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 June 30, 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: 001-37725

ViewRay, Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**42-1777485**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
2 Thermo Fisher Way Oakwood Village, OH	**44146**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (440) 703-3210

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01	VRAY	The Nasdaq Global 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

As of July 29, 2022, the registrant had 181,009,565 shares of common stock, $0.01 par value per share, outstanding.

VIEWRAY, INC.
FORM 10-Q

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this “Report”), contains forward-looking statements, including, without limitation, in the sections captioned “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and elsewhere. Any and all statements contained in this Report that are not statements of historical fact may be deemed forward-looking statements. Terms such as “will”, “may,” “might,” “would,” “should,” “could,” “project,” “estimate,” “pro forma,” “predict,” “potential,” “strategy,” “anticipate,” “attempt,” “develop,” “plan,” “help,” “believe,” “continue,” “intend,” “expect,” “future” and terms of similar import (including the negative of any of the foregoing) may be intended to identify forward-looking statements. However, not all forward-looking statements may contain one or more of these identifying terms. Forward-looking statements in this Report may include, without limitation, statements regarding (i) the plans and objectives of management for future operations, including plans or objectives relating to the development of products, (ii) a projection of revenue, cash usage, income (including income/loss), earnings (including earnings/loss) per share, capital expenditures, dividends, capital structure or other financial items, (iii) our future financial performance, including any such statement contained in a discussion and analysis of financial condition by management or in the results of operations included pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) and (iv) the assumptions underlying or relating to any statement described in points (i), (ii) or (iii) above.

The forward-looking statements are not meant to predict or guarantee actual results, performance, events or circumstances and may not be realized because they are based upon our current projections, plans, objectives, beliefs, expectations, estimates and assumptions and are subject to a number of risks and uncertainties and other influences, many of which we have no control over. Actual results and the timing of certain events and circumstances may differ materially from those described by the forward-looking statements as a result of these risks and uncertainties. Factors that may influence or contribute to the inaccuracy of the forward-looking statements or cause actual results to differ materially from expected or desired results may include, without limitation:

- delays in business operations and installation caused by the concerns in connection with the COVID-19 pandemic;
- disruptions in the supply or changes in the costs of raw materials, labor, product components, or transportation services as a result of inflation;
- the effect or impact of market consolidation;
- market acceptance of magnetic resonance imaging (“MRI”) guided radiation therapy;
- the benefits of MR Image-Guided radiation therapy;
- our ability to obtain and maintain regulatory approval in targeted markets for MRIdian;
- our ability to successfully sell and market MRIdian® in our existing and expanded geographies;
- the performance of MRIdian in clinical settings;
- competition from existing technologies or products or new technologies and products that may emerge;
- the pricing and reimbursement of MR Image-Guided radiation therapy;
- the implementation of our business model and strategic plans for our business and MRIdian;
- the scope of protection we are able to establish and maintain for intellectual property rights covering MRIdian;
- estimates of our future revenue, expenses, capital requirements and our need for additional financing;
- our financial performance;
- our expectations related to the MRIdian linear accelerator technology (“MRIdian Linac”);
- developments relating to our competitors and the healthcare industry; and
- other risks and uncertainties, including those listed under the section titled “Risk Factors.”

Any forward-looking statements in this Report reflect our current views with respect to future events or to our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under Part II, Item 1A, titled “Risk Factors” and discussed elsewhere in this Report, and in Part I, Item 1A, titled “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021. Given these uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. We disclaim any obligation to update the forward-looking statements contained in this Report to reflect any new information or future events or circumstances or otherwise, except as required by law.

This Report may also contain estimates, projections and other information concerning our industry, our business, and the markets for certain devices, including data regarding the estimated size of those markets. Information that is based on estimates, forecasts, projections, market research or similar methodologies is inherently subject to uncertainties and actual events or circumstances may differ materially from events and circumstances reflected in this information. Unless otherwise expressly stated, we obtained this industry, business, market and other data from reports, research surveys, studies and similar data prepared by market research firms and other third parties, industry, medical and general publications, government data and similar sources.

PART I—FINANCIAL INFORMATION

Item 1. Unaudited Condensed Consolidated Financial Statements

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

	June 30, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 157,594	$ 218,348
Accounts receivable	33,014	21,659
Inventory, net of allowance of $1,676 and $3,071, respectively	29,380	29,617
Deposits on purchased inventory	6,560	4,778
Deferred cost of revenue	1,568	3,342
Prepaid expenses and other current assets	5,294	5,803
Total current assets	233,410	283,547
Property and equipment, net	20,233	20,242
Restricted cash	4,596	1,460
Intangible assets, net	41	44
Right-of-use assets	7,006	9,661
Other assets	11,758	6,853
TOTAL ASSETS	$ 277,044	$ 321,807
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 16,853	$ 9,199
Accrued liabilities	15,937	26,555
Customer deposits	24,950	20,784
Operating lease liability, current	2,708	2,561
Current portion of long-term debt	—	3,222
Deferred revenue, current	16,284	13,920
Total current liabilities	76,732	76,241
Deferred revenue, net of current portion	6,376	4,232
Long-term debt	58,507	54,031
Warrant liabilities	1,910	6,795
Operating lease liability, noncurrent	6,666	8,066
Other long-term liabilities	2,035	2,647
TOTAL LIABILITIES	152,226	152,012
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock, par value of $0.01 per share; 10,000,000 shares authorized at June 30, 2022 and December 31, 2021; no shares issued and outstanding at June 30, 2022 and December 31, 2021, respectively	—	—
Common stock, par value of $0.01 per share; 300,000,000 shares authorized at June 30, 2022 and December 31, 2021; 180,997,543 and 179,206,456 shares issued and outstanding at June 30, 2022 and December 31, 2021, respectively	1,800	1,782
Additional paid-in capital	913,557	905,145
Accumulated deficit	(790,539)	(737,132)
TOTAL STOCKHOLDERS' EQUITY	124,818	169,795
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 277,044	$ 321,807

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

VIEWRAY, INC.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(In thousands, except share and per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue:				
Product	$ 16,457	$ 10,917	$ 29,883	$ 22,296
Service	5,573	3,994	10,904	8,021
Distribution rights	119	119	238	238
Total revenue	22,149	15,030	41,025	30,555
Cost of revenue:				
Product	16,194	12,180	29,960	22,865
Service	4,864	4,522	9,880	9,040
Total cost of revenue	21,058	16,702	39,840	31,905
Gross profit (loss)	1,091	(1,672)	1,185	(1,350)
Operating expenses:				
Research and development	8,412	7,903	16,281	14,413
Selling and marketing	7,545	3,052	14,429	5,900
General and administrative	13,108	13,858	25,923	29,497
Impairment charges	1,816	—	1,816	—
Total operating expenses	30,881	24,813	58,449	49,810
Loss from operations	(29,790)	(26,485)	(57,264)	(51,160)
Interest income	83	3	88	5
Interest expense	(192)	(1,060)	(1,256)	(2,118)
Other (expense) income, net	2,266	(3,434)	5,025	(4,446)
Loss before provision for income taxes	$ (27,633)	$ (30,976)	$ (53,407)	$ (57,719)
Provision for income taxes	—	—	—	—
Net loss and comprehensive loss	$ (27,633)	$ (30,976)	$ (53,407)	$ (57,719)
Net loss per share, basic and diluted	$ (0.15)	$ (0.19)	$ (0.30)	$ (0.36)
Weighted-average common shares used to compute net loss per share attributable to common stockholders, basic and diluted	180,551,041	162,238,348	180,150,867	161,217,083

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

VIEWRAY, INC.
Condensed Consolidated Statements of Stockholders' Equity
(In thousands, except share and per share data)
(Unaudited)

	Common Stock				
	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
Balance at December 31, 2021	179,206,456	$ 1,782	$ 905,145	$ (737,132)	$ 169,795
Issuance of common stock from option exercises	19,292	—	56	—	56
Stock-based compensation	—	—	5,032	—	5,032
Issuance of common stock from releases of restricted stock units	1,216,278	12	(12)	—	—
Tax withholding paid on behalf of employees for stock-based awards	—	—	(1,604)	—	(1,604)
Net loss	—	—	—	(25,774)	(25,774)
Balance at March 31, 2022	180,442,026	$ 1,794	$ 908,617	$ (762,906)	$ 147,505
Issuance of common stock from option exercises	4,916	—	11	—	11
Stock-based compensation	—	—	5,101	—	5,101
Issuance of common stock from releases of restricted stock units	406,895	4	(4)	—	—
Tax withholding paid on behalf of employees for stock-based awards	—	—	(490)	—	(490)
Issuance of common stock from employee stock purchase plan	143,706	2	322	—	324
Net loss	—	—	—	(27,633)	(27,633)
Balance at June 30, 2022	180,997,543	$ 1,800	$ 913,557	$ (790,539)	$ 124,818

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

VIEWRAY, INC.
Condensed Consolidated Statements of Stockholders' Equity
(In thousands, except share and per share data)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance at December 31, 2020	148,615,351	$ 1,476	$ 755,874	$ (627,084)	$ 130,266
Issuance of common stock from option exercises	6,021	—	19	—	19
Stock-based compensation	—	—	8,494	—	8,494
Issuance of common stock from releases of restricted stock units	1,209,870	12	(12)	—	—
Tax withholding paid on behalf of employees for stock-based awards	—	—	(1,473)	—	(1,473)
Issuance of common stock upon public offering (net of offering cost of $3,991)	11,856,500	119	53,394	—	53,513
Issuance of common stock from warrant exercises	42,621	—	2	—	2
Reclassification of warrant liability to additional paid-in capital upon warrant exercises	—	—	327	—	327
Net loss	—	—	—	(26,743)	(26,743)
Balance at March 31, 2021	161,730,363	$ 1,607	$ 816,625	$ (653,827)	$ 164,405
Issuance of common stock from option exercises	37,630	—	165	—	165
Stock-based compensation	—	—	6,455	—	6,455
Issuance of common stock from releases of restricted stock units	1,738,516	17	(17)	—	—
Tax withholding paid on behalf of employees for stock-based awards	—	—	(1,286)	—	(1,286)
Issuance of common stock from warrant exercises	2,431	—	—	—	—
Reclassification of warrant liability to additional paid-in capital upon warrant exercises	—	—	24	—	24
Issuance of common stock from employee stock purchase plan	81,804	—	264	—	264
Net loss	—	—	—	(30,976)	(30,976)
Balance at June 30, 2021	163,590,744	$ 1,624	$ 822,230	$ (684,803)	$ 139,051

