

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2022

OR

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

For the transition period from _____ to _____

Commission File Number: 001-39293

Inari Medical, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

45-2902923

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

6001 Oak Canyon, Suite 100

Irvine, California
(Address of principal executive offices)

92618
(Zip Code)

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

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

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

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

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

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

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

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

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

As of April 29, 2022, the registrant had 53,125,434 shares of common stock, \$0.001 par value per share, outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

PART I—FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited).

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

	March 31, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	\$ 186,556	\$ 92,752
Short-term investments in debt securities	152,156	83,348
Accounts receivable, net	44,950	42,351
Inventories, net	23,828	21,053
Prepaid expenses and other current assets	5,849	5,694
Total current assets	413,339	245,198
Property and equipment, net	18,153	16,471
Operating lease right-of-use assets	46,401	44,909
Deposits and other assets	6,216	981
Long-term investments in debt securities	—	3,983
Total assets	\$ 484,109	\$ 311,542
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 6,066	\$ 6,541
Payroll-related accruals	19,729	24,433
Accrued expenses and other current liabilities	9,155	10,737
Operating lease liabilities, current portion	630	802
Total current liabilities	35,580	42,513
Operating lease liabilities, noncurrent portion	28,301	28,404
Other long-term liability	1,416	1,416
Total liabilities	65,297	72,333
Commitments and contingencies (Note 7)		
Stockholders' equity		
Preferred stock, \$0.001 par value, 10,000,000 shares authorized, no shares issued and outstanding as of March 31, 2022 and December 31, 2021	—	—
Common stock, \$0.001 par value, 300,000,000 shares authorized as of March 31, 2022 and December 31, 2021; 53,022,905 and 50,313,452 shares issued and outstanding as of March 31, 2022 and December 31, 2021, respectively	53	50
Additional paid in capital	440,238	257,144
Accumulated other comprehensive loss	(767)	(402)
Accumulated deficit	(20,712)	(17,583)
Total stockholders' equity	418,812	239,209
Total liabilities and stockholders' equity	\$ 484,109	\$ 311,542

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

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

	Three Months Ended March 31,	
	2022	2021
Revenue	\$ 86,752	\$ 57,397
Cost of goods sold	9,967	4,623
Gross profit	76,785	52,774
Operating expenses		
Research and development	16,135	8,163
Selling, general and administrative	63,732	36,898
Total operating expenses	79,867	45,061
(Loss) income from operations	(3,082)	7,713
Other income (expense)		
Interest income	50	68
Interest expense	(73)	(73)
Other expenses	(24)	(41)
Total other expenses	(47)	(46)
(Loss) income before income taxes	(3,129)	7,667
Provision for income taxes	—	198
Net (loss) income	\$ (3,129)	\$ 7,469
Other comprehensive income (loss)		
Foreign currency translation adjustments	(117)	(180)
Unrealized (loss) gain on available-for-sale debt securities	(248)	18
Total other comprehensive loss	(365)	(162)
Comprehensive (loss) income	\$ (3,494)	\$ 7,307
Net (loss) income per share		
Basic	\$ (0.06)	\$ 0.15
Diluted	\$ (0.06)	\$ 0.13
Weighted average common shares used to compute net (loss) income per share		
Basic	50,954,715	49,355,945
Diluted	50,954,715	55,722,293

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

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

	Common Stock		Additional Paid In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance, December 31, 2021	50,313,452	\$ 50	\$ 257,144	\$ (402)	\$ (17,583)	\$ 239,209
Options exercised for common stock	322,882	1	344	—	—	345
Shares issued under Employee Stock Purchase Plan	54,808	—	3,427	—	—	3,427
Issuance of common stock upon vesting of restricted stock units, net of shares withheld for taxes	31,763	—	(1,624)	—	—	(1,624)
Issuance of common stock in public offering, net of issuance costs of \$11.9 million	2,300,000	2	174,392	—	—	174,394
Share-based compensation expense	—	—	6,555	—	—	6,555
Other comprehensive loss	—	—	—	(365)	—	(365)
Net loss	—	—	—	—	(3,129)	(3,129)
Balance, March 31, 2022	<u>53,022,905</u>	<u>\$ 53</u>	<u>\$ 440,238</u>	<u>\$ (767)</u>	<u>\$ (20,712)</u>	<u>\$ 418,812</u>
Balance, December 31, 2020	49,251,614	\$ 49	\$ 227,624	\$ 4	\$ (27,423)	\$ 200,254
Options exercised for common stock	296,019	1	380	—	—	381
Shares issued under Employee Stock Purchase Plan	36,881	—	1,882	—	—	1,882
Issuance of common stock upon vesting of restricted stock units, net of shares withheld for taxes	901	—	(49)	—	—	(49)
Share-based compensation expense	—	—	3,836	—	—	3,836
Other comprehensive loss	—	—	—	(162)	—	(162)
Net income	—	—	—	—	7,469	7,469
Balance, March 31, 2021	<u>49,585,415</u>	<u>\$ 50</u>	<u>\$ 233,673</u>	<u>\$ (158)</u>	<u>\$ (19,954)</u>	<u>\$ 213,611</u>

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

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

	Three Months Ended March 31,	
	2022	2021
Cash flows from operating activities		
Net (loss) income	\$ (3,129)	\$ 7,469
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation	1,063	609
Amortization of deferred financing costs	36	36
Amortization of right-of-use assets	604	177
Share-based compensation expense	6,555	3,836
Allowance for credit losses	79	139
Changes in:		
Accounts receivable	(2,695)	(3,437)
Inventories	(2,788)	(3,073)
Prepaid expenses, deposits and other assets	261	(2,908)
Accounts payable	(467)	2,473
Payroll-related accruals, accrued expenses and other liabilities	(6,247)	3,635
Lease prepayments for lessor's owned leasehold improvements	(2,097)	—
Operating lease liabilities	(275)	(190)
Net cash (used in) provided by operating activities	<u>(9,100)</u>	<u>8,766</u>
Cash flows from investing activities		
Purchases of property and equipment	(2,745)	(1,265)
Purchases of marketable securities	(112,073)	(21,246)
Purchases of other investments	(5,693)	—
Maturities of marketable securities	47,000	—
Net cash used in investing activities	<u>(73,511)</u>	<u>(22,511)</u>
Cash flows from financing activities		
Proceeds from issuance of common stock in public offering, net of issuance costs of \$11.9 million	174,394	—
Proceeds from issuance of common stock under employee stock purchase plan	3,427	1,882
Proceeds from exercise of stock options	345	381
Payment of taxes related to vested restricted stock units	(1,624)	(49)
Net cash provided by financing activities	<u>176,542</u>	<u>2,214</u>
Effect of foreign exchange rate on cash and cash equivalents	(127)	(183)
Net increase (decrease) in cash	93,804	(11,714)
Cash and cash equivalents beginning of period	92,752	114,617
Cash and cash equivalents end of period	<u>\$ 186,556</u>	<u>\$ 102,903</u>
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	\$ 89	\$ 118
Cash paid for interest	\$ 37	\$ 37

