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, 2021

OR

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

For the transition period from ______to ______

Commission file number: 001-36709

SIENTRA, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**20-5551000** (I.R.S. Employer Identification No.)
420 South Fairview Avenue, Suite 200 **Santa Barbara, California** (Address of Principal Executive Offices)	**93117** (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 5, 2021, the number of outstanding shares of the registrant's common stock, par value $0.01 per share, was 58,122,465.

SIENTRA, INC.

FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2021

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“Sientra”, “Sientra Platinum20”, “Sientra Full Circle”, “Sientra Smooth”, “Sientra Teardrop”, “Allox”, “Allox2”, “Anatomical Controlled”, “BIOCORNEUM”, “Curve”, “Dermaspan”, “Luxe”, “Softspan”, and “Silishield” are trademarks of our company. Our logo and our other trade names, trademarks and service marks appearing in this document are our property. Other trade names, trademarks and service marks appearing in this document are the property of their respective owners. Solely for convenience, our trademarks and trade names referred to in this document appear without the TM or the (R) symbol, but those references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights, or the rights of the applicable licensor to these trademarks and trade names.

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, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 66,127	$ 54,967
Accounts receivable, net of allowances of $1,833 and $1,047 at September 30, 2021 and December 31, 2020, respectively	26,453	19,771
Inventories, net	51,529	39,168
Prepaid expenses and other current assets	2,663	1,891
Current assets of discontinued operations	4	13,475
Total current assets	146,776	129,272
Property and equipment, net	14,886	12,301
Goodwill	9,202	9,202
Other intangible assets, net	8,471	9,387
Other assets	7,323	8,011
Non-current assets of discontinued operations	—	805
Total assets	$ 186,658	$ 168,978
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Current portion of long-term debt	$ -	$ 4,670
Accounts payable	6,300	5,799
Accrued and other current liabilities	22,285	28,408
Customer deposits	30,286	17,905
Sales return liability	12,305	9,192
Current liabilities of discontinued operations	501	4,686
Total current liabilities	71,677	70,660
Long-term debt	61,483	60,500
Derivative liability	—	26,570
Deferred and contingent consideration	2,786	2,350
Warranty reserve and other long-term liabilities	9,950	9,455
Total liabilities	145,896	169,535
Commitments and contingencies (Note 12)		
Stockholders' equity (deficit):		
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 58,129,589 and 50,712,151 and outstanding 58,056,862 and 50,639,424 shares at September 30, 2021 and December 31, 2020, respectively	581	506
Additional paid-in capital	645,717	558,059
Treasury stock, at cost (72,727 shares at September 30, 2021 and December 31, 2020)	(260)	(260)
Accumulated deficit	(605,276)	(558,862)
Total stockholders' equity (deficit)	40,762	(557)
Total liabilities and stockholders' equity	$ 186,658	$ 168,978

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, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Net sales	$ 19,620	$ 15,329	$ 58,035	$ 37,109
Cost of goods sold	9,030	7,105	26,027	15,887
Gross profit	10,590	8,224	32,008	21,222
Operating expenses:				
Sales and marketing	12,052	9,969	34,348	24,858
Research and development	2,367	1,778	6,962	6,142
General and administrative	7,865	6,445	23,321	21,183
Restructuring	—	(442)	—	389
Total operating expenses	22,284	17,750	64,631	52,572
Loss from operations	(11,694)	(9,526)	(32,623)	(31,350)
Other income (expense), net:				
Interest income	1	6	4	203
Interest expense	(2,026)	(2,055)	(6,143)	(7,284)
Change in fair value of derivative liability	35,550	10,090	(14,460)	(8,420)
Other income (expense), net	6,672	(2)	6,575	34
Total other income (expense), net	40,197	8,039	(14,024)	(15,467)
Income (loss) from continuing operations before income taxes	28,503	(1,487)	(46,647)	(46,817)
Income tax expense (benefit)	—	—	—	—
Income (loss) from continuing operations	28,503	(1,487)	(46,647)	(46,817)
Income (loss) from discontinued operations, net of income taxes	(93)	(4,334)	233	(21,893)
Net income (loss)	$ 28,410	$ (5,821)	$ (46,414)	$ (68,710)
Basic earnings (loss) per share:				
Continuing operations	$ 0.49	$ (0.03)	$ (0.82)	$ (0.93)
Discontinued operations	(0.00)	(0.09)	0.00	(0.44)
Basic earnings (loss) per share	$ 0.49	$ (0.12)	$ (0.82)	$ (1.37)
Diluted earnings (loss) per share:				
Continuing operations	$ (0.08)	$ (0.03)	$ (0.82)	$ (0.93)
Discontinued operations	(0.00)	(0.09)	0.00	(0.44)
Diluted earnings (loss) per share	$ (0.08)	$ (0.12)	$ (0.82)	$ (1.37)
Weighted average outstanding common shares used for net income (loss) per share attributable to common stockholders:				
Basic	58,005,784	50,394,858	56,680,594	50,155,623
Diluted	72,639,930	50,394,858	56,680,594	50,155,623

See accompanying notes to condensed consolidated financial statements.

SIENTRA, INC.
Condensed Consolidated Statement of Stockholders' Equity (Deficit)
(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, 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

	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, 2020	—	$ —	50,712,151	$ 506	72,727	$ (260)	$ 558,059	$ (558,862)	$ (557)
Proceeds from follow-on offering, net of costs	—	—	6,222,222	62	—	—	39,164	—	39,226
Stock-based compensation	—	—	—	—	—	—	3,163	—	3,163
Stock option exercises	—	—	12,727	—	—	—	51	—	51
Employee stock purchase program (ESPP)	—	—	95,919	1	—	—	322	—	323
Vested restricted stock	—	—	554,896	6	—	—	752	—	758
Shares withheld for tax obligations on vested RSUs	—	—	(82,830)	(1)	—	—	(1,214)	—	(1,215)
Net loss	—	—	—	—	—	—	—	(54,690)	(54,690)
Balances at March 31, 2021	—	$ —	57,515,085	$ 574	72,727	$ (260)	$ 600,297	$ (613,552)	$ (12,941)
Stock-based compensation	—	—	—	—	—	—	2,584	—	2,584
Stock option exercises	—	—	23,636	1	—	—	94	—	95
Vested restricted stock	—	—	471,759	5	—	—	242	—	247
Shares withheld for tax obligations on vested RSUs	—	—	(81,386)	(1)	—	—	(726)	—	(727)
Net loss	—	—	—	—	—	—	—	(20,134)	(20,134)
Balances at June 30, 2021	—	$ —	57,929,094	$ 579	72,727	$ (260)	$ 602,491	$ (633,686)	$ (30,876)
Stock-based compensation	—	—	—	—	—	—	2,326	—	2,326
Employee stock purchase program (ESPP)	—	—	103,152	1	—	—	349	—	350
Vested restricted stock	—	—	148,098	1	—	—	(1)	—	—
Shares withheld for tax obligations on vested RSUs	—	—	(50,755)	—	—	—	(478)	—	(478)
Reclassification of derivative liability to equity	—	—	—	—	—	—	41,030	—	41,030
Net income	—	—	—	—	—	—	—	28,410	28,410
Balances at September 30, 2021	—	$ —	58,129,589	$ 581	72,727	$ (260)	$ 645,717	$ (605,276)	$ 40,762