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

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

	Six Months Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (53,407)	$ (57,719)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,643	3,171
Stock-based compensation	10,133	14,949
Accretion on asset retirement obligation	46	61
Change in fair value of warrant liabilities	(4,885)	4,701
Impairment of right-of-use asset and related fixed assets	1,816	—
Amortization of debt discount and interest accrual	477	471
Product upgrade reserve	(1,600)	1,000
Changes in operating assets and liabilities:		
Accounts receivable	(11,355)	(3,647)
Inventory	256	4,763
Deposits on purchased inventory	(1,782)	(1,595)
Deferred cost of revenue	1,774	755
Prepaid expenses and other assets	(4,630)	(5,397)
Accounts payable	7,611	(2,508)
Accrued expenses and other long-term liabilities	(10,104)	(1,374)
Customer deposits and deferred revenue	8,674	2,057
Net cash used in operating activities	(54,333)	(40,312)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(2,666)	(568)
Net cash used in investing activities	(2,666)	(568)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from common stock public offering, gross	—	57,385
Payment of offering costs related to common stock public offering	—	(3,991)
Proceeds from term loan modification	2,000	—
Payment of debt issuance costs	(914)	—
Proceeds from the exercise of stock options	67	184
Proceeds from the exercise of warrants	—	2
Proceeds from employee stock purchase plan	322	264
Payments for taxes related to net share settlement of equity awards	(2,094)	(2,759)
Net cash (used in) provided by financing activities	(619)	51,085
NET (DECREASE) INCREASE CASH DURING THE PERIOD	(57,618)	10,205
CASH, CASH EQUIVALENTS AND RESTRICTED CASH — BEGINNING OF PERIOD	219,808	158,180
CASH, CASH EQUIVALENTS AND RESTRICTED CASH — END OF PERIOD	$ 162,190	$ 168,385
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 1,695	$ 1,648
Cash paid for income taxes	$ —	$ —
SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Fair value of common stock warrants reclassified from liability to additional paid-in capital upon exercise	$ —	$ 351
Transfer of property and equipment from inventory and deferred cost of revenue	$ 19	$ —
Purchases of property and equipment in accounts payable and accrued liabilities	$ 161	$ 351

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

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

NOTE 1. BACKGROUND AND ORGANIZATION

ViewRay, Inc. (“ViewRay” or the “Company”), and its wholly-owned subsidiary ViewRay Technologies, Inc., designs, manufactures and markets MRIdian, an MR Image-Guided radiation therapy system to simultaneously image and treat cancer patients.

Since inception, ViewRay Technologies, Inc. has devoted substantially all of its efforts towards research and development, selling and marketing activities, raising capital and the manufacturing, shipment and installation of MRIdian systems. In May 2012, ViewRay Technologies, Inc. was granted clearance from the U.S. Food and Drug Administration (“FDA”), to sell MRIdian with Cobalt-60. In November 2013, ViewRay Technologies, Inc. received its first clinical acceptance of a MRIdian with Cobalt-60 at a customer site, and the first patient was treated with that system in January 2014. ViewRay Technologies, Inc. has had the right to affix the CE mark to MRIdian with Cobalt-60 in the European Economic Area ("EEA") since November 2014. In September 2016, the Company received the rights to affix the CE mark to MRIdian Linac, and in February 2017, the Company received 510(k) clearance from the FDA to market MRIdian Linac. In February 2019, the Company received 510(k) clearance from the FDA for advancements in MRI, 8 frames per second cine, and Functional imaging (T1/T2/DWI) and High-Speed MLC. In December 2019, we received the CE mark for these advancements in the EEA. In December 2021, the Company received 510(k) clearance from the FDA on its recent submission for new MRIdian features (MRIdian A3i) focused on enhancing on-table adaptive workflow efficiency and expanding clinical utility.

The Company’s condensed consolidated financial statements have been prepared on the basis of the Company continuing as a going concern for a reasonable period of time. The Company’s principal sources of liquidity are cash flows from public and private offerings and available borrowings under its term loan agreement, as well as cash receipts from its sales of MRIdian systems. These have historically been sufficient to meet working capital needs, capital expenditures, operating expenses, and debt service obligations. During the six months ended June 30, 2022, the Company incurred a net loss from operations of $53.4 million and net cash used in operations of $54.3 million. The Company believes that its existing cash balance of $157.6 million as of June 30, 2022, together with anticipated cash proceeds from sales of MRIdian systems, will be sufficient to provide liquidity to fund its obligations for at least the next 12 months.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States (“U.S. GAAP”), and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). The condensed consolidated financial statements include the accounts of ViewRay, Inc. and its wholly-owned subsidiary, ViewRay Technologies, Inc. All inter-company accounts and transactions have been eliminated in consolidation.

In the opinion of management, all adjustments, including normal recurring adjustments, considered necessary for a fair presentation of the Company’s unaudited condensed consolidated financial statements, have been included. The results of operations for the three and six months ended June 30, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022 or any future period. These unaudited condensed consolidated financial statements and their notes should be read in conjunction with the audited consolidated financial statements and related notes included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Significant Accounting Policies

The significant accounting policies used in preparation of these condensed consolidated financial statements are disclosed in the notes to consolidated financial statements included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2021 filed with the SEC on February 25, 2022, and have not changed significantly since that filing.

NOTE 3. BALANCE SHEET COMPONENTS

Property and Equipment, Net

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

	June 30, 2022	December 31, 2021
Prototype	$ 17,785	$ 17,730
Machinery and equipment	19,213	17,701
Leasehold improvements	14,005	14,088
Furniture and fixtures	1,540	1,295
Software	1,389	1,389
Construction in progress	2,074	1,397
Property and equipment, gross	56,006	53,600
Less: accumulated depreciation and amortization	(35,773)	(33,358)
Property and equipment, net	$ 20,233	$ 20,242

Depreciation and amortization expense related to property and equipment was $1.2 million and $1.6 million during the three months ended June 30, 2022 and 2021, and $2.6 million and $3.2 million during the six months ended June 30, 2022 and 2021, respectively.

Accrued Liabilities

Accrued liabilities consisted of the following (in thousands):

	June 30, 2022	December 31, 2021
Accrued payroll and related benefits	$ 9,559	$ 17,080
Accrued accounts payable	1,172	3,740
Payroll withholding tax, sales and other tax payable	1,268	1,094
Accrued legal, accounting and professional fees	571	230
Product upgrade reserve	900	2,500
Other	2,467	1,911
Total accrued liabilities	$ 15,937	$ 26,555

Deferred Revenue

Deferred revenue consisted of the following (in thousands):

	June 30, 2022	December 31, 2021
Deferred revenue:		
Product	$ 1,991	$ 1,322
Service	19,461	15,385
Distribution rights	1,208	1,445
Total deferred revenue	22,660	18,152
Less: current portion of deferred revenue	(16,284)	(13,920)
Noncurrent portion of deferred revenue	$ 6,376	$ 4,232

Other Long-Term Liabilities

Other long-term liabilities consisted of the following (in thousands):

	June 30, 2022	December 31, 2021
Accrued interest, noncurrent portion	$ 45	$ 704
Asset retirement obligation	1,008	962
Other accrued costs	982	981
Total other-long term liabilities	$ 2,035	$ 2647

NOTE 4. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets and liabilities recorded at fair value on a recurring basis in the balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair values. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, as follows:

Level 1—Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities traded in active markets.

Level 2—Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3—Inputs that are generally unobservable. These inputs may be used with internally developed methodologies that result in management’s best estimate of fair value.

The assets’ or liabilities’ fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The Company’s financial instruments that are carried at fair value mainly consist of Level 1 assets and Level 3 liabilities. Level 1 assets include highly liquid bank deposits and money market funds, which were not material at June 30, 2022 and December 31, 2021. Level 3 liabilities that are measured on a recurring basis relate to the 2017 and 2016 Placement Warrants, as described in Note 9. Placement warrant liabilities are valued using the Black-Scholes option-pricing model. Generally, increases (decreases) in the fair value of the underlying stock, volatility, and estimated term would result in a directionally similar impact to the fair value of the warrants (see Note 9). During the six months ended June 30, 2022, no warrants were exercised. During the six months ended June 30, 2021, warrants to purchase 119,420 shares of common stock were exercised and the aggregate fair value upon exercise of $0.4 million was reclassified from liabilities to additional paid-in-capital.

The gains and losses from re-measurement of Level 3 financial liabilities are recorded as part of other (expense) income, net in the condensed consolidated statements of operations and comprehensive loss. During the three months ended June 30, 2022 and 2021, the Company recorded a gain of $2.1 million and a loss of $3.8 million, respectively, related to the change in fair value of the 2017 and 2016 Placement Warrants. During the six months ended June 30, 2022 and 2021, the Company recorded a gain of $4.9 million and a loss of $4.7 million, respectively, related to the change in fair value of the 2017 and 2016 Placement Warrants. There were no transfers between Level 1, Level 2 and Level 3 in any periods presented.

The following table sets forth the fair value of the Company's financial liabilities by level within the fair value hierarchy (in thousands):

	At June 30, 2022			
	Level 1	Level 2	Level 3	Total
2017 Placement Warrants Liability	$ —	$ —	$ 1,447	$ 1,447
2016 Placement Warrants Liability	—	—	463	463
Total	$ —	$ —	$ 1,910	$ 1,910

	At December 31, 2021			
	Level 1	Level 2	Level 3	Total
2017 Placement Warrants Liability	$ —	$ —	$ 5,030	$ 5,030
2016 Placement Warrants Liability	—	—	1,765	1,765
Total	$ —	$ —	$ 6,795	$ 6,795

The following table sets forth a summary of the changes in fair value of the Company's Level 3 financial liabilities (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Fair value, beginning of period	$ 3,965	$ 5,484	$ 6,795	$ 4,864
Change in fair value of Level 3 financial liabilities	(2,055)	3,753	(4,885)	4,701
Fair value of 2016 Placement Warrants at exercise	—	—	—	(2)
Fair value of 2017 Placement Warrants at exercise	—	(25)	—	(351)
Fair value, end of period	$ 1,910	$ 9,212	$ 1,910	$ 9,212

Non-Financial Assets and Liabilities

The Company's non-financial instruments, which primarily consist of intangible assets, right-of-use ("ROU") assets, and property and equipment, are measured at fair value on a non-recurring basis and are reported at carrying value. These assets are subject to fair value adjustments when events or changes in circumstances indicate a significant adverse effect on the fair value of the asset. Impairment charges are recorded to reduce the carrying amount of the assets to their fair value.

During the six months ended June 30, 2022, the Company recorded impairment charges of $1.5 million on its ROU asset for one of the Mountain View, California office spaces and $0.3 million on the related furniture and fixtures to reduce the carrying value to their estimated fair value in connection with the sublease discussed in Note 6.

The fair value of ROU asset and related furniture and fixtures was determined based on Level 3 measurements. Inputs to this fair value measurements included a valuation model that measures the present value of remaining lease payments less estimated sublease income at a discount rate that captures the risk associated with the future cash flows.

