
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: **September 30, 2025**

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: **001-41173**

NexGel, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

26-4042544

(I.R.S. Employer
Identification Number)

2150 Cabot Blvd West, Suite B
Langhorne, PA

(Address of principal executive office)

19047

(Zip Code)

Registrant's telephone number, including area code: **(215) 702-8550**

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 \$0.001	NXGL	The Nasdaq Capital Market LLC
Warrants to Purchase Common Stock	NXGLW	The Nasdaq Capital Market LLC

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a nonaccelerated 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 ☐

Non-accelerated filer ☒

Smaller reporting company ☒

Accelerated filer ☐

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 by Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 12, 2025 the registrant had 8,143,133 shares of common stock outstanding.

NEXGEL, INC.

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

ITEM 1.	<u>Condensed Consolidated Financial Statements (Unaudited)</u>	3
	<u>Condensed Consolidated Balance Sheets as of September 30, 2025 and December 31, 2024</u>	3
	<u>Condensed Consolidated Statements of Operations for the Three And Nine Months Ended September 30, 2025 and 2024</u>	4
	<u>Condensed Consolidated Statements of Stockholders' Equity for the Three And Nine Months Ended September 30, 2025 and 2024</u>	5
	<u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2025 and 2024</u>	6
	<u>Notes to Condensed Consolidated Financial Statements</u>	7
ITEM 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	30
ITEM 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	37
ITEM 4.	<u>Controls and Procedures</u>	37

PART II – OTHER INFORMATION

ITEM 1.	<u>Legal Proceedings</u>	38
ITEM 1A.	<u>Risk Factors</u>	38
ITEM 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	38
ITEM 3.	<u>Defaults Upon Senior Securities</u>	38
ITEM 4.	<u>Mine Safety Disclosures</u>	38
ITEM 5.	<u>Other Information</u>	38
ITEM 6.	<u>Exhibits</u>	39
	<u>Signatures</u>	40

PART I – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

NEXGEL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2025 AND DECEMBER 31, 2024
(Unaudited)
(in thousands, except share and per share data)

	September 30, 2025	December 31, 2024
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$ 938	\$ 1,807
Restricted cash	920	-
Accounts receivable, net	839	933
Inventory	2,019	1,751
Prepaid expenses and other current assets	886	623
Total current assets	5,602	5,114
Goodwill	1,128	1,128
Intangibles, net	712	807
Property and equipment, net	1,996	2,211
Operating lease - right of use asset	2,087	1,628
Other assets	95	95
Total assets	<u>\$ 11,620</u>	<u>\$ 10,983</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 795	\$ 761
Accounts payable - related party	421	531
Accrued expenses and other current liabilities	530	310
Deferred revenue	180	179
Current portion of note payable	99	97
Partnership accrued advance	920	-
Warrant liability and contingent consideration liability	6	296
Financing lease liability, current portion	64	59
Operating lease liabilities, current portion	293	237
Total current liabilities	3,308	2,470
Operating lease liabilities, net of current portion	1,962	1,538
Financing lease liability, net of current portion	259	307
Notes payable, net of current portion	515	588
Total liabilities	6,044	4,903
Commitments and Contingencies (Note 17)	-	-
Stockholders' Equity		
Preferred stock, par value \$0.001 per share, 5,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, par value \$0.001 per share, 25,000,000 shares authorized; 8,142,766 and 7,638,497 shares issued and outstanding as of September 30, 2025 and December 31, 2024, respectively	8	8
Additional paid-in capital	25,204	23,743
Accumulated deficit	(20,026)	(17,996)
Total NexGel stockholders' equity	5,186	5,755
Non-controlling interest in joint venture	390	325
Total stockholders' equity	5,576	6,080
Total liabilities and stockholders' equity	<u>\$ 11,620</u>	<u>\$ 10,983</u>

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

NEXGEL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2025 AND 2024
(Unaudited)
(in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Revenues, net	\$ 2,934	\$ 2,940	\$ 8,625	\$ 5,647
Cost of revenues	1,691	1,785	4,935	3,973
Gross profit	1,243	1,155	3,690	1,674
Operating expenses:				
Research and development	7	-	8	78
Selling, general and administrative	1,961	1,943	5,820	4,309
Total operating expenses	1,968	1,943	5,828	4,387
Loss from operations	(725)	(788)	(2,138)	(2,713)
Other income (expense):				
Interest expense, net	10	(20)	(32)	(65)
Other income	59	44	92	102
Changes in fair value of warrant liability	9	10	113	37
Total other income (expense), net	78	34	173	74
Loss before income taxes	(647)	(754)	(1,965)	(2,639)
Income tax expense	-	-	-	-
Net loss	(647)	(754)	(1,965)	(2,639)
Less: Income (loss) attributable to non-controlling interest in joint venture	(6)	61	(65)	208
Net loss attributable to NexGel stockholders	\$ (653)	\$ (693)	\$ (2,030)	\$ (2,431)
Net loss per common share - basic	\$ (0.08)	\$ (0.11)	\$ (0.26)	\$ (0.39)
Net loss per common share - diluted	\$ (0.08)	\$ (0.11)	\$ (0.26)	\$ (0.39)
Weighted average shares used in computing net loss per common share - basic	7,971,299	6,569,403	7,757,429	6,274,221
Weighted average shares used in computing net loss per common share – diluted	7,971,299	6,569,403	7,757,429	6,274,221