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Cash flows from operating activities:		
Net loss	$ (46,414)	$ (68,710)
Income (loss) from discontinued operations, net of income taxes	233	(21,893)
Loss from continuing operations, net of income taxes	(46,647)	(46,817)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	3,149	2,386
Provision for doubtful accounts	875	258
Provision for warranties	684	362
Provision for inventory	638	1,435
Fair value adjustments to derivative liability	14,460	8,420
Fair value adjustments of other liabilities held at fair value	49	29
Amortization of debt discount and issuance costs	2,632	3,430
Gain on extinguishment of debt	(6,652)	—
Stock-based compensation expense	8,073	5,342
Payments of contingent consideration liability in excess of acquisition-date fair value	(2,419)	—
Other non-cash adjustments	584	198
Changes in operating assets and liabilities:		
Accounts receivable	(7,558)	(5,311)
Inventories	(12,999)	(6,569)
Prepaid expenses, other current assets and other assets	(205)	(166)
Accounts payable, accrueds, and other liabilities	1,279	(4,921)
Customer deposits	12,381	1,547
Sales return liability	3,113	1,930
Net cash flow from operating activities - continuing operations	(28,563)	(38,447)
Net cash flow from operating activities - discontinued operations	(989)	(14,292)
Net cash used in operating activities	(29,552)	(52,739)
Cash flows from investing activities:		
Purchase of property and equipment	(4,882)	(3,112)
Net cash flow from investing activities - continuing operations	(4,882)	(3,112)
Net cash flow from investing activities - discontinued operations	11,314	(80)
Net cash provided by (used in) investing activities	6,432	(3,192)
Cash flows from financing activities:		
Proceeds from issuance of common stock for employee stock-based plans	1,824	852
Net proceeds from issuance of common stock	39,226	264
Tax payments related to shares withheld for vested restricted stock units (RSUs)	(2,420)	(1,496)
Gross borrowings under the Term Loan	1,000	—
Repayments under the Term Loan	—	(25,000)
Gross borrowings under the PPP Loan	—	6,652
Repayment of the Revolving Loan	—	(6,508)
Net proceeds from issuance of the Convertible Note	—	60,000
Payments of contingent consideration up to acquisition-date fair value	(4,550)	—
Deferred financing costs	(800)	(2,958)
Net cash provided by financing activities	34,280	31,806
Net increase (decrease) in cash, cash equivalents and restricted cash	11,160	(24,125)
Cash, cash equivalents and restricted cash at:		
Beginning of period	55,300	87,951
End of period	$ 66,460	$ 63,826
Reconciliation of cash, cash equivalents, and restricted cash to the consolidated balance sheets		
Cash and cash equivalents	66,127	$ 63,483
Restricted cash included in other assets	333	343
Total cash, cash equivalents and restricted cash	$ 66,460	$ 63,826
Supplemental disclosure of cash flow information:		
Interest paid	$ 3,133	$ 3,781
Supplemental disclosure of non-cash investing and financing activities:		
Property and equipment in accounts payable and accrued liabilities	323	114
Equity component of the Convertible Note	41,030	—

See accompanying notes to condensed consolidated financial statements.

SIENTRA, INC.
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

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, 2020 filed with the SEC on March 11, 2021, or the Annual Report. The results for the three and nine months ended September 30, 2021 are not necessarily indicative of results to be expected for the year ending December 31, 2021, any other interim periods, or any future year or period.

As a result of the miraDry Sale discussed in Note 2, the miraDry business met the criteria to be reported as discontinued operations. Therefore, the Company is reporting the historical results of miraDry, including the results of operations, cash flows, and related assets and liabilities, as discontinued operations for all periods presented herein through the date of the Sale. Unless otherwise noted, the accompanying notes to the unaudited condensed consolidated financial statements have all been revised to reflect continuing operations only. As discussed in Note 11, following the Sale the Company has one operating segment in continuing operations named Plastic Surgery, formerly known as Breast Products.

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. The Company expects its operating expenses will remain consistent with the current period and 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. 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.

Sale of the miraDry business

Refer to Note 2 for details on the sale of the miraDry business.

Debt financing – recent developments

Refer to Note 7 for a full description and updates to all of the Company's long-term debt, revolving line of credit, convertible note, and Paycheck Protection Program (PPP) loan.

Equity financing – recent developments

On February 8, 2021, the Company completed a follow-on public offering of 5,410,628 shares of common stock at $6.75 per share, as well as 811,594 additional shares of common stock pursuant to the full exercise of the over-allotment option granted to the underwriters. Net proceeds were approximately $39.2 million after deducting underwriting discounts and commissions of approximately $2.5 million and offering expenses of approximately $0.3 million.

As of September 30, 2021, the Company had cash and cash equivalents of $66.1 million. 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 Company believes that its cash and cash equivalents will be sufficient to fund its operations for at least the next 12 months.

c. Recent Accounting Pronouncements

Recently Adopted Accounting Standards

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 was permitted. The Company adopted the applicable amendments within ASU 2019-12 in the first quarter of 2021 and there was no material impact on its condensed consolidated financial statements from the adoption.

d. Risks and Uncertainties

As an aesthetics company, surgical procedures involving the Company's breast products are susceptible to local and national government restrictions, such as social distancing, vaccination requirements, "shelter in place" orders and business closures. The inability or limited ability to perform such non-emergency procedures significantly harmed the Company's revenues since the second quarter of 2020 and continued to harm the Company's revenues during the nine months ended September 30, 2021. While many states have lifted certain restrictions on non-emergency procedures, the Company will likely continue to experience future harm to its revenues while existing or new restrictions remain in place. It is not possible to accurately predict the length or severity of the COVID-19 pandemic or the timing for a broad and sustained ability to perform non-emergency procedures involving the Company's products. 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.

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. 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.

e. Reclassifications

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

2. Discontinued Operations

On June 10, 2021, the Company completed the sale of its miraDry business (the "Sale") to miraDry Acquisition Company, Inc., a Delaware corporation ("Buyer"), an entity affiliated with 1315 Capital II, LP, as a result of the Company's strategic decision to focus investment on its core Plastic Surgery segment. The Sale was made pursuant to the terms and conditions of the Asset Purchase Agreement (the "Purchase Agreement"), dated May 11, 2021, among the Company and certain of its subsidiaries, Buyer, and, solely for purposes of Section 8.14 of the Purchase Agreement, 1315 Capital II, LP. The aggregate purchase price was $10.0 million, which after certain adjustments for agreed upon changes in the estimated net asset value amount of purchased assets and assumed liabilities resulted in net cash proceeds of $11.3 million to the Company on the date of close. As of September 30, 2021, the Company has an escrow liability of $3.2 million in "Accrued and other current liabilities" on the condensed consolidated balance sheet to account for additional agreed upon post close changes in the net asset value and has recognized a loss on sale of $2.5 million. In October 2021, the Company finalized the transaction and paid $3.2 million to the Buyer in accordance with the agreed upon post close changes in the net asset value.

In accordance with the Purchase Agreement, assumed liabilities did not include product liabilities, environmental, and employee claims arising prior to the closing date. The Purchase Agreement also included customary representations and warranties, as well as certain covenants, including, among other things, that: (i) the Company will abide by certain non-solicitation, exclusivity, and non-competition covenants, and (ii) the Company would enter into a transition services agreement ("TSA") to provide certain transition services related to the business.