NOTE 5. DEBT

SVB Term Loan

In December 2018, the Company entered into a term loan agreement with Silicon Valley Bank (the "SVB Term Loan"). On December 31, 2019, the Company entered into the First Amendment to the SVB Term Loan. On October 30, 2020, the Company entered into the Second Amendment to the SVB Term Loan. On October 29, 2021, the Company entered into the Third Amendment to the SVB Term Loan.

On May 31, 2022, the Company entered into the Fourth Amendment (the "Fourth Amendment") to SVB Term Loan. The Fourth Amendment, among other things, amended the SVB Term Loan to: (i) increase the term loan agreement principal amount from $58.0 million to $60 million, (ii) revise the maturity date to October 1, 2027, and (iii) revise the payment schedule for the outstanding principal balance to 37 equal payments of principal to begin on October 1, 2024. The amendment was treated as a debt modification.

As of June 30, 2022, the Company had $60 million outstanding under the SVB Term Loan.

Borrowings under the SVB Term loan bear interest at the greater of (i) a floating rate of 2.4% above the Prime Rate; or (ii) a fixed rate of 5.65%, and is payable monthly.

The SVB Term Loan requires that the Company maintain a minimum cash balance in accounts at Silicon Valley Bank or one of its affiliates or else comply with a liquidity ratio and/or a minimum revenue financial covenant. The SVB Term Loan is secured by substantially all assets of the Company, except that the collateral does not include any intellectual property held by the Company, provided, however, the collateral does include all accounts and proceeds of such intellectual property.

The SVB Term Loan contains customary representations and warranties and customary affirmative and negative financial and nonfinancial covenants applicable to the Company and its subsidiaries, including, among other things, restrictions on indebtedness, liens, investments, mergers, dispositions, prepayment of other indebtedness, dividends and other distributions and transactions with affiliates.

The SVB Term Loan is subject to prepayment premiums of 3.5% for the first 30 months of the term and 2.50% thereafter for the remaining term, for amounts prepaid under the SVB Term Loan prior to the maturity date thereof, subject to certain exceptions.

The SVB Term Loan includes standard events of default, including, among other things, subject in certain cases to customary grace periods, thresholds and notice requirements, the Company’s failure to fulfill its obligations under the SVB Term Loan or the occurrence of a material adverse change in the Company's business, operations, or condition (financial or otherwise). In the event of default by the Company under the SVB Term Loan, Silicon Valley Bank would be entitled to exercise its remedies thereunder, including the right to accelerate the debt, upon which the Company may be required to repay all amounts then outstanding under the SVB Term Loan, which could harm the Company's financial condition.

The Company’s scheduled future payments on the SVB Term Loan at June 30, 2022 are as follows (in thousands):

Year Ended December 31,		
The remainder of 2022	$	—
2023		—
2024		6,486
2025		19,460
2026		19,460
Thereafter		14,594
Total future principal payments		60,000
Less: unamortized debt discount		(1,493)
Carrying value of long-term debt		58,507
Less: current portion		—
Long-term portion	$	58,507

NOTE 6. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company entered into agreements to lease office space in Oakwood Village, Ohio, Mountain View, California and Denver, Colorado under noncancelable operating lease agreements. The table below summarizes the Company’s office space leases:

	Approximate Square Footage	Lease Expiration
Oakwood Village, Ohio	19,800	October 2026
Mountain View, California	25,500	July 2025
Mountain View, California	24,600	December 2025
Denver, Colorado	12,800	October 2024

In recognition of the ROU assets and the related lease liabilities, the options to extend the lease term have not been included as the Company is not reasonably certain that it will exercise any such option.

In March 2022, the Company entered into an agreement to sublease all 24,600 rentable square feet of one of its Mountain View office spaces to a subtenant to offset its cash outflow. The sublease commenced on May 2, 2022 and will expire on March 31, 2024, unless earlier terminated in accordance with the sublease agreement.

Sublease income is recognized on straight-line basis over the term of the sublease agreement and is recorded separately from the related rent expense from the Mountain View office space within interest and other income, net in the condensed consolidated statements of operations and comprehensive loss. The sublease provides for annual base rent of approximately $0.5 million in the first year (subject to an abatement of base rent for the first two months of the sublease) and approximately $0.6 million in the second year. The sublessee is responsible for its pro rata share of certain costs, taxes and operating expenses related to the subleased space, the consideration for which is variable and recorded net of the Company's operating costs in the office space. Variable lease consideration that does not depend on an index or rate is allocated to a non-lease component and is recognized over time in accordance with the pattern of transfer. The variable consideration relates exclusively to non-lease components representing such services and will be recognized as incurred. For the three and six months ended June 30, 2022, gross sublease income of $0.1 million was recorded.

Legal Proceedings

In the normal course of business, the Company may become involved in legal proceedings. The Company will accrue a liability for legal proceedings when it is probable that a liability has been incurred and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount. When only a range of possible loss can be established, the most probable amount in the range is accrued. If no amount within this range is a better estimate than any other amount within the range, the minimum amount in the range is accrued.

Class Action Litigation

On September 13, 2019, a class action complaint for violation of federal securities laws was filed in U.S. District Court for the Northern District of Ohio against the Company, its chief executive officer, chief scientific officer, and former chief financial officer. On December 19, 2019, the court appointed Plymouth County Retirement Association as the lead plaintiff, and on February 28, 2020 the lead plaintiff filed an amended complaint asserting securities fraud claims against the Company, its chief executive officer, chief operating officer, chief scientific officer, and former chief executive officer and former chief financial officer. Now captioned Plymouth County Retirement Association v. ViewRay, Inc., et al., the amended complaint alleges that the Company violated federal securities laws by issuing materially false and misleading statements that failed to disclose adverse facts concerning the Company's business, operations, and financial results, and seeks damages, interest, and other relief. On August 25, 2021, the District Court dismissed the lead plaintiff's second amended complaint, with prejudice. On September 17, 2021, the lead plaintiff filed notice of its intent to appeal the District Court's opinion and order dismissing the complaint to the Sixth Circuit Court of Appeals. Oral arguments were presented by the parties on July 28, 2022 and the appeal remains pending before the Sixth Circuit Court of Appeals. The Company believes the appeal is without merit and intends to vigorously defend the litigation.

Stockholder Derivative Lawsuit

On July 22, 2020, a stockholder derivative lawsuit, captioned Gile derivatively on behalf of ViewRay, Inc. v. ViewRay Inc., et al., was filed against ViewRay (as a nominal defendant) and certain of its current and former officers and directors in the U.S. District Court for the Northern District of Ohio. This action alleges, purportedly on behalf of ViewRay, that the officers and directors violated Section 14(a) of the Securities Exchange Act of 1934, as amended, breached their fiduciary duties, wasted corporate assets, and were unjustly enriched based on factual assertions substantially similar to those in the class action complaint described above. The complaint seeks, among other things, damages awarded to ViewRay, restitution and disgorgement of profits in an unspecified amount, and corporate reforms. Due to the overlap between the allegations in the derivative complaint and those in the putative securities class action complaint, this lawsuit is presently stayed, pending a decision on the appeal by the Sixth Circuit Court of Appeals.

Given the early stage of each of the litigation matters described above, at this time the Company is unable to reasonably estimate possible losses or form a judgment that an unfavorable outcome is either probable or remote. However, litigation is subject to inherent uncertainties, and one or more unfavorable outcomes in any claim or litigation against the Company could have a material adverse effect in the period in which they are resolved and on the Company's business generally. In addition, regardless of their merits or their ultimate outcomes, lawsuits and legal proceedings are costly, divert management attention and may materially adversely affect the Company's reputation, even if resolved in the Company's favor.

Purchase Commitments

The Company has various manufacturing contracts with vendors as part of the normal course of its business. In order to manage future demand for its product, the Company enters into agreements with manufacturers and suppliers to procure inventory based upon backlog and estimated delivery of systems. Some of the parts used for the production of the MRIdian system have lead times of several months to over a year, as such it is necessary to order such inventory in advance to ensure the demands from the market are covered. As of June 30, 2022, the Company had $16.2 million of non-cancelable purchase commitments for inventory.

NOTE 7. REVENUE

The Company derives revenue primarily from the sale of MRIdian systems and related services as well as support and maintenance services on sold systems. Revenue is categorized as product revenue, service revenue and distribution rights revenue.

The following table presents revenue disaggregated by type and geography (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
U.S.				
Product	$ 10,030	$ 10,140	$ 10,462	$ 15,207
Service	3,183	2,335	6,283	4,702
Total U.S. revenue	$ 13,213	$ 12,475	$ 16,745	$ 19,909
Outside of U.S. ("OUS")				
Product	$ 6,427	$ 777	$ 19,421	$ 7,089
Service	2,390	1,659	4,621	3,319
Distribution rights	119	119	238	238
Total OUS revenue	$ 8,936	$ 2,555	$ 24,280	$ 10,646
Total				
Product	$ 16,457	$ 10,917	$ 29,883	$ 22,296
Service	5,573	3,994	10,904	8,021
Distribution rights	119	119	238	238
Total revenue	$ 22,149	$ 15,030	$ 41,025	$ 30,555

Arrangements with Multiple Performance Obligations

The Company frequently enters into sales arrangements that include multiple performance obligations. Such performance obligations mainly consist of (i) sale of MRIdian systems, which generally includes installation and embedded software, and (ii) product support, which includes extended service and maintenance. For such arrangements, the Company allocates revenue to each performance obligation based on its relative standalone selling price. The standalone selling price (“SSP”), is determined based on observable prices at which the Company separately sells the products and services. If an SSP is not directly observable, the Company will estimate the SSP considering market conditions or internally approved pricing guidelines related to the performance obligations.

Product Revenue

Product revenue is derived primarily from the sales of MRIdian systems. The system contains both software and non-software components that together deliver essential functionality.

For contracts in which control of the system transfers upon delivery and inspection, the Company recognizes revenue for the systems at the point in time when delivery and inspection by the customer has occurred. For these same contracts, the Company recognizes installation revenue over the period of installation as the installation services are performed and control is transferred to the customer. For all contracts in which control transfers upon post-installation customer acceptance, revenue for the system and installation are recognized upon customer acceptance.

Certain customer contracts with distributors do not require ViewRay to complete installation at the ultimate user site, and the distributors may either perform the installation themselves or hire another party to perform the installation. For sales of MRIdian systems for which the Company is not responsible for installation, revenue recognition generally occurs when the entire system is shipped, which is when the control of the system is transferred to the customer.

Service Revenue

Service revenue is derived primarily from maintenance services. The maintenance and support service is a stand-ready obligation which is performed over the term of the arrangement and, as a result, service revenue is recognized ratably over the service period as the customers benefit from the service throughout the service period.

Distribution Rights Revenue

In December 2014, the Company entered into a distribution agreement with Itochu Corporation pursuant to which it appointed Itochu as its exclusive distributor for the promotion, sale and delivery of its MRIdian products within Japan. In consideration of the exclusive distribution rights granted, the Company received $4.0 million, which was recorded as deferred revenue. Starting in August 2016, the distribution rights revenue is recognized ratably over the remaining term of the distribution agreement of approximately 8.5 years. A time-elapsed method is used to measure progress because control is transferred evenly over the remaining contractual period.