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

NEXGEL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2025 AND 2024
(Unaudited)
(in thousands, except share data)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Non- controlling Interest	Total Stockholders' Equity
	Shares	Amount				
Balance, January 1, 2025	7,638,497	\$ 8	\$ 23,743	\$ (17,996)	\$ 325	\$ 6,080
Share-based compensation and restricted stock vesting	15,540	—	166	—	—	166
Net income (loss)	—	—	—	(712)	34	(678)
Balance, March 31, 2025	7,654,037	8	23,909	(18,708)	359	5,568
Share-based compensation and restricted stock vesting	500	—	127	—	—	127
Net income (loss)	—	—	—	(665)	25	(640)
Balance, June 30, 2025	7,654,537	8	24,036	(19,373)	384	5,055
Share-based compensation and restricted stock vesting	29,534	—	205	—	—	205
Equity offering proceeds, net of stock issuance costs	458,695	—	963	—	—	963
Net income (loss)	—	—	—	(653)	6	(647)
Balance, September 30, 2025	<u>8,142,766</u>	<u>\$ 8</u>	<u>\$ 25,204</u>	<u>\$ (20,026)</u>	<u>\$ 390</u>	<u>\$ 5,576</u>
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Non- controlling Interest	Total Stockholders' Equity
	Shares	Amount				
Balance, January 1, 2024	5,741,838	\$ 6	\$ 19,406	\$ (14,715)	\$ 469	\$ 5,166
Share-based compensation and restricted stock vesting	—	—	54	—	—	54
Equity offering proceeds, net of stock issuance costs	485,786	—	946	—	—	946
Issuance of placement agent warrants in conjunction with the equity offering	—	—	(56)	—	—	(56)
Net loss	—	—	—	(853)	(52)	(905)
Balance, March 31, 2024	6,227,624	6	20,350	(15,568)	417	5,205
Share-based compensation and restricted stock vesting	1,750	—	55	—	—	55
Shares issued in acquisition	89,892	—	200	—	—	200
Issuance of shares for services	5,000	—	9	—	—	9
Non-controlling interest contribution	—	—	—	—	37	37
Net loss	—	—	—	(885)	(94)	(979)
Balance, June 30, 2024	6,324,266	6	20,614	(16,453)	360	4,527
Share-based compensation and restricted stock vesting	22,511	—	154	—	—	154
Equity offering proceeds, net stock issuance costs	444,000	1	1,002	—	—	1,003
Issuance of placement agent warrants in conjunction with the equity offering	—	—	56	—	—	56
Net loss	—	—	—	(693)	(61)	(754)
Balance, September 30, 2024	<u>6,790,777</u>	<u>\$ 7</u>	<u>\$ 21,826</u>	<u>\$ (17,146)</u>	<u>\$ 299</u>	<u>\$ 4,986</u>

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

NEXGEL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025 AND 2024
(Unaudited)
(in thousands)