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

1. Organization

Description of Business

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

2. Summary of Significant Accounting Policies

COVID-19

The global healthcare system continues to face an unprecedented challenge as a result of the novel coronavirus, or COVID-19, situation and its impact. COVID-19 is having, and may continue to have, an adverse impact on significant aspects of the Company and the business, including the demand for products, business operations, and the ability to research and develop and bring to market new products and services. To the extent individuals and hospital systems de-prioritize, delay or cancel deferrable medical procedures as a result of COVID-19, staffing or resource issues, or otherwise, the Company's business, cash flows, financial condition and results of operations may continue to be negatively affected.

The Company continues to focus its efforts on the health and safety of patients, healthcare providers and employees, while executing its mission of transforming lives of venous thromboembolism ("VTE") patients. However, the Company expects the COVID-19 pandemic may continue to negatively impact 2022 performance.

Basis of Presentation

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

The interim condensed consolidated balance sheet as of March 31, 2022, the condensed consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for the three months ended March 31, 2022 and 2021 are unaudited. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and reflect, in the opinion of management, all adjustments of a normal and recurring nature that are necessary for the fair presentation of the Company's consolidated financial position as of March 31, 2022 and its consolidated results of operations and cash flows for the three months ended March 31, 2022 and 2021. The financial data and the other financial information disclosed in the notes to the condensed consolidated financial statements related to the three months ended March 31, 2022 and 2021 are also unaudited. The condensed consolidated results of operations for any interim period are not necessarily indicative of the results to be expected for the full year or for any other future annual or interim period. The condensed consolidated balance sheet as of December 31, 2021 included herein was derived from the audited financial statements as of that date. These interim condensed consolidated financial statements should be read in conjunction with our audited financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021 filed on February 23, 2022.

Principles of Consolidation

The condensed consolidated financial statements include the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Management Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates and assumptions made in the accompanying consolidated financial statements may include, but are not limited to, collectability of receivables, recoverability of long-lived assets, valuation of inventory, other investments, fair value of stock options, recoverability of net deferred tax assets and related valuation allowance, and certain accruals. Estimates are based on historical experience and on various assumptions that the Company believes are reasonable under current circumstances. Actual results could differ materially from those estimates. Management periodically evaluates such estimates and assumptions, and they are adjusted prospectively based upon such periodic evaluation.

Revenue Recognition

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

The Company recognizes revenue in accordance with ASC 606, *Revenue from Contracts with Customers*. Under ASC 606, revenue is recognized when a customer obtains control of promised goods or services, in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that are within the scope of ASC 606, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

The Company sells its products primarily to hospitals in the United States utilizing the Company's direct sales force. The Company recognizes revenue for arrangements where the Company has satisfied its performance obligation of shipping or delivering the product. For sales where the Company's sales representative hand-deliver products directly to the hospitals, control of the products transfers to the customers upon such hand delivery. For sales where products are shipped, control of the products transfers either upon shipment or delivery of the products to the customer, depending on the shipping terms and conditions. Revenue from product sales is comprised of product revenue, net of product returns, administrative fees and sales rebates.

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

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

As of March 31, 2022 and December 31, 2021, the Company recorded \$630,000 and \$448,000, respectively, of unbilled receivables, which are included in accounts receivable, net, in the accompanying consolidated balance sheets.

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

	<u>Three Months Ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
ClotTrier	32 %	35 %
FlowTrier	68 %	65 %

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

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

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

Other Investments

In March 2022, the Company made investments in certain privately held companies, with no readily determinable fair value. The Company measures these investments at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investments. The Company will monitor the information that becomes available from time to time and adjust the carrying values of these investments if there are identified events or changes in circumstances that have a significant adverse effect on the fair values. As of March 31, 2022, total other investments of \$5.7 million was included in deposits and other assets on the condensed consolidated balance sheets.

3. Fair Value Measurements

The following tables summarize the Company's financial assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy as of March 31, 2022 and December 31, 2021 (in thousands):

	March 31, 2022			Aggregate Fair Value
	Level 1	Level 2	Level 3	
Financial Assets				
Cash and cash equivalents:				
Money market mutual funds	\$ 87,969	\$ —	\$ —	\$ 87,969
U.S. Treasury securities	26,101	—	—	26,101
Corporate debt securities and commercial paper	—	6,491	—	6,491
Total included in cash and cash equivalents	114,070	6,491	—	120,561
Investments:				
U.S. Treasury securities	95,386	—	—	95,386
U.S. Government agencies	—	5,997	—	5,997
Corporate debt securities and commercial paper	—	50,773	—	50,773
Total included in short-term investments	95,386	56,770	—	152,156
Total assets	<u>\$ 209,456</u>	<u>\$ 63,261</u>	<u>\$ —</u>	<u>\$ 272,717</u>
December 31, 2021				
	Level 1	Level 2	Level 3	Aggregate Fair Value
Financial Assets				
Cash and cash equivalents:				
Money market mutual funds	\$ 48,595	\$ —	\$ —	\$ 48,595
Total included in cash and cash equivalents	48,595	—	—	48,595
Investments:				
U.S. Treasury securities	44,322	—	—	44,322
Corporate debt securities and commercial paper	—	39,026	—	39,026
Total included in short-term investments	44,322	39,026	—	83,348
U.S. Treasury securities included in long-term investments	3,983	—	—	3,983
Total assets	<u>\$ 96,900</u>	<u>\$ 39,026</u>	<u>\$ —</u>	<u>\$ 135,926</u>