Contract Balances

The timing of revenue recognition, billings and cash collections results in short-term and long-term trade receivables, customer deposits, deferred revenues and deferred cost of revenue on the condensed consolidated balance sheets.

Trade receivables are recorded at the original invoiced amount, net of an estimated allowance for doubtful accounts. Trade credit is generally extended on a short-term basis. The Company occasionally provides for long-term trade credit for its maintenance services so that the period between when the services are rendered to its customers and when the customers pay for that service is within one year. Thus, the Company's trade receivables do not bear interest or contain a significant financing component. Long-term trade receivables of $10.1 million and $5.4 million were reported within other assets in the condensed consolidated balance sheets at June 30, 2022 and at December 31, 2021, respectively. These amounts are billed in accordance with the terms of the customer contracts to which they relate and are expected to be collected two to three years from the date of invoice as the underlying maintenance services are rendered. At times, billing occurs subsequent to revenue recognition, resulting in an unbilled receivable which represents a contract asset. This contract asset is recorded as an unbilled receivable and reported as part of accounts receivable on the consolidated balance sheets. As of June 30, 2022 and December 31, 2021, the contract asset was $11.8 million and $10.6 million, respectively.

Trade receivables are periodically evaluated for collectability based on past credit history of the respective customers and their current financial condition. Changes in the estimated collectability of trade receivables are included in the results of operations for the period in which the estimate is revised. Trade receivables that are deemed uncollectible are offset against the estimated allowance for credit losses. The Company generally does not require collateral for trade receivables. There were no estimated allowances for credit losses recorded at June 30, 2022 or December 31, 2021.

Customer deposits represent payments received in advance of system installation. For domestic and international sales, advance payments received prior to inventory shipments are recorded as customer deposits. Advance payments are subsequently reclassified to deferred revenue upon inventory shipment. All customer deposits, including those that are expected to be a deposit for more than one year, are classified as current liabilities based on consideration of the Company's normal operating cycle (the time between acquisition of the inventory components and the final cash collection from customers on these inventory components) which is in excess of one year.

Deferred revenue consists of deferred product revenue and deferred service revenue. Deferred product revenue arises from timing differences between the fulfillment of contract obligations and satisfaction of all revenue recognition criteria consistent with the Company's revenue recognition policy. Deferred service revenue results from the advance billing for services to be delivered over a period of time. Deferred revenues expected to be realized within one year or normal operating cycle are classified as current liabilities.

Deferred cost of revenue consists of cost for inventory items that have been shipped, but revenue recognition has not yet occurred. Deferred cost of revenue is included as part of current assets as the corresponding deferred product revenue is expected to be realized within one year or the Company's normal operating cycle.

During the three months ended June 30, 2022 and 2021, the Company recognized $5.1 million and $2.7 million of revenue that was included in the deferred revenue balance at the beginning of the reporting period, respectively. During the six months ended June 30, 2022 and 2021, the Company recognized $8.3 million and $6.9 million of revenue that was included in the deferred revenue balance at the beginning of the reporting period, respectively.

Variable Consideration

The Company records revenue from customers in an amount that reflects the transaction price it expects to be entitled to after transferring control of those goods or services. The Company estimates the transaction price at contract inception, including any variable consideration, and updates the estimate each reporting period for any changes. There were no amounts recognized during the three and six months ended June 30, 2022 from performance obligations satisfied in the prior period.

NOTE 8. EQUITY FINANCING

Public Offering of Common Stock

On January 4, 2021, the Company entered into an underwriting agreement with Piper Sandler & Co., as representative of the several underwriters named therein, with respect to the issuance and sale of 11,856,500 shares of our common stock, which included the full exercise of the underwriters' option to purchase additional shares, at a price to the public of $4.85 per share. The Company completed the offering on January 7, 2021 and received net proceeds of approximately $53.5 million, after deducting the underwriting discounts and commissions and estimated offering expenses payable by the Company.

On November 16, 2021, the Company entered into an underwriting agreement with Piper Sandler & Co. and Stifel, Nicolaus & Company, Incorporated, as representatives of the several underwriters named therein, with respect to the issuance and sale by the Company of 14,375,000 shares of our common stock, which included the full exercise of the underwriters' option to purchase additional shares, at a price to the public of $5.60 per share. The Company completed the offering on November 18, 2021, and received net proceeds of approximately $75.1 million, after deducting the underwriting discounts and commissions and estimated offering expenses payable by the Company.

NOTE 9. WARRANTS

Equity Classified Common Stock Warrants

In connection with a March 2018 direct registered offering (the "March 2018 Direct Registered Offering"), the Company issued (i) 4,090,000 shares of its common stock; (ii) 3,000,581 shares of its Series A convertible preferred stock and (iii) warrants to purchase 1,418,116 shares of common stock at an exercise price of $8.31 per share (the "2018 Offering Warrants"). Effective April 19, 2018, all outstanding shares of Series A convertible preferred stock were converted into shares of common stock at a conversion ratio of 1 to 1, after which time no shares of Series A convertible preferred stock were outstanding. The Company had no outstanding preferred stock as of June 30, 2022.

As separate classes of securities were issued in a bundled transaction, the gross proceeds from the March 2018 Direct Registered Offering of $59.1 million were allocated to common stock, Series A convertible preferred stock and the 2018 Offering Warrants based on their respective relative fair value upon issuance. The aggregate fair value of the 2018 Offering Warrants of $7.4 million was estimated using the Black-Scholes option-pricing model with the following assumptions:

	Upon Issuance
Common Stock Warrants:	
Expected term (in years)	7.0
Expected volatility (%)	62.5%
Risk-free interest rate (%)	2.8%
Expected dividend yield (%)	0%

The allocated proceeds from the 2018 Offering Warrants of $6.6 million were recorded in additional paid-in-capital.

Liability Classified Common Stock Warrants

In connection with private placement offerings in 2016 and 2017 (the "2016 and 2017 Private Placements"), the Company issued warrants that provide the warrant holder the right to purchase 1,720,512 and 1,380,745 shares of common stock (the "2017 and 2016 Placement Warrants", respectively). The 2017 and 2016 Placement Warrants contain protection whereby the warrant holders will have the right to receive cash in the amount equal to the Black-Scholes value of the warrants upon the occurrence of a change of control, as defined in the warrant agreement. The 2017 and 2016 Placement Warrants were accounted for as a liability at the date of issuance and are adjusted to fair value at each balance sheet date, with the change in fair value recorded as a component of other (expense) income, net in the condensed consolidated statements of operations and comprehensive loss.

The key terms of the 2017 and 2016 Placement Warrants are as follows:

	Issuance Date	Term	Exercise Price Per Share	Warrants Exercised during the nine months ended June 30, 2022	Warrants Outstanding at June 30, 2022
2017 Placement Warrants	January 2017	7 years	$ 3.17	—	1,500,022
2016 Placement Warrants	August and September 2016	7 years	$ 2.95	—	536,711
Total				—	2,036,733

During the six months ended June 30, 2022 and 2021, the Company recorded a gain of $4.9 million and a loss of $4.7 million, respectively, related to the change in fair value of the 2017 and 2016 Placement Warrants. The fair value of the 2017 and 2016 Placement Warrants at June 30, 2022 and December 31, 2021, respectively, was estimated using the Black-Scholes option-pricing model and the following weighted-average assumptions:

	2017 Placement Warrants		2016 Placement Warrants	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
Expected term (in years)	1.6	2.0	1.1	1.6
Expected volatility	85.1 %	86.0 %	84.8 %	85.5 %
Risk-free interest rate	2.9 %	0.4 %	2.8 %	0.3 %
Expected dividend yield	— %	— %	— %	— %

NOTE 10. STOCK-BASED COMPENSATION

As of June 30, 2022, the Company had an active stock-based incentive compensation plan and an employee stock purchase plan: the 2015 Equity Incentive Award Plan (as amended and restated, the “2015 Plan”), and the 2015 Employee Stock Purchase Plan (as amended and restated, the “ESPP”), respectively. All new equity compensation grants are issued under these two plans; however, outstanding awards previously issued under inactive plans will continue to vest and remain exercisable in accordance with the terms of the respective plans. At the recommendation of the Company’s Board of Directors, the shareholders approved an amendment to the 2015 Plan on June 10, 2022, which increased the number of shares available for issuance under the 2015 Plan by 6,300,000 shares of Common Stock.

During the quarter, the Board determined the 2018 Inducement Program (“2018 Plan”) was no longer required under ViewRay’s compensation program and terminated it effective April 19, 2022. No further awards will be granted under this plan and no such awards have been granted since August 16, 2021. As a result, all 1,501,304 shares previously available for issuance under the 2018 Plan have been restored to the Company’s general authorized but unissued share reserve and are no longer set aside for grants under the 2018 Plan.

The 2015 Plan provides for the grant of stock and stock-based awards including stock options, restricted stock units (including deferred stock units), performance-based stock units, and stock appreciation rights. As of June 30, 2022, there were 7.0 million shares available for grant under the 2015 Plan.

Stock-Based Compensation Expense

Total stock-based compensation expense recognized in the Company’s condensed consolidated statements of operations and comprehensive loss is classified as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Cost of revenue	$ 180	$ 397	$ 356	$ 632
Research and development	649	675	1,373	1,311
Selling and marketing	555	454	1,248	748
General and administrative	3,716	4,929	7,155	12,258
Total stock-based compensation expense	$ 5,100	$ 6,455	$ 10,132	$ 14,949

The Company’s stock-based compensation expense is based on the value of the portion of share-based payment awards that are ultimately expected to vest, assuming estimated forfeitures at the time of grant. Stock-based compensation relating to stock-based awards granted to consultants was insignificant for the six months ended June 30, 2022 and 2021.

Restricted Stock Units, Deferred Stock Units and Performance Share Units (collectively “Incentive Stock Units” or “ISUs”)

The Company grants restricted stock units, deferred stock units, and performance stock units (collectively "Incentive Stock Units" or "ISUs").

Restricted Stock Units ("RSUs") are granted to the Company's board of directors and employees for their services.

