group were less than the carrying value, the Company performed a quantitative analysis to compare the fair value of the intangible assets in the reporting unit to their carrying amount.

The Company's fair value analysis of intangible assets utilizes methods under various income approaches. The Company values its customer relationships using an excess earnings method, which assumes the value of the asset is the discounted future cash flows derived from existing customers and requires the use of customer attrition rates and discount rates to determine the estimated fair value. The future revenues and free cash flow from existing customers are determined based upon actual results giving effect to management's expected changes in operating results in future years. The attrition rate is based on average historical levels of customer attrition and the discount rate is based upon market participant assumptions using a defined peer group. Tradenames and developed technology are valued using a relief from royalty method, which assumes the value of the asset is the discounted cash flows of the amount that would be paid by a hypothetical market participant had they not owned the asset and instead licensed the asset from another company. This method requires the use of royalty rates which are determined based on comparable third-party license agreements involving similar assets and discount rates similar to the above to determine the estimated fair value.

After performing the impairment analysis as of March 31, 2020, the Company determined that the carrying values of all of the intangible assets in the miraDry reporting unit exceeded their estimated fair values. Consequently, the Company recorded total non-cash impairment charges of $1.1 million for trade names, $1.4 million for developed technology, and $3.9 million for customer relationships within impairment in the accompanying condensed consolidated statement of operations for the nine months ended September 30, 2020. As of September 30, 2020, the remaining carrying value of the intangible assets are entirely associated with the Breast Products segment.

The components of the Company's other intangible assets consist of the following (in thousands):

	Average Amortization Period (in years)	September 30, 2020		
		Gross Carrying Amount	Accumulated Amortization	Intangible Assets, net
Intangibles with definite lives				
Customer relationships	10	$ 4,940	$ (3,727)	$ 1,213
Trade names - finite life	12	800	(306)	494
Non-compete agreement	2	80	(80)	—
Regulatory approvals	1	670	(670)	—
Acquired FDA non-gel product approval	11	1,713	(1,713)	—
Manufacturing know-how	19	8,240	(678)	7,562
Total definite-lived intangible assets		$ 16,443	$ (7,174)	$ 9,269
Intangibles with indefinite lives				
Trade names - indefinite life	—	450	—	450
Total indefinite-lived intangible assets		$ 450	$ —	$ 450

	Average Amortization Period (in years)	December 31, 2019		
		Gross Carrying Amount	Accumulated Amortization	Intangible Assets, net
Intangibles with definite lives				
Customer relationships	11	$ 9,540	$ (3,846)	$ 5,694
Trade names - finite life	14	2,000	(292)	1,708
Developed technology	13	1,500	(84)	1,416
Non-compete agreement	2	80	(80)	—
Regulatory approvals	1	670	(670)	—
Acquired FDA non-gel product approval	11	1,713	(1,713)	—
Manufacturing know-how	19	8,240	(118)	8,122
Total definite-lived intangible assets		$ 23,743	$ (6,803)	$ 16,940
Intangibles with indefinite lives				
Trade names - indefinite life	—	450	—	450
Total indefinite-lived intangible assets		$ 450	$ —	$ 450

Amortization expense for the three months ended September 30, 2020 and 2019 was $0.3 million and $0.5 million, respectively. Amortization expense for the nine months ended September 30, 2020 and 2019 was $1.2 million and $1.7 million, respectively. The following table summarizes the estimated amortization expense relating to the Company's definite-lived intangible assets as of September 30, 2020 (in thousands):

Period	Amortization Expense
2020	$ 332
2021	1,221
2022	1,163
2023	1,092
2024	948
Thereafter	4,513
	$ 9,269

d. Accrued and Other Current Liabilities

Accrued and other current liabilities consist of the following (in thousands):

	September 30, 2020	December 31, 2019
Payroll and related expenses	$ 2,574	$ 6,789
Accrued severance	980	894
Accrued commissions	5,335	4,984
Accrued manufacturing	835	2,616
Deferred and contingent consideration, current portion	6,931	6,830
Audit, consulting and legal fees	304	630
Accrued sales and marketing expenses	861	1,109
Lease liabilities	1,556	1,299
Other	7,303	7,400
	$ 26,679	$ 32,551

9. Leases

The Company leases certain office space, warehouses, distribution facilities and office equipment. The Company determines if an arrangement contains a lease at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the Company obtains substantially all of the economic benefits from and has the ability to direct the use of the asset.

Operating and finance lease right-of-use, or ROU, assets and lease liabilities are recognized based on the present value of the future lease payments over the lease term at the commencement date. The Company determines its incremental borrowing rate based on the information available at the commencement date in determining the lease liabilities as the Company's leases generally do not provide an implicit rate. The ROU assets also include any initial direct costs incurred and any lease payments made at or before the lease commencement date, less lease incentives received. Lease terms may include options to extend or terminate when the Company is reasonably certain that the option will be exercised. The Company elected to apply the short-term lease measurement and recognition exemption in which ROU assets and lease liabilities are not recognized for short-term leases. The Company's lease agreements generally do not contain material residual value guarantees or material restrictive covenants.

The Company's leases of office space, warehouses and distribution facilities are treated as operating leases and often contain lease and non-lease components. The Company has elected to account for these lease and non-lease components separately. Non-lease components for these assets are primarily comprised of common-area maintenance, utilities, and real estate taxes that are passed on from the lessor in proportion to the space leased by the Company, and are recognized in operating expenses in the period in which the obligation for those payments was incurred. Lease cost for these operating leases is recognized on a straight-line basis over the lease term in operating expenses.

The Company's leases of office equipment are accounted for as finance leases as they meet one or more of the five finance lease classification criteria. Lease cost for these finance leases is comprised of amortization of the ROU asset and interest expense which are recognized in operating expenses and other income (expense), net.

Components of lease expense were as follows:

		Three Months Ended September 30,		Nine Months Ended September 30,	
Lease Cost	**Classification**	**2020**	**2019**	**2020**	**2019**
Operating lease cost	Operating expenses	$ 428	$ 389	$ 1,270	$ 1,155
Operating lease cost	Inventory	131	1,248	364	3,743
Total operating lease cost		$ 559	$ 1,637	$ 1,634	$ 4,898
Finance lease cost					
Amortization of right-of-use assets	Operating expenses	10	10	31	30
Amortization of right-of-use assets	Inventory	12	—	24	—
Interest on lease liabilities	Other income (expense), net	3	1	7	3
Total finance lease cost		$ 25	$ 11	$ 62	$ 33
Variable lease cost	Inventory	—	3,291	—	7,886
Total lease cost		$ 584	$ 4,939	$ 1,696	$ 12,817

Short-term lease expense for the three and nine months ended September 30, 2020 and 2019 was not material.

Supplemental cash flow information related to operating and finance leases for the nine months ended September 30, 2020 was as follows (in thousands):

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	$ 1,337	$ 4,605
Operating cash outflows from finance leases	61	33
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 1,242	$ 24,779
Finance leases	157	117

Supplemental balance sheet information, as of September 30, 2020, related to operating and finance leases was as follows (in thousands, except lease term and discount rate):

	September 30, 2020	December 31, 2019
Reported as:		
Other assets		
Operating lease right-of-use assets	$ 7,581	$ 7,494
Finance lease right-of-use assets	180	78
Total right-of use assets	$ 7,761	$ 7,572
Accrued and other current liabilities		
Operating lease liabilities	$ 1,472	$ 1,259
Finance lease liabilities	84	40
Warranty reserve and other long-term liabilities		
Operating lease liabilities	6,358	6,434
Finance lease liabilities	97	35
Total lease liabilities	$ 8,011	$ 7,768
Weighted average remaining lease term (years)		
Operating leases	5	5
Finance leases	2	2
Weighted average discount rate		
Operating leases	7.73%	7.45%
Finance leases	6.18%	4.06%

As of September 30, 2020, maturities of the Company's operating and finance lease liabilities are as follows (in thousands):

Period	Operating leases	Finance leases	Total
Remainder of 2020	$ 527	$ 24	$ 551
2021	2,095	89	2,184
2022	1,920	53	1,973
2023	1,968	29	1,997
2024	1,507	1	1,508
2025 and thereafter	1,534	—	1,534
Total lease payments	$ 9,551	$ 196	$ 9,747
Less imputed interest	1,721	15	1,736
Total operating lease liabilities	$ 7,830	$ 181	$ 8,011

10. Debt

Term Loan and Revolving Loan

On July 25, 2017, the Company entered into a Term Loan Credit and Security Agreement and a Revolving Loan Credit and Security Agreement with MidCap Financial Trust ("MidCap"), which replaced the Company's prior Silicon Valley Bank Loan Agreement. Both agreements were amended and restated on July 1, 2019 and further amended on November 7, 2019 (as so amended, the "Restated Term Loan Agreement" and the "Restated Revolving Credit Agreement" and, together, the "Credit Agreements").

The Restated Term Loan Agreement provides for the following tranches: (i) a $35 million term loan facility drawn at signing, (ii) a $5 million term loan facility drawn at signing, (iii) at any time after September 30, 2020 to December 31, 2020, a $10.0 million term loan facility (subject to the satisfaction of certain conditions, including evidence that the Company's net revenue for the past 12 months was greater than or equal to $100.0 million), and (iv) until December 31, 2020 and upon the consent of the agent and the lenders following a request from the Company, an additional $15.0 million term loan facility. The loan matures on July 1, 2024 and carries an interest rate of LIBOR plus 7.50%. The Company will make monthly payments of accrued interest from the funding date until July 31, 2021, to be followed by monthly installments of principal and interest through the maturity date. The Company may prepay some or all of the principal prior to its maturity date provided the Company pays MidCap a prepayment fee. The loan provides that the Company shall pay an exit fee equal to 5.0% of the aggregate amount of all term loans funded to the Company.