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

4. Cash Equivalents and Investments

The following is a summary of the Company's cash equivalents and investments in debt securities as of March 31, 2022 and December 31, 2021 (in thousands):

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

	March 31, 2022			
	Amortized Cost Basis	Unrealized Gain	Unrealized Loss	Fair Value
Financial Assets				
Cash and cash equivalents:				
Money market mutual funds	\$ 87,969	\$ —	\$ —	\$ 87,969
U.S. Treasury securities	26,099	2	—	26,101
Corporate debt securities and commercial paper	6,491	—	—	6,491
Total included in cash and cash equivalents	120,559	2	—	120,561
Investments:				
U.S. Treasury securities	95,608	—	(222)	95,386
U.S. Government agencies	5,996	1	—	5,997
Corporate debt securities and commercial paper	50,825	—	(52)	50,773
Total included in short-term investments	152,429	1	(274)	152,156
Total assets	\$ 272,988	\$ 3	\$ (274)	\$ 272,717

	December 31, 2021			
	Amortized Cost Basis	Unrealized Gain	Unrealized Loss	Fair Value
Financial Assets				
Cash and cash equivalents:				
Money market mutual funds	\$ 48,595	\$ —	\$ —	\$ 48,595
Total included in cash and cash equivalents	48,595	—	—	48,595
Investments:				
U.S. Treasury securities	44,349	—	(27)	44,322
Corporate debt securities and commercial paper	39,012	14	—	39,026
Total included in short-term investments	83,361	14	(27)	83,348
U.S. Treasury securities included in long-term investments	3,993	—	(10)	3,983
Total assets	\$ 135,949	\$ 14	\$ (37)	\$ 135,926

5. Inventories, net

Inventories, net of reserves totaling \$330,000 and \$285,000, respectively, consist of the following (in thousands):

	March 31, 2022	December 31, 2021
Raw materials	\$ 6,521	\$ 5,763
Work-in-process	1,676	1,490
Finished goods	15,631	13,800
	\$ 23,828	\$ 21,053

6. Property and Equipment, net

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

	March 31, 2022	December 31, 2021
Manufacturing equipment	\$ 8,330	\$ 7,408
Leasehold improvements	4,834	4,712
Assets in progress	3,533	3,124
Furniture and fixtures	3,399	3,044
Computer hardware	3,757	2,864
Computer software	100	100
Total property and equipment, gross	23,953	21,252
Accumulated depreciation	(5,800)	(4,781)
Total property and equipment, net	<u>\$ 18,153</u>	<u>\$ 16,471</u>

Depreciation expense of \$857,000 and \$463,000 was included in SG&A expenses and \$206,000 and \$146,000 was included in cost of goods sold for the three months ended March 31, 2022 and 2021, respectively.

7. Commitments and Contingencies

Operating Leases

The Company has operating leases for facilities and certain equipment. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheet. Lease expense for operating leases is recognized on a straight-line basis over the lease term. For lease agreements, other than long-term real estate leases, the Company combines lease and non-lease components.

In March 2019, the Company executed a five-year lease for a facility in Irvine, California, where substantially all operations of the Company have been located since September 2019. The lease expires in September 2024 and contains two optional extension periods of five years each. In addition to the minimum future lease commitments presented below, the lease requires the Company to pay property taxes, insurance, maintenance, and repair costs, which are considered variable lease payments and not included in the lease liability. The lease includes a one-month rent holiday concession and escalation clauses for increased rent over the lease term. Concurrent with the execution of a new ten-year lease (see below), the Company entered into a termination agreement (as amended) that releases the Company from the current facility lease obligation 12 months following the commencement date of the new lease, with options to extend the lease term for up to three periods of an additional 30 days each. As of March 31, 2022, the operating lease right-of-use asset and liability were \$210,000 and \$237,000, respectively, with the remaining lease term of 4 months.

In October 2020, the Company entered into a ten-year lease for a facility located in Irvine, California (the "Oak Canyon lease") with two option extension periods of five years each, which the Company has determined that it's reasonably certain to exercise. The Oak Canyon lease requires the Company to make variable lease payments, which are not included in the lease liability due to the amounts not being fixed, for property taxes, insurance, maintenance, repair costs, and certain improvements deemed to be assets of the lessor. The Oak Canyon lease includes scheduled payment escalation clauses over the lease term. The Oak Canyon lease also requires the Company to maintain a letter of credit for the benefit of the landlord in the amount of \$1.5 million, which is secured by the Company's Credit Agreement. The Company has moved in and taken control of the facility and has determined the lease commencement date to be September 30, 2021. On the commencement date, the Company recorded approximately \$42.2 million and \$28.6 million of right-of-use asset and lease liability, respectively. The right-of-use-asset includes approximately \$13.5 million, net of \$3.7 million tenant allowance, related to prepaid lease payments for the lessor's owned leasehold improvements which were reclassified from assets in progress and deposits and other assets. The operating right-of-use assets also include \$4.9 million of additional prepaid lease payments for the lessor's owned leasehold improvements paid subsequent to the commencement date. As of March 31, 2022, the operating lease right-of-use assets and lease liabilities were \$46.1 million and \$28.6 million, respectively, with the remaining lease term of 232 months.

As of March 31, 2022, the weighted average incremental borrowing rate used to measure operating lease liabilities was 6.0%. During the three months ended March 31, 2022, cash paid for amounts included in the measurement of operating lease liabilities was \$714,000 .