Each non-employee director is granted Deferred Stock Units (“DSUs”) at their election in lieu of retainer and committee service fees. If the non-employee director elects to receive DSUs, the underlying shares of our common stock subject to such DSUs will not be issued to the non-employee director until the earlier of the date the nonemployee director separates from service with us or upon a change of control of the Company. In addition, each non-employee director receives an annual grant of RSUs (“Annual Grant”). This Annual Grant is made on the date of the annual meeting of stockholders or, if later, the date of the non-employee director’s appointment to the board. Nonemployee directors appointed after the annual meeting receive a pro-rated grant to reflect their partial year of service. The Annual Grants vest on the one year anniversary of the annual meeting, subject to the director’s continued service through such vesting date. Upon the director’s initial appointment or election to the board, each non-employee director received an initial equity grant either (i) 100% in the form of RSUs or (ii) at the director’s written election, 50% in the form of RSUs and 50% in the form of stock options (an “Initial Grant”). Unless a different vesting schedule is specified, an Initial Grant will vest as to 1/36th of the shares subject to the award on each monthly anniversary of the applicable grant date, subject to continued service through each applicable vesting date. RSUs granted to the Company’s employees vest in equal annual or monthly installments over three years from the grant date and are subject to the participants continuing service to the Company over that period.

Performance share units (“PSUs”) are granted to the Company’s employees which vest based on the achievement of performance targets set by the Company based on a three-year performance period.

The grant date fair values of ISUs are based on the closing market price of our common stock on the grant date. Stock-based compensation expense, net of forfeitures, is recognized on a straight-line basis over the requisite service period. For PSUs, compensation expense is updated for the Company’s expected performance level against performance goals at the end of each reporting period, which involves judgment as to achievement of certain performance metrics. More specifically, achievement of a compound annual revenue growth rate will result in a percentage payout of the target PSUs awarded. If the Company’s compound annual revenue growth rate is between threshold and target or between target and maximum, payouts will be linearly interpolated.

The table below summarizes the Company's activity and related information for its ISUs:

	RSUs and DSUs		PSUs	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2021	5,536,925	$ 4.04	707,088	$ 4.66
ISUs granted	2,443,132	$ 3.88	1,600,549 (1)	$ 4.25
ISUs vested	(2,176,063)	$ 3.80	—	$ —
ISUs forfeited	(159,504)	$ 4.19	(4,756)	$ 4.66
Unvested at June 30, 2022	5,644,490	$ 4.04	2,302,881	$ 4.38
Vested and unreleased	218,300		—	
Outstanding at June 30, 2022	5,862,790		2,302,881	

The total grant date fair value of ISUs awarded was $14.5 million and $15.1 million for the six months ended June 30, 2022 and 2021, respectively. The total fair value of ISUs vested was $8.5 million, and $18.3 million during the six months ended June 30, 2022 and 2021, respectively.

At June 30, 2022, total unrecognized stock-based compensation cost related to ISUs, net of estimated forfeitures, was $21.6 million, which is expected to be recognized over a weighted-average period of 1.8 years. As of June 30, 2022, 7.0 million shares of ISUs are expected to vest.

Stock Options

Stock options awards are generally granted with an exercise price equal to the market price of the Company's common stock at the date of grant and with a four-year vesting schedule. Stock option awards generally expire 10 years from the date of grant.

A summary of the Company's stock option activity and related information is as follows:

	Number of Stock Options Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
				(In thousands)
Options outstanding at December 31, 2021	7,156,776	$ 6.97	6.1	$ 5,203
Options granted	—	—		
Options exercised	(24,208)	$ 2.76		
Options cancelled or forfeited	(220,154)	$ 7.84		
Options outstanding at June 30, 2022	6,912,414	$ 6.96	5.7	$ 1,228
Options exercisable at June 30, 2022	6,289,250	$ 7.13	5.5	$ 1,008
Options vested and expected to vest at June 30, 2022	6,866,646	$ 6.99	5.7	$ 1,201

There were no options granted to employees for the six months ended June 30, 2022. The weighted-average grant date fair value of options granted to employees was $1.20 per share for the six months ended June 30, 2021.

Aggregate intrinsic value represents the difference between the estimated fair value of the underlying common stock and the exercise price of outstanding, in-the-money options. The aggregate intrinsic value of options exercised was nominal for the six months ended June 30, 2022 and 2021.

At June 30, 2022, total unrecognized stock-based compensation cost related to stock options granted to employees, net of estimated forfeitures, was $1.6 million, which is expected to be recognized over a weighted-average period of 1.1 years.

The determination of the fair value of stock options on the date of grant using an option-pricing model is affected by the estimated fair value of the Company's common stock, as well as assumptions regarding a number of complex and subjective variables. The variables used to calculate the fair value of stock options using the Black-Scholes option-pricing model include actual and projected employee stock option exercise behaviors, expected price volatility of the Company's common stock, the risk-free interest rate and expected dividends. Each of these inputs is subjective and generally requires significant judgment to determine.

The risk-free interest rate is based on the zero-coupon U.S. Treasury notes, with maturities similar to the expected term of the options. The Company has not paid and does not anticipate paying cash dividends on its common stock; therefore, the expected dividend yield is assumed to be zero.

The forfeiture rate of stock options is estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures have been estimated by the Company based upon historical and expected forfeiture experience.

Employee Stock Purchase Plan

In July 2015, the Company adopted the ESPP. Certain employees, as defined by the ESPP, are eligible to participate in the ESPP if employed by the Company for at least 20 hours per week during at least five months per calendar year. Participating employees may contribute up to the lesser of 15% of their eligible earnings or $30,000 during each offering period, provided that in no event shall a participating employee be permitted to purchase more than 3,000 shares of common stock during each offering period.

During 2022, the first offering period provided to eligible employees was January 1, 2022 through June 30, 2022. The purchase price of common stock purchased under the ESPP is currently equal to 85% of the lesser of the fair market value of a share of common stock on: (1) the first trading day of an offering period and (2) the last trading of each offering period. At June 30, 2022, 3.5 million shares were reserved for issuance under the ESPP. No more than 3.5 million shares of common stock may be issued under the ESPP. As of June 30, 2022, 0.5 million shares have been issued under the ESPP and 3.0 million shares remained available for future issuance under the ESPP. Purchase rights granted under the ESPP are valued using the Black-Scholes pricing model.

NOTE 11. INCOME TAX

Due to the current operating losses, the Company recorded zero income tax expense during the six months ended June 30, 2022 and 2021, respectively. During these periods, the Company’s activities were limited to U.S. federal and state tax jurisdictions, as it does not have any significant foreign operations.

Due to the Company’s history of cumulative losses and after considering all the available objective evidence, management concluded that it is not more likely than not that all of the Company’s net deferred tax assets will be realized in the future. Accordingly, the Company’s deferred tax assets, which include net operating loss (“NOL”), carryforwards and tax credits related primarily to research and development, continue to be subject to a valuation allowance as of June 30, 2022. The Company expects to continue to maintain a full valuation allowance until there is sufficient evidence to support recoverability of its deferred tax assets.

The Company had unrecognized tax benefits of $3.7 million and $3.4 million at June 30, 2022 and December 31, 2021, respectively. The reversal of the uncertain tax benefits would not affect the effective tax rate to the extent that the Company continues to maintain a full valuation allowance against its deferred tax assets. Unrecognized tax benefits may change during the next 12 months for items that arise in the ordinary course of business.

Interest and/or penalties related to income tax matters are recognized as a component of income tax expense. At June 30, 2022 and December 31, 2021, there were no accrued interest and penalties related to uncertain tax positions.

NOTE 12. NET LOSS PER SHARE

Diluted earnings per share (“EPS”) includes the dilutive effect of common stock equivalents and is computed using the weighted-average number of common stock and common stock equivalents outstanding during the reporting period. Diluted EPS for the periods ended June 30, 2022 and 2021 excluded common stock equivalents because the effect of their inclusion would be anti-dilutive or would decrease the reported loss per share. The following table sets forth securities outstanding that could potentially dilute the calculation of diluted earnings per share:

	For the three and six months ended June 30,	
	2022	2021
Stock options outstanding	6,912,414	7,418,204
Warrants to purchase common stock - liability classified	2,036,733	2,036,733
Warrants to purchase common stock - equity classified	1,418,116	1,418,116
Unvested restricted stock units	7,947,371	7,537,088
Total	18,314,634	18,410,141

NOTE 13. RELATED PARTY TRANSACTIONS

Hudson Cooperation Agreement

Pursuant to the Cooperation Agreement with Hudson Executive Capital LP and certain of its affiliates (collectively, “Hudson”) dated March 8, 2022, the Company concurrently entered into a Consulting Agreement with Sai Nanduri, a Senior Investment Analyst and representative of Hudson, pursuant to which the Company expects to pay Mr. Nanduri $160,000 during 2022 and will consider Mr. Nanduri as a candidate for election to the Board at the 2023 annual meeting of shareholders.

License Agreement with University of Florida Research Foundation, Inc.

In December 2004, the Company entered into a licensing agreement with the University of Florida Research Foundation (“UFRF”) whereby UFRF granted the Company a worldwide exclusive license to certain of UFRF’s patents in exchange for 33,652 shares of common stock and a 1% royalty, with a minimum $0.1 million royalty payment per quarter, from sales of products developed and sold by the Company utilizing the licensed patents. Minimum royalty payments in any calendar year are credited against earned royalties for such calendar year. Royalty expenses based on 1% of net sales were $0.1 million during each of the three months ended June 30, 2022 and 2021, and were recorded as product cost of revenue. Royalty expenses based on 1% of net sales were $0.1 million and $0.2 million during the six months ended June 30, 2022 and 2021, respectively, and were recorded as product cost of revenue.

Distribution Agreement with Chindex Shanghai International Trading Company Limited

In November 2019, the Company entered into a distribution agreement with Chindex Shanghai International Trading Company Limited (“Chindex”) which became effective in February 2020. Chindex is a subsidiary of Fosun International Limited (“Fosun”).

Under the distribution agreement, Chindex will act as the Company’s distributor and regulatory agent for the sale and delivery of its MRIdian products within the People’s Republic of China, excluding Hong Kong, Macau and Taiwan. The distribution agreement has an initial term of five years with an option to renew for an additional five years. Under the distribution agreement, the Company will supply its products and services to Chindex based on an agreed upon price between the Company and Chindex. In accordance with the agreement, Chindex agreed to pay ViewRay an upfront fee, portions of which may be refundable under certain conditions, of $3.5 million, payable in three installments: (i) the first installment of $1.5 million due approximately 60 days after the effectiveness of the distribution agreement; (ii) the second installment of $1.0 million due on the first anniversary from the effective date of the agreement; and (iii) the third installment of $1.0 million due on the second anniversary from the effective date of the agreement. The Company has received all three installments as of June 30, 2022.

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

The interim financial statements included in this Quarterly Report on Form 10-Q and this Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the financial statements and notes thereto for the year ended December 31, 2021, and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, contained in the Annual Report filed with the SEC on February 25, 2022. In addition to historical information, this discussion and analysis contains forward-looking statements within the meaning of 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"). These forward-looking statements are subject to risks and uncertainties, including those under "Risk Factors" in this Quarterly Report and the Annual Report that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements.

Unless otherwise indicated, references in this section to "ViewRay," "we," "us," "our" and the "Company" refer to ViewRay, Inc. and its consolidated subsidiary, ViewRay Technologies, Inc.