	Nine Months Ended September 30,	
	2025	2024
Operating Activities		
Net loss	\$ (2,030)	\$ (2,431)
Adjustments to reconcile net loss to net cash used in operating activities:		
Income (loss) attributable to non-controlling interest in joint venture	65	(208)
Depreciation and amortization	338	328
Net changes in operating lease assets and liabilities	21	31
Share-based compensation	498	271
Gain on investment in marketable securities	—	(62)
Changes in fair value of warrant liability and warrant modification expense	(112)	(37)
Changes in operating assets and liabilities:		
Accounts receivable, net	94	(261)
Inventory	(268)	(459)
Prepaid expenses and other assets	(263)	(479)
Accounts payable	34	272
Accounts payable – related party	(110)	—
Accrued expenses and other current liabilities	220	(132)
Deferred revenue	1	159
Partnership accrued advance	(80)	—
Net Cash Used in Operating Activities	(1,592)	(3,008)
Investing Activities		
Proceeds from sales of marketable securities	—	62
Capital expenditures	(28)	(374)
Net cash paid for asset acquisition	—	(400)
Net Cash Used in Investing Activities	(28)	(712)
Financing Activities		
Proceeds from margin line of credit	—	345
Proceeds from STADA (Note 17)	1,000	—
Proceeds from equity offerings	1,055	2,135
Stock issuance costs	(92)	(185)
Investment by joint venture partner	—	37
Change in contingent consideration liability	—	(164)
Payment of contingent consideration liability	(178)	—
Principal payment on financing lease liability	(43)	(36)
Principal payments of notes payable	(71)	(53)
Net Cash Provided by Financing Activities	1,671	2,079
Net increase (decrease) in cash, cash equivalents and restricted cash	51	(1,641)
Cash, cash equivalents, and restricted cash, beginning of period	1,807	2,700
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 1,858</u>	<u>\$ 1,059</u>
Reconciliation of ending cash, cash equivalents and restricted cash		
Cash and cash equivalents, end of period	\$ 938	\$ 1,059
Restricted cash, end of period	920	—
Total cash, cash equivalents and restricted cash, end of period	<u>\$ 1,858</u>	<u>\$ 1,059</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for:		
Interest	\$ 54	\$ 65
Taxes	\$ —	\$ —
Supplemental Non-cash Investing and Financing Activities		
Additional ROU assets and operating lease liabilities from lease modification	\$ 677,267	\$ —
Shares issued in conjunction with asset acquisition	\$ —	\$ 200
Property and equipment financed under notes payable	\$ —	\$ 165
Property and equipment financed under financing leases	\$ —	\$ 416

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

NEXGEL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share data)

1. Description of Business and Basis of Presentation

NexGel, Inc. (“NexGel” or the “Company”) manufactures high water content, electron beam cross-linked, aqueous polymer hydrogels, or gels, used for wound care, medical diagnostics, transdermal drug delivery and cosmetics. The Company specializes in custom gels by capitalizing on proprietary manufacturing technologies. The Company has historically served as a contract manufacturer, supplying our gels to third parties who incorporate them into their own products. Beginning in 2020, we created two new lines of business for the Company. First, we launched our own line of branded consumer products sold direct to consumers. Second, we expanded into custom and white label opportunities, which focuses on combining our gels with proprietary branded products and white label opportunities. All of our gel products are manufactured using proprietary and non-proprietary mixing, coating and cross-linking technologies. Together, these technologies enable us to produce gels that can satisfy rigid tolerance specifications with respect to a wide range of physical characteristics (e.g., thickness, water content, adherence, absorption, moisture vapor transmission rate [a measure of the passage of water vapor through a substance] and release rate) while maintaining product integrity. Additionally, we have the manufacturing ability to offer broad choices in the selection of liners onto which the gels are coated. Consequently, the Company and its customers are able to determine tolerances in moisture vapor transmission rate and active ingredient release rates while personalizing color and texture.

NexGel was previously known as AquaMed Technologies, Inc. (“AquaMed”) before changing its name to NexGel, Inc. on November 14, 2019.

On May 15, 2024, the Company purchased substantially all of the assets from Semmens Online Pty Ltd as Trustee for Semmens Business Trust (the “SG Seller”) related to the SG Seller’s eyeliner, fake eyelashes, lash serum and mascara business operating under the tradename “Silly George” (collectively, the “Silly George acquisition”).

On December 1, 2023, the Company purchased substantially all of the assets Olympus Trading Company, LLC (the “Kenkoderm Seller”) related to the Kenkoderm Seller’s skincare line focused on reducing symptoms associated with psoriasis operating under the tradename “Kenkoderm” (the “Kenkoderm acquisition”).

On March 1, 2023, the Company acquired a 50% interest in a newly formed joint venture (“CGN JV”), CG Converting and Packaging, LLC (“CGN”), with C.G. Laboratories Inc. (“CG Labs”) for its converting and packaging business. The CGN JV was effective March 1, 2023. As a result of this transaction, the Company owns 50% of the CGN JV, with the remaining 50% held by CG Labs.

On January 6, 2023, the Company acquired a 50% interest in a newly formed joint venture (“Enigma JV”) to pursue branded consumer product retail opportunities and the development of new patch products. The Enigma JV agreement was effective January 6, 2023. As a result of this transaction, the Company owned 50% of the Enigma JV, with the remaining 50% held by Moiety. However, the Enigma JV was dissolved on December 23, 2024.

Basis of Presentation

The condensed consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) and are presented in US dollars.

The accompanying interim unaudited condensed consolidated financial statements (“Financial Statements”) and footnotes of NexGel have been prepared in accordance with GAAP for interim financial information and the instructions to Article 8 of Regulation S-X of the Securities and Exchange Commission (“SEC”). Accordingly, they do *not* include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, these Financial Statements contain all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation of the results of the interim periods, but are *not* necessarily indicative of the results of operations to be anticipated for the full year ending December 31, 2025. These Financial Statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2024.