Total lease cost for the three months ended March 31, 2022 are as follows (in thousands):

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	Three Months Ended	
	March 31,	
	2022	
Operating lease cost	\$	1,043
Short-term lease cost		15
Variable lease cost		139
Total lease costs	\$	1,197

Future minimum lease payments under operating leases liabilities as of March 31, 2022 are as follows (in thousands):

Year ending December 31:	Amount	
Remainder of 2022	\$	1,828
2023		2,163
2024		2,234
2025		2,295
2026		2,361
Thereafter		39,536
Total lease payments		50,417
Less imputed interest		(21,486)
Total lease liabilities		28,931
Less: lease liabilities - current portion		(630)
Lease liabilities - noncurrent portion	\$	28,301

Indemnification

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

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

Legal Proceedings

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

Sublicense Agreement

In August 2019, the Company entered into a sublicense agreement of intellectual property rights related to the tubular braiding for the non-surgical removal of clots and treatment of embolism and thrombosis in human vasculature other than carotid arteries, coronary vasculature and cerebral vasculature. Under the sublicense agreement, the Company is required to pay an ongoing quarterly administration fee, which amounted to \$29,000 for the three months ended March 31, 2022 and 2021. Additionally, the Company is obligated to pay an ongoing royalty ranging from 1% to 1.5% of the net sales of products utilizing the licensed intellectual property, subject to a minimum royalty quarterly fee of \$1,000. The Company recorded royalty expense to cost of goods sold of \$212,000 and \$190,000 for the three months ended March 31, 2022 and 2021, respectively.

Licensed Technology

In December 2021, the Company entered into an exclusive, perpetual, royalty free, technology license agreement (the "Licensed Technology") for use in a particular research and development project that requires total payments of approximately \$4.2 million payable in three installments due in 2022 and 2023. The Company accounted for the purchase as a research and development expense in December 2021 as it was determined to have no future alternative uses. As of March 31, 2022, the outstanding balance was \$2.5

million, \$1.1 million of which was included in accrued expenses and other current liabilities, and the remaining \$1.4 million was included in other long-term liability on the consolidated balance sheets.

8. Concentrations

The Company's revenue is derived primarily from the sale of catheter-based therapeutic devices in the United States. For the three months ended March 31, 2022 and 2021, there were no customers that accounted for more than 10% of the Company's revenue. As of March 31, 2022 and December 31, 2021, there were no customers that accounted for more than 10% of the Company's accounts receivable.

No vendor accounted for more than 10% of the Company's purchases for the three months ended March 31, 2022 and 2021. There were no vendors that accounted for more than 10% of the Company's accounts payable as of March 31, 2022 and December 31, 2021.

9. Related Party

The Company utilizes MRI The Hoffman Group ("MRI"), a recruiting services company owned by the brother of the Chief Executive Officer and President and member of the board of directors of the Company. The Company paid for recruiting services provided by MRI amounting to \$74,000 and \$134,000 for the three months ended March 31, 2022 and 2021, respectively, which was included in operating expenses on the condensed consolidated statements of operations. As of March 31, 2022 and December 31, 2021, there was no balance payable to MRI.

10. Debt

Bank of America Credit Facility

In September 2020, the Company entered into a senior secured revolving credit facility with Bank of America (the "Credit Agreement"), as amended, under which the Company may borrow loans up to a maximum principal amount of \$30 million. The amount available to borrow under the Credit Agreement is comprised of a) 85% of eligible accounts receivable, plus b) pledged cash (up to \$10 million). There was no principal amount outstanding and no cash was pledged under the Credit Agreement as of March 31, 2022 and December 31, 2021, and the amount available to borrow under the Credit agreement was approximately \$28.2 million.

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

The Credit Agreement also includes a Letter of Credit subline facility (the "LC Facility") of up to \$5 million. The aggregate stated amount outstanding of letter of credits reduces the total borrowing base available under the Credit Agreement. The Company is required to pay the following fees under the LC Facility are as follows: (a) a fee equal to the applicable margin in effect for LIBOR loans (currently 2.25%) times the average daily stated amount of outstanding letter of credits; (b) a fronting fee equal to 0.125% per annum on the stated amount of each letter of credit outstanding. As of March 31, 2022 and December 31, 2021, the Company had two letters of credit in the aggregated amount of \$1.8 million outstanding under the LC Facility.

The Company paid Bank of America a closing fee of \$150,000 and incurred approximately \$280,000 in legal and other fees directly related to the Credit Agreement. The Credit Agreement contains certain customary covenants and events of default, including: payment defaults, breaches of any representation, warranty or covenants, judgment defaults, cross defaults to certain other contracts, certain events with respect to governmental approvals if such events could cause a material adverse change, a material impairment in the perfection or priority of the lender's security interest or in the value of the collateral, a material adverse change in the business, operations, or condition of us or any of our subsidiaries, and a material impairment of the prospect of repayment of the loans. Upon the occurrence of an event of default, a default increase in the interest rate of an additional 2.0% could be applied to the outstanding loan balance and the lender could declare all outstanding obligations immediately due and payable and take such other actions as set forth in the loan and security agreement. The Company was in compliance with its covenant requirements as of

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March 31, 2022. Obligations under the Credit Agreement are secured by substantially the Company's assets, excluding intellectual property.

Deferred Financing Costs

As of March 31, 2022 and December 31, 2021, costs incurred directly related to debt financings were included in deposits and other assets and are being amortized over the three-year life of the Credit Agreement on the straight-line basis as follows (in thousands):

	March 31, 2022	December 31, 2021
Deferred financing costs	\$ 430	\$ 430
Accumulated amortization	(227)	(191)
Unamortized deferred financing costs	<u>\$ 203</u>	<u>\$ 239</u>

11. Stockholder's Equity

Common Stock

In March 2022, the Company completed an underwritten public offering ("Follow-On Offering") of 2,300,000 shares of its common stock, including 300,000 shares sold pursuant to the underwriters' exercise of their option to purchase additional shares, at a public offering price of \$81.00 per share. The Company received net proceeds of approximately \$174.4 million, after deducting underwriters' discounts and commissions of \$11.2 million and offering costs of \$0.7 million.