The following discussion highlights our results of operations and the principal factors that have affected our financial condition as well as our liquidity and capital resources for the periods described and provides information that management believes is relevant for an assessment and understanding of the statements of financial condition and results of operations presented herein. The following discussion and analysis are based on our unaudited condensed consolidated financial statements contained in this Quarterly Report, which we have prepared in accordance with U.S. GAAP. You should read the discussion and analysis together with such condensed consolidated financial statements and the related notes thereto.

Company Overview

ViewRay, Inc. designs, manufactures, and markets the MRIdian® MRI-Guided Radiation Therapy System. MRIdian is built upon a proprietary high-definition magnetic resonance ("MR") imaging system designed from the ground up to address the unique challenges and clinical workflow for advanced radiation oncology. Unlike MR systems used in diagnostic radiology, MRIdian's high-definition MR was purpose-built to address specific challenges, including beam distortion, skin toxicity, and other concerns that may arise when high magnetic fields interact with radiation beams. The MRIdian MR-Guided Radiation Therapy System integrates diagnostic-quality MR imaging with radiation therapy delivery to enable on-table adaptive treatments with real-time tissue tracking and automatic beam gating. MRIdian supports the delivery of ablative radiation doses in five or fewer fractions, without implantable markers resulting in lower toxicities in hard-to-treat cancers. There are two generations of the MRIdian: the first generation MRIdian with Cobalt-60 based radiation beams and the second generation MRIdian Linac, with more advanced linear accelerator or 'linac' based radiation beams. MRIdian with Cobalt-60 is no longer commercially available.

MRIdian was designed to address the key limitations of existing external-beam radiation therapy technologies. MRIdian employs MRI-based technology to provide real-time imaging that clearly defines the targeted tumor from the surrounding soft tissue and other critical organs, both before and during radiation treatment delivery. We believe this combination of enhanced anatomical visualization and accurate dose calculation and delivery will improve the safety and efficacy of radiation therapy, leading to better outcomes for patients suffering from cancer.

Both generations of the MRIdian have received 510(k) marketing clearance from the U.S. Food and Drug Administration, ("FDA") and permission to affix the Conformité Européene, ("CE") mark.

- We received initial 510(k) marketing clearance from the FDA for our treatment planning and delivery software in January 2011.
- We received 510(k) marketing clearance for MRIdian, with Cobalt-60 as the radiation source, in May 2012.
- In August 2016, we received regulatory approval from the Japanese Ministry of Health, Labor and Welfare to market MRIdian with Cobalt-60 in Japan as well as from the China Food and Drug Administration to market MRIdian with Cobalt-60 in China.
- In September 2016, we received the CE mark for the MRIdian Linac (with a linear accelerator as the radiation source) in the European Economic Area ("EEA").
- In February 2017, we received 510(k) marketing clearance from the FDA to market MRIdian Linac in the United States ("U.S.").
- In June 2017, we received 510(k) marketing clearance to market RayZR™, our high-resolution beam-shaping multi-leaf collimator, or MLC. We also received MRIdian Linac regulatory approval in Taiwan and Canada in August 2017, and in Israel in November 2017. In March 2018, we received regulatory approval from the Japanese Ministry of Health, Labor and Welfare to market MRIdian Linac in Japan.

- In February 2019, we received 510(k) marketing clearance for advancements in MRI, 8 frames per second cine, Functional imaging (T1/T2/DWI) and High-Speed MLC. In December 2019, we received the CE mark for these advancements in the EEA.
- In December 2021, the newest version of MRIdian, MRIdian A3i, received 510(k) marketing clearance from the FDA.
- We are also seeking required regulatory approvals for MRIdian in other countries, including CE mark for MRIdian A3i the EEA.

MRIdian is the first radiation therapy solution that enables simultaneous radiation treatment delivery and real-time MRI imaging of a patient's internal anatomy. It generates high-quality images that differentiate between the targeted tumor, surrounding soft tissue and nearby critical organs. MRIdian also records the level of radiation dose that the treatment area has received, enabling physicians to adapt the prescription between treatments, as needed. We believe this improved visualization and accurate dose recording will enable better treatment, improve patient outcomes and reduce side effects. Key benefits to users and patients include: improved imaging and patient alignment; the ability to adapt the patient's radiation treatments to changes while the patient is still on the treatment table, or "on-table adaptive treatment planning"; MRI-based tissue tracking and automated beam gating; and an accurate recording of the delivered radiation dose. Physicians have already used MRIdian to treat a broad spectrum of radiation therapy patients with more than 65 different types of cancer, as well as patients for whom radiation therapy was previously not an option. Our customers have surpassed a significant milestone by treating nearly 25,000 patients on MRIdian systems to date.

At June 30, 2022, a total of 53 MRIdian systems, 1 MRIdian Cobalt-60 system and 52 MRIdian Linac systems, are in operation with 50 customers worldwide (23 in the United States and 27 outside the United States). In addition, 10 MRIdian Linacs have been delivered to customers that are in varying stages of deployment.

We currently market MRIdian through a direct sales force in the United States. In the rest of the world, we market MRIdian through a hybrid model of both a direct sales force and distribution network. We market MRIdian to a broad range of worldwide customers, including university research and teaching hospitals, community hospitals, private practices, government institutions and freestanding cancer centers. As with the traditional linac market, our sales and revenue cycles vary based on the particular customer and can be lengthy, sometimes lasting up to 18 to 24 months (or more) from initial customer contact to order contract execution. Following execution of an order contract, it generally takes 9 to 15 months for a customer to customize an existing facility or construct a new vault. Upon the commencement of installation at a customer's facility, it typically takes approximately 45 to 60 days for us to install MRIdian and perform on-site testing of the system, including the completion of acceptance test procedures.

We generated total revenue of $22.1 million and $15.0 million and had net losses of $27.6 million and $31.0 million, during the three months ended June 30, 2022 and 2021, respectively. During the six months ended June 30, 2022 and 2021 we generated total revenue of $41.0 million and $30.6 million and had net losses of $53.4 million and $57.7 million, respectively.

We expect to continue to incur significant expenses and operating losses for the foreseeable future, as we:

- navigate our business activities through the impacts of the COVID-19 pandemic;
- continue our research and development efforts;
- seek regulatory approval for MRIdian in certain foreign countries; and
- operate as a public company.

Accordingly, we may seek to fund our operations through public or private equity, debt financings or other sources. However, we may be unable to raise additional funds or enter into such other arrangements when needed on favorable terms or at all. Our failure to raise capital or enter into such other arrangements as and when needed would have a negative impact on our financial condition and our ability to develop enhancements to and integrate new technologies into MR Image-Guided radiation therapy systems.

Impact of the COVID-19 Pandemic

The COVID-19 pandemic and its follow-on effects have impacted and will continue to impact business activity across industries worldwide, including ViewRay.

Due to pandemic-related factors like the delays in service from our global supply chain partners and travel and quarantine restrictions imposed by government agencies and our customers in response to the spread of COVID-19, we have experienced delays in installation of systems in the United States, Asia and Europe. Similarly, our ability to conduct commercial efforts with our customers has been and is likely to continue to be disrupted as customers are reintroducing in-person sales calls. If the economic effects and travel restrictions of the COVID-19 pandemic persist, our ability to conduct our business and access capital markets will be negatively impacted; and capital equipment sales, which make up the majority of our revenue, may take longer than other areas of the economy in a recovery, which may have a material impact on our business. The impacts of the COVID-19 pandemic have persisted globally and may negatively impact our operations in areas that we are not aware of currently.

Impact of Inflation

In recent years, inflation has not had a significant impact on our operations. However, as inflation has increased over the past three quarters, we are monitoring the potential impact on our business, including product cost in connection with the parts used in our manufacturing process, freight and transportation costs, and wage pressure. Should the increase in inflation persist, it may increase the costs for conducting our operations, which could adversely impact our profitability.

New Orders and Backlog

New orders are defined as the sum of gross product orders, representing MRIdian contract price, recorded in backlog during the period. Backlog is the accumulation of all orders for which revenue has not been recognized and which we consider valid. Backlog includes customer deposits or letters of credit, except when the sale is to a customer where a deposit is not deemed necessary or customary. Deposits received are recorded in a customer deposit liability account on the balance sheet. Orders may be revised or cancelled according to their terms or upon mutual agreement between the parties. Therefore, it is difficult to predict with certainty the amount of backlog that will ultimately result in revenue. The determination of backlog includes objective and subjective judgment about the likelihood of an order contract becoming revenue. We perform a quarterly review of backlog to verify that outstanding orders in backlog remain valid, and based upon this review, orders that are no longer expected to result in revenue are removed from backlog. Among other criteria to consider for a transaction to be in backlog, we must possess both an outstanding and effective written agreement for the delivery of a MRIdian signed by a customer with a minimum customer deposit or a letter of credit requirement except when the sale is to a customer where a deposit is not deemed necessary or customary (i.e. sale to a government entity, a large hospital, group of hospitals or cancer care group that has sufficient credit, sales via tender awards, or indirect channel sales that have signed contracts with end-customers). We decide whether to remove or add back an order from or to our backlog by evaluating the following criteria: changes in customer or distributor plans or financial conditions; the customer's or distributor's continued intent and ability to fulfill the order contract; changes to regulatory requirements; the status of regulatory approval required in the customer's jurisdiction, if any; the length of time the order has been on our backlog; and other reasons for potential cancellation of order contracts.

During the three months ended June 30, 2022, we received eight new orders for MRIdian systems, totaling $46.3 million. At June 30, 2022, we had total backlog of $352.8 million.

Components of Statements of Operations

Revenue

Product Revenue. Product revenue consists of revenue recognized from sales of MRIdian systems, as well as optional components, such as additional planning workstations and body coils.

Following execution of an order contract, it generally takes 9 to 15 months for a customer to customize an existing facility or construct a new vault for the purchased system. Upon the commencement of installation at a customer's facility, it typically takes approximately 45 to 60 days to complete the installation and on-site testing of the system, including the completion of customer test procedures. On-site training can take up to multiple weeks and can be conducted concurrently with installation and acceptance testing. Order contracts generally include customer deposits upon execution of the agreement, and in certain cases, additional amounts due at shipment or commencement of installation, and final payment due generally upon customer acceptance.

For new contracts in which control of the system transfers upon delivery and inspection, the Company recognizes revenue for the system at the point in time when delivery and inspection has occurred. For these same contracts, the Company recognizes installation revenue over a period of time as control of the installation services are transferred. For all contracts in which control continues to transfer upon post-installation customer acceptance, revenue for the system and installation will continue to be recognized upon customer acceptance. For sales of MRIdian systems for which we are not responsible for installation, revenue is recognized when the entire system is delivered, which is when the control of the system is transferred to the customer.

