

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

November 9, 2020

(Date of Report (date of earliest event reported))

IRIDEX CORPORATION

(Exact name of registrant as specified in its charter)

| | | |
|---|--------------------------|--|
| Delaware | 0-27598 | 77-0210467 |
| (State or other jurisdiction of incorporation or organization) | (Commission File Number) | (I.R.S. Employer Identification Number) |

**1212 Terra Bella Avenue
Mountain View, California 94043**

(Address of principal executive offices, including zip code)

(650) 940-4700

(Registrant's telephone number, including area
code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

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

| <u>Title of Class</u> | <u>Trading Symbol</u> | <u>Name of Exchange on Which Registered</u> |
|--|---------------------------|---|
| Common Stock, par value \$0.01 per share | IRIX | Nasdaq Global Market |

Item 2.02. Results of Operations and Financial Condition.

On November 9, 2020, IRIDEX Corporation (the “Company”) issued a press release discussing its financial results for its third fiscal quarter of fiscal year 2020, which ended on September 26, 2020. The press release is furnished herewith as Exhibit 99.1 and is incorporated herein by reference.

This information shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangement of Certain Officers.

(b)

On November 5, 2020, James Mackaness, a partner at FLG Partners, LLC (“FLG Partners”), resigned from his position as Interim Chief Financial Officer of the Company, effective November 11, 2020. Mr. Mackaness did not resign as a result of any disagreement with the Company on any matter relating to the Company’s operations, policies or practices.

Fuad Ahmad was appointed by the Company’s Board of Directors as its Interim Chief Financial Officer, replacing Mr. Mackaness effective on November 11, 2020. Mr. Ahmad, 49, has been a partner at FLG Partners since January 2013 and has served as consulting Chief Financial Officer for multiple clients of FLG Partners. From November 2019 to August 2020, Mr. Ahmad served as Interim Chief Financial Officer of Cutera, Inc. Previously, Mr. Ahmad served on an FLG Partners assignment as Chief Financial Officer of Telenav, Inc., a listed enterprise software company focused on connected care and location-based services. From April 2016 to June 2018, Mr. Ahmad served as Chief Financial Officer of Quantum Corporation, a listed company focused on enterprise data storage and software defined storage workflows. From November 2015 to March 2016, Mr. Ahmad served on an FLG Partners assignment for Real Time Innovation, Inc., a private enterprise IoT software company. At Real Time Innovation, Mr. Ahmad served as an advisor to the board of directors and the chief executive officer as the company transitioned the business to subscription pricing. Prior to Real Time Innovation, Mr. Ahmad served on an FLG Partners assignment as Chief Financial Officer for Ensignten, Inc. from February 2013 until November 2015. From June 1996 to April 2012, Mr. Ahmad served in various positions with both public and private companies. Mr. Ahmad received a B.S. in Finance from Brigham Young University.

In connection with Mr. Ahmad’s appointment as the Company’s Interim Chief Financial Officer, the Company amended its consulting agreement (the “FLG Consulting Agreement”) with FLG Partners. Pursuant to the FLG Consulting Agreement, the Company will pay FLG Partners \$400 per hour for Mr. Ahmad’s services to the Company for actual hours of service provided. The FLG Consulting Agreement with FLG Partners also requires the Company to indemnify Mr. Ahmad and FLG Partners in connection with the performance of services for the Company. The FLG Consulting Agreement has an indefinite term and is terminable by either party upon 30 days’ advance written notice.

Other than the indemnification described herein, Mr. Ahmad has no direct or indirect material interest in any transaction required to be disclosed pursuant to Item 404(a) of Regulation S-K promulgated under the Securities Exchange Act of 1934, as amended, nor are any transactions currently proposed.

There are no family relationships between Mr. Ahmad and any of the Company’s directors or executive officers.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|---|
| 99.1 | Press Release dated November 9, 2020. |

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 hereunto duly authorized.

IRIDEX CORPORATION

By: /s/ David I. Bruce
David I. Bruce
President and Chief Executive Officer

Date: November 9, 2020

IRIDEX Announces Third Quarter 2020 Financial Results

MOUNTAIN VIEW, Calif., November 9, 2020 -- IRIDEX Corporation (Nasdaq: IRIX) today reported financial results for the third quarter ended September 26, 2020.