On May 11, 2020, the Company entered in to the Second Amendment to Amended and Restated Credit and Security Agreement (Term Loan), by and among the Company, certain of the Company's subsidiaries, the lenders party thereto and MidCap Financial Trust as agent (the "Term Amendment"). The Term Amendment provides for, among other things, the prepayment by the Company of $25.0 million of outstanding principal, $0.1 million of accrued interest, and $1.25 million in prepaid exit fees with the parties agreeing to waive the prepayment fee with respect to these amounts. The Term Amendment increases the tranche 3 commitment amount from $10.0 million to $15.0 million, extends the tranche 3 termination date from December 31, 2020 to June 30, 2021, and amended certain conditions upon which the tranche 3 commitment can be withdrawn, including evidence that the Company's Net Revenue for the past six months was greater than or equal to $30.0 million. In addition, the Term Amendment amends certain financial requirements including reducing the Company's minimum unrestricted cash amount from $20.0 million to $5.0 million and amends certain minimum net revenue requirements. Further, the monthly minimum net revenue requirements were revised to be calculated on a trailing three-month basis.

As of September 30, 2020, there was $15.0 million of outstanding principal and $0.8 million of exit fee payable related to the term loans, reduced by unamortized debt issuance costs of $1.1 million included in "Long-term debt" and $0.7 million included in "Current portion of long-term debt" on the condensed consolidated balance sheets.

The Restated Revolving Credit Agreement provides for, among other things, a revolving loan of up to $10.0 million. The amount of loans available to be drawn under the Revolving Credit Agreement is based on a borrowing base equal to 85% of the net collectible value of eligible accounts receivable plus 40% of eligible finished goods inventory, or the Borrowing Base, provided that availability from eligible finished goods inventory does not exceed 20% of the Borrowing Base. The revolving loan carries an interest rate of LIBOR plus 4.50%. The Company may make (subject to the applicable borrowing base at the time) and repay borrowings from time to time until the maturity of the facility on July 1, 2024.

On May 11, 2020, the Company entered in to the Second Amendment to Amended and Restated Credit and Security Agreement (Revolving Loan), by and among the Company, certain of the Company's subsidiaries, the lenders party thereto and MidCap Financial Trust as agent (the "Revolving Amendment"). The Revolving Amendment includes conforming changes to reflect the changes in the Term Amendment. In addition, the Revolving Amendment reduces the borrowing base by the portion of the eligible inventory previously included in the calculation.

As of September 30, 2020, there were no borrowings outstanding under the Revolving Loan. As of September 30, 2020, the unamortized debt issuance costs related to the revolving loan was approximately $0.1 million and was included in "Other assets" on the condensed consolidated balance sheets.

The amortization of debt issuance costs on the term loan and the revolving loan for the three months ended September 30, 2020 and 2019 were $0.2 million and $0.1 million, respectively. The amortization of debt issuance costs on the term loan and revolving loan for the nine months ended September 30, 2020 and 2019 was $0.7 million and $0.2 million, respectively, and was included in interest expense in the condensed consolidated statements of operations.

The Credit Agreements include customary affirmative and restrictive covenants and representations and warranties, including a financial covenant for minimum revenues, a financial covenant for minimum cash requirements, a covenant against the occurrence of a "change in control," financial reporting obligations, and certain limitations on indebtedness, liens, investments, distributions, collateral, mergers or acquisitions, taxes, and deposit accounts. Upon the occurrence of an event of default, a default interest rate of an additional 5.0% may be applied to any outstanding principal balances, and MidCap may declare all outstanding obligations immediately due and payable and take such other actions as set forth in the Credit Agreements. The Company's obligations under the Credit Agreements are secured by a security interest in substantially all of the Company's assets.

Convertible Note

On March 11, 2020, the Company issued $60.0 million of unsecured and subordinated convertible notes with an interest rate of 4.00% ("Note") to Deerfield Partners, L.P. ("Holder") in order to fund ongoing operations. The Note matures on March 11, 2025, subject to earlier conversion by the option of the Holder at any time in whole or in part into common shares of the Company, for a period up to five years. Upon conversion by the Holder, the Company shall deliver, shares of the Company's common stock at a conversion rate of 14,634 per $1,000 principal amount of the Note (which represents an initial conversion rate price of $4.10), or the Base Conversion Rate, in each case subject to customary anti-dilution adjustments. In addition to the typical anti-dilution adjustment, the Note also provides the Holder with additional consideration ("Make-Whole Provision") beyond the settlement of the conversion obligation, in the event of a major transaction prior to maturity (e.g. a change in control). Upon conversion by the Holder in the event of a major transaction, the Company shall deliver, either cash, shares of the Company's common stock or a combination of cash and common stock at the Base Conversion rate plus the additional consideration from the Make-Whole Provision. The $60.0 million principal amount of the Note is not payable until the maturity date of March 11, 2025, unless converted to equity earlier. The Company will pay interest in cash on the Note at 4.00% per annum, quarterly from July 1, 2020.

The conversion features in the outstanding convertible debt instrument are accounted for as a free-standing embedded derivative bifurcated from the principal balance of the Note, as (1) the conversion features are not clearly and closely related to the debt instrument and are not considered to be indexed to the Company's equity, (2) the conversion features standing alone meet the definition of a derivative, and (3) the Note is not remeasured at fair value each reporting period with changes in fair value recorded in the condensed consolidated statement of operations.

The initial embedded derivative liability of $16.1 million was recorded as a non-current liability on the condensed consolidated balance sheet and is remeasured to fair value at each balance sheet date with a resulting non-cash gain or loss related to the change in the fair value being charged to earnings (loss). As of September 30, 2020, the fair value of the derivative liability was $24.5 million. A corresponding debt discount to the initial embedded derivative liability of $16.1 million and issuance costs of $1.5 million were recorded on the issuance date and is netted against the principal amount of the Note. As of September 30, 2020, the unamortized debt discount and issuance costs were $16.3 million. The Company will amortize the debt discount and debt issuance costs to interest expense under the effective interest method over the term of the Note, at a resulting effective interest rate of approximately 12%. For the three and nine months ended September 30, 2020, the amortization of the convertible debt discount and issuance costs were $0.7 million and $1.5 million, respectively, and were included in interest expense in the condensed consolidated statements of operations.

CARES Act

On April 20, 2020, the Company was granted a loan of $6.7 million under the Paycheck Protection Program of the CARES Act, or the PPP Loan, from Silicon Valley Bank, or the Lender. The PPP Loan matures on April 20, 2022, or the Maturity Date, and bears interest at a rate of 1.0% per annum. Under the terms of the PPP Loan, the Company will make no payments until the date which forgiveness of the PPP Loan is determined, which can be up to 10 months following the end of the covered period (which is defined as 24 weeks from the date of the loan), or the Deferral Period. Commencing one month after the expiration of the Deferral Period, and continuing on the same day of each month until the Maturity Date, the Company will pay to Lender monthly payments of principal and interest, in an amount required to fully amortize the principal amount outstanding on the PPP Loan on the last day of the Deferral Period by the Maturity Date. As of September 30, 2020, $5.8 million is recorded in "Long-term debt" and $0.8 million is recorded in "Current portion of long-term debt" on the Company's condensed consolidated balance sheets.

All or a portion of the PPP Loan may be forgiven upon submission of documentation of expenditures in accordance with certain specified requirements. Under the CARES Act, loan forgiveness is available for the sum of documented payroll costs, covered rent payments, covered mortgage interest and covered utilities during the 24-week period beginning on the date of loan approval. Not more than 40% of the forgiven amount may be for non-payroll costs. The amount of the PPP Loan eligible to be forgiven will be reduced if the Company's full-time headcount declines, or if salaries and wages for employees with salaries of $100,000 or less annually are reduced by more than 25%. The Company will be required to repay any portion of the outstanding principal that is not forgiven, along with accrued interest, in accordance with the amortization schedule described above. The Company has elected to account for the PPP loan in accordance with ASC 470 – Debt, and any forgiveness of the loan will be treated as a gain on extinguishment within the condensed consolidated statement of operations.

Future Principal and Exit Fee Payments of Debt

The future schedule of principal and exit fee payments for all outstanding debt as of September 30, 2020 was as follows (in thousands):

Fiscal Year		
Remainder of 2020	$	—
2021		5,409
2022		8,326
2023		5,000
2024		3,667
Thereafter		60,000
Total	$	82,402

11. Stockholders' Equity

a. Authorized Stock

The Company's Amended and Restated Certificate of Incorporation authorizes the Company to issue 210,000,000 shares of common and preferred stock, consisting of 200,000,000 shares of common stock with $0.01 par value and 10,000,000 shares of preferred stock with $0.01 par value. As of September 30, 2020 and December 31, 2019, the Company had no preferred stock issued or outstanding.

b. Common Stock Warrants

On January 17, 2013, the Company entered into a Loan and Security Agreement, or the Original Term Loan Agreement, with Oxford Finance, LLC, or Oxford. On June 30, 2014, the Company entered into an Amended and Restated Loan and Security Agreement, or the Amended Term Loan Agreement, with Oxford. In connection with the Original Term Loan Agreement and the Amended Term Loan Agreement, the Company issued to Oxford

(i) seven-year warrants in January 2013 to purchase shares of the Company's common stock with a value equal to 3.0% of the tranche A, B and C term loans amounts, or the Original Warrants, and (ii) seven-year warrants in June 2014 to purchase shares of the Company's common stock with a value equal to 2.5% of the tranche D term loan amount. The warrants have an exercise price per share of $14.671. The warrants within Tranche A expired on January 17, 2020 and the warrants within Tranche B expired on August 1, 2020. As of September 30, 2020, there were warrants to purchase an aggregate of 27,264 shares of common stock outstanding.

c. Stock Option Plans

In April 2007, the Company adopted the 2007 Equity Incentive Plan, or the 2007 Plan. The 2007 Plan provides for the granting of stock options to employees, directors and consultants of the Company. Options granted under the 2007 Plan may either be incentive stock options or nonstatutory stock options. Incentive stock options, or ISOs, may be granted only to Company employees. Nonstatutory stock options, or NSOs, may be granted to all eligible recipients. A total of 1,690,448 shares of the Company's common stock were initially reserved for issuance under the 2007 Plan.