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and its consolidated wholly-owned subsidiary, NexGelRx, Inc. and the fifty percent (50%) owned CGN JV (see Note 5).

2. Going Concern

The accompanying condensed consolidated financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of the Company as a going concern. As of September 30, 2025, the Company had a cash balance of \$938 thousand. For the nine months ended September 30, 2025, the Company incurred a net loss attributable to NexGel stockholders of \$2.0 million and had a net usage of cash in operating activities of \$1.6 million. In addition, the Company had working capital of \$2.3 million as of September 30, 2025. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The Company's cash balance of \$938 thousand as of September 30, 2025 does not include \$920 thousand in partnership restricted cash. See Note 17 for additional information regarding partnership restricted cash.

Management is exploring new product channel sales in adjacent industries, such as cosmetics, athletic products, and proprietary medical devices. The Company has increased focus on sales and developing a sales pipeline for potential customers. This customer base expansion will enable us to provide financial stability for the foreseeable future, expand our current processes, and position us for long-term shareholder value creation.

We intend to maintain and attempt to grow our existing contract manufacturing business. We also plan to continue building and developing our catalogue of consumer products for sale to branding partners and to use our in-house capabilities to create and test market additional branded products. These products will be target marketed and sold online through social media and online advertising and marketplaces. Furthermore, the Company plans to develop its own proprietary medical devices and explore drug delivery programs for its technology. Additionally, the Company continues to evaluate strategic initiatives (e.g., acquisitions), and additional capital raises through debt or equity may be necessary to achieve these objectives.

We expect to continue incurring losses for the near-term. Our ability to continue to operate as a going concern in the long-term is dependent upon our ability to manage and grow our current products and to ultimately achieve profitable operations. Management may consider various options to raise capital to fund our current business activities and potential acquisitions through equity or debt offerings. There can be no assurances, however, that management will be able to obtain sufficient additional funds, if needed, or that such funds, if available, will be obtained on terms satisfactory to us. The condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary should we be unable to continue as a going concern. Additionally, it is reasonably possible that estimates made in the condensed consolidated financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions, including the recoverability of long-lived assets.

3. Significant Accounting Policies and Estimates

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. These estimates and assumptions include allowances for credit losses, inventory reserves, deferred taxes, share-based compensation and related valuation allowances and fair value of long-lived assets. Actual results could differ from the estimates.

Segment Reporting

The Financial Accounting Standards Board (“FASB”) Accounting Standard Codification (“ASC”) Topic 280, *Segment Reporting*, requires that an enterprise report selected information about reportable segments in its financial reports issued to its stockholders. The Company has two reportable segments - the NexGel segment and the CGN segment.

The NexGel segment is comprised of the manufacturing of ultra-gentle, high-water-content hydrogel products for healthcare and consumer applications, which is based in Langhorne, Pennsylvania as well as the Kenkoderm acquisition, the Silly George acquisition and the Enigma JV. However, the Enigma JV was dissolved on December 23, 2024.

The CGN segment is comprised of the CGN JV used for the Company’s converting and packaging business, which is based in Granbury, Texas.

Reclassifications

We have reclassified, combined or separately disclosed certain amounts in the prior years’ condensed consolidated financial statements and accompanying footnotes to conform with the current year’s presentation. These changes consisted of separating Accounts payable – related party from Accounts payable within the September 30, 2024 condensed consolidated statement of cashflows and we have reclassified expenses on our statement of operations realigning certain expenses previously classified as selling, general and administrative to cost of revenue related to our online sales commissions and contract fees.

Cash and cash equivalents and restricted cash

Cash and cash equivalents is comprised of cash in banks and highly liquid investments, including U.S. treasury bills purchased with an original maturity of three months or less as well as investments in money market funds for which the carrying amount approximates fair value, due to the short maturities of these investments.

The Company also maintains restricted cash under a Partnership Agreement (see Note 17). As of September 30, 2025, restricted cash totaled \$920 thousand, representing funds that are contractually restricted from use for general operating purposes and may be utilized only in accordance with the terms of the Partnership Agreement. Restricted cash is included in total cash, cash equivalents, and restricted cash as presented in the statement of cash flows.

Accounts Receivable, net

Trade accounts receivable are stated at the amount the Company expects to collect and do not bear interest. The Company evaluates the collectability of accounts receivable and records a provision to the allowance for credit losses based on factors including the length of time the receivables are past due, the customer’s payment history, the credit quality of the customer and other factors that may affect the customers’ ability to pay. Provisions to the allowances for credit losses are recorded in selling, general and administrative expenses. Account balances are charged off against the allowance when it is probable that the receivable will not be recovered. The allowance for credit losses was \$7 thousand as of September 30, 2025 and \$5 thousand as of December 31, 2024.