Under the TSA, the Company provides certain post-closing services to the Buyer related to the miraDry business for a period of up to six months, including accounting, accounts receivable support, customer service, IT, regulatory, quality assurance, and clinical support. As consideration for these services, the Buyer will reimburse the Company for direct and certain indirect costs, as well as certain overhead or administrative expenses related to operating the business. The Company recognized $0.1 million of TSA fees and cost reimbursements in operating expenses from continuing operations in the condensed consolidated statement of operations for the nine months ended September 30, 2021. As of September 30, 2021, the Company has received $0.3 million relating to the TSA services and has recorded a receivable of $0.1 million within other current assets in the condensed consolidated balance sheets. In connection with the accounts receivable support under the TSA, the Company received $2.3 million in customer payments and remitted $2.2 million to the Buyer during the period from June 10, 2021 through September 30, 2021. As of September 30, 2021, the Company has recorded a $0.1 million payable in accounts payable on the condensed consolidated balance sheets.

Additionally, the Company and the Buyer entered into a sublease agreement whereby the Buyer will sublease the miraDry office space in Santa Clara, CA. The sublease term is for an initial period of six months, with subsequent option periods for up to a total of twenty four months. During the three and nine months ended September 30, 2021, the Company recognized $0.2 million and $0.3 million, respectively, of sublease income in general and administrative expenses in the condensed consolidated statements of operations.

The Sale met the discontinued operations criteria given that the business is a component and represented a strategic shift. The following table presents the aggregate carrying amounts of major classes of assets and liabilities of discontinued operations (in thousands):

	September 30, 2021	December 31, 2020
Assets of discontinued operations:		
Accounts receivable, net	$ —	$ 3,732
Inventories, net	—	9,480
Prepaid expenses and other current assets	4	263
Current assets of discontinued operations	4	13,475
Property and equipment, net	—	805
Total assets of discontinued operations	$ 4	$ 14,280
Liabilities of discontinued operations:		
Accounts payable	$ 6	$ 704
Accrued and other current liabilities	495	3,982
Total liabilities of discontinued operations	$ 501	$ 4,686

The results of operations for the miraDry business were included in income (loss) from discontinued operations on the accompanying condensed consolidated statements of operations. The following table provides information regarding the results of discontinued operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net sales	$ —	$ 3,888	$ 9,347	$ 11,488
Cost of goods sold	—	1,286	4,805	4,846
Gross profit	—	2,602	4,542	6,642
Operating expenses	57	7,034	1,744	28,571
Income (loss) from operations of discontinued operations	(57)	(4,432)	2,798	(21,929)
Other income (expense), net	—	98	(77)	36
Income (loss) from discontinued operations before income taxes	(57)	(4,334)	2,721	(21,893)
Loss on sale of discontinued operations before income taxes	(36)	—	(2,488)	—
Total income (loss) from discontinued operations before income taxes	(93)	(4,334)	233	(21,893)
Income tax expense (benefit)	—	—	—	—
Income (loss) from discontinued operations, net of income taxes	$ (93)	$ (4,334)	$ 233	$ (21,893)

The results of the miraDry business, including the results of operations, cashflows, and related assets and liabilities are reported as discontinued operations for all periods presented herein.

3. Revenue

The Company generates revenue primarily through the sale and delivery of promised goods or services to customers. Sales prices are documented in the executed sales contract, purchase order or order acknowledgement prior to the transfer of control to the customer. Typical payment terms are 30 days.

Revenue contracts may include multiple products or services, each of which is considered a separate performance obligation. Performance obligations typically include the delivery of promised products, such as breast implants, tissue expanders, and BIOCORNEUM, along with service-type warranties. Other deliverables are sometimes promised but are ancillary and insignificant in the context of the contract as a whole. Revenue is allocated to each performance obligation based on its relative standalone selling price. The Company determines standalone selling prices based on observable prices for all performance obligations with the exception of the service-type warranty under the Platinum20 Limited Warranty Program, or Platinum20, which is based on the expected cost plus margin approach. Inputs into the expected cost plus margin approach include historical incidence rates, estimated replacement costs, estimated financial assistance payouts and an estimated margin.

The liability for unsatisfied performance obligations under the service warranty as of September 30, 2021 were as follows:

	Nine Months Ended September 30, 2021
Balance as of December 31, 2020	$ 1,945
Additions and adjustments	1,379
Revenue recognized	(411)
Balance as of September 30, 2021	$ 2,913

Revenue for service warranties are recognized ratably over the term of the agreements. Specifically for Platinum20, the performance obligation is satisfied at the time that the benefits are provided and are expected to be satisfied over the following 3 to 24 month period for financial assistance and 20 years for product replacement.

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. A portion of the Company’s revenue is generated from the sale of consigned inventory of breast implants and tissue expanders maintained at doctor, hospital, and clinic locations. For these products, revenue is recognized at the time the Company is notified by the customer that the product has been used, not when the consigned products are delivered to the customer’s location.

Sales Return Liability

With the exception of the Company’s BIOCORNEUM scar management products, the Company allows for the return of products from customers within six months after the original sale, which is accounted for as variable consideration. A sales return liability is established based on estimated returns using relevant historical experience taking into consideration recent gross sales and notifications of pending returns, as adjusted for changes in recent industry events and trends. The estimated sales returns are recorded as a reduction of revenue and as a sales return liability in the same period revenue is recognized. Actual sales returns in any future period are inherently uncertain and thus may differ from the estimates. If actual sales returns differ significantly from the estimates, an adjustment to revenue in the current or subsequent period would be recorded. The following table provides a rollforward of the sales return liability (in thousands):

	Nine Months Ended September 30,	
	2021	2020
Beginning balance	$ 9,192	$ 8,116
Addition to reserve for sales activity	115,374	84,119
Actual returns	(110,996)	(82,110)
Change in estimate of sales returns	(1,265)	(46)
Ending balance	$ 12,305	$ 10,079

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 the debt is based on the amount of future cash flows associated with the instrument discounted using the Company's market rate. As of September 30, 2021, the carrying value of the long-term debt was not materially different from the fair value. As of September 30, 2021, the carrying value and fair value of the convertible note were as follows (in thousands):

	September 30, 2021	
	Carrying Value	Fair Value
Convertible note	$ 46,657	$ 42,330

5. Balance Sheet Components

a. Inventories

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

	September 30, 2021	December 31, 2020
Raw materials	$ 2,669	$ 3,788
Work in progress	4,325	10,710
Finished goods	40,278	21,254
Finished goods - right of return	4,257	3,416
	$ 51,529	$ 39,168

b. Property and Equipment

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

	September 30, 2021	December 31, 2020
Leasehold improvements	$ 2,605	$ 2,523
Manufacturing equipment and toolings	9,832	8,529
Computer equipment	1,637	2,522
Software	6,581	3,010
Furniture and fixtures	1,542	1,040
	22,197	17,624
Less accumulated depreciation	(7,311)	(5,323)
	$ 14,886	$ 12,301

Depreciation expense for the three months ended September 30, 2021 and 2020 was $0.7 million and $0.9 million, respectively. Depreciation expense for the nine months ended September 30, 2021 and 2020 was $2.2 million and $1.4 million, respectively.

c. Goodwill and Other Intangible Assets, net

Following the sale of the miraDry business, the Company has one reporting unit, Plastic Surgery, formerly known as Breast Products. The Company evaluates goodwill for impairment at least annually on October 1st and whenever circumstances suggest that goodwill may be impaired.