The Company's board of directors adopted the 2014 Equity Incentive Plan, or 2014 Plan, in July 2014, and the stockholders approved the 2014 Plan in October 2014. The 2014 Plan became effective upon completion of the IPO on November 3, 2014, at which time the Company ceased granting awards under the 2007 Plan. Under the 2014 Plan, the Company may issue ISOs, NSOs, stock appreciation rights, restricted stock awards, restricted stock unit awards and other forms of stock awards, or collectively, stock awards, all of which may be granted to employees, including officers, non-employee directors and consultants of the Company and their affiliates. ISOs may be granted only to employees. A total of 1,027,500 shares of common stock were initially reserved for issuance under the 2014 Plan, subject to certain annual increases. As of September 30, 2020, a total of 2,544,816 shares of the Company's common stock were available for issuance under the 2014 Plan.

Pursuant to a board-approved Inducement Plan, the Company may issue NSOs and restricted stock unit awards, or collectively, stock awards, all of which may only be granted to new employees of the Company and their affiliates in accordance with NASDAQ Stock Market Rule 5635(c)(4) as an inducement material to such individuals entering into employment with the Company. As of September 30, 2020, inducement grants for 1,412,083 shares of common stock have been awarded, and 923,342 shares of common stock were available for future issuance under the Inducement Plan.

Options under the 2007 Plan and the 2014 Plan may be granted for periods of up to ten years as determined by the Company's board of directors, provided, however, that (i) the exercise price of an ISO shall not be less than 100% of the estimated fair value of the shares on the date of grant, and (ii) the exercise price of an ISO granted to a more than 10% shareholder shall not be less than 110% of the estimated fair value of the shares on the date of grant. An NSO has no such exercise price limitations. NSOs under the Inducement Plan may be granted for periods of up to ten years as determined by the board of directors, provided, the exercise price will not be less than 100% of the estimated fair value of the shares on the date of grant. Options generally vest with 25% of the grant vesting on the first anniversary and the balance vesting monthly on a straight-lined basis over the requisite service period of three additional years for the award. Additionally, options have been granted to certain key executives that vest upon achievement of performance conditions based on performance targets as defined by the board of directors, which have included net sales targets and defined corporate objectives over the performance period with possible payout ranging from 0% to 100% of the target award. Compensation expense is recognized on a straight-lined basis over the vesting term of one year based upon the probable performance target that will be met. The vesting provisions of individual options may vary but provide for vesting of at least 25% per year.

The following summarizes all option activity under the 2007 Plan, 2014 Plan and Inducement Plan:

	Option Shares	Weighted average exercise price	Weighted average remaining contractual term (year)
Balances at December 31, 2019	1,880,846	$ 7.42	5.48
Exercised	(6,181)	2.48	
Forfeited	(313,347)	7.92	
Balances at September 30, 2020	1,561,318	$ 7.34	4.49

For stock-based awards the Company recognizes compensation expense based on the grant date fair value using the Black-Scholes option valuation model. There was no stock-based compensation expense related to stock options for the three and nine months ended September 30, 2020. Stock-based compensation expense related to stock options was $0.1 million and $0.4 million for the three months ended September 30, 2019 and nine months ended September 30, 2019. As of September 30, 2020, there were also no unrecognized compensation costs related to stock options.

d. Restricted Stock Units

The Company has issued restricted stock unit awards, or RSUs, under the 2014 Plan and the Inducement Plan. The RSUs issued to employees generally vest on a straight-line basis annually over a 3-year requisite service period. RSUs issued to non-employees generally vest either monthly or annually over the service term.

Activity related to RSUs is set forth below:

	Number of shares	Weighted average grant date fair value
Balances at December 31, 2019	2,232,956	$ 11.99
Granted	934,965	5.63
Vested	(921,964)	10.45
Forfeited	(701,907)	9.07
Balances at September 30, 2020	1,544,050	$ 10.38

Stock-based compensation expense for RSUs for the three months ended September 30, 2020 and 2019 was $1.5 million and $2.8 million, respectively. Stock-based compensation expense for RSUs for the nine months ended September 30, 2020 and 2019 was $4.9 million and $8.9 million, respectively. As of September 30, 2020, there was $7.1 million of total unrecognized compensation costs related to non-vested RSU awards. The cost is expected to be recognized over a weighted average period of approximately 1.43 years.

e. Employee Stock Purchase Plan

The Company's board of directors adopted the 2014 Employee Stock Purchase Plan, or ESPP, in July 2014, and the stockholders approved the ESPP in October 2014. The ESPP allows eligible employees to purchase shares of the Company's common stock at a discount through payroll deductions of up to 15% of their eligible compensation, subject to any plan limitations. The ESPP provides for offering periods not to exceed 27 months, and each offering period will include purchase periods, which will be the approximately six-month period commencing with one exercise date and ending with the next exercise date. Employees are able to purchase shares at 85% of the lower of the fair market value of the Company's common stock on the first trading day of the offering period or on the purchase date. A total of 255,500 shares of common stock were initially reserved for issuance under the ESPP, subject to certain annual increases.

During the nine months ended September 30, 2020, employees purchased 203,728 shares of common stock at a weighted average price of $4.11 per share. As of September 30, 2020, the number of shares of common stock available for future issuance was 946,292.

The Company estimated the fair value of employee stock purchase rights using the Black-Scholes model. Stock-based compensation expense related to the ESPP was $0.1 million and $0.2 million for the three months ended September 30, 2020 and 2019, respectively. Stock-based compensation expense related to the ESPP was $0.4 million and $0.5 million for the nine months ended September 30, 2020 and 2019, respectively.

f. Significant Modifications

During the nine months ended September 30, 2020, there were no material modifications of equity awards. During the nine months ended September 30, 2019, the Company recognized $0.6 million in incremental compensation cost resulting from entering into a consulting agreement with two former employees that resulted in the modification of their existing equity awards.

12. Income Taxes

The Company operates in several tax jurisdictions and is subject to taxes in each jurisdiction in which it conducts business. To date, the Company has incurred cumulative net losses and maintains a full valuation allowance on its net deferred tax assets due to the uncertainty surrounding realization of such assets. The Company had no tax expense for both the three and nine months ended September 30, 2020 and 2019.

13. Segment Information

Reportable Segments

The Company has two reportable segments: Breast Products and miraDry. The Breast Products segment focuses on sales of silicone gel breast implants, tissue expanders and scar management products under the brands OPUS, Luxe, Curve, AlloX2, Dermaspan, Softspan and BIOCORNEUM. The miraDry segment, acquired on July 25, 2017, focuses on sales of the miraDry System, consisting of a console and a handheld device which uses consumable single-use bioTips. These segments align with the Company's principal target markets. miraDry has been included in the condensed consolidated results of operations as of the acquisition date and financial performance of the acquired business is reported in the miraDry segment. The Vesta Acquisition, completed on November 7, 2019, has been included in the condensed consolidated results of operations as of the acquisition date and financial performance of the acquired business is reported in the Breast Products segment.

The Company's Chief Operating Decision Maker, or CODM, assesses the performance of each segment and allocates resources to those segments based on net sales and operating income (loss). Operating income (loss) by segment includes items that are directly attributable to each segment, including sales and marketing functions, as well as finance, information technology, human resources, legal and related corporate infrastructure costs, along with certain benefit-related expenses. There are no unallocated expenses for the two segments.

The following tables present the net sales, net operating loss and net assets by reportable segment for the periods presented (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net sales				
Breast Products	$ 15,330	$ 12,626	$ 37,109	$ 33,570
miraDry	3,887	9,786	11,488	26,919
Total net sales	$ 19,217	$ 22,412	$ 48,597	$ 60,489

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Loss from operations				
Breast Products	$ (9,304)	$ (12,319)	$ (30,683)	$ (38,555)
miraDry	(4,654)	(9,141)	(22,595)	(45,722)
Total loss from operations	$ (13,958)	$ (21,460)	$ (53,278)	$ (84,277)

	September 30, 2020	December 31, 2019
Assets		
Breast Products	$ 156,538	$ 169,613
miraDry	21,266	34,791
Total assets	$ 177,804	$ 204,404

14. Commitments and Contingencies

The Company is subject to claims and assessment from time to time in the ordinary course of business. The Company accrues a liability for such matters when it is probable that future expenditures will be made and such expenditures can be reasonably estimated.

Product Liability Litigation

On October 7, 2019, a lawsuit was filed in the Superior Court of the State of California against the Company and Silimed Industria de Implantes Ltda. (the Company's former contract manufacturer). The lawsuit alleges that the Company's textured breast implants caused certain of the plaintiffs to develop a condition known as breast implant associated anaplastic large cell lymphoma ("BIA-ALCL"), and that the Company is liable to the plaintiffs based on claims for strict liability (failure to warn), strict liability (defective manufacture), negligence and loss of consortium. On January 21, 2020, the Company filed a demurrer to the plaintiff's complaint, which demurrer is still pending before the Court. The Company intends to vigorously defend itself in this lawsuit. Given the nature of this case, the Company is unable to estimate the reasonably possible loss or range of loss, if any, arising from this matter.

On September 23, 2020, a lawsuit was filed in the Eastern District of Tennessee against the Company. The lawsuit alleges that the Company's textured breast implants caused certain of the plaintiffs to develop a condition known as breast implant associated anaplastic large cell lymphoma ("BIA-ALCL"), and that the Company is liable to the plaintiffs based on claims for negligence, strict liability (manufacturing defects), strict liability (failure to warn), breach of express and implied warranties, and punitive damages. No response has been filed to the complaint at presented. The Company intends to vigorously defend itself in this lawsuit. Given the nature of this case, the Company is unable to estimate the reasonably possible loss or range of loss, if any, arising from this matter.