12. Equity Incentive Plans

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

In March 2020, the Company adopted the 2020 Incentive Award Plan (the "2020 Plan"), which became effective in connection with the IPO. As a result, the Company may not grant any additional awards under the 2011 Plan. The 2011 Plan will continue to govern outstanding equity awards granted thereunder. The Company has initially reserved 3,468,048 shares of common stock for the issuance of a variety of awards under the 2020 Plan, including stock options, stock appreciation rights, awards of restricted stock and awards of restricted stock units. In addition, the number of shares of common stock reserved for issuance under the 2020 Plan will automatically increase on the first day of January for a period of up to ten years, commencing on January 1, 2021, in an amount equal to 3% of the total number of shares of the Company's capital stock outstanding on the last day of the preceding year, or a lesser number of shares determined by the Company's board of directors. As of March 31, 2022, there were 5,832,579 shares available for issuance under the 2020 Plan, including 1,509,404 additional shares reserved effective January 1, 2022.

2011 Equity Incentive Plan

Stock Options

A summary of stock option activities under the 2011 Plan for the three months ended March 31, 2022 is as follows (intrinsic value in thousands):

	Number of Awards	Weighted Average Exercise Price	Weighted Average Fair Value	Weighted Average Remaining Contractual Life (in years)	Intrinsic Value
Outstanding, December 31, 2021	2,574,354	\$ 1.43	\$ 1.02	7.07	\$ 231,286
Exercised	(322,882)	\$ 1.09	\$ 0.78		\$ 26,000
Cancelled	(9,842)	\$ 1.59	\$ 1.05		\$ 790
Outstanding, March 31, 2022	<u>2,241,630</u>	\$ 1.48	\$ 1.05	6.85	\$ 199,874
Vested and exercisable at March 31, 2022	<u>1,509,067</u>	\$ 1.09	\$ 0.81	6.67	\$ 135,138
Vested and expected to vest at March 31, 2022	<u>2,209,317</u>	\$ 1.45	\$ 1.04	6.85	\$ 197,040

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

Restricted Stock Units

In March 2019, the Company granted, under the 2011 Plan, restricted stock unit awards (“RSUs”) to certain employees that vest only upon the satisfaction of both a time-based service condition and a performance-based condition. The performance-based condition is a liquidity event requirement that was satisfied on the effective date of the IPO of the Company’s common stock. The RSUs are subject to a four-year cliff vesting and will vest in March 2023. If the RSUs vest, the actual number of RSUs that will vest will be dependent on the per share value of the Company’s common stock, which is a market-based condition, determined based on the average closing price of the Company’s common stock for the three-month period immediately preceding the satisfaction of the service condition.

There was no activity related to RSUs under the 2011 Plan during the three months ended March 31, 2022. As of March 31, 2022 and December 31, 2021, the outstanding balance of RSU under 2011 Plan was 2,712,674 with a weighted average fair value at the time of grant of \$0.17.

2020 Incentive Award Plan

Restricted Stock Units

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

RSU activities under the 2020 Plan is set forth below:

	Number of Awards	Weighted Average Fair Value
Outstanding, December 31, 2021	611,205	\$ 88.34
Granted	395,691	78.59
Vested	(49,686)	87.72
Cancelled	(20,629)	82.24
Outstanding, March 31, 2022	936,581	\$ 84.39

The total fair value of RSUs vested under both the 2011 Plan and 2020 Plan during the three months ended March 31, 2022 and 2021, was \$4.5 million and \$132,000, respectively.

Stock-based Compensation Expense

Total compensation cost for all share-based payment arrangements recognized, including \$805,000 and \$597,000 of stock-based compensation expense related to the Employee Stock Purchase Plan for the three months ended March 31, 2022 and 2021, respectively, was as follows (in thousands):

	Three Months Ended March 31,	
	2022	2021
Cost of goods sold	\$ 364	\$ 178
Research and development	978	402
Selling, general and administrative	5,213	3,256
	\$ 6,555	\$ 3,836

Total compensation costs as of March 31, 2022 related to all non-vested awards to be recognized in future periods was \$67.6 million and is expected to be recognized over the remaining weighted average period of 3.2 years.

Employee Stock Purchase Plan

In May 2020, the Company adopted the 2020 Employee Stock Purchase Plan (“ESPP”), which became effective on the date the ESPP was adopted by the Company’s board of directors. The Company has initially reserved 990,870 shares of common stock for purchase under the ESPP. Each offering to the employees to purchase stock under the ESPP will begin on each August 1 and February 1 and will end on the following January 31 and July 31, respectively. The first offering period began on August 1, 2020 and ends on

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January 31, 2021. On each purchase date, which falls on the last date of each offering period, ESPP participants will purchase shares of common stock at a price per share equal to 85% of the lesser of (1) the fair market value per share of the common stock on the offering date or (2) the fair market value of the common stock on the purchase date. The occurrence and duration of offering periods under the ESPP are subject to the determinations of the Company's Compensation Committee, in its sole discretion.

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

	Three Months Ended March 31,	
	2022	2021
Expected term (in years)	0.5	0.5
Expected volatility	56.09%	51.91%
Dividend yield	0.00%	0.00%
Risk free interest rate	0.48%	0.08%

As of March 31, 2022, total of 139,857 shares of common stock, including 54,808 shares purchased in January 2022, have been purchased under the ESPP, and a total of 1,846,664 shares of common stock, including 503,135 additional shares effective January 1, 2022, are reserved for future purchases.

13. Income Taxes

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

	Three Months Ended March 31,	
	2022	2021
(Loss) income before income taxes	\$ (3,129)	\$ 7,667
Provision for income taxes	—	198
Net (loss) income	\$ (3,129)	\$ 7,469
Provision for income taxes as a percentage of (loss) income before income taxes	0.0%	2.6%

The effective tax rate for all periods is driven by pre-tax income/(loss), business credits, equity compensation, state taxes, and the change in valuation allowance. For tax years beginning after December 31, 2021, certain research and development costs are required to be capitalized and amortized over a five year period under the Tax Cuts and Jobs Act, which was signed into law December 22, 2017. The Company has reviewed and incorporated this change, which will impact the expected U.S. federal and state tax expense and cash taxes to be paid for the tax year ending December 31, 2022.