The carrying amount of goodwill as of September 30, 2021 and December 31, 2020 were as follows (in thousands):

	Plastic Surgery	miraDry	Total
Balances as of December 31, 2020			
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, 2021			
Goodwill	23,480	7,629	31,109
Accumulated impairment losses	(14,278)	(7,629)	(21,907)
Goodwill, net	$ 9,202	$ —	$ 9,202

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

	Average Amortization Period (in years)	September 30, 2021		
		Gross Carrying Amount	Accumulated Amortization	Intangible Assets, net
Intangibles with definite lives				
Customer relationships	10	$ 4,940	$ (4,132)	$ 808
Trade names - finite life	12	800	(372)	428
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	(1,455)	6,785
Total definite-lived intangible assets		$ 16,443	$ (8,422)	$ 8,021
Intangibles with indefinite lives				
Trade names - indefinite life	—	450	—	450
Total indefinite-lived intangible assets		$ 450	$ —	$ 450

	Average Amortization Period (in years)	December 31, 2020		
		Gross Carrying Amount	Accumulated Amortization	Intangible Assets, net
Intangibles with definite lives				
Customer relationships	10	$ 4,940	$ (3,856)	$ 1,084
Trade names - finite life	12	800	(322)	478
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	(865)	7,375
Total definite-lived intangible assets		$ 16,443	$ (7,506)	$ 8,937
Intangibles with indefinite lives				
Trade names - indefinite life	—	450	—	450
Total indefinite-lived intangible assets		$ 450	$ —	$ 450

Amortization expense for both the three months ended September 30, 2021 and 2020 were $0.3 million. Amortization expense for the nine months ended September 30, 2021 and 2020 was $0.9 million and $1.0 million, respectively. The following table summarizes the future estimated amortization expense relating to the Company's definite-lived intangible assets as of September 30, 2021 (in thousands):

Period	Amortization Expense
2021	$ 305
2022	1,163
2023	1,092
2024	948
2025	805
Thereafter	3,708
	$ 8,021

d. Accrued and Other Current Liabilities

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

	September 30, 2021	December 31, 2020
Payroll and related expenses	$ 4,389	$ 3,003
Accrued severance	452	2,900
Accrued commissions	3,494	4,734
Accrued manufacturing	252	225
Deferred and contingent consideration, current portion	3,195	10,146
Audit, consulting and legal fees	—	48
Accrued sales and marketing expenses	96	300
Lease liabilities	1,618	1,588
Other	8,789	5,464
	$ 22,285	$ 28,408

e. Accrued warranties

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

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Balance as of January 1	$ 1,934	$ 1,397
Warranty costs incurred during the period	(270)	(83)
Changes in accrual related to warranties issued during the period	673	367
Changes in accrual related to pre-existing warranties	11	(5)
Balance as of September 30	$ 2,348	$ 1,676

As of September 30, 2021 and 2020, both balances are included in "Warranty reserve and other long-term liabilities".

f. Liabilities measured at fair value

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 several significant inputs are not observable, the overall fair value measurement of the warrants is classified as Level 3. As of the current period ended September 30, 2021, all warrants have expired.

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 21.0%. The contingent consideration for milestone payments related to the acquisition of miraDry was 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. As of September 30, 2021, the remaining liability for the miraDry contingent consideration was approximately $31,000.

Derivative liability

Prior to the amendment, the Company assessed on a quarterly basis the fair value of the derivative liability associated with the conversion feature in the convertible note due in 2025. The conversion feature was initially bifurcated and recorded as a derivative liability on the condensed consolidated balance sheets with a corresponding discount at the date of issuance that netted against the principal amount of the note. The Company utilized a binomial lattice method to determine the fair value of the conversion feature, which utilized 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 was classified as Level 3. As a result of the amendment, the conversion feature met the criteria for equity classification and has been reclassified to "Additional paid in capital" on the condensed consolidated balance sheet.

The following tables present information about the Company's liabilities that are measured at fair value on a recurring basis as of September 30, 2021 and December 31, 2020 and indicate the level of the fair value hierarchy utilized to determine such fair value (in thousands):

	Fair Value Measurements as of September 30, 2021 Using:			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Liability for contingent consideration	$ —	$ —	$ 106	$ 106
	$ —	$ —	$ 106	$ 106

	Fair Value Measurements as of December 31, 2020 Using:			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Liability for contingent consideration	$ —	$ —	$ 7,026	$ 7,026
Liability for derivative	—	—	26,570	26,570
	$ —	$ —	$ 33,596	$ 33,596

The following table provides a rollforward of the aggregate fair values of the Company's liabilities for which fair value is determined by Level 3 inputs (in thousands):

	Contingent consideration liability	Derivative liability
Balance, December 31, 2020	$ 7,026	$ 26,570
Change in fair value	49	14,460
Settlements	(6,969)	—
Reclassification to equity	—	(41,030)
Balance, September 30, 2021	$ 106	$ —

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 sheets.

The Company recognized 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. Leases

Components of lease expense were as follows:

Lease Cost	Classification	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Operating lease cost	Operating expenses	$ 405	$ 428	$ 1,239	$ 1,270
Operating lease cost	Inventory	154	131	377	364
Sublease income	Operating expenses	(233)	—	(301)	—
Total operating lease cost		$ 326	$ 559	$ 1,315	$ 1,634
Finance lease cost					
Amortization of right-of-use assets	Operating expenses	8	10	26	31
Amortization of right-of-use assets	Inventory	12	12	35	24
Interest on lease liabilities	Other income (expense), net	2	3	6	7
Total finance lease cost		$ 22	$ 25	$ 67	$ 62
Total lease cost		$ 348	$ 584	$ 1,382	$ 1,696

As mentioned above in Note 2, as part of the sale of the miraDry business the Company entered into a sublease agreement whereby the Buyer will sublease the miraDry office space in Santa Clara, CA. The initial sublease term is for six months, with subsequent option periods for up to a total of twenty four months. During the initial term of six months, the Company expects cash receipts of approximately $0.5 million.

Short-term lease expense for the three and nine months ended September 30, 2021 and 2020 was not material.

Supplemental cash flow information related to operating and finance leases for the nine months ended September 30, 2021 was as follows (in thousands):

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	$ 1,261	$ 1,337
Operating cash outflows from finance leases	56	61
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 572	$ 1,242
Finance leases	—	157

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

	September 30, 2021	December 31, 2020
Reported as:		
Other assets		
Operating lease right-of-use assets	$ 6,524	$ 7,176
Finance lease right-of-use assets	97	158
Total right-of use assets	$ 6,621	$ 7,334
Accrued and other current liabilities		
Operating lease liabilities	$ 1,543	$ 1,504
Finance lease liabilities	75	84
Warranty reserve and other long-term liabilities		
Operating lease liabilities	5,315	5,946
Finance lease liabilities	41	77
Total lease liabilities	$ 6,974	$ 7,611
Weighted average remaining lease term (years)		
Operating leases	4	5
Finance leases	2	2
Weighted average discount rate		
Operating leases	8.09%	7.75%
Finance leases	6.48%	6.15%

As of September 30, 2021, maturities of the Company's operating and finance lease liabilities are as follows (in thousands):