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 included in this Quarterly Report on Form 10-Q and the audited financial statements and notes thereto as of and for the year ended December 31, 2019 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations are contained in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the Securities and Exchange Commission on March 16, 2020, or the Annual Report. Unless the context requires otherwise, references in this Quarterly Report on Form 10-Q to "Sientra," "the Company," "we," "us" and "our" refer to Sientra, Inc.

Forward-Looking Statements

The information in this discussion contains forward-looking statements and information within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, which are subject to the "safe harbor" created by those sections. These forward-looking statements include, but are not limited to, statements concerning our strategy, future operations, future financial position, future revenues, projected costs, prospects and plans and objectives of management. The words "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "projects," "will," "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements that we make. These forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those in the forward-looking statements, including, without limitation, the risks set forth in Part II, Item 1A, "Risk Factors" in this Quarterly Report on Form 10-Q and in our other filings with the SEC. The forward-looking statements are applicable only as of the date on which they are made, and we do not assume any obligation to update any forward-looking statements.

Overview

We are a medical aesthetics company committed to making a difference in patients' lives by enhancing their body image, growing their self-esteem and restoring their confidence. We were founded to provide greater choices to board-certified plastic surgeons and patients in need of medical aesthetics products. We have developed a broad portfolio of products with technologically differentiated characteristics, supported by independent laboratory testing and strong clinical trial outcomes. We sell our breast implants for augmentation procedures exclusively to board-certified and board-admissible plastic surgeons and tailor our customer service offerings to their specific needs, which we believe helps secure their loyalty and confidence. We sell our breast tissue expanders for reconstruction procedures predominantly to hospitals and surgery centers, and our BIOCORNEUM scar management products to plastic surgeons, dermatologists and other specialties.

On June 11, 2017, we entered into a Merger Agreement with miraDry (formerly Miramar Labs) pursuant to which we commenced a tender offer to purchase all of the outstanding shares of miraDry's common stock. Pursuant to the transaction, which closed on July 25, 2017 we added the miraDry System, the only FDA-cleared device to reduce underarm sweat, odor and hair of all colors to our aesthetics portfolio. Following our acquisition of miraDry in July 2017, we began selling the miraDry System, consisting of a console and a handheld device, and consumable single-use bioTips. As a result of the miraDry acquisition, we determined that we conduct our business in two operating segments: Breast Products and miraDry. The Breast Products segment focuses on sales of our breast implants, tissue expanders and scar management products under the brands Sientra, AlloX2, Dermaspan, Softspan and BIOCORNEUM. The miraDry segment focuses on sales of the miraDry System, and bioTips.

We sell both our Breast Products and miraDry products in the U.S. through a direct sales organization, which as of September 30, 2020, consisted of 65 employees, including 54 sales representatives and 11 sales managers. Additionally, we also sell our miraDry System in several international markets where we leverage a combination of distributor relationships and direct sales efforts. As of September 30, 2020, our international operations were supported by 3 sales representatives and 2 sales managers, as well as a number of consultants supporting both direct sales efforts and distributor relationships.

Recent developments

COVID-19 Pandemic

The rapid, global spread of COVID-19 has resulted in significant economic uncertainty, significant declines in business and consumer confidence and global demand in the non-essential healthcare industry (among others), a global economic slowdown, and could lead to a global recession. We are subject to risks and uncertainties as a result of the COVID-19 pandemic. The full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations and financial condition, including sales, expenses, reserves and allowances, manufacturing, and employee-related amounts, will depend on future developments that are highly uncertain. We continue to monitor and assess new information related to the COVID-19 pandemic, the actions taken to contain or treat COVID-19, as well as the economic impact on local, regional, national and international customers and markets.

As an aesthetics company, surgical procedures involving our breast and miraDry products are susceptible to local and national government restrictions, such as social distancing, "shelter in place" orders and business closures, due to the economic and logistical impacts these measures have on consumer demand as well as the practitioners' ability to administer such procedures. The inability or limited ability to perform such non-emergency procedures significantly harmed our revenues during the three months ended June 30, 2020 and continued to harm our revenues during the three months ended September 30, 2020. While some states have lifted certain restrictions on non-emergency procedures during the three months ended September 30, 2020, we will likely continue to experience future harm to our revenues while existing or new restrictions remain in place.

Further, the spread of COVID-19 has caused us to modify our workforce practices, and we may take further actions that we determine are in the best interests of our employees or as required by governments. In addition, capital markets and economies worldwide have also been negatively impacted by the COVID-19 pandemic, and it is possible that this can lead to a local and/or global economic recession, which may result in further harm to the aesthetics market. Such economic disruption could adversely affect our business. The continued spread of COVID-19, or another infectious disease, could also result in delays or disruptions in our supply chain or adversely affect our manufacturing facilities and personnel. Further, trade and/or national security protection policies may be adjusted as a result of the COVID-19 pandemic, such as actions by governments that limit, restrict or prevent the movement of certain goods into a country and/or region, and current U.S./China trade relations may be further exacerbated by the pandemic.

The estimates used for, but not limited to, determining the collectability of accounts receivable, fair value of long-lived assets and goodwill, and sales returns liability required could be impacted by the pandemic. While the full impact of COVID-19 is unknown at this time, we have made appropriate estimates based on the facts and circumstances available as of the reporting date. These estimates may change as new events occur and additional information is obtained.

Change in miraDry business strategy

In April 2020, in part as a result of the impact of COVID-19, we re-focused our miraDry business to drive high margin, bioTip utilization to our existing installed base. We expect that the net sales we generate from our bioTips will represent high margin sales (on a gross margin basis) and account for a substantial amount of our net sales for the next several years, with high margin consumables comprising a sizable percentage of our miraDry segment's net sales.

Restructuring

On November 7, 2019, we announced an organizational efficiency initiative, or the Plan, designed to reduce spending and simplify operations. Under the Plan, we are implementing numerous initiatives to reduce spending, including closing the Santa Clara offices of miraDry, Inc. and consolidating a number of business support services via a shared services organization at our Santa Barbara headquarters.

Under the Plan, we intend to reduce our workforce by terminating approximately 70 employees. As a result, we expect to incur total charges of approximately $2.5 million in connection with one-time employee termination costs,

retention costs and other benefits. In addition, we expect to incur estimated charges of approximately $0.5 million related to duplicate operating costs and other associated costs. In total, the Plan is estimated to cost approximately $3.0 million, excluding non-cash charges, with related cash payments expected to be substantially paid out with cash on hand by the end of 2020.

The following table details the amount of the liabilities related to the Plan included in "Accrued and other current liabilities" in the condensed consolidated balance sheet as of September 30, 2020 (amounts in thousands):

	Severance costs	Other associated costs	Duplicate operating costs
Balance at December 31, 2019	$ 894	$ —	$ —
Costs charged to expense	1,467	208	174
Costs paid or otherwise settled	(1,995)	(208)	(174)
Balance at September 30, 2020	$ 365	$ —	$ —

The following table details the charges by reportable segment, recorded in "Restructuring" under operating expenses in the condensed consolidated statements of operations for the nine months ended September 30, 2020 (amounts in thousands):

	Year Ended December 31, 2019	Nine Months Ended September 30, 2020	Cumulative Restructuring Charges
Breast Products	$ 499	$ 389	$ 888
miraDry	584	1,460	2,044
Total	$ 1,083	$ 1,849	$ 2,932

It is anticipated that we will incur approximately $0.1 million of additional restructuring costs during 2020 attributable to the miraDry segment. We expect to realize cost savings of approximately $10.0 million in 2020 and approximately $5.0 million in 2021. All of the 2020 cost savings are expected to be realized in operating expenses, and the 2021 cost savings are expected to be realized approximately 20% in operating expenses and 80% in cost of goods sold. Savings in operating expenses are expected to result from the reduction of headcount through a shared services organization. Savings in cost of goods sold are expected to result from the elimination of manufacturing roles at miraDry. As the development of the Plan is completed, we will update the costs and cost savings as needed.

Components of Operating Results

Net Sales

Our Breast Products segment net sales include sales of silicone gel breast implants, tissue expanders and BIOCORNEUM. We recognize revenue on breast implants and tissue expanders, net of sales discounts and estimated returns, as the customer has a standard six-month window to return purchased breast implants and tissue expanders. We defer the value of our service warranty revenue and deliverables under certain marketing programs and recognize it once all performance obligations have been met.

Our miraDry segment net sales include sales of the miraDry System and consumable bioTips along with service warranties and deliverables under certain marketing programs. We recognize revenue on miraDry Systems and bioTips on delivery to the customer. We defer the value of our service warranty and deliverables under certain marketing programs and recognize it over the term of the service warranty contract for service warranties and once all performance obligations have been met for deliverables under certain marketing programs.

We expect that, in the future, our net sales will fluctuate on a quarterly basis due to a variety of factors, including seasonality of breast augmentation procedures, the impact of the pandemic, and purchase of miraDry procedures. We believe that aesthetic procedures are subject to seasonal fluctuation due to patients planning their procedures leading up to the summer season and in the period around the winter holiday season.

Cost of Goods Sold and Gross Margin

Cost of goods sold consists primarily of raw material, labor, overhead, and variable manufacturing costs, reserve for product assurance warranties, royalty costs, excess and obsolete inventory reserves, and warehouse and other related costs.

With respect to our supplier contracts, all our products and raw materials are manufactured under contracts with fixed unit costs which can increase over time at specified amounts.

Under our Breast Products segment, we provide an assurance and service warranty on our silicone gel breast implants. Under our miraDry segment, we provide an assurance and service warranty on our miraDry Systems, and an assurance warranty on our handpieces and bioTips. The estimated warranty costs are recorded at the time of sale. Costs related to our service warranty are recorded when expense is incurred related to meeting our performance obligations. In addition, the inventory fair market value associated with purchase accounting adjustments and royalty costs related to the SSP and miraDry acquisitions are recorded at the time of sale.