Third Quarter Summary

- Total revenue of \$8.8 million, a decline of 17% versus \$10.7 million in the prior year period, and an increase of 42% sequentially from \$6.2 million in the second quarter of 2020
- Sold 11,400 Cyclo G6 probes, a 6% increase over probes sold in the third quarter of 2019 and a 44% increase over the 7,900 probes sold in the second quarter of 2020
- Sold 37 Cyclo G6 Glaucoma Laser Systems compared to 82 in the prior year period, reflecting ongoing COVID-related capital purchase deferrals, as well as the Company's sales strategy shift to focus on deeper procedure adoption among existing users, repeat orders and thus increased probe sales
- Cyclo G6® product family revenue was \$2.8 million, down 6% compared to the third quarter of 2019, and up 31% from \$2.1 million in the second quarter of 2020
- Ending cash balance was \$11.9 million, an increase of approximately \$0.3 million from June 27, 2020 and a year-to-date reduction of approximately \$0.7 million
- Product portfolio advancements include FDA clearance of the Company's new 810 laser platform with broad indications in glaucoma and retina treatment, and introduction of a new Laser Indirect Ophthalmoscope (LIO) delivery device that aids retinal disease specialists in performing laser procedures

"We are encouraged by continued recovery from the trough we experienced during the second quarter as a result of COVID. We are particularly pleased to see our glaucoma probe volume exceed last year's third quarter, despite the continuing worldwide impact of COVID on our customers and their patients," said David I. Bruce, President and CEO of IRIDEX. "In addition, by being effective with cost controls and cash preservation measures, we have maintained a healthy operating runway with cash on hand. Despite the challenges presented by COVID, the successful release and adoption of our revised MicroPulse P3 probe has aided us as we continue to focus on growing awareness and adoption of our non-incisional MicroPulse Transscleral Laser Therapy for glaucoma and strengthening our retina laser business which will drive our long-term growth.

I am also pleased with the progress we've made on our new laser platform, including receipt of FDA clearance on our 810 laser, the first in a family of new lasers that offers significant savings in manufacturing costs and gross margin improvement as they are introduced next year," concluded Bruce.

Third Quarter 2020 Financial Results

Revenue for the three months ended September 26, 2020 was \$8.8 million, a decrease of 17% from \$10.7 million during the same period of the prior year. Our business continues to be affected by the global reduction in business activity driven by pandemic isolation measures. Recovery of revenue was led by our single-use probe products for glaucoma and retina surgery.

Gross profit for the third quarter of 2020 was \$3.7 million, representing a 41.5% gross margin. Gross margins remaining essentially flat compared to the prior year period.

Operating expenses for the third quarter of 2020 decreased 10% to \$5.5 million compared to \$6.1 million in the same period of the prior year. The decrease in operating expenses was the result of reduction in variable expenses as COVID impacted business activity and cost savings measures implemented over the past year.

Net loss for the third quarter of 2020 decreased to \$1.7 million, compared to \$1.8 million for the same period of the prior year, resulting in a net loss of \$0.12 per share versus a net loss of \$0.13 per share during the same period last year.

Cash and cash equivalents increased during the quarter by approximately \$0.3 million and the Company ended the quarter with \$11.9 million in cash and cash equivalents.

Interim CFO Transition

The Company has amended its agreement with FLG Partners LLC, a leading Silicon Valley CFO services and board advisory firm (FLG Partners) to replace the current FLG Partners service provider, James Mackaness with Fuad Ahmad. Mr. Mackaness had notified the Company of his need to transition due to other commitments. Mr. Ahmad will serve as the Company's Interim Chief Financial Officer effective November 11, 2020.

Webcast and Conference Call Information

IRIDEX's management team will host a conference call today beginning at 2:00 p.m. PT / 5:00 p.m. ET. Investors interested in listening to the conference call may do so by dialing (844) 707-0665 for domestic callers or (703) 326-3030 for international callers, using conference ID: 6486158. A live and archived webcast of the event will be available on the "Investors" section of the Company's website at: www.iridex.com.

About IRIDEX

IRIDEX Corporation is a worldwide leader in developing, manufacturing, and marketing innovative and versatile laser-based medical systems, delivery devices and consumable instrumentation for the ophthalmology market. The Company's proprietary MicroPulse® technology delivers a differentiated treatment that provides safe, effective, and proven treatment for targeted sight-threatening eye conditions. IRIDEX's current product line is used for the treatment of glaucoma and diabetic macular edema (DME) and other retinal diseases. IRIDEX products are sold in the United States through a direct sales force and internationally primarily through a network of independent distributors into more than 100 countries. For further information, visit the IRIDEX website at www.iridex.com.

Safe Harbor Statement

This announcement contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Act of 1934, as amended, including those statements concerning the impact of COVID-19 on our business, the recovery in procedures and products sales, the future demand, utilization and order levels for our products and future financial results. These statements are not guarantees of future performance and actual results may differ materially from those described in these forward-looking statements as a result of a number of factors. Please see a detailed description of these and other risks contained in our Annual Report on Form 10-K for the fiscal year ended December 28, 2019, and Quarterly Reports on Form 10-Q for subsequent fiscal quarters, each of which was filed with the Securities and Exchange Commission. Forward-looking statements contained in this announcement are made as of this date and will not be updated.