Inventory and Cost of Revenues

The inventory balance is stated at the lower of cost, the value determined by the first-in, first-out method, or net realizable value. The Company evaluates inventories for excess quantities, obsolescence, and shelf-life expiration. This evaluation includes an analysis of historical sales levels by product, projections of future demand, the risk of technological or competitive obsolescence for products, general market conditions, and a review of the shelf-life expiration dates for products. These factors determine when, and if, the Company adjusts the carrying value of inventory to estimated net realizable value.

The Company produces proprietary branded products and white label opportunities in our manufacturing of consumer products. In our contract manufacturing, the Company builds its products based on customer orders and immediately ships the products upon completion of the production process.

[Table of Contents](#)

The inventory balance is made up of raw materials, work-in-progress, and finished goods. Inventory is maintained at the Company's warehouses, third party warehouses and at fulfillment centers owned by Amazon, Walmart and CVS.

The "Cost of revenues" line item in the condensed consolidated statements of operations is comprised of the book value of inventory sold to customers during the reporting period. When circumstances dictate that we use net realizable value as the basis for recording inventory, we base our estimates on expected future selling prices less expected disposal costs. As of September 30, 2025 and December 31, 2024, there was no reserve recorded against inventories.

Research and Development

Our research and development activities focus on new and innovative products designed to support revenue growth. Research and development expenses consist primarily of contracted development and testing efforts associated with development of products. Research and development costs are expensed as incurred.

Property and Equipment, net

Property and equipment is recorded at historical cost, net of accumulated depreciation and amortization. Depreciation is provided over the assets' useful lives on a straight-line basis. Leasehold improvements and right-of-use assets under financing lease arrangements are amortized on a straight-line basis over the shorter of their estimated useful lives or lease terms. Repairs and maintenance costs are expensed as incurred.

Management periodically assesses the estimated useful life over which assets are depreciated or amortized. If the analysis warrants a change in the estimated useful life of property and equipment, management will reduce the estimated useful life and depreciate or amortize the carrying value prospectively over the shorter remaining useful life.

The carrying amounts of assets sold or retired and the related accumulated depreciation are eliminated in the year of disposal and any resulting gains and losses are included in the results of operations during the same year.

Impairment of Long-Lived Assets

The Company reviews its property and equipment and any identifiable intangibles with definite lives for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted operating cash flow expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

Goodwill and Intangible Assets

In applying the acquisition method of accounting, amounts assigned to identifiable assets and liabilities acquired were based on estimated fair values as of the date of acquisition, with the remainder recorded as goodwill. Identifiable intangible assets are initially recorded at fair value using generally accepted valuation methods appropriate for the type of intangible asset. Identifiable intangible assets with definite lives are amortized over their estimated useful lives and are reviewed for impairment if indicators of impairment arise. Intangible assets with indefinite lives are tested for impairment within one year of the acquisition date or annually as of December 31, and whenever indicators of impairment exist. The fair value of intangible assets is compared with their carrying values, and an impairment loss would be recognized for the amount by which carrying amount exceeds its fair value.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets are recorded at historical cost and are primarily made up of \$61 thousand and \$46 thousand of prepaid insurance, and \$825 thousand and \$577 thousand of general prepaid expenses and other current assets as of September 30, 2025 and December 31, 2024, respectively.

Other Assets

Other assets are recorded at historical costs, and as of September 30, 2025 and December 31, 2024, the balance is primarily comprised of spare parts for manufacturing equipment. The Company maintains spare parts for either repair and maintenance, which is expensed as incurred, or replacement of capitalized equipment. Capitalized equipment spare parts are not subject to depreciation until such time that they are placed into service and the part that is being replaced is disposed.

Fair Value Measurements

The Company utilizes the fair value hierarchy to apply fair value measurements. The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair values that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources, while unobservable inputs reflect a reporting entity's pricing based upon its own market assumptions. The basis for fair value measurements for each level within the hierarchy is described below:

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

Level 2 —Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 —Valuations derived from valuation techniques in which one or more significant inputs to the valuation model are unobservable.

The Company considers the carrying amounts of its financial instruments (cash, restricted cash, accounts receivable and accounts payable, notes payable and convertible notes payable) in the condensed consolidated balance sheet to approximate fair value because of the short-term or highly liquid nature of these financial instruments.