We expect our overall gross margin, which is calculated as net sales less cost of goods sold for a given period divided by net sales, to fluctuate in future periods primarily as a result of quantity of units sold, manufacturing price increases, the changing mix of products sold with different gross margins, warranty costs, overhead costs and targeted pricing programs. Specific to the Breast Products segment, we expect our gross margin to decline as a result of increased unit cost of our gel implants following the Vesta Acquisition.

Sales and Marketing Expenses

Our sales and marketing expenses primarily consist of salaries, bonuses, benefits, incentive compensation, stock-based compensation, consumer marketing, and travel for our sales, marketing and customer support personnel. Our sales and marketing expenses also include expenses for trade shows, our no-charge customer shipping program for the Breast Products segment and no-charge product evaluation units for the Breast Products segment, as well as educational and promotional activities. We expect our sales and marketing expenses related to our Breast Products segment to fluctuate in future periods as a result of headcount and timing of our marketing programs, and we expect our sales and marketing expense related to our miraDry segment to decrease as a result of the organizational efficiency initiative and the change in the miraDry business strategy.

Research and Development Expenses

Our research and development, or R&D, expenses primarily consist of clinical expenses, product development costs, regulatory expenses, consulting services, outside research activities, quality control and other costs associated with the development of our products and compliance with Good Clinical Practices, or cGCP, requirements. R&D expenses also include related personnel and consultant compensation and stock-based compensation expense. We expense R&D costs as they are incurred. We expect our R&D expenses to vary as different development projects are initiated, including improvements to our existing products, expansions of our existing product lines, new product acquisitions and our clinical studies.

General and Administrative Expenses

Our general and administrative, or G&A, expenses primarily consist of salaries, bonuses, benefits, incentive compensation and stock-based compensation for our executive, financial, legal, business development and administrative functions. Other G&A expenses include contingent consideration fair market value adjustments, bad debt expense, outside legal counsel and litigation expenses, independent auditors and other outside consultants, corporate insurance, facilities and information technologies expenses.

We expect future G&A expenses to decrease as we implement the organizational efficiency initiative, but we also expect to continue to incur G&A expenses in connection with operating as a public company.

Other Income (Expense), net

Other income (expense), net primarily consists of interest income, interest expense, changes in the fair value of the embedded derivative liability and common stock warrants, and amortization of issuance costs associated with our Credit Agreements.

Income Taxes

Income tax expense consists of an estimate for income taxes based on the projected income tax expense for the period. We operate in several tax jurisdictions and are subject to taxes in each jurisdiction in which we conduct business. To date, we have incurred cumulative net losses and maintain a full valuation allowance on our net deferred tax assets due to the uncertainty surrounding realization of such assets.

Critical Accounting Policies and Significant Judgments and Estimates

The preparation of our unaudited condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the revenues and expenses incurred during the reported periods. We base our estimates on 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 apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We discussed accounting policies and assumptions that involve a higher degree of judgment and complexity in Note 1 of the "Notes to Financial Statements" in our audited financial statements included in the Annual Report. There have been no material changes to our critical accounting policies and estimates from those disclosed in the Annual Report.

Recent Accounting Pronouncements

Please refer to Note 1 - Summary of Significant Accounting Policies in the notes to the unaudited condensed consolidated financial statements included in this Form 10-Q for information on recent accounting pronouncements and the expected impact on our unaudited condensed consolidated financial statements.

Results of Operations

Comparison of the Three Months Ended September 30, 2020 and 2019

The following table sets forth our results of operations for the three months ended September 30, 2020 and 2019:

	Three Months Ended September 30,	
	2020	2019
	(In thousands)	
Statement of operations data		
Net sales	$ 19,217	$ 22,412
Cost of goods sold	8,391	9,754
Gross profit	10,826	12,658
Operating expenses		
Sales and marketing	12,872	18,668
Research and development	2,060	3,201
General and administrative	10,238	12,249
Restructuring	(386)	—
Total operating expenses	24,784	34,118
Loss from operations	(13,958)	(21,460)
Other income (expense), net		
Interest income	5	510
Interest expense	(2,059)	(1,344)
Change in fair value of derivative liability	10,090	—
Other income (expense), net	101	(139)
Total other income (expense), net	8,137	(973)
Loss before income taxes	(5,821)	(22,433)
Income tax	—	—
Net loss	$ (5,821)	$ (22,433)

Net Sales

Net sales decreased $3.2 million, or 14.3%, to $19.2 million for the three months ended September 30, 2020 as compared to $22.4 million for the three months ended September 30, 2019. Net sales of our Breast Products segment was $15.3 million, an increase of $2.7 million for the three months ended September 30, 2020, as compared to $12.6 million for the three months ended September 30, 2019, primarily due to an increase in the volume of domestic and international sales of gel implants as well as an increase in the sales volume of BioCorneum, partially offset by a decrease in the sales volume of Allox2 and Dermaspan breast tissue expanders. Net sales of our miraDry segment was $3.9 million, a decrease of $5.9 million, as compared to $9.8 million for the three months ended September 30, 2019 resulting from an overall decrease in the volume of sales of miraDry systems and consumable bioTips due to the effects of the COVID-19 pandemic and the change in miraDry business strategy.

As of September 30, 2020, our U.S. sales organization included 54 sales representatives as compared to 86 sales representatives as of September 30, 2019. The decrease is primarily attributed to an overall decrease in sales headcount implemented under the organizational efficiency initiative and the change in miraDry business strategy.

Cost of Goods Sold and Gross Margin

Cost of goods sold decreased $1.4 million, or 14.0%, to $8.4 million for the three months ended September 30, 2020 as compared to $9.8 million for the three months ended September 30, 2019. The decrease was primarily due to a decrease in sales in the miraDry segment, offset by an increase in the sales volume and unit costs of breast implants in the Breast Products segment.

The gross margins for the three months ended September 30, 2020 and 2019 were 56.3% and 56.5%, respectively. The decrease was due to increased unit cost of gel implants in the Breast Products segment following the Vesta Acquisition, offset by a higher sales mix of miraDry consumables which carry a higher margin.

Sales and Marketing Expenses

Sales and marketing expenses decreased $5.8 million, or 31.0%, to $12.9 million for the three months ended September 30, 2020 as compared to $18.7 million for the three months ended September 30, 2019. The decrease was primarily due to decreases in employee payroll and incentive compensation related expenses, and a reduction in marketing events and initiatives associated with the organizational efficiency initiative, the change in the miraDry business strategy and other cost saving measures implemented in response to COVID-19.

Research and Development Expenses

R&D expenses decreased $1.1 million, or 35.6%, to $2.1 million for the three months ended September 30, 2020 as compared to $3.2 million for the three months ended September 30, 2019. The decrease was primarily due to decreases in employee payroll and incentive compensation related expenses associated with the organizational efficiency initiative, the change in the miraDry business strategy and other cost saving measures implemented in response to COVID-19, coupled with decreases in costs related to clinical and regulatory activities.

General and Administrative Expenses

G&A expenses decreased $2.0 million, or 16.4%, to $10.2 million for the three months ended September 30, 2020 as compared to $12.2 million for the three months ended September 30, 2019. The decrease is primarily related to decreases in employee payroll and incentive compensation related expenses, and consulting expenses associated with the organizational efficiency initiative, the change in the miraDry business strategy and other cost saving measures implemented in response to COVID-19. In addition, there were decreases in legal expenses, severance expenses, and fair value adjustments, offset by an increase in bad debt expense, insurance, and freight expense.

Restructuring Expenses

Restructuring expenses for the three months ended September 30, 2020 were ($0.4) million, resulting from a change in estimated severance costs to be incurred under the organizational efficiency initiative.

Other Income (Expense), net

Other income (expense), net for the three months ended September 30, 2020 changed $9.1 million as compared to the three months ended September 30, 2019 primarily due to the decrease in the fair value of the derivative liability, offset by an increase in interest expense and amortization of debt issuance costs and debt discounts associated with our Credit Agreements and Convertible Note.

Income Tax Expense

For the three months ended September 30, 2020 and 2019 there was no income tax expense.

Comparison of the Nine Months Ended September 30, 2020 and 2019

The following table sets forth our results of operations for the nine months ended September 30, 2020 and 2019:

	Nine Months Ended September 30,	
	2020	2019
	(In thousands)	
Statement of operations data		
Net sales	$ 48,597	$ 60,489
Cost of goods sold	20,733	24,041
Gross profit	27,864	36,448
Operating expenses		
Sales and marketing	37,614	60,987
Research and development	7,747	9,526
General and administrative	27,500	37,538
Restructuring	1,849	—
Impairment	6,432	12,674
Total operating expenses	81,142	120,725
Loss from operations	(53,278)	(84,277)
Other income (expense), net		
Interest income	203	1,083
Interest expense	(7,289)	(3,276)
Change in fair value of derivative liability	(8,420)	—
Other income (expense), net	74	(101)
Total other income (expense), net	(15,432)	(2,294)
Loss before income taxes	(68,710)	(86,571)
Income tax	—	—
Net loss	$ (68,710)	$ (86,571)

Net Sales

Net sales decreased $11.9 million, or 19.7%, to $48.6 million for the nine months ended September 30, 2020 as compared to $60.5 million for the nine months ended September 30, 2019. Net sales of our Breast Products segment was $37.1 million, an increase of $3.5 million for the nine months ended September 30, 2020, as compared to $33.6 million for the nine months ended September 30, 2019, driven primarily by an increase in the volume of sales of gel implants. Net sales of our miraDry segment was $11.5 million, a decrease of $15.4 million, as compared to $26.9 million for the nine months ended September 30, 2019 resulting from an overall decrease in the volume of sales of miraDry systems and consumable bioTips due to the effects of the COVID-19 pandemic and the change in miraDry business strategy.

Cost of Goods Sold and Gross Margin

Cost of goods sold decreased $3.3 million, or 13.8%, to $20.7 million for the nine months ended September 30, 2020 as compared to $24.0 million for the nine months ended September 30, 2019. The decrease was primarily due to a decrease in sales in the miraDry segment, offset by an increase in the sales volume and unit costs of breast implants in the Breast Products segment.