Valuation Allowance

ASC 740 requires that the tax benefit of net operating losses, or NOLs, temporary differences and credit carryforwards be recorded as an asset to the extent that management assesses that realization is "more likely than not." Realization of the future tax benefits is dependent on the Company's ability to generate sufficient taxable income within the carryback or carryforward periods. As of December 31, 2021, the Company maintained a full valuation allowance of \$17.9 million against the Company's net deferred tax assets. As of March 31, 2022, the Company believes that the deferred tax assets are currently not considered more likely than not to be realized and, accordingly, has maintained a full valuation allowance against its deferred tax assets. The Company will continue to assess its position on the realizability of its deferred tax assets, until such time as sufficient positive evidence may become available to allow the Company to reach a conclusion that a significant portion of the valuation allowance will no longer be needed. Any release of the valuation allowance may result in a material benefit recognized in the quarter of release.

Uncertain Tax Positions

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

14. Retirement Plan

In December 2017, the Company adopted the Inari Medical, Inc. 401(k) Plan which allows eligible employees after one month of service to contribute pre-tax and Roth contributions to the plan, as allowed by law. The plan assets are held by Vanguard and the plan administrator is Ascensus Trust Company. Beginning in January 2021, the Company contributes a \$1.00 match for every \$1.00 contributed by a participating employee up to the greater of \$3,000 or 4% of eligible compensation under the plan, with such Company's contributions becoming fully vested immediately. For the three months ended March 31, 2022 and 2021, the Company recognized \$1.7 million and \$0.8 million in matching contributions expense.

15. Net Income (Loss) Per Share

The components of net income per share are as follows:

	Three Months Ended March 31,	
	2022	2021
Numerator:		
Net (loss) income (in thousands)	\$ (3,129)	\$ 7,469
Denominator:		
Weighted average number of common shares outstanding - basic	50,954,715	49,355,945
Common stock equivalents from outstanding common stock options	—	3,181,216
Common stock equivalents from unvested RSUs	—	3,108,002
Common stock equivalents from ESPP	—	4,911
Common stock equivalents from restricted stock	—	72,219
Weighted average number of common shares outstanding - diluted	50,954,715	55,722,293
Net (loss) income per share:		
Basic	\$ (0.06)	\$ 0.15
Diluted	\$ (0.06)	\$ 0.13

The following outstanding potentially dilutive common stock equivalents have been excluded from the calculation of diluted net loss per share for the three months ended March 31, 2022 due to their anti-dilutive effect:

	Three Months Ended March 31, 2022
Common stock options	2,241,630
RSUs	3,649,255
ESPP	10,404
	<u>5,901,289</u>

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our audited financial statements and related notes thereto for the year ended December 31, 2021, included in our Annual Report on Form 10-K. In addition to historical financial information, the following discussion contains forward-looking statements that are based upon current plans, expectations and beliefs that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under Part II, Item 1A, “Risk Factors” in this Quarterly Report on Form 10-Q.

Overview

We are a medical device company with a mission to treat and transform the lives of patients suffering from venous and other diseases. Our current product offerings consist of two minimally-invasive, novel catheter-based mechanical thrombectomy systems, which are purpose-built for the specific characteristic of the venous system and the treatment of the two distinct manifestations of venous thromboembolism, or VTE - deep vein thrombosis, or DVT, and pulmonary embolism, or PE. Our ClotTrieve product is FDA-cleared for the treatment of DVT. Our FlowTrieve product is the first thrombectomy system FDA-cleared for the treatment of PE and is also FDA-cleared for clot in transit in the right atrium.

We believe the best way to treat VTE and improve the quality of life of patients suffering from this disease is to safely and effectively remove the blood clot. With that in mind, we designed and purpose-built our ClotTrieve and FlowTrieve systems. The ClotTrieve is a mechanical thrombectomy system designed to core, capture and remove large clots from large vessels and is used to treat DVT. The FlowTrieve is a large bore catheter-based aspiration and mechanical thrombectomy system designed to remove large clots from large vessels to treat PE. Both systems are designed to eliminate the need for thrombolytic drugs.

We believe our mission-focused and highly-trained commercial organization provides a significant competitive advantage. Our most important relationships are between our sales representatives and our treating physicians, which include interventional cardiologists, interventional radiologists and vascular surgeons. We recruit sales representatives who have substantial and applicable medical device and/or sales experience. Our front-line sales representatives typically attend procedures, which puts us at the intersection of the patients, products and physicians. We have developed systems and processes to harness the information gained from these relationships and we leverage this information to rapidly iterate products, introduce and execute physician education and training programs and scale our sales organization. We market and sell our products to hospitals, which are reimbursed by various third-party payors.

In March 2022, we completed an underwritten public offering, or the Follow-On Offering, of 2,300,000 shares of common stock, at a price of \$81.00 per share. We received net proceeds of approximately \$174.4 million, after deducting underwriters’ discounts and commissions and offering costs.

As of March 31, 2022, we had cash, cash equivalents, and short-term investments of \$338.7 million, no long-term debt outstanding and an accumulated deficit of \$20.7 million.

For the three months ended March 31, 2022, the Company generated \$86.8 million in revenues with a gross margin of 88.5% and net loss of \$3.1 million, as compared to revenues of \$57.4 million with a gross margin of 91.9% and net income of \$7.5 million for the three months ended March 31, 2021.

COVID-19

The global healthcare system continues to face an unprecedented challenge as a result of the COVID-19 situation and its impact. COVID-19 has had and may continue to have an adverse impact on aspects of our business, including the demand for our products, operations, and ability to research and develop and bring new products and services to market.

In response to the impact of COVID-19, we implemented a variety of measures to help manage through the impact and position us to keep operations running efficiently. However, with hospitals facing staff or other resource constraints, to the extent individuals and hospital systems de-prioritize, delay or cancel deferrable medical procedures, our business, cash flows, financial condition and results of operations may continue to be negatively affected.

The actual and perceived impact of COVID-19 is still evolving and cannot be predicted. As a result, we cannot assure you that our recent procedure volumes are indicative of future results or that we will not experience additional negative impacts associated with COVID-19 or staffing shortages, which could be significant. We continue to focus our efforts on the health and safety of patients, healthcare providers and employees, while executing our mission of transforming lives of patients. While we expect the COVID-19 pandemic may continue to negatively impact 2022 performance, we believe the long-term fundamentals remain strong and we will continue to effectively manage through these challenges.