Warrant Liability

Warrants to purchase common stock were issued in connection with equity financing raises, which occurred during 2019 through 2024. The fair values of the warrants are estimated as of the date of issuance and again at each year end using a Black-Scholes option valuation model. At issuance, the fair values of the warrant are recognized as an equity issuance cost within additional paid-in-capital. Fair value adjustments to the warrant liability are recognized in other income (expense) in the condensed consolidated statements of operations.

Equity Classified Warrants

Warrants that meet all necessary criteria to be accounted for as equity in accordance with ASC 815-40, Derivatives and Hedging—Contracts in Entity's Own Equity are presented within additional paid-in capital within the Company's condensed consolidated statements of changes in stockholders' equity and condensed consolidated balance sheets. Warrants classified as equity are initially measured at fair value. Subsequent changes in fair value are not recognized as long as the warrants continue to be classified as equity.

Offering Costs

The Company complies with the requirements of ASC 340 with regards to offering costs. Prior to the completion of an offering, offering costs will be capitalized as deferred offering costs on the balance sheet. The deferred offering costs will be charged to stockholders' equity upon the completion of an offering or to expense if the offering is not completed.

Revenue Recognition

The Company records revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"). The core principle of ASC 606 requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. ASC 606 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing GAAP including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation.

The Company currently recognizes revenue predominately from four sources, contract manufacturing, custom and white label finished goods manufacturing ("Custom and white label"), our branded consumer products and medical devices/other. Contract manufacturing and Custom and white label revenues are recognized at the point where the customer obtains control of the goods and the Company satisfies its performance obligation, which generally is at the time the customer receives the product. Branded consumer product revenue is derived from direct-to-consumer purchases through websites like Amazon and through our Shopify stores. Revenue is recognized upon shipment to the end customer.

The Company's customers consist of other life sciences companies and Amazon retail customers. Revenues are predominately concentrated in the United States, but with the Silly George acquisition, have expanded into Europe and Asia. Payment terms, excluding branded consumer products, vary by the type and location of customer and may differ by jurisdiction and customer but payment is generally required in a term ranging from 30 to 60 days from date of shipment. Branded consumer products are purchased and paid for by the consumer at the time the transaction is completed.

Estimates for product returns, allowances and discounts are recorded as a reduction of revenue and are established at the time of sale. Returns are estimated through a comparison of historical return data and are determined for each product and adjusted for known or expected changes in the marketplace specific to each product, when appropriate. Historically, sales return provisions have not been material. Amounts accrued for sales allowances and discounts are based on estimates of amounts that are expected to be claimed on the related sales and are based on historical data. Payments for allowances and discounts have historically been immaterial.

Disaggregated revenue by sales type (\$ in thousands):

	Three Months Ended September 30,	
	2025	2024
Contract manufacturing	\$ 907	\$ 864
Custom and white label finished goods manufacturing	-	-
Consumer branded products	1,918	1,930
Medical devices/Other	109	146
Total	<u>\$ 2,934</u>	<u>\$ 2,940</u>

	Nine Months Ended September 30,	
	2025	2024
Contract manufacturing	\$ 2,718	\$ 1,890
Custom and white label finished goods manufacturing	27	42
Consumer branded products	5,584	3,515
Medical devices/Other	296	200
Total	<u>\$ 8,625</u>	<u>\$ 5,647</u>

Contract Liabilities

As of September 30, 2025 and December 31, 2024, the Company did not have any contract assets or contract liabilities from contracts with customers and there were no remaining performance obligations that the Company had not satisfied except for deferred revenue of \$180 thousand and \$179 thousand at September 30, 2025 and December 31, 2024, respectively, that the Company had not satisfied as of the end of the respective period.

The following table provides information about contract liabilities from contracts with our customers (\$ in thousands).

	September 30, 2025	December 31, 2024
Deferred revenue	\$ 180	\$ 179
Total Deferred revenue	<u>\$ 180</u>	<u>\$ 179</u>

Significant changes in the contract liabilities balance during the period are as follows:

	<i>Contract liabilities</i>
Balance, December 31, 2024	\$ 179
Non-cancelable contracts with customers entered during the period	112
Revenue recognized related to non-cancelable contracts with customers during the period	(111)
Balance, September 30, 2025	<u>\$ 180</u>

The Company has four distinct lines of business; Contract Manufacturing, Custom & White Label, Consumer Branded Products, and Medical Devices/Other.

Contract Manufacturing

Customers order rolls of gel (“rollstock”). The rollstock is shipped to our customers, which they package into finished goods. Historically, this was the Company’s primary source of revenue.

Custom & White Label

These products often infuse various ingredients into our base gel to develop unique product offerings to satisfy market demand (e.g. aloe infused into the gel for a beauty mask). The rollstock is converted and packaged into salable units. The finished goods are shipped to the customer, who is ultimately responsible for product distribution. Frequently these products started as development deals, in which the customer paid the Company a small fee to develop a specific product. Once completed, the customer places an order for newly developed product.