The gross margins for the nine months ended September 30, 2020 and 2019 were 57.3% and 60.3%, respectively. The decrease was due to increased unit cost of gel implants in the Breast Products segment following the Vesta Acquisition.

Sales and Marketing Expenses

Sales and marketing expenses decreased $23.4 million, or 38.3%, to $37.6 million for the nine months ended September 30, 2020 as compared to $61.0 million for the nine months ended September 30, 2019. The decrease was primarily due to decreases in employee payroll and incentive compensation related expenses, and a reduction in consulting fees and marketing events and initiatives associated with the organizational efficiency initiative, the change in the miraDry business strategy and other cost saving measures implemented in response to COVID-19.

Research and Development Expenses

R&D expenses decreased $1.8 million, or 18.7%, to $7.7 million for the nine months ended September 30, 2020 as compared to $9.5 million for the nine months ended September 30, 2019. The decrease was primarily due to decreases in employee payroll and incentive compensation related expenses associated with the organizational efficiency initiative, the change in the miraDry business strategy and other cost saving measures implemented in response to COVID-19, coupled with decreases in costs related to clinical and regulatory activities.

General and Administrative Expenses

G&A expenses decreased $10.0 million, or 26.7%, to $27.5 million for the nine months ended September 30, 2020 as compared to $37.5 million for the nine months ended September 30, 2019. The decrease is primarily related to decreases in employee payroll and incentive compensation related expenses, and consulting and legal expenses associated with the organizational efficiency initiative, the change in the miraDry business strategy and other cost saving measures implemented in response to COVID-19. In addition, there were decreases in intangibles amortization expense, fair value adjustments, offset by an increase in bad debt expense, insurance expense, and accounting fees.

Restructuring Expenses

Restructuring expenses for the nine months ended September 30, 2020 were $1.8 million, consisting primarily of severance expenses of employees affected by the organizational efficiency initiative.

Impairment Expenses

Impairment expenses for the nine months ended September 30, 2020 were $6.4 million, due to full impairments of intangible assets in the miraDry reporting unit. Impairment expenses for the nine months ended September 30, 2019 were $12.7 million, due to a full impairment of goodwill and partial impairment of intangible assets in the miraDry reporting unit.

Other Income (Expense), net

Other income (expense), net for the nine months ended September 30, 2020 increased $13.1 million as compared to the nine months ended September 30, 2019 primarily due to the increase in the fair value of the derivative liability, interest expense and amortization of debt issuance costs and debt discounts associated with our Credit Agreements and Convertible Note.

Income Tax Expense

For the nine months ended September 30, 2020 and 2019 there was no income tax expense.

Liquidity and Capital Resources

Since our inception, we have incurred significant net operating losses and anticipate that our losses will continue in the near term. We expect our operating expenses will continue to grow as we expand our operations. We will need to generate significant net sales to achieve profitability. To date, we have funded our operations primarily with

proceeds from the sales of preferred stock, borrowings under our term loans and convertible note, sales of our products since 2012, and the proceeds from the sale of our common stock in public offerings.

As of September 30, 2020, we had $63.5 million in cash and cash equivalents. Our historical cash outflows have primarily been associated with activities relating to commercialization and increases in working capital, including the expansion of our sales force and marketing programs. In addition, we have used cash to fund the acquisitions of miraDry, BIOCORNEUM, our tissue expander portfolio, and the Vesta Acquisition.

In February 2018, we entered into an At-The-Market Equity Offering Sales Agreement with Stifel, Nicolaus & Company, Incorporated, or Stifel, as sales agent pursuant to which we may sell, from time to time, through Stifel shares of our common stock having an aggregate gross offering price of up to $50 million. As of September 30, 2020, the Company has sold 37,000 shares of its common stock pursuant to the sales agreement, resulting in net proceeds after commissions of approximately $0.3 million.

On July 1, 2019, we entered into certain credit agreements with Midcap Financial Trust pursuant to which we repaid our existing indebtedness under our existing credit agreements and the outstanding commitment fee was cancelled. Further on March 11, 2020, we entered into a facility agreement with Deerfield Partners, L.P., issuing $60.0 million in principal amount of 4.0% unsecured and subordinated convertible notes. See Note 10 – Debt to the condensed consolidated financial statements for a full description of our long-term debt, revolving line of credit, and convertible note.

In April 2020, we were granted a loan of $6.7 million under the Paycheck Protection Program of the CARES Act, or the PPP Loan, all or a portion of which may be forgiven dependent on our use of proceeds. The PPP Loan matures on April 20, 2022 and bears interest at a rate of 1.0% per annum. All or a portion of the PPP Loan may be forgiven upon submission of documentation of expenditures in accordance with certain specified requirements. See Note 10 – Debt to the condensed consolidated financial statements for a full description of the PPP Loan. We sought and obtained the PPP Loan due to the immediate and continued impact of the COVID-19 pandemic on our revenues and prospects. The PPP Loan has allowed us to satisfy our payroll obligations without a material reduction in pay for our employees or a material headcount reduction, other than the reductions in the previously announced organizational efficiency initiative.

Due to the continued uncertainty relating to the COVID-19 pandemic, our revenues may continue to be adversely impacted. If we are unable to achieve certain revenue targets, we may breach certain financial covenants set forth in our Credit Agreement with MidCap Financial Trust. If we breach these covenants, MidCap will have the right to accelerate repayment of the outstanding amounts. In addition, a breach of a financial covenant in the Credit Agreement would result in a cross default under our Note with Deerfield, which would allow Deerfield to accelerate repayment of the amounts owed, subject to certain restrictions. In the event that any of MidCap or Deerfield accelerates the repayment of our indebtedness, there can be no assurance that we will have sufficient cash on hand to satisfy such obligations and our business operations may be materially harmed.

To fund our ongoing operating and capital needs, we may need to raise additional equity or debt capital. We believe we have sufficient capital resources to continue as a going concern through the next twelve months.

Cash Flows

The following table shows a summary of our cash flows (used in) provided by operating, investing and financing activities for the periods indicated:

	Nine Months Ended September 30,	
	2020	**2019**
Net cash (used in) provided by:		
Operating activities	$ (52,739)	$ (73,503)
Investing activities	(3,192)	(3,180)
Financing activities	31,806	110,699
Net change in cash, cash equivalents and restricted cash	$ (24,125)	$ 34,016

Cash used in operating activities

Net cash used in operating activities was $52.7 million during the nine months ended September 30, 2020 as compared to $73.5 million during the nine months ended September 30, 2019. The decrease in cash used in operating activities between the nine months ended September 30, 2020 and 2019 was primarily associated with a lower net loss of $68.7 million for the nine months ended September 30, 2020 as compared to $86.6 million for the nine months ended September 30, 2019, an increase in fair value adjustments to the derivative liability and the provision for doubtful accounts, and decreases in accounts receivable offset by a lower impairment, stock-based compensation expense, and inventory, and decreases in customer deposits, accounts payable, accrued and other liabilities, and prepaid expenses, other current assets and other assets.

Cash used in investing activities

Net cash used in investing activities was $3.2 million during the nine months ended September 30, 2020 and 2019. The slight increase in cash used in investing activities between the nine months ended September 30, 2020 and 2019 was due to an increase in property and equipment purchases.

Cash provided by financing activities

Net cash provided by financing activities was $31.8 million during the nine months ended September 30, 2020 as compared to $110.7 million during the nine months ended September 30, 2019. The decrease in cash provided by financing activities was primarily the result of a decrease in the proceeds from issuance of common stock, repayments of the term loan, and decrease in borrowings under the revolving loan, offset by an increase in proceeds from issuance of the convertible note and the PPP loan.

Our liquidity position and capital requirements are subject to a number of factors. For example, our cash inflow and outflow may be impacted by the following:

- the ability of our implant manufacturing facility in Franklin Wisconsin to meet capacity to meet customer requirements and maintain unit costs that will drive gross margin;
- the ability of our third-party tissue expander manufacturing facility operated by SiMatrix to meet capacity to meet customer requirements;
- net sales generated by our Breast Products and miraDry segments, and any other future products that we may develop and commercialize;
- the scope and duration of the COVID-19 pandemic and its effect on our operations;
- costs associated with expanding our sales force and marketing programs;
- cost associated with developing and commercializing our proposed products or technologies;
- expenses we incur in connection with potential litigation or governmental investigations;
- cost of obtaining and maintaining regulatory clearance or approval for our current or future products;
- cost of ongoing compliance with regulatory requirements, including compliance with Sarbanes-Oxley;
- anticipated or unanticipated capital expenditures; and
- unanticipated G&A expenses.

Our primary short-term capital needs, which are subject to change, include expenditures related to:

- support of our sales and marketing efforts related to our current and future products;
- new product acquisition and development efforts;
- facilities expansion needs; and
- investment in inventory required to meet customer demands.

Although we believe the foregoing items reflect our most likely uses of cash in the short-term, we cannot predict with certainty all of our particular short-term cash uses or the timing or amount of cash used. If cash generated from operations is insufficient to satisfy our working capital and capital expenditure requirements, we may be required to sell additional equity or debt securities or obtain credit facilities. Additional capital, if needed, may not be available on satisfactory terms, if at all. Furthermore, any additional equity financing may be dilutive to stockholders, and debt financing, if available, may include restrictive covenants. For a discussion of other factors that may impact our future liquidity and capital funding requirements, see "Risk Factors — Risks Related to Our Financial Results" in our Annual Report on Form 10-K.

Off-Balance Sheet Arrangements

During the periods presented we did not have, nor do we currently have, any off-balance sheet arrangements as defined under SEC rules.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of September 30, 2020, we had $63.5 million in cash and cash equivalents. We generally hold our cash in checking accounts and interest-bearing money market accounts. Our exposure to market risk related to interest rate sensitivity is affected by changes in the general level of U.S. interest rates. Due to the short-term maturities of our cash equivalents and the low risk profile of our investments, an immediate 100 basis point change in interest rates would not have a material effect on the fair market value of our cash equivalents. We have established guidelines regarding approved investments and maturities of investments, which are designed to maintain safety and liquidity.