Period	Operating leases	Finance leases	Total
Remainder of 2021	$ 564	$ 27	$ 591
2022	2,035	58	2,093
2023	2,085	33	2,118
2024	1,629	4	1,633
2025	704	—	704
2026 and thereafter	1,221	—	1,221
Total lease payments	$ 8,238	$ 122	$ 8,360
Less imputed interest	1,380	6	1,386
Total lease liabilities	$ 6,858	$ 116	$ 6,974

7. Debt

On February 5, 2021, the Company entered into a Second Amended and Restated Credit and Security Agreement (Term Loan), by and among the Company, certain of the Company's subsidiaries, the lenders party thereto from time to time and MidCap Financial Trust, as administrative agent and collateral agent ("Agent") (the "Restated Term Loan Agreement"). The Restated Term Loan Agreement amends and restates the Company's existing Amended and Restated Credit and Security Agreement, dated as of July 1, 2019. Pursuant to the Restated Term Loan Agreement, tranche 3 commitments were reduced from $15 million to $1 million and were advanced on the effective date of the Restated Term Loan Agreement and the remaining unfunded tranche of $15 million was revised to two $5 million tranche commitments, with tranche 4 availability commencing on July 1, 2021 and tranche 5 availability commencing July 1, 2022. The parties agreed to extend the last day of the interest only period for all tranches from July 31, 2021 in the Existing Term Loan Agreement to December 31, 2022 in the Restated Term Loan Agreement. The Restated Term Loan Agreement contains certain minimum net revenue requirements based on the Company's 12-month trailing net revenue, as well as certain minimum unrestricted cash requirements that increase upon the funding of the tranche 4 and tranche 5 loans. The exit fee was modified to apply only to the amount of any tranche 4 and 5 loans advanced. Finally, in connection with the Restated Term Loan Agreement, the Company agreed to pay an amendment fee of $750,000.

As of September 30, 2021, there was $16.0 million of outstanding principal related to the term loans and $1.2 million of unamortized debt issuance costs which are included in "Long-term debt" on the condensed consolidated balance sheets.

Also on February 5, 2021, the Company entered into a Third Amendment to the Amended and Restated Credit and Security Agreement (Revolving Loan), by and among the Company, the lenders party thereto from time to time, and the Agent (the "Revolving Loan Amendment"). The Revolving Loan Amendment modified the net revenue requirement in a manner consistent with the modification under the Restated Term Loan Agreement. In addition, the Revolving Loan Amendment made other conforming changes to the Restated Term Loan Agreement.

As of September 30, 2021, there were no borrowings outstanding under the Revolving Loan. As of September 30, 2021, 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, 2021 and 2020 were $0.1 million and $0.2 million, respectively. The amortization of debt issuance costs on the term loan and revolving loan for the nine months ended September 30, 2021 and 2020 was $0.4 million and $0.7 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 September 28, 2021, the Company entered into a First Amendment (the "Amendment") to Facility Agreement (the "Agreement") with Deerfield Partners, L.P., as agent and lender ("Deerfield"). The Amendment provides for, among other things, the ability, at the sole option of Deerfield, to issue unregistered shares of the Company's common stock upon the conversion of the Convertible Note (as defined in the Agreement). In addition, the Amendment provides that, in the event of a Major Transaction (as defined in the Convertible Note), no additional shares of the Company’s common stock shall be issued if the Share Price Result (as defined in the Convertible Note) is greater than $30.00 per share or less than $1.50 per share.

Prior to the amendment, the conversion features in the outstanding convertible debt instrument were accounted for as a free-standing embedded derivative bifurcated from the principal balance of the Note, as (1) the conversion features were not clearly and closely related to the debt instrument and were 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.

As a result of the amendment, the conversion feature no longer needed to be accounted for as a free-standing embedded derivative as it met the criteria for equity classification. As of the amendment date, the derivative liability was adjusted to a fair value of $41.0 million and has been reclassified to “Additional paid in capital” on the condensed consolidated balance sheet.

As of September 30, 2021, the unamortized debt discount and issuance costs were $13.3 million and included in “Long-term debt” on the condensed consolidated balance sheet. 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 months ended September 30, 2021 and 2020, the amortization of the convertible debt discount and issuance costs were $0.8 million and $0.7 million, respectively. For the nine months ended September 30, 2021 and 2020, the amortization of the convertible debt discount and issuance costs were $2.2 million and $1.5 million, respectively. Both were included in interest expense in the condensed consolidated statements of operations.

CARES Act

On July 30, 2021, the Company was notified by Silicon Valley Bank that they received payment in full from the Small Business Administration for the amount of the Company's PPP Loan and the Company's PPP Loan had been fully forgiven. For the quarter ended September 30, 2021, the Company recorded a gain on extinguishment of the PPP Loan of $6.7 million in “Other income (expense), net” within the condensed consolidated statement of operations.

Future Principal Payments of Debt

The future schedule of principal payments for all outstanding debt as of September 30, 2021 was as follows (in thousands):

Fiscal Year		
Remainder of 2021	$	—
2022		—
2023		10,105
2024		5,895
2025		60,000
Total	$	76,000

8. 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, 2021 and December 31, 2020, 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, the warrants within Tranche B expired on August 1, 2020, the warrants within Tranche C expired on December 13, 2020, and the warrants within Tranche D expired on June 30, 2021. As of September 30, 2021, there were no warrants outstanding.

c. Stock Option Plans

As of September 30, 2021, a total of 1,860,554 shares of the Company's common stock were available for issuance under the 2014 Plan. As of September 30, 2021, inducement grants for 1,904,425 shares of common stock have been awarded, and 638,710 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, 2020	1,959,501	$ 4.79	5.92
Exercised	(36,363)	3.99	
Forfeited	(138,859)	5.15	
Balances at September 30, 2021	1,784,279	$ 4.78	5.50

For stock-based awards the Company recognizes compensation expense based on the grant date fair value using the Black-Scholes option valuation model. Stock-based compensation expense related to stock options for the three and nine months ended September 30, 2021 were $0.1 million and $0.4 million, respectively. There was no stock-based compensation expense related to stock options for the three and nine months ended September 30, 2020. As of September 30, 2021, unrecognized compensation costs related to stock options was $1.7 million.

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. In 2020, the Company implemented a sell-to-cover program for employees who elect to sell shares to cover any withholding taxes due upon vesting. For employees who do not elect to sell shares to cover withholding taxes, the Company nets shares upon vesting and pays the withholding taxes directly.

Activity related to RSUs is set forth below:

	Number of shares	Weighted average grant date fair value
Balances at December 31, 2020	3,093,790	$ 6.97
Granted	1,597,983	7.38
Vested	(1,174,753)	6.99
Forfeited	(392,728)	6.98
Balances at September 30, 2021	3,124,292	$ 7.17

Stock-based compensation expense for RSUs for the three months ended September 30, 2021 and 2020 was $2.1 million and $1.5 million, respectively. Stock-based compensation expense for RSUs for the nine months ended September 30, 2021 and 2020 was $7.3 million and $4.9 million, respectively. As of September 30, 2021, there was $11.1 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 2.05 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, 2021, employees purchased 199,071 shares of common stock at a weighted average price of $3.38 per share. As of September 30, 2021, the number of shares of common stock available for future issuance was 1,253,615.

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 for both the three months ended September 30, 2021 and 2020. Stock-based compensation expense related to the ESPP was $0.4 million for both the nine months ended September 30, 2021 and 2020.

f. Significant Modifications

During the nine months ended September 30, 2021 and 2020, there were no material modifications of equity awards.

9. Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing the income (loss) from continuing and discontinued operations by the weighted average outstanding common shares for basic EPS for the period. Diluted EPS includes the potential dilution of common stock equivalent shares that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Numerator for continuing operations:				
Income (loss) from continuing operations used in computing basic earnings (loss) per share	$ 28,503	$ (1,487)	$ (46,647)	$ (46,817)
Convertible note interest expense	1,392	-	-	-
Fair value adjustments to the derivative liability	(35,550)	-	-	-
Losses from continuing operations used in computing diluted loss per share	$ (5,655)	$ (1,487)	$ (46,647)	$ (46,817)
Numerator for discontinued operations:				
Income (loss) from discontinued operations, net of income taxes	(93)	(4,334)	233	(21,893)
Income (loss) from discontinued operations used in computing basic and diluted earnings (loss) per share	$ (93)	$ (4,334)	$ 233	$ (21,893)
Numerator for losses:				
Net income (loss) used in computing basic earnings (loss) per share	$ 28,410	$ (5,821)	$ (46,414)	$ (68,710)
Net loss used in computing diluted loss per share	$ (5,748)	$ (5,821)	$ (46,414)	$ (68,710)
Denominator:				
Weighted average outstanding common shares for basic earnings (loss) per share	58,005,784	50,394,858	56,680,594	50,155,623
Dilutive effect of the convertible note	14,634,146	-	-	-
Weighted average outstanding common shares for diluted loss per share	72,639,930	50,394,858	56,680,594	50,155,623
Basic earnings (loss) per share:				
Continuing operations	$ 0.49	$ (0.03)	$ (0.82)	$ (0.93)
Discontinued operations	$ (0.00)	$ (0.09)	$ 0.00	$ (0.44)
Basic earnings (loss) per share	$ 0.49	$ (0.12)	$ (0.82)	$ (1.37)
Diluted earnings (loss) per share:				
Continuing operations	$ (0.08)	$ (0.03)	$ (0.82)	$ (0.93)
Discontinued operations	$ (0.00)	$ (0.09)	$ 0.00	$ (0.44)
Diluted earnings (loss) per share	$ (0.08)	$ (0.12)	$ (0.82)	$ (1.37)

The potentially dilutive impact from stock options and RSUs is calculated under the treasury stock method. Under this method, proceeds based on the exercise price and unearned compensation are assumed to be used to repurchase shares on the open market at the average market price for the period, reducing the number of potential new shares to be issued and sometimes causing an antidilutive effect. The potentially dilutive impact from the Convertible Note is calculated under the if-converted method until the conversion date. After the conversion date, the converted shares are included in weighted-average common shares outstanding for basic EPS.

The Company excluded the following potentially dilutive securities, outstanding for the three and nine months ended September 30, 2021 and 2020, from the computation of diluted net loss per share attributable to common stockholders for the three and nine months ended September 30, 2021 and 2020 because they had an anti-dilutive impact due to the net loss attributable to common stockholders incurred for the periods.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Stock issuable upon conversion of convertible note	—	14,634,146	14,634,146	11,002,710
Stock options to purchase common stock	1,582,901	34,308	1,629,493	862,278
Unvested RSUs	2,322,816	1,445,486	2,049,832	1,531,084
	3,905,717	16,113,940	18,313,471	13,396,072

10. 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, 2021 and 2020.

11. Segment Information

Following the sale of the miraDry business on June 10, 2021, the Company has one reportable segment named Plastic Surgery, formally known as Breast Products. The Plastic Surgery segment focuses on sales of silicone gel breast implants, tissue expanders and scar management products under the brands Sientra Round, Sientra Teardrop, AlloX2, Dermaspan, Softspan and BIOCORNEUM.

The net sales, net operating loss and net assets for the Plastic Surgery segment are presented in the condensed consolidated statement of operations and condensed consolidated balance sheets as continuing operations.

12. 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 the Court granted in a tentative ruling dated March 9, 2021 with leave to replead. The Plaintiffs filed an amended complaint on April 6, 2021 and the Company filed a demurrer to that complaint on May 6, 2021. On October 25, 2021, the Court issued a ruling granting the Company's demurrer in-part and denying it in-part, and gave plaintiffs twenty days to file an amendment complaint. 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. The Company filed a motion to dismiss the complaint on December 7, 2020. Briefing on the motion is complete and oral argument is presently scheduled for January 2022. 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, 2020 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, 2020, filed with the Securities and Exchange Commission on March 11, 2021, 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. and its consolidated subsidiaries.

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 uniquely centered on becoming the leader of transformative treatments and technologies focused on progressing the art of plastic surgery. 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 in the U.S. 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. In 2020, we also began to sell our breast implants in Japan through a distributor partner. 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.

As discussed in Recent developments below, we completed the sale of the miraDry business on June 10, 2021, and as a result the miraDry business met the criteria to be reported as discontinued operations. Therefore, we are reporting the historical results of miraDry, including the results of operations, cash flows, and related assets and liabilities, as discontinued operations for all periods presented herein through the date of the Sale. Unless otherwise noted, the unaudited condensed consolidated financial statements have all been revised to reflect continuing operations only. Following the Sale, we have one operating segment in continuing operations named Plastic Surgery, formerly known as Breast Products.

Our Plastic Surgery segment focuses on sales of our breast implants, tissue expanders and scar management products. We currently sell our products in the U.S. through a direct sales organization, which as of September 30, 2021, consisted of 61 employees, including 8 sales managers.

Recent developments

Sale of the miraDry Business

On June 10, 2021, we completed the sale of the miraDry business (the “Sale”) to miraDry Acquisition Company, Inc., a Delaware corporation (“Buyer”), an entity affiliated with 1315 Capital II, LP, as a result of our strategic decision to focus investment on the core Plastic Surgery segment, formerly known as Breast Products. The Sale was made pursuant to the terms and conditions of the Asset Purchase Agreement (the “Purchase Agreement”), dated May 11, 2021, among us and certain of our subsidiaries, Buyer, and, solely for purposes of Section 8.14 of the Purchase Agreement, 1315 Capital II, LP. The aggregate purchase price was $10.0 million, which after certain adjustments for agreed upon changes in the estimated net asset value amount of purchased assets and assumed liabilities resulted in net cash proceeds to us of approximately $8.1 million. After finalization of post close adjustments, we recognized a loss on sale of $2.5 million for the nine months ended September 30, 2021.

In accordance with the Purchase Agreement, assumed liabilities did not include product liabilities, environmental, and employee claims arising prior to the closing date. The Purchase Agreement also included customary representations and warranties, as well as certain covenants, including, among other things, that: (i) we will abide by certain non-solicitation, exclusivity, and non-competition covenants, and (ii) we would enter into a transition services agreement to provide certain transition services related to the Business.

Prior to entering into the Purchase Agreement, in April 2020, in part as a result of the impact of COVID-19, we re-focused our miraDry business to drive bioTip utilization to our existing installed base. On December 31, 2020, we eliminated our separate miraDry U.S. salesforce and transitioned miraDry sales responsibility into the Plastic Surgery Business Development team.