Service Revenue. Our contracts typically include service warranty at no additional costs for one year. In addition, we offer multi-year, post-installation maintenance and support contracts that provide various levels of service support, which enables our customers to select the level of on-going support services, including parts and labor, which they require. These post-installation contracts are for a period of one to five years and provide services ranging from on-site parts and labor, and preventative maintenance to labor only with a longer response time. We also offer technology upgrades to our MRIdian systems, when and if available, for an additional fee. Service revenue is recognized ratably over the term during which the contracted services are provided.

Distribution Rights Revenue. In December 2014, we entered into a distribution agreement with Itochu Corporation ("Itochu") pursuant to which we appointed Itochu as our exclusive distributor for the promotion, sale and delivery of MRIdian products within Japan. As consideration for the exclusive distribution rights granted, we received $4.0 million, which was recorded as deferred revenue and since August 2016, distribution rights revenue has been recognized ratably over the remaining term of the distribution agreement, which expires in December 2024. A time-elapsed method is used to measure progress because the control is transferred evenly over the contractual period.

Cost of Revenue

Product Cost of Revenue. Product cost of revenue primarily consists of the cost of materials, installation and services associated with the manufacturing and installation of MRIdian systems, and royalty payments to the University of Florida Research Foundation. Product cost of revenue also includes lower of cost or net realizable value inventory ("LCNRV") adjustments if the carrying value of the inventory is greater than its net realizable value.

We expect our materials, installation and service costs to decrease as we continue to scale our operations, improve product designs and work with our third-party suppliers to lower costs.

Service Cost of Revenue. Service cost of revenue is comprised primarily of personnel costs, training and travel expenses to service and perform maintenance on installed MRIdian systems. Service cost of revenue also includes the costs of replacement parts under maintenance and support contracts.

Operating Expenses

Research and Development. Research and development expenses consist primarily of compensation and related costs for personnel, including stock-based compensation, employee benefits and travel expenses. Other significant research and development costs arise from third-party consulting services, laboratory supplies, research materials, medical equipment, computer equipment and licensed technology, and related depreciation and amortization. We expense research and development costs as incurred. We will continue to invest in improving MRIdian and developing new technologies.

Selling and Marketing. Selling and marketing expenses consist primarily of compensation and related costs for our direct sales force, sales management, and marketing and customer support personnel, and include stock-based compensation, employee benefits and travel expenses. Selling and marketing expenses also include costs related to trade shows and marketing programs. We expense selling and marketing costs as incurred.

General and Administrative. Our general and administrative expenses consist primarily of compensation and related costs for our operations, finance, human resources, regulatory, and other administrative personnel, and include stock-based compensation, employee benefits and travel expenses. In addition, general and administrative expenses include third-party consulting, legal, audit, accounting services, quality and regulatory functions and facilities costs, and gain or loss on the disposal of property and equipment.

Impairment Charges. The Company assesses its right-of-use ("ROU") assets for impairment when there are indicators and compare the carrying amount of the ROU asset to its estimated undiscounted future cash flows. If the estimated undiscounted future cash flows are less than the carrying amount of the ROU asset, an impairment calculation is performed. An impairment loss is recorded for the difference of the ROU asset's carrying value that exceeds its estimated discounted cash flows. In connection with its sublease of one of its Mountain View, California office space locations, the Company recorded impairment charges on its ROU asset and related furniture and fixtures during the three months ended June 30, 2022.

Interest Income

Interest income consists primarily of interest income received on our cash and cash equivalents.

Interest Expense

Interest expense consists primarily of interest and amortization related to our SVB Term Loan.

Other (Expense) Income, Net

Other (expense) income, net consists primarily of changes in the fair value of the 2017 and 2016 Placement Warrants and foreign currency exchange gains and losses.

The outstanding 2017 and 2016 Placement Warrants are re-measured to fair value at each balance sheet date with the corresponding gain or loss from the adjustment recorded as a component of other (expense) income, net.

Results of Operations

The following tables set forth our results of operations for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(in thousands)			
Revenue:				
Product	$ 16,457	$ 10,917	$ 29,883	$ 22,296
Service	5,573	3,994	10,904	8,021
Distribution rights	119	119	238	238
Total revenue	22,149	15,030	41,025	30,555
Cost of revenue:				
Product	16,194	12,180	29,960	22,865
Service	4,864	4,522	9,880	9,040
Total cost of revenue	21,058	16,702	39,840	31,905
Gross profit (loss)	1,091	(1,672)	1,185	(1,350)
Operating expenses:				
Research and development	8,412	7,903	16,281	14,413
Selling and marketing	7,545	3,052	14,429	5,900
General and administrative	13,108	13,858	25,923	29,497
Impairment charges	1,816	—	1,816	—
Total operating expenses	30,881	24,813	58,449	49,810
Loss from operations	(29,790)	(26,485)	(57,264)	(51,160)
Interest income	83	3	88	5
Interest expense	(192)	(1,060)	(1,256)	(2,118)
Other (expense) income, net	2,266	(3,434)	5,025	(4,446)
Loss before provision for income taxes	$ (27,633)	$ (30,976)	$ (53,407)	$ (57,719)
Provision for income taxes	—	—	—	—
Net loss	$ (27,633)	$ (30,976)	$ (53,407)	$ (57,719)

Comparison of the three months ended June 30, 2022 and 2021

Revenue

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Change
	(in thousands)		
Product	$ 16,457	$ 10,917	$ 5,540
Service	5,573	3,994	1,579
Distribution rights	119	119	—
Total revenue	$ 22,149	$ 15,030	$ 7,119

Total revenue during the three months ended June 30, 2022 increased by $7.1 million compared to the same period in 2021. The increase was due to a $1.6 million increase in service revenue and a $5.5 million increase in product revenue during the three months ended June 30, 2022 compared to the same period in 2021.

Product Revenue. Product revenue increased by $5.5 million for the three months ended June 30, 2022 compared to the same period in 2021. The Company recognized revenue for three MRIdian Linac systems and one upgrade in the three months ended June 30, 2022 as compared to two MRIdian Linac systems during the same period in 2021.

Service Revenue. Service revenue increased by $1.6 million during the three months ended June 30, 2022 compared to the same period in 2021 primarily due to the increase in installed base.

Cost of Revenue

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Change
	(in thousands)		
Product	$ 16,194	$ 12,180	$ 4,014
Service	4,864	4,522	342
Total cost of revenue	$ 21,058	$ 16,702	$ 4,356

Product Cost of Revenue. Product cost of revenue increased by $4.0 million during the three months ended June 30, 2022 compared to the same period in 2021, primarily attributable to one additional MRIdian Linac system and one upgrade recognized as revenue during the three months ended June 30, 2022.

Service Cost of Revenue. Service cost of revenue increased by $0.3 million during the three months ended June 30, 2022 compared to the same period in 2021, primarily due to the increase in installed base.

Operating Expenses

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Change
	(in thousands)		
Research and development	$ 8,412	$ 7,903	$ 509
Selling and marketing	7,545	3,052	4,493
General and administrative	13,108	13,858	(750)
Impairment charges	1,816	—	1,816
Total operating expenses	$ 30,881	$ 24,813	$ 6,068

Research and Development. Research and development expenses during the three months ended June 30, 2022 increased by $0.5 million compared to the same period in 2021. The increase was primarily attributable to increased personnel expenses and slightly offset by a decrease in outside services.

Selling and Marketing. Selling and marketing expenses during the three months ended June 30, 2022 increased by $4.5 million compared to the same period in 2021. The increase was primarily attributable to an increase in personnel expenses, as well as an increase in travel and marketing expenses for in person events during the three months ended June 30, 2022.

General and Administrative. General and administrative expenses during the three months ended June 30, 2022 decreased by $0.8 million when compared to the same period in 2021. The decrease in general and administrative expenses was primarily attributable to a decrease in personnel expenses during the three months ended June 30, 2022.

Impairment Charges. During the three months ended June 30, 2022, the Company recorded impairment charges of $1.8 million on its ROU asset and related furniture and fixtures, in connection with its sublease of one of its Mountain View, California office space locations.

Interest Income

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Change
		(in thousands)	
Interest income	$ 83	$ 3	$ 80

Interest income increased slightly during the three months ended June 30, 2022 compared to the same period in 2021 due to higher interest rates.

Interest Expense

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Change
		(in thousands)	
Interest expense	$ (192)	$ (1,060)	$ 868

Interest expense decreased during the three months ended June 30, 2022 compared to the same period in 2021, due to the modification of the SVB Term Loan which resulted in the reversal of the accrued portion of the final lump-sum payment prior to the Fourth Amendment, partially offset by an increase in interest rates.

Other (Expense) Income, Net

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Change
		(in thousands)	
Other (expense) income, net	$ 2,266	$ (3,434)	$ 5,700

Other (expense) income, net during the three months ended June 30, 2022 consisted primarily of a $2.1 million decrease in the fair value of warrant liabilities related to the 2017 and 2016 Placement Warrants as a result of the decrease in the Company's stock price. Other (expense) income, net during the three months ended June 30, 2021 consisted primarily of a $3.8 million increase in the fair value of warrant liabilities related to the 2017 and 2016 Placement Warrants.

Comparison of the six months ended June 30, 2022 and 2021

Revenue

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021	Change
		(in thousands)	
Product	$ 29,883	$ 22,296	$ 7,587
Service	10,904	8,021	2,883
Distribution rights	238	238	—
Total revenue	$ 41,025	$ 30,555	$ 10,470

Total revenue during the six months ended June 30, 2022 increased by $10.5 million compared to the same period in 2021. The increase was due to a $2.9 million increase in service revenue and a $7.6 million increase in product revenue.

Product Revenue. Product revenue increased by $7.6 million during the six months ended June 30, 2022 compared to the same period in 2021. The Company recognized revenue for six MRIdian Linac systems and one upgrade during the six months ended June 30, 2022, as compared to four MRIdian Linac systems during the same period in 2021.

Service Revenue. Service revenue increased by $2.9 million during the six months ended June 30, 2022 compared to the same period in 2021 due to the increase in installed base.

Cost of Revenue

	Six Months Ended June 30,		
	2022	2021	Change
	(in thousands)		
Product	$ 29,960	$ 22,865	$ 7,095
Service	9,880	9,040	840
Total cost of revenue	$ 39,840	$ 31,905	$ 7,935

Product Cost of Revenue. Product cost of revenue increased by $7.1 million during the six months ended June 30, 2022 compared to the same period in 2021, primarily attributable to two additional MRIdian Linac systems and one upgrade recognized as revenue during the six months ended June 30, 2022.

Service Cost of Revenue. Service cost of revenue increased by $0.8 million during the six months ended June 30, 2022 compared to the same period in 2021, primarily due to the increase in installed base.