Investor Relations Contact

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IRIDEX Corporation
Condensed Consolidated Statements of Operations
(In thousands, except per share data)
(unaudited)

| | <u>Three Months Ended</u> | | <u>Nine Months Ended</u> | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | <u>September 26, 2020</u> | <u>September 28, 2019</u> | <u>September 26, 2020</u> | <u>September 26, 2019</u> |
| Total revenues | \$ 8,803 | \$ 10,664 | \$ 24,043 | \$ 24,043 |
| Cost of revenues | 5,149 | 6,381 | 14,067 | 14,067 |
| Gross profit | <u>3,654</u> | <u>4,283</u> | <u>9,976</u> | <u>9,976</u> |
| Operating expenses: | | | | |
| Research and development | 869 | 1,007 | 2,395 | 2,395 |
| Sales and marketing | 2,959 | 3,508 | 8,804 | 8,804 |
| General and administrative | 1,672 | 1,621 | 5,060 | 5,060 |
| Total operating expenses | <u>5,500</u> | <u>6,136</u> | <u>16,259</u> | <u>16,259</u> |
| Loss from operations | (1,846) | (1,853) | (6,283) | (6,283) |
| Other income, net | 135 | 75 | 153 | 153 |
| Loss from operations before provision for income taxes | <u>(1,711)</u> | <u>(1,778)</u> | <u>(6,130)</u> | <u>(6,130)</u> |
| Provision for income taxes | 8 | 7 | 20 | 20 |
| Net loss | <u>\$ (1,719)</u> | <u>\$ (1,785)</u> | <u>\$ (6,150)</u> | <u>\$ (6,150)</u> |
| Net loss per share: | | | | |
| Basic | <u>\$ (0.12)</u> | <u>\$ (0.13)</u> | <u>\$ (0.44)</u> | <u>\$ (0.44)</u> |
| Diluted | <u>\$ (0.12)</u> | <u>\$ (0.13)</u> | <u>\$ (0.44)</u> | <u>\$ (0.44)</u> |
| Weighted average shares used in computing net loss per share | | | | |
| Basic | <u>13,893</u> | <u>13,768</u> | <u>13,824</u> | <u>13,824</u> |
| Diluted | <u>13,893</u> | <u>13,768</u> | <u>13,824</u> | <u>13,824</u> |

IRIDEX Corporation
Condensed Consolidated Balance Sheets
(In thousands and unaudited)

| | September 26, <u>2020</u> | December 28, <u>2019</u> |
|--|--|---|
| <u>Assets</u> | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 11,932 | \$ 12,653 |
| Accounts receivable, net | 6,083 | 9,323 |
| Inventories | 7,004 | 8,174 |
| Prepaid expenses and other current assets | 542 | 401 |
| Total current assets | 25,561 | 30,551 |
| Property and equipment, net | 451 | 730 |
| Intangible assets, net | 72 | 84 |
| Goodwill | 533 | 533 |
| Operating lease right-of-use assets, net | 1,693 | 2,764 |
| Other long-term assets | 149 | 151 |
| Total assets | \$ 28,459 | \$ 34,813 |
| <u>Liabilities and Stockholders' Equity</u> | | |
| Current liabilities: | | |
| Accounts payable | \$ 1,475 | \$ 2,592 |
| Accrued compensation | 1,889 | 2,398 |
| Accrued expenses | 1,682 | 1,544 |
| Current portion of PPP loan | 1,526 | - |
| Accrued warranty | 182 | 380 |
| Deferred revenue | 1,072 | 1,450 |
| Operating lease liabilities | 1,387 | 1,414 |
| Total current liabilities | 9,213 | 9,778 |
| Long-term liabilities: | | |
| PPP Loan | 971 | - |
| Accrued warranty | 102 | 156 |
| Deferred revenue | 286 | 360 |
| Operating lease liabilities | 616 | 1,795 |
| Other long-term liabilities | 19 | 19 |
| Total liabilities | 11,207 | 12,108 |
| Stockholders' equity: | | |
| Common stock | 148 | 147 |
| Additional paid-in capital | 73,837 | 73,093 |
| Accumulated other comprehensive income | 32 | 80 |
| Accumulated deficit | (56,765) | (50,615) |
| Total stockholders' equity | 17,252 | 22,705 |
| Total liabilities and stockholders' equity | \$ 28,459 | \$ 34,813 |