ITEM 4: CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. GAAP. We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic and current reports that we file with the SEC 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, or CEO, and Chief Financial Officer, or CFO, as appropriate, to allow timely decisions regarding required disclosure.

As of September 30, 2020, we carried out an evaluation, under the supervision and with the participation of our management, including our CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were not effective as of September 30, 2020 as a result of the material weakness described in our Annual Report on Form 10-K and below.

The control environment was ineffective in holding individuals accountable for the operation of their internal control responsibilities. This control failure prevented the effective operation of controls over goodwill and intangible asset impairment, including the underlying financial data, calculations and assumptions supporting the forecasted financial information utilized to measure the fair value of the reporting unit, intangible assets, and the associated impairment charges. This deficiency did not result in an adjustment but still represented a material weakness in our internal control over financial reporting as of December 31, 2019 because there is a reasonable possibility that material misstatements to our consolidated financial statements would not be prevented or detected on a timely basis.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

Remediation

As disclosed in our Annual Report, we have identified and begun to implement several actions designed to remediate the material weakness. Our remediation process includes, but is not limited to communicating expectations over performance of controls, monitoring for compliance with those expectations, and holding individuals accountable for their roles related to internal control over financial reporting.

Changes in Internal Control over Financial Reporting

Except as discussed above, there have been no changes in our internal control over financial reporting 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.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are involved in legal proceedings and regulatory proceedings arising out of our operations. We establish reserves for specific liabilities in connection with legal actions that we deem to be probable and estimable. The ability to predict the ultimate outcome of such matters involves judgments, estimates, and inherent uncertainties. The actual outcome of such matters could differ materially from management's estimates. Information regarding certain legal proceedings is provided in this Quarterly Report in Note 14 of the condensed consolidated financial statements.

Item 1A. RISK FACTORS

Except as set forth below, there have been no material changes from the risk factors disclosed in Part I, Item 1A, of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, which are incorporated herein by reference.

The COVID-19 pandemic has adversely affected, and continues to adversely affect, our business, our operations and our financial results. Future pandemics, epidemics or outbreaks of an infectious disease may similarly affect our business, our operations and our financial results.

The rapid, global spread of COVID-19 has resulted in significant economic uncertainty, significant declines in business and consumer confidence and global demand in the non-essential healthcare industry (among others), a global economic slowdown, and could lead to a global recession. The COVID-19 pandemic has drastically impacted healthcare systems in the United States and globally and resulted in travel restrictions which impact medical tourism and our sales professionals' ability to travel. In addition, hospitals have limited access for non-patients, including our sales professionals, which could negatively impact our access to physicians. As an aesthetics company, a significant percentage of our products are utilized in elective surgeries or procedures, which may be deferred or avoided altogether due to the COVID-19 outbreak, materially impacting our financial results. Future pandemics or other outbreaks of infectious disease may result in a similar period of business disruption, including reduced sales as patients might cancel or defer elective procedures or otherwise avoid medical facilities, resulting in reduced patient volumes and operating revenues. Governmental agencies and hospital administrators may also instruct hospitals to postpone some elective procedures in preparation for COVID-19-related hospitalizations. Further, the spread of COVID-19 has caused us to modify our workforce practices, and we may take further actions that we determine are in the best interests of our employees or as required by governments. The continued spread of COVID-19, or another infectious disease, could also result in delays or disruptions in our supply chain or adversely affect our manufacturing facilities and personnel. Further, trade and/or national security protection policies may be adjusted as a result of the COVID-19 pandemic, such as actions by governments that limit, restrict or prevent the movement of certain goods into a country and/or region, and current U.S./China trade relations may be further exacerbated by the pandemic. The COVID-19 outbreak has materially impacted our operations and financial results and continues to be fluid and uncertain, making it difficult to forecast the final impact it could have on our future operations or financial results.

Our debt obligations could impair our financial condition and limit our operating flexibility.

Our indebtedness under our credit agreements with MidCap Financial Trust, or the Credit Agreements, our Convertible Note with Deerfield and our other financial obligations could:

- impair our ability to obtain financing or additional debt in the future for working capital, capital expenditures, acquisitions or general corporate purposes;
- impair our ability to access capital and credit markets on terms that are favorable to us;

- have a material adverse effect on us if we fail to comply with financial and affirmative and restrictive covenants in our Credit Agreements and an event of default occurs as a result of a failure that is not cured or waived;

- require us to dedicate a portion of our cash flow for interest payments on our indebtedness and other financial obligations, thereby reducing the availability of our cash flow to fund working capital and capital expenditures; and

- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate.

Our financial covenants in the Credit Agreements require us to achieve certain levels of net revenue calculated on a rolling monthly basis. Due to the continued uncertainty relating to the COVID-19 pandemic, our revenues may continue to be adversely impacted. If we are unable to achieve certain revenue targets, we may breach certain financial covenants set forth in our Credit Agreements. If we breach these covenants, MidCap will have the right to accelerate repayment of the outstanding amounts. In addition, a breach of a financial covenant in the Credit Agreement would result in a cross default under our Convertible Note with Deerfield, which would allow Deerfield to accelerate repayment of the amounts owed, subject to certain restrictions. In the event that any of MidCap or Deerfield accelerates the repayment of our indebtedness, there can be no assurance that we will have sufficient cash on hand to satisfy such obligations and our business operations may be materially harmed.

Furthermore, there is no guarantee that we will be able to pay the principal and interest under the Credit Agreements or the Convertible Note or that future working capital, borrowings or equity financing will be available to repay or refinance any amounts outstanding under the Credit Agreements or Convertible Note. Our obligations under the Credit Agreements are secured by a perfected security interest in all of our tangible and intangible assets (including our intellectual property assets), except for certain customary excluded property and all of our and our subsidiaries capital stock, with certain limited exceptions. In addition, we may enter into debt agreements in the future that may contain similar or more burdensome terms and covenants, including financial covenants.

We may not successfully integrate newly acquired businesses into our business operations or realize the benefits of partnerships with other companies, acquisitions of complementary products or technologies or other strategic alternatives.

We have completed a series of business and product acquisitions including our acquisition of our manufacturing operations from Vesta, our acquisition of miraDry, our product acquisitions, including BIOCORNEUM and our tissue expanders portfolio. As a result of these acquisitions, we have undergone substantial changes to our business and product offerings in a short period of time. In addition, in the future, we may consider other opportunities to partner with or acquire other businesses, products or technologies that may enhance our product platform or technology, expand the breadth of our markets or customer base or advance our business strategies.

Integrating the business practice and operations of a new business with that of our own is a complex, costly and time-consuming process, which requires significant management attention and resources. The integration process may disrupt our existing operations and, if implemented ineffectively, would preclude realization of the full benefits expected by us. Our failure to meet the challenges involved in successfully integrating our acquisitions in order to realize the anticipated benefits may cause an interruption of, or a loss of momentum in, our operating activities and could adversely affect our results of operations. For example, we recently determined to refocus our miraDry reporting unit to driving sales of consumable bioTips to our existing installed base. There can be no assurances that we will achieve significant sales of the miraDry system under this refocused plan or, if we do, that we will be able to do so in a profitable manner. Potential difficulties, costs and delays we may encounter as part of the integration process may include:

- distracting management from day-to-day operations;

- potential incompatibility of corporate cultures;

- an inability to achieve synergies as planned;
- risks associated with the assumption of contingent or other liabilities of acquisition targets;
- adverse effects on existing business relationships with suppliers or customers;
- inheriting and uncovering previously unknown issues, problems and costs from the acquired company;
- uncertainties associated with entering new markets in which we have limited or no experience;
- increased legal and accounting costs relating to the partnership or acquisition or compliance with regulatory matters;
- delays between our expenditures to acquire new products, technologies or businesses and the generation of net sales from those acquired products, technologies or businesses;
- realization of assets and settlement of liabilities at amounts equal to estimated fair value as of the acquisition date of any acquisition or disposition;
- costs and delays in implementing common systems and procedures (including technology, compliance programs, financial systems, distribution and general business operations, among others); and
- increased difficulties in managing our business due to the addition of international locations.

Any one or all of these factors may increase operating costs or lower anticipated financial performance. Many of these factors are also outside of our control. In addition, even if new business operations are integrated successfully, we may not realize the full benefits of the acquisition, including the synergies, cost savings or sales or growth opportunities that we expect or within the anticipated time frame. Additional unanticipated costs may be incurred in the integration of the businesses. All of these factors could decrease or delay the expected accretive effect of the transaction, and negatively impact the price of our common stock. The failure to integrate the business operations of miraDry or any acquired business successfully would have a material adverse effect on our business, financial condition and results of operations. As noted above, we determined to refocus efforts on driving sales of bioTips to our existing installed base. There can be no assurance that this shift in focus will allow us to realize the expected benefits from this acquisition.

If we are unable to drive sales of our bioTips to our existing installed base of miraDry systems, our business and future prospects will be harmed.

In April 2020, we determined to focus on driving high margin, bioTip utilization to our existing installed base combined with a controlled placement of consoles. We expect that the net sales we generate from our bioTips will represent high margin sales (on a gross margin basis) and account for a substantial amount of our net sales for the next several years, with high margin consumables comprising a sizable percentage of our miraDry segment's net sales. Accordingly, our success depends on the acceptance among physicians and patients of the miraDry procedure as a preferred treatment for being sweat-bothered. Although we have received FDA clearance to market the miraDry procedure for the treatment of primary axillary hyperhidrosis, odor and permanent hair reduction in the United States and are approved or are otherwise free to market the miraDry procedure for the treatment of primary ancillary hyperhidrosis in adults in over 40 international markets, the degree of market acceptance of the miraDry procedure by physicians and patients is unproven. We believe that market acceptance of the miraDry procedure will depend on many factors, including:

- the perceived advantages or disadvantages of the miraDry System compared to other products and procedures;
- the safety and efficacy of the miraDry System relative to other products and alternative procedures;

- the price of the miraDry System relative to other products and alternative procedures;
- the effectiveness of our marketing, advertising, and commercialization initiatives;
- the development and publication of long-term clinical data in peer-reviewed journals supporting the long term efficacy of the miraDry procedure;
- our ability to obtain regulatory clearance to market miraDry for additional treatment indications in the United States and other international markets;
- education of physicians, especially general practitioners and dermatologists, regarding alternative procedures for sweat-bothered patients through key opinion leaders and product demonstrations at conferences, physician offices and webinars; and
- the success of patient education through direct-to-consumer marketing campaigns that utilize social media outlets and testimonials.