COVID-19 Pandemic

As an aesthetics company, surgical procedures involving our breast products are susceptible to local and national government restrictions, such as social distancing, vaccination requirements, “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 since the second quarter of 2020 and continued to harm our revenues during the nine months ended September 30, 2021. While many states have lifted certain restrictions on non-emergency procedures, we will likely continue to experience future harm to our revenues while existing or new restrictions remain in place. It is not possible to accurately predict the length or severity of the COVID-19 pandemic or the timing for a broad and sustained ability to perform non-emergency procedures involving the Company’s products. 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.

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 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.

Components of Operating Results

Net Sales

Our 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 recognize it once all performance obligations have been met.

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 and the impact of the pandemic. 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.

We provide an assurance and service warranty on our silicone gel breast implants. 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.

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.

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 and no-charge product evaluation units, as well as educational and promotional activities. We expect our sales and marketing expenses to fluctuate in future periods as a result of headcount and timing of our marketing programs.

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, 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 remain consistent with the current period, and 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, gain on extinguishment of the PPP Loan, 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 of the “Notes to Financial Statements” in our audited financial statements included in the Annual Report on Form 10-K 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, 2021 and 2020

The following table sets forth our results of operations for the three months ended September 30, 2021 and 2020:

	Three Months Ended September 30,	
	2021	2020
	(In thousands)	
Statement of operations data		
Net sales	$ 19,620	$ 15,329
Cost of goods sold	9,030	7,105
Gross profit	10,590	8,224
Operating expenses		
Sales and marketing	12,052	9,969
Research and development	2,367	1,778
General and administrative	7,865	6,445
Restructuring	—	(442)
Total operating expenses	22,284	17,750
Loss from operations	(11,694)	(9,526)
Other income (expense), net		
Interest income	1	6
Interest expense	(2,026)	(2,055)
Change in fair value of derivative liability	35,550	10,090
Other income (expense), net	6,672	(2)
Total other income (expense), net	40,197	8,039
Income (loss) from continuing operations before income taxes	28,503	(1,487)
Income tax	—	—
Income (loss) from continuing operations	28,503	(1,487)
Loss from discontinued operations, net of income taxes	(93)	(4,334)
Net income (loss)	$ 28,410	$ (5,821)

Net Sales

Net sales increased $4.3 million, or 28.0%, to $19.6 million for the three months ended September 30, 2021 as compared to $15.3 million for the three months ended September 30, 2020. The increase was primarily due to an increase in the volume of domestic sales of gel implants and expanders. Additionally, the Company's net sales were less impacted by the COVID-19 pandemic in the current period in comparison to the prior period.

As of September 30, 2021 and 2020, our sales organization included 61 employees.

Cost of Goods Sold and Gross Margin

Cost of goods sold increased $1.9 million, or 27.1%, to $9.0 million for the three months ended September 30, 2021 as compared to $7.1 million for the three months ended September 30, 2020. The increase was primarily due to an increase in the sales volume of the Company's products.

The gross margins for the three months ended September 30, 2021 and 2020 were 54.0% and 53.6%, respectively. The increase was primarily due to a decrease in the unit cost of gel implants and a decrease in inventory reserves, partially offset by an increase in period distribution and production costs.

Sales and Marketing Expenses

Sales and marketing expenses increased $2.1 million, or 20.9%, to $12.1 million for the three months ended September 30, 2021 as compared to $10.0 million for the three months ended September 30, 2020. The increase was primarily due to increases in employee incentive compensation, shipping expenses associated with the increased volume of sales of products, and increased marketing initiatives.

Research and Development Expenses

R&D expenses increased $0.6 million, or 33.1%, to $2.4 million for the three months ended September 30, 2021 as compared to $1.8 million for the three months ended September 30, 2020. The increase was primarily due to increases in employee payroll, incentive, stock compensation, and severance expenses, and product development expense.

General and Administrative Expenses

G&A expenses increased $1.4 million, or 22.0%, to $7.9 million for the three months ended September 30, 2021 as compared to $6.4 million for the three months ended September 30, 2020. The increase was primarily due to increases in employee payroll, incentive and stock compensation expenses, insurance expense, expenses associated with the implementation of information technology systems, and bad debt expense, partially offset by decreases in audit and legal expenses and an increase in sublease income.

Restructuring Expenses

There were no restructuring expenses for the three months ended September 30, 2021, as the organizational efficiency initiative was completed as of December 31, 2020. 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, 2021 increased $32.2 million as compared to the three months ended September 30, 2020 primarily due to a decrease in the fair value of the derivative liability resulting from a decrease in the Company's stock price during the period, coupled with a gain on extinguishment of the PPP Loan in the current period.

Income Tax Expense

For the three months ended September 30, 2021 and 2020 there was no income tax expense.

Loss from discontinued operations

Loss from discontinued operations for the three months ended September 30, 2021 decreased $4.2 million due to the sale of the miraDry business.

Comparison of the Nine Months Ended September 30, 2021 and 2020

The following table sets forth our results of operations for the nine months ended September 30, 2021 and 2020:

	Nine Months Ended September 30,	
	2021	2020
	(In thousands)	
Statement of operations data		
Net sales	$ 58,035	$ 37,109
Cost of goods sold	26,027	15,887
Gross profit	32,008	21,222
Operating expenses		
Sales and marketing	34,348	24,858
Research and development	6,962	6,142
General and administrative	23,321	21,183
Restructuring	—	389
Total operating expenses	64,631	52,572
Loss from operations	(32,623)	(31,350)
Other income (expense), net		
Interest income	4	203
Interest expense	(6,143)	(7,284)
Change in fair value of derivative liability	(14,460)	(8,420)
Other income (expense), net	6,575	34
Total other income (expense), net	(14,024)	(15,467)
Loss from continuing operations before income taxes	(46,647)	(46,817)
Income tax	—	—
Loss from continuing operations	(46,647)	(46,817)
Income (loss) from discontinued operations, net of income taxes	233	(21,893)
Net loss	$ (46,414)	$ (68,710)

Net Sales

Net sales increased $20.9 million, or 56.4%, to $58.0 million for the nine months ended September 30, 2021 as compared to $37.1 million for the nine months ended September 30, 2020. The increase was primarily due to an increase in the volume of domestic and international sales of gel implants in addition to increases in the volume of sales of BioCorneum and expanders. Additionally, the Company’s net sales were less impacted by the COVID-19 pandemic in the current period in comparison to the prior period.

Cost of Goods Sold and Gross Margin

Cost of goods sold increased $10.1 million, or 63.8%, to $26.0 million for the nine months ended September 30, 2021 as compared to $15.9 million for the nine months ended September 30, 2020. The increase was primarily due to an increase in the sales volume of the Company’s products, in addition to an increase in period distribution and production costs.

The gross margins for the nine months ended September 30, 2021 and 2020 were 55.2% and 57.2%, respectively. The decrease was primarily due to an increase in period distribution and production costs, partially offset by decreases in inventory reserves and the cost per unit of gel implants.

Sales and Marketing Expenses

Sales and marketing expenses increased $9.5 million, or 38.2%, to $34.3 million for the nine months ended September 30, 2021 as compared to $24.9 million for the nine months ended September 30, 2020. The increase was primarily due to increases in employee incentive compensation, shipping expenses associated with the increased volume of sales of products, and increased marketing initiatives.

Research and Development Expenses

R&D expenses increased $0.8 million, or 13.4%, to $7.0 million for the nine months ended September 30, 2021 as compared to $6.1 million for the nine months ended September 30, 2020. The increase was primarily due to increases in employee payroll, incentive, stock compensation, and severance expenses, and product development expense.