Operating Expenses

	Six Months Ended June 30,		
	2022	2021	Change
	(in thousands)		
Research and development	$ 16,281	$ 14,413	$ 1,868
Selling and marketing	14,429	5,900	8,529
General and administrative	25,923	29,497	(3,574)
Impairment charges	1,816	—	1,816
Total operating expenses	$ 58,449	$ 49,810	$ 8,639

Research and Development. Research and development expenses during the six months ended June 30, 2022 increased by $1.9 million compared to the same period in 2021. The increase was primarily attributable to increased personnel slightly offset by a decrease in outside services.

Selling and Marketing. Selling and marketing expenses during the six months ended June 30, 2022 increased by $8.5 million compared to the same period in 2021. This increase was primarily attributable to an increase in personnel expense, travel and marketing expenses for in-person conferences.

General and Administrative. General and administrative expenses during the six months ended June 30, 2022 decreased by $3.6 million compared to the same period in 2021. This change was driven by a decrease in personnel expenses, slightly offset by an increase in legal and professional service expenses in the period.

Impairment Charges. During the six months ended June 30, 2022, the Company recorded impairment charges of $1.8 million on its ROU asset and related furniture and fixtures, in connection with its sublease of one of its Mountain View, California office space locations.

Interest Income

	Six Months Ended June 30,		
	2022	2021	Change
		(in thousands)	
Interest income	$ 88	$ 5	$ 83

Interest income increased by $0.1 million during the six months ended June 30, 2022 compared to the same period in 2021, primarily due an overall increase in interest rates.

Interest Expense

	Six Months Ended June 30,		
	2022	2021	Change
		(in thousands)	
Interest expense	$ (1,256)	$ (2,118)	$ 862

Interest expense related to the SVB Term Loan decreased during the six months ended June 30, 2022 compared to the same period in 2021, due to the modification of the SVB Term Loan which resulted in the reversal of the accrued portion of the final lump-sum payment prior to the Fourth Amendment, partially offset by an increase in interest rates.

Other Income (Expense), Net

	Six Months Ended June 30,		
	2022	2021	Change
		(in thousands)	
Other (expense) income, net	$ 5,025	$ (4,446)	$ 9,471

Other income (expense), net during the six months ended June 30, 2022 consisted primarily of a $4.9 million decrease in the fair value of warrant liabilities related to the 2017 and 2016 Placement Warrants. Other income (expense), net during the six months ended June 30, 2021 consisted primarily of a $4.7 million increase in the fair value of warrant liabilities related to the 2017 and 2016 Placement Warrants.

Liquidity and Capital Resources

Since our inception in 2004, we have incurred significant net losses and negative cash flows from operations. During the six months ended June 30, 2022 and 2021, we had net losses of $53.4 million and $57.7 million, respectively. At June 30, 2022, we had an accumulated deficit of $790.5 million.

At June 30, 2022, we had cash and cash equivalents of $157.6 million. To date, we have financed our operations principally through offerings of our capital stock, issuances of warrants, issuances of convertible promissory notes, use of term loans and receipts of customer deposits for new orders and payments from customers for systems installed and delivered. We may, from time to time, seek to raise capital through a variety of sources, including the public equity market, private equity financing, and public or private debt. We expect that our existing cash and cash equivalents, together with proceeds from the sales of MRIdian systems, will enable us to conduct our planned operations for at least the next 12 months.

In November 2021 we filed an automatically effective registration statement with the SEC that covers the offering, issuance and sale of our common stock, preferred stock, debt securities, warrants, purchase contracts and/or units in amounts to be determined.

We could potentially use our available financial resources sooner than we currently expect, and we may incur additional indebtedness to meet future operating needs. Adequate additional funding may not be available to us on acceptable terms or at all. In addition, although we anticipate being able to obtain additional financing, we may be unable to do so. Our failure to raise capital as and when needed could have significant negative consequences for our business, financial condition and results of operations. Our future capital requirements and the adequacy of available funds will depend on many factors, including those set forth in the section titled “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 and in Part II, Item 1A of this report.

The following table summarizes our cash flows for the periods presented:

	Six Months Ended	
	2022	2021
	(in thousands)	
Cash used in operating activities	$ (54,333)	$ (40,312)
Cash used in investing activities	(2,666)	(568)
Cash (used in) provided by financing activities	(619)	51,085

Operating Activities

We have historically experienced cash outflows as we developed MRIdian with Cobalt-60 and MRIdian Linac and expanded our business. Our primary source of cash flow from operating activities is cash receipts from customers including sales of MRIdian systems and, to a lesser extent, up-front payments from customers. Our primary uses of cash from operating activities are amounts due to vendors for purchased components and employee-related expenditures.

Net cash used in operating activities for the six months ended June 30, 2022 was $54.3 million, as compared to $40.3 million for the same period in 2021. The increase in net cash flows used in operating activities as compared to the same period in 2021 is primarily driven by changes in working capital, offset by higher margin on sales.

Investing Activities

Cash used in investing activities for the six months ended June 30, 2022 and 2021 of $2.7 million and $0.6 million, respectively, resulted from capital expenditures to purchase property and equipment.

Financing Activities

During the six months ended June 30, 2022, financing activities used $0.6 million in cash, as compared to net cash provided of $51.1 million for the same period in 2021. The change in net cash flows from financing activities is primarily a result of the January 2021 public offering, partially offset by the cash received in connection with the Fourth Amendment of the SVB Term Loan in May 2022.

Off-Balance Sheet Arrangements and Contractual Obligations

We did not have any off-balance sheet arrangements as of June 30, 2022 and December 31, 2021. Additionally, there were no material changes to our contractual obligations described in our Annual Report on Form 10-K filed with the SEC on February 25, 2022.

For our contractual obligations that are expected to have an effect on our liquidity and cash flow, see section “Notes to Condensed Consolidated Financial Statements – Note 6 – Commitments and Contingencies” in the condensed consolidated financial statements and “Note 5 – Debt” in the condensed consolidated financial statements.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in conformity with U.S. GAAP, which requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses. We evaluate our estimates and assumptions on an ongoing basis. Our estimates and assumptions are based on historical experience and on various other factors that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

There have been no significant changes to our accounting policies during the three and six months ended June 30, 2022, as compared to the critical accounting policies described in our Annual Report on Form 10-K filed with the SEC on February 25, 2022. We believe that the accounting policies discussed in that Annual Report are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management’s judgments and estimates.

Recently Issued and Adopted Accounting Pronouncements

We review new accounting standards to determine the expected financial impact, if any, that the adoption of each new standard will have. For the recently issued and adopted accounting standards that we believe may have an impact on our condensed consolidated financial statements, see the section entitled “Notes to Condensed Consolidated Financial Statements – Note 2 – Summary of Significant Accounting Policies” in the condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable to smaller reporting companies.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer (“CEO”) and chief financial officer (“CFO”) 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), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our CEO and CFO have concluded that as of June 30, 2022, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and that such required information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Control

During the three months ended June 30, 2022, we finalized our implementation of a new enterprise resource planning (“ERP”) system. The ERP implementation has affected various systems and processes and as a result, we have made certain changes to our internal controls to address the ERP implementation. We will continue to evaluate these changes as part of our assessment of internal control over financial reporting throughout fiscal year 2022.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, 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

The information under the caption “Commitments and Contingencies” in Note 6 of the unaudited condensed consolidated financial statements of this Quarterly Report on Form 10-Q is incorporated herein by reference.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for our fiscal year ended December 31, 2021. If any of the risks discussed in our Annual Report on Form 10-K are realized, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Not applicable.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

Exhibit Number	Description	Incorporated by Reference			Filed Herewith
		Form	Exhibit	Date Filed	
2.1	Agreement and Plan of Merger and Reorganization, dated as of July 23, 2015, by and among ViewRay Inc., Acquisition Sub and ViewRay Technologies, Inc.	S-1/A	2.1	12/16/2015	
3.1	Amended and Restated Certificate of Incorporation.	S-1/A	3.1	12/16/2015	
3.2	Certificate of Amendment of Amended and Restated Certificate of Incorporation of ViewRay, Inc., dated June 11, 2021.	8-K	3.1	06/11/2021	
3.3	Second Amended and Restated Bylaws of ViewRay, Inc.	8-K	3.2	06/11/2021	
10.1	Amended and restated 2015 Equity Incentive Award Plan Performance Share Award Grant Notice	10-Q	10.1	11/05/2021	
10.2+	Development and Supply Agreement, effective April 4, 2022, by and between ViewRay Technologies, Inc. and Siemens Healthcare GmbH.	10-Q	10.3	05/06/2022	
10.3	Fourth Amendment dated as of May 31, 2022 to Loan and Security Agreement, by and among ViewRay, Inc., ViewRay Technologies, Inc. and Silicon Valley Bank.	8-K	10.1	5/31/2022	
10.4+	ViewRay, Inc. Amended and Restated 2015 Equity Incentive Award Plan, as amended through June 10, 2022.	S-8	99.2	6/14/2022	
31.1	Certification of Principal Executive Officer Required under Securities Exchange Act Rule 13a-14(a) and 15d-14(a).				X
31.2	Certification of Principal Financial Officer under Securities Exchange Act Rule 13a-14(a) and 15d-14(a).				X
32.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. 1350 and Securities Exchange Act Rule 13a-14(b).				X
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.				X
101.SCH	Inline XBRL Taxonomy Extension Schema Document				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)				X

+ Certain confidential information contained in this exhibit has been omitted because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.
† Indicates management contract or compensatory plan.

SIGNATURES

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

VIEWRAY, INC.

Dated: August 3, 2022	By:	/s/ Scott Drake
	Name:	Scott Drake
	Title:	Chief Executive Officer (Principal Executive Officer)
Dated: August 3, 2022	By:	/s/ Zachary Stassen
	Name:	Zachary Stassen
	Title:	Chief Financial Officer (Principal Financial Officer)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
EXCHANGE ACT RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Scott Drake, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ViewRay, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(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 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.

Dated: August 3, 2022	By:	/s/ Scott Drake
	Name:	Scott Drake
	Title:	Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
EXCHANGE ACT RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Zachary Stassen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ViewRay, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(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 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.

Dated: August 3, 2022	By:	/s/ Zachary Stassen
	Name:	Zachary Stassen
	Title:	Chief Financial Officer
		(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of ViewRay, Inc., a Delaware corporation (the "Company"), hereby certify that:

i. the accompanying Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

ii. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

The foregoing certification (i) is given to such officers' knowledge, based upon such officers' investigation as such officers reasonably deem appropriate; and (ii) is being furnished solely pursuant to 18 U.S.C. § 1350 (section 906 of the Sarbanes-Oxley Act of 2002) and is not being filed as part of the Report or as a separate disclosure document and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing.

VIEWRAY, INC.

Dated: August 3, 2022	By:	/s/ Scott Drake
	Name:	Scott Drake
	Title:	Chief Executive Officer (Principal Executive Officer)
Dated: August 3, 2022	By:	/s/ Zachary Stassen
	Name:	Zachary Stassen
	Title:	Chief Financial Officer (Principal Financial Officer)