Consumer Branded Products

These products are finished goods marketed and sold directly to consumers by the Company through online and retail channels. We are responsible for sales, marketing, and distribution. The products we sell under our MedaGel brand primarily relate to healthcare over-the-counter (“OTC”) remedy solutions, such as blister and applications. In December 2023 we added a second consumer product brand when we completed the purchase of the Kenkoderm brand. The Kenkoderm skincare line was originally developed by a dermatologist to provide gentle to the skin products for consumer with psoriasis. In May 2024, we added our third consumer product brand with the purchase of the Silly George brand. Silly George is a beauty brand primarily focused on false eyelashes and other eye related products. We continue to look for additional potential acquisitions as part of our consumer product “roll-up” strategy.

Medical Devices/Other

Medical Devices are a hybrid business, combining elements of Custom & White Label and Consumer Branded Products. Medical Devices, which are not yet marketed, are expected to be distributed through strategic partnerships. We will manufacture and possibly convert/package the device while the strategic partner brings the product to market. Small market Medical Devices could be launched by us, but also be offered to a distributor to reach the full scale of the market.

Other includes freight charged to customers who purchase the Company’s branded consumer products through their Shopify stores.

Shipping and Handling Revenue and Expense

Shipping and handling revenue and expense are included in our condensed consolidated statements of operations in revenues and cost of revenues, respectively. The Company accounts for shipping activities, consisting of direct costs to ship products performed after the risk of loss passes to the customer. Shipping revenue and expense are primarily generated through the Amazon marketplace and Silly George direct customer sales.

Share-based Compensation

On August 28, 2019, the Company adopted the 2019 Long-Term Incentive Plan, as amended (the “2019 Plan”). See Note 14 for further details regarding the 2019 Plan.

The 2019 Plan provides certain employees, contractors, and outside directors with share-based compensation in the form of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, dividend equivalent rights and other awards. The fair values of incentive stock option award grants are estimated as of the date of grant using a Black-Scholes option valuation model. Compensation expense is recognized in the condensed consolidated statements of operations on a straight-line basis over the requisite service period, which is generally the vesting period.

Income Taxes

Income taxes are accounted for using an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement and tax bases of assets and liabilities at the applicable tax rates. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates.

Tax benefits are recognized from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by a tax authority and based upon the technical merits of the tax position. The tax benefit recognized in the condensed consolidated financial statements for a particular tax position is based on the largest benefit that is more likely than not to be realized upon settlement. An unrecognized tax benefit, or a portion thereof, is presented in the condensed consolidated financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward if such settlement is required or expected in the event the uncertain tax position is disallowed.

Leases

We account for our leases in accordance with ASC 842, Leases. We determine whether an arrangement is an operating or financing lease at contract inception. Operating leases, requires recognition of leases on the consolidated balance sheets as right-of-use (“ROU”) assets and lease liabilities. ROU assets represent the Company’s right to use underlying assets for the lease terms and lease liabilities represent the Company’s obligation to make lease payments arising from the leases. Operating lease ROU assets and operating lease liabilities are recognized based on the present value and future minimum lease payments over the lease term at commencement date. As the Company’s leases do not provide an implicit rate, the Company used its estimated incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. A number of the lease agreements contain options to renew and options to terminate the leases early. The lease term used to calculate ROU assets and lease liabilities only includes renewal and termination options that are deemed reasonably certain to be exercised.

The Company recognized lease liabilities, with corresponding ROU assets, based on the present value of unpaid lease payments for existing operating leases longer than twelve months. The ROU assets were adjusted per ASC 842 transition guidance for existing lease-related balances of accrued and prepaid rent, and unamortized lease incentives provided by lessors. Operating lease cost is recognized as a single lease cost on a straight-line basis over the lease term and is recorded in cost of revenues and selling, general and administrative expenses. Variable lease payments for common area maintenance, property taxes and other operating expenses are recognized as expense in the year when the changes in facts and circumstances on which the variable lease payments are based occur. The Company has elected not to separate lease and non-lease components for all property leases for the purposes of calculating ROU assets and lease liabilities.

Financing leases are those that transfer substantially all of the risks and rewards of ownership to the Company. At the lease commencement date, the Company recognizes a financing lease ROU asset and a corresponding lease liability measured at the present value of future lease payments. The ROU asset is subsequently amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset, while the lease liability is increased by interest expense and reduced by lease payments made. Interest expense on the lease liability and amortization of the ROU asset are presented separately in the consolidated statements of operations, resulting in a front-loaded expense pattern over the lease term. Financing lease ROU assets are included in property and equipment, net, and the related lease liabilities are included within current and long-term debt, as applicable.