In addition, the COVID-19 pandemic has limited our ability to educate physicians and drive market acceptance of the procedure. We cannot guarantee that the miraDry procedure will achieve broad market acceptance among physicians and patients. We expect to derive a substantial portion of sales from the sale of our consumable bioTip products, which represent higher margin products within our product portfolio. As a result, any failure of this product to achieve meaningful market acceptance will harm our business, sales, profitability and future prospects.

If changes in the economy and consumer spending reduce consumer demand for our products, our sales and profitability would suffer.

We are subject to the risks arising from adverse changes in general economic and market conditions, pandemics or political actions including new or increased trade protection policies such as tariffs, particularly in China, where certain components of our miraDry products are manufactured. Certain elective procedures, such as breast augmentation and the miraDry procedure, are typically not covered by insurance. Adverse changes in the economy or a "trade war" may cause consumers to reassess their spending choices and reduce the demand for these surgeries and other procedures and could have an adverse effect on consumer spending. This shift could have an adverse effect on our net sales and profitability. Furthermore, consumer preferences and trends may shift due to a variety of factors, including changes in demographic and social trends, public health initiatives and product innovations, which may reduce consumer demand for our products. For example, as a result of the COVID-19 outbreak in China, our bioTip manufacturer in China was required to close for a week. In addition, as the outbreak spread through the United States and globally, we have experienced a significant reduction in demand as non-emergency medical procedures are deferred. There can be no assurances that once healthcare systems resume normal activity that these deferred procedures will be rescheduled. The outbreak has adversely affected our financial condition and results of operations and will likely continue to adversely impact our operations until heathcare systems resume normal activity. At this point, the duration and extent of such impact is uncertain.

If we are unsuccessful in executing our cost plan, our business and results of operations may be adversely affected.

In November 2019, we announced an organizational efficiency initiative (the "Plan") designed to reduce spending and simplify operations to better align our cost structure to our long-term margin targets. Under the Plan, we will implement numerous initiatives to reduce spending, including closing the Santa Clara offices of miraDry, Inc. ("miraDry"), and consolidating a number of business support services via a shared services organization at our Santa Barbara headquarters. Under the Plan, we also intend to reduce our workforce in a series of targeted reductions, which we expect to be completed by the end of 2020. We cannot provide assurance that our Plan will be successful, that anticipated cost savings will be realized, that our operations, business and financial results will improve and/or that these efforts will not disrupt our operations (beyond what is intended).

In April 2020, we implemented additional workforce reductions as cost savings measures. Our ability to achieve the anticipated cost savings and other benefits within the expected time frames is subject to many estimates and assumptions, which are subject to significant economic, competitive and other uncertainties, some of which are beyond our control. Further, we may experience delays in the timing of these efforts and/or higher than expected or unanticipated costs in implementing them. Moreover, changes in the size, alignment or organization of our workforce could adversely affect employee morale and retention, relations with customers and business partners, our ability to develop and deliver products and services as anticipated and/or impair our ability to realize our current or future business and financial objectives. If we do not succeed in these efforts, if these efforts are more costly or time-consuming than expected, if our estimates and assumptions are not correct, if we experience delays or if other unforeseen events occur, our business and results of operations may be adversely affected.

Any disruption at our facilities could adversely affect our business and operating results.

Our principal offices are located in Santa Barbara, California. Substantially all of our operations are conducted at this location, including customer service, development and management and administrative functions. Substantially all of our inventory of Breast Products is held at a second location in Santa Barbara, California, and, with the Vesta Acquisition, we manufacture our breast implants at a third location in Wisconsin. Despite our efforts to safeguard our facilities, including acquiring insurance, adopting health and safety protocols and utilizing off-site storage of computer data, vandalism, terrorism, public health crisis (such as the recent COVID-19 outbreak) or a natural or other disaster, such as an earthquake, tornado, fire or flood, could damage or destroy our inventory of finished goods, cause substantial delays in our operations, result in the loss of key information and cause us to incur additional expenses. Our insurance may not cover our losses in any particular case. In addition, regardless of the level of insurance coverage, damage to our facilities may have a material adverse effect on our business, financial condition and operating results.

We accepted a loan under the CARES Act pursuant to the Paycheck Protection Program, or the PPP, which loan may not be forgiven or may subject us to challenges and investigations regarding qualification for the loan. In addition, we may be subject to audit in connection with the loan and should we request that the loan be forgiven, the United States Small Business Administration, or SBA, will conduct a full audit in connection with the loan. If there is any adverse finding from the audit or if we are subject to any other investigation or challenge in connection with the loan, we could be required to return the full amount of the PPP loan plus interest, which could reduce our liquidity, and could be subject to significant fines, damages and penalties and our business could otherwise be adversely affected, whether or not there is an adverse finding. Such events could have a material adverse effect on our business, financial condition and results of operations.

In April 2020, we were granted a loan of $6.7 million under the PPP of the CARES Act, or the PPP Loan, all or a portion of which may be forgiven dependent on our use of proceeds. The PPP Loan matures on April 20, 2022 and bears interest at a rate of 1.0% per annum. All or a portion of the PPP Loan may be forgiven by the SBA upon submission of documentation of expenditures in accordance with the SBA's requirements. Under the CARES Act, loan forgiveness is available for the sum of documented payroll costs, covered rent payments, covered mortgage interest and covered utilities during the 24-week period beginning on the date of loan approval. Not more than 40% of the forgiven amount may be for non-payroll costs. The amount of the PPP Loan eligible to be forgiven will be reduced if our full-time headcount declines, or if salaries and wages for employees with salaries of $100,000 or less annually are reduced by more than 25%. We will be required to repay any portion of the outstanding principal that is not forgiven, along with accrued interest, in accordance with the amortization schedule described above, and we cannot provide any assurance that we will be eligible for loan forgiveness, that we will ultimately apply for forgiveness, or that any amount of the PPP Loan will ultimately be forgiven by the SBA. Furthermore, on April 28, 2020, the Secretary of the U.S. Department of the Treasury stated that the SBA will perform a full review of any PPP loan over $2.0 million before forgiving the loan.

The PPP Loan application required us to certify, among other things, that the current economic uncertainty made the PPP Loan request necessary to support our ongoing operations. While we made this certification in good faith after analyzing, among other things, our financial situation and access to alternative forms of capital, and believe that we satisfied all eligibility criteria for the PPP Loan and that our receipt of the PPP Loan is consistent with the broad objectives of the PPP of the CARES Act, the certification described above does not contain any objective criteria and is subject to interpretation. In addition, the SBA has stated that it is unlikely that a public company with

substantial market value and access to capital markets will be able to make the required certification in good faith. The lack of clarity regarding loan eligibility under the Paycheck Protection Program has resulted in significant media coverage and controversy with respect to public companies applying for and receiving loans. If, despite our good faith belief that we satisfied all eligibility requirements for the PPP Loan, we are found to have been ineligible to receive the PPP Loan or in violation of any of the laws or governmental regulations that apply to us in connection with the PPP Loan, including the False Claims Act, we may be subject to penalties, including significant civil, criminal and administrative penalties and could be required to repay the PPP Loan. In the event that we seek forgiveness of all or a portion of the PPP Loan, we will also be required to make certain certifications which will be subject to audit and review by governmental entities and could subject us to significant penalties and liabilities if found to be inaccurate, including under the False Claims Act. In addition, our receipt of the PPP Loan may result in adverse publicity and damage to our reputation, and a review or audit by the SBA or other government entity or claims under the False Claims Act could consume significant financial and management resources. Any of these events could harm our business, results of operations and financial condition.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following exhibits are filed or furnished as part of this report:

Number	Description
31.1*	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.
32.1*	Certification of Principal Executive Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Principal Financial Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350, as adopted pursuant Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Instance Document - the instance document does not appear in the interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.

SIGNATURES

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

SIENTRA, INC.

November 9, 2020

By: /s/ Jeffrey Nugent
Jeffrey Nugent
Chairman and Chief Executive Officer

November 9, 2020

By: /s/ Paul Little
Paul Little
Chief Financial Officer and Treasurer

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jeffrey Nugent, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 9, 2020

/s/ Jeffrey Nugent

Jeffrey Nugent

Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Paul Little, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 9, 2020

/s/ Paul Little

Paul Little

Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Jeffrey Nugent, Chief Executive Officer of Sientra, Inc. (the "Company"), hereby certifies that to the best of his knowledge:

(1) The Company's Quarterly Report on Form 10Q for the period ended September 30, 2020, to which this Certification is attached as Exhibit 32.1 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

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

Date: November 9, 2020

/s/ Jeffrey Nugent

Jeffrey Nugent
Chairman and Chief Executive Officer

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Sientra, 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 the Form 10-Q), irrespective of any general incorporation language contained in such filing.

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Paul Little, Chief Financial Officer of Sientra, Inc. (the "Company"), hereby certifies that to the best of his knowledge:

(1) The Company's Quarterly Report on Form 10Q for the period ended September 30, 2020, to which this Certification is attached as Exhibit 32.2 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

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

Date: November 9, 2020

/s/ Paul Little

Paul Little

Chief Financial Officer

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Sientra, 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 the Form 10-Q), irrespective of any general incorporation language contained in such filing.