Procedure Volume

We regularly review various operating and financial metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate our business plan and make strategic decisions. We believe the number of procedures performed to treat DVT and PE using our products has been an important historical indicator of our ability to drive adoption and grow our revenue. However, as we continue to introduce new products and our business expands into new markets, we anticipate that this metric will become less representative of how our business is performing. As a result, we will no longer include the following table, which lists the number of procedures performed in each of the three month periods as indicated, in future quarters:

Procedures ⁽¹⁾	Three Months Ended			
	March 31, 2022	Dec 31, 2021	Sept 30, 2021	June 30, 2021
DVT	4,100	3,600	3,400	3,100
PE	4,700	4,100	3,300	2,800
	8,800	7,700	6,700	5,900

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

Revenue

We currently derive substantially all our revenue from the sale of our ClotTrier and FlowTrier systems directly to hospitals primarily in the United States. Our customers typically purchase an initial stocking order of our products and then reorder replenishment as procedures are performed. We expect our revenue to increase in absolute dollars as we expand our sales organization and sales territories, add customers, expand the base of physicians that are trained to use our products, expand awareness of our products with new and existing customers and as physicians perform more procedures using our products. Revenue for ClotTrier and FlowTrier systems as a percentage of total revenue is as follows:

	Three Months Ended March 31,	
	2022	2021
ClotTrier	32 %	35 %
FlowTrier	68 %	65 %

Critical Accounting Policies and Estimates

Other than the accounting policy changes discussed in "Note 2 - Summary of Significant Accounting Policies" to our condensed consolidated financial statements, which is included in "Part I, Item 1. Condensed Consolidated Financial Statements (Unaudited)", there have been no significant changes in our critical accounting policies during the three months ended March 31, 2022, as compared to the critical accounting policies disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 23, 2022.

Results of Operations

Comparison of the three months ended March 31, 2022 and 2021

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

	Three Months Ended March 31,				Change \$
	2022	%	2021	%	
Revenue	\$ 86,752	100.0 %	\$ 57,397	100.0 %	\$ 29,355
Cost of goods sold	9,967	11.5 %	4,623	8.1 %	5,344
Gross profit	76,785	88.5 %	52,774	91.9 %	24,011
Operating expenses:					
Research and development	16,135	18.6 %	8,163	14.2 %	7,972
Selling, general and administrative	63,732	73.5 %	36,898	64.3 %	26,834
Total operating expenses	79,867	92.1 %	45,061	78.5 %	34,806
Income (loss) from operations	(3,082)	(3.6 %)	7,713	13.4 %	(10,795)
Other income (expense)					
Interest income	50	0.1 %	68	0.1 %	(18)
Interest expense	(73)	(0.1 %)	(73)	(0.1 %)	—
Other expenses	(24)	0.0 %	(41)	(0.1 %)	17
Total other expenses, net	(47)	0.0 %	(46)	(0.1 %)	(1)
Income (loss) before income taxes	\$ (3,129)	(3.6 %)	\$ 7,667	13.3 %	\$ (10,796)

Revenue. Revenue increased \$29.4 million, or 51.1%, to \$86.8 million during the three months ended March 31, 2022, compared to \$57.4 million during the three months ended March 31, 2021. The increase in revenue was due primarily to an increase in the number of product offerings and the number of units sold as we expanded our sales territories, opened new accounts and achieved deeper penetration of our products into existing accounts.

Cost of Goods Sold. Cost of goods sold increased \$5.4 million, or 115.6%, to \$10.0 million during the three months ended March 31, 2022, compared to \$4.6 million during the three months ended March 31, 2021. This increase was primarily due to the increase in the number of products sold and additional manufacturing overhead costs incurred as we invested significantly in our new facility and operational infrastructure to support our growth.

Gross Margin. Gross margin for the three months ended March 31, 2022 decreased to 88.5%, compared to 91.9% for the three months ended March 31, 2021, primarily due to a decrease in operating leverage due to the expanded footprint of our manufacturing capacity and the addition of new products to our FlowTrier per procedure pricing model.

Research and Development Expenses. R&D expenses increased \$7.9 million, or 97.7%, to \$16.1 million during the three months ended March 31, 2022, compared to \$8.2 million during the three months ended March 31, 2021. The increase in R&D expenses was primarily due to increases of \$5.1 million of personnel-related expenses, \$1.8 million in materials and supplies, \$0.3 million in professional fees, and \$0.2 million of regulatory expenses, in support of our growth drivers to develop new products and build the clinical evidence base.

Selling, General and Administrative Expenses. SG&A expenses increased \$26.8 million, or 72.7%, to \$63.7 million during the three months ended March 31, 2022, compared to \$36.9 million during the three months ended March 31, 2021. The increase in SG&A costs was primarily due to increases of \$19.0 million in personnel-related expenses as a result of increased headcount across our organization and increased commissions due to higher revenue, \$2.0 million in travel and related expenses, \$1.8 million in professional fees, \$1.6 million in marketing expenses, and \$1.2 million in facility related expenses, particularly related to our new facility.

Interest Income. Interest income decreased by \$18,000 or 26.5% to \$50,000 during the three months ended March 31, 2022, compared to \$68,000 during the three months ended March 31, 2021. The decrease in interest income was primarily due to lower interest rates during the three months ended March 31, 2022, compared to the three months ended March 31, 2021.

Interest Expense. Interest expense was relatively consistent of \$73,000 during the three months ended March 31, 2022, compared to \$73,000 during the three months ended March 31, 2021.

Other Expenses. Other expenses of \$24,000 for the three months ended March 31, 2022 consisted primarily of foreign currency losses.