General and Administrative Expenses

G&A expenses increased $2.1 million, or 10.1%, to $23.3 million for the nine months ended September 30, 2021 as compared to $21.2 million for the nine months ended September 30, 2020. The increase was primarily due to increases employee payroll, incentive, and stock compensation expenses, insurance expense, expenses associated with the implementation of information technology systems, bad debt expense and legal expense, partially offset by decreases in audit expenses, severance expenses, and an increase in sublease income.

Restructuring Expenses

There were no restructuring expenses for the nine months ended September 30, 2021, as the organizational efficiency initiative was completed as of December 31, 2020. Restructuring expenses for the nine months ended September 30, 2020 consisted primarily of severance expenses of employees affected by the initiative.

Other Income (Expense), net

Other income (expense), net for the nine months ended September 30, 2021 decreased $1.4 million as compared to the nine months ended September 30, 2020 primarily due to the increase in the fair value of the derivative liability resulting from an increase in the Company’s stock price during the period, and an increase in the amortization of debt issuance costs and debt discounts associated with our Credit Agreements and convertible note, partially offset by a decrease in interest expense due to interest and fees associated with the amendment of our Credit Agreement incurred in the prior period which did not reoccur in the current period, coupled with a gain on extinguishment of the PPP Loan in the current period.

Income Tax Expense

For the nine months ended September 30, 2021 and 2020 there was no income tax expense.

Income (Loss) from discontinued operations

Income from discontinued operations for the nine months ended September 30, 2021 increased $22.1 million, due to the Company’s change in business strategy to focus on bioTips prior to the sale of the miraDry business, offset by the loss recognized on the sale of the miraDry business.

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 remain consistent and 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.

Sale of the miraDry business

Refer to Note 2 to the condensed consolidated financial statements for details on the sale of the miraDry business.

Debt financing – recent developments

Refer to Note 7 to the condensed consolidated financial statements for a full description and updates to all of our long-term debt, revolving line of credit, convertible note, and PPP Loan.

Equity financing – recent developments

On February 8, 2021, we completed a follow-on public offering of 5,410,628 shares of common stock at $6.75 per share, as well as 811,594 additional shares of common stock pursuant to the full exercise of the over-allotment option granted to the underwriters. Net proceeds were approximately $39.2 million after deducting underwriting discounts and commissions of approximately $2.5 million and offering expenses of approximately $0.3 million.

As of September 30, 2021, we had $66.1 million in cash and cash equivalents. Our historical cash outflows have primarily been associated with research and development activities and activities relating to commercialization and increases in working capital. In addition, we have used cash to fund the acquisitions of miraDry, BIOCORNEUM, Vesta, and the tissue expander portfolio.

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 from continuing operations, as well as from discontinued operations for the periods indicated (in thousands):

	Nine Months Ended September 30,	
	2021	**2020**
Net cash (used in) provided by:		
Operating activities - continuing operations	$ (28,563)	$ (38,447)
Investing activities - continuing operations	(4,882)	(3,112)
Financing activities - continuing operations	34,280	31,806
Net change in cash, cash equivalents and restricted cash from continuing operations	835	(9,753)
Net cash provided by (used in) discontinued operations	10,325	(14,372)
Net change in cash, cash equivalents and restricted cash	$ 11,160	$ (24,125)

Cash flow from operating activities of continuing operations

Net cash used in operating activities was $28.6 million during the nine months ended September 30, 2021 as compared to $38.4 million during the nine months ended September 30, 2020. The decrease in cash used in operating activities between the nine months ended September 30, 2021 and 2020 was primarily associated with increases in the fair value of the derivative liability and stock based compensation, coupled with increases in working capital, offset by a gain on extinguishment of the PPP Loan and payments related to the miraDry contingent consideration.

Cash flow from investing activities of continuing operations

Net cash used in investing activities was $4.9 million during the nine months ended September 30, 2021 as compared to $3.1 million used during the nine months ended September 30, 2020. The increase in cash used was due to an increase in capitalized costs associated with the implementation of information technology systems.

Cash flow from financing activities of continuing operations

Net cash provided by financing activities was $34.3 million during the nine months ended September 30, 2021 as compared to $31.8 million during the nine months ended September 30, 2020. The increase in cash provided by financing activities was due to an increase in proceeds from issuance of common stock, increase in borrowings under the Term Loan, and a decrease in payments under the Term Loan, Revolving Loan, and deferred financing costs, offset by borrowings under the Convertible Note and PPP Loan in the prior period which did not reoccur in the current period, and payments related to the miraDry contingent consideration.

Cash flow from discontinued operations

Net cash provided by discontinued operations was $10.3 million during the nine months ended September 30, 2021 as compared to $14.4 million used during the nine months ended September 30, 2020. The change in cash flows was primarily driven by a decrease in cash used from operating activities as a result of the change in miraDry business strategy, in addition to an increase in cash provided by investing activities resulting from the proceeds of the sale of the miraDry business.

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 Plastic Surgery segment 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, 2021, we had $66.1 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, 2021, 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 effective as of such date.

Changes in Internal Control over Financial Reporting

During the quarter ended September 30, 2021, the Company implemented a new enterprise resource planning system which has a material impact on the Company's internal control over financial reporting. In connection with the implementation, the Company made changes to its internal controls over financial reporting to accommodate modifications to business processes.

Other than the change disclosed, 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 12 of the condensed consolidated financial statements.

ITEM 1A. RISK FACTORS

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, 2020, which are incorporated herein by reference.

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
10.1+	Employment Agreement, dated July 12, 2021, by and between the Company and Andrew Schmidt (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on July 12, 2021).
10.2	First Amendment to Second Amended and Restated Credit and Security Agreement (term loan), dated July 14, 2021, between the Company, Mist Holdings, Inc., Mist, Inc., Mist International, Inc, MidCap Financial Trust, and the other lenders party thereto (incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q filed on August 10, 2021).
10.3	Fourth Amendment to Amended and Restated Credit and Security Agreement (Revolving Loan), dated July 14, 2021, between the Company, Mist Holdings, Inc., Mist, Inc., Mist International, Inc, MidCap Financial Trust, and the other lenders party thereto (incorporated by reference to Exhibit 10.5 to the Company's Form 10-Q filed on August 10, 2021).
10.4	First Amendment to Facility Agreement, dated September 28, 2021, by and between Sientra, Inc. and Deerfield Partners, L.P. (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on October 4, 2021).
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.

\+ Management contract of compensatory plan.

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 12, 2021	By: /s/ Ronald Menezes Ronald Menezes President and Chief Executive Officer
November 12, 2021	By: /s/ Andrew C. Schmidt Andrew C. Schmidt 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, Ronald Menezes, 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 12, 2021

/s/ Ronald Menezes
Ronald Menezes
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

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

I, Andrew C. Schmidt, 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 12, 2021

/s/ Andrew C. Schmidt
Andrew C. Schmidt
Chief Financial Officer and Treasurer

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), Ronald Menezes, 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, 2021, 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 12, 2021

/s/ Ronald Menezes
Ronald Menezes
President 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), Andrew C. Schmidt, Chief Financial Officer and Treasurer 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, 2021, 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 12, 2021

/s/ Andrew C. Schmidt
Andrew C. Schmidt
Chief Financial Officer and Treasurer

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.