Variable Interest Entity

The Company reviews each legal entity formed by parties related to the Company to determine whether or not the Company has a variable interest in the entity and whether or not the entity would meet the definition of a variable interest entity (“VIE”) in accordance with ASC Topic 810, *Consolidation*. In assessing whether the Company has a variable interest in the entity as a whole, the Company considers and makes judgements regarding the purpose and design of the entity, the value of the licensed assets to the entity, the value of the entity’s total assets and the significant activities of the entity. If the Company has a variable interest in the entity as a whole, the Company assesses whether or not the Company is a primary beneficiary of that VIE, based on a number of factors, including: (i) which party has the power to direct the activities that most significantly affect the VIE’s economic performance, (ii) the parties’ contractual rights and responsibilities pursuant to the collaboration agreement, and (iii) which party has the obligation to absorb losses of or the right to receive benefits from the VIE that could be significant to the VIE.

If the Company determines that it is the primary beneficiary of a VIE at the onset of the collaboration, the collaboration is treated as a business combination and the Company consolidates the financial statements of the VIE into the Company’s consolidated financial statements. On a quarterly basis, the Company will evaluate whether it continues to be the primary beneficiary of the consolidated VIE. If the Company determines that it is no longer the primary beneficiary of a consolidated VIE, it deconsolidates the VIE in the period in which the determination is made.

Assets and liabilities recorded as a result of consolidating the financial results of the VIE into the Company’s consolidated balance sheet do not represent additional assets that could be used to satisfy claims against the Company’s general assets or liabilities for which creditors have recourse to the Company’s general assets.

Recently Issued Accounting Standards

From time to time, new accounting pronouncements are issued by the FASB, or other standard setting bodies and adopted by us as of the specified effective date. Unless otherwise discussed, the impact of recently issued standards that are not yet effective will not have a material impact on our condensed consolidated financial position or results of operations upon adoption.

In November 2023, the FASB issued Accounting Standards Update (“ASU”) 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. This ASU includes amendments that expand the existing reportable segment disclosure requirements and requires disclosure of (i) significant expense categories and amounts by reportable segment as well as the segment’s profit or loss measure(s) that are regularly provided to the chief operating decision maker (the “CODM”) to allocate resources and assess performance; (ii) how the CODM uses each reported segment profit or loss measure to allocate resources and assess performance; (iii) the nature of other segment balances contributing to reported segment profit or loss that are not captured within segment revenues or expenses; and (iv) the title and position of the individual or name of the group or committee identified as the CODM. This guidance requires retrospective application to all prior periods presented in the financial statements and is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. The guidance resulted in the Company being required to include enhanced disclosures relating to its reportable segments. The Company adopted this new standard during the year ended December 31, 2024.

In June 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-05, *Business Combinations (ASC Topic 805): Joint Venture Formations*, which provides guidance on accounting for joint ventures established through new entities. The update mandates the application of the acquisition method of accounting for such transactions, requiring parties to recognize and measure identifiable assets and liabilities based on fair values at the acquisition date and establishes a measurement period for adjustments. The amendments in this Update are effective prospectively for all joint venture formations with a formation date on or after January 1, 2025.

Management expects adoption of this ASU will enhance consistency and transparency in financial reporting, without a material impact on the Company’s financial position or results of operations when future joint ventures are established.

Accounting Pronouncements Issued But Not Yet Adopted

In November 2024, the FASB issued the ASC 2024-03, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-04) Disaggregation of Income Statement Expenses*, which requires additional disclosure of the nature of expenses included in the income statement in response to requests from investors for more information about an entity’s expenses. The new standard requires disclosures about specific types of expenses included in the expense captions presented on the face of the income statement as disclosures about selling expenses. The guidance is effective for annual reporting periods beginning after December 15, 2026 and interim reporting periods within annual reporting periods beginning after December 15, 2027. The requirements will be applied prospectively with the option for retrospective application. Early adoption is permitted. The Company is currently evaluating the impact this new guidance will have on its financial statements and disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The ASU requires that an entity disclose specific categories in the effective tax rate reconciliation as well as reconciling items that meet a quantitative threshold. Further, the ASU requires additional disclosures on income tax expense and taxes paid, net of refunds received, by jurisdiction. The new standard is effective for annual periods beginning after December 15, 2024 on a prospective basis with the option to apply it retrospectively. Early adoption is permitted. The adoption of this guidance will result in the Company being required to include enhanced income tax related disclosures. The Company is currently evaluating the impact this standard will have on its year-end financial statements.

4. Business Segments

The Company