Liquidity and Capital Resources

To date, our primary sources of capital have been the net proceeds we received through private placements of preferred stock, debt financing agreements, the sale of common stock in our IPO and Follow-On Offering, and revenue from the sale of our products. On May 27, 2020, we completed our IPO, including the underwriters full exercise of their over-allotment option, selling 9,432,949 shares of our common stock at \$19.00 per share. Upon completion of our IPO, we received net proceeds of approximately \$163.0 million, after deducting underwriting discounts and commissions and offering expenses. In March 2022, we completed a Follow-On Offering by issuing 2,300,000 shares of common stock, at an offering price of \$81.00 per share, for net proceeds to us of approximately \$174.4 million after deducting underwriting discounts and commissions and offering expenses. As of March 31, 2022,

we had cash and cash equivalents of \$186.6 million, short-term investments of \$152.2 million and an accumulated deficit of \$20.7 million. In September 2020, we entered into a new revolving Credit Agreement with Bank of America which provides for loans up to a maximum of \$30 million. As of March 31, 2022, we had no principal outstanding under the Credit Agreement and the amount available to borrow was approximately \$28.2 million.

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

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

Cash Flows

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

	Three Months Ended March 31,	
	2022	2021
Net cash provided by (used in):		
Operating activities	\$ (9,100)	\$ 8,766
Investing activities	(73,511)	(22,511)
Financing activities	176,542	2,214
Effect of foreign exchange rate on cash and cash equivalents	(127)	(183)
Net increase (decrease) in cash and cash equivalents	<u>\$ 93,804</u>	<u>\$ (11,714)</u>

Net Cash (Used in) Provided by Operating Activities

Net cash used in operating activities for the three months ended March 31, 2022 was \$9.1 million, consisting primarily of net loss of \$3.1 million and a decrease in net operating assets of \$14.3 million, offset by non-cash charges of \$8.3 million. The decrease in net operating assets was primarily due to decreases in accounts payable and accrued liabilities of \$6.7 million due to timing of payments and growth of our operations, lease prepayments for lessor's owned leasehold improvements of \$2.1 million and a decrease in operating lease liabilities of \$0.3 million, coupled with increases in inventories of \$2.8 million and accounts receivable of \$2.7 million, offset by a decrease in prepaid and other assets of \$0.3 million. The non-cash charges primarily consisted of \$6.6 million in stock-based compensation expense, \$1.1 million in depreciation, and \$0.6 million in amortization of the right-of-use assets.

Net cash provided by operating activities for the three months ended March 31, 2021 was \$8.8 million, consisting primarily of net income of \$7.5 million and non-cash charges of \$4.8 million, offset by an increase in net operating assets of \$3.5 million. The increase in net operating assets was primarily due to increases in accounts receivable of \$3.4 million and inventories of \$3.1 million to support the growth of our operations, an increase in prepaid and other assets of \$2.9 million primarily from prepaid insurance, which were partially offset by increases in accounts payable of \$2.5 million and accrued liabilities of \$3.6 million due to timing of payments and growth of our operations. The non-cash charges primarily consisted of \$3.8 million in stock-based compensation, \$0.6 million in depreciation, \$0.2 million in amortization of the right-of-use assets and \$0.1 million provision for doubtful accounts.

Net Cash Used in Investing Activities

Net cash used in investing activities for the three months ended March 31, 2022 was \$73.5 million, consisting of \$112.1 million purchases of short-term investments, \$5.7 million purchases of other investments, and \$2.7 million purchases of property and equipment, offset by maturities of short-term investments of \$47.0 million.

Net cash used in investing activities in the three months ended March 31, 2021 was \$22.5 million, consisting of purchases of short-term investments of \$21.2 million and purchases of property and equipment of \$1.3 million.

Net Cash Provided by Financing Activities

Net cash provided by financing activities in the three months ended March 31, 2022 was \$176.5 million, consisting of \$174.4 million net proceeds from the issuance of common stock in the public offering, net of issuance costs of \$11.9 million, \$3.4 million proceeds from the issuance of common stock under our employee stock purchase plan and \$0.3 million of proceeds from exercise of stock options, offset by \$1.6 million of tax payments related to vested RSUs.

Net cash provided by financing activities in the three months ended March 31, 2021 was \$2.2 million consisting primarily of proceeds of \$1.9 million in proceeds from the issuance of common stock under our employee stock purchase plan

Off-Balance Sheet Arrangements

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

Contractual Obligations and Commitments

There have been no material changes outside the ordinary course of business to the Company's contractual obligations from those disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 23, 2022.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

There have been no material changes to our quantitative and qualitative disclosures about market risk as compared to the quantitative and qualitative disclosures about market risk described in our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 23, 2022 under "Part II, Item 7. Quantitative and Qualitative Disclosures about Market Risk.

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures

Our management, with the participation of our Principal Executive Officer and our Principal Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act of 1934, as amended, or the Exchange Act), as of March 31, 2022. Based on such evaluation, our Principal Executive Officer and Principal Financial Officer concluded that, as of March 31, 2022, these disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported, with the time period specified in the SEC rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Act is accumulated and communicated to our management.

Changes in internal control over financial reporting

During the three months ended March 31, 2022, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act), that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent limitations on effectiveness of controls and procedures

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

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

We are not subject to any material legal proceedings.

Item 1A. Risk Factors.

For a discussion of our potential risks and uncertainties, see the information in Part I, "Part I, Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021. As of the date of this Report, there have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021.

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.**Incorporated by reference**

Exhibit Number	Description	Form	File Number	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation	8-K	001-39293	3.1	5/28/2020
3.2	Amended and Restated Bylaws	8-K	001-39293	3.2	5/28/2020
31.1	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2	Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1†	Certifications of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
32.2†	Certifications of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101.INS	Inline XBRL 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 with Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).				

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

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.

Inari Medical, Inc.

Date: May 4, 2022

By: _____
/s/ William Hoffman
William Hoffman
Chief Executive Officer and President
(Principal Executive Officer)

Date: May 4, 2022

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

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

I, William Hoffman, certify that:

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

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

Date: May 4, 2022

By: _____ /s/ William Hoffman
William Hoffman
Chief Executive Officer and President
(Principal Executive Officer)

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

I, Mitchell Hill, certify that:

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

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

Date: May 4, 2022

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

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Inari Medical, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: May 4, 2022

By: _____
/s/ William Hoffman
William Hoffman
Chief Executive Officer and President
(Principal Executive Officer)

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

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Inari Medical, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: May 4, 2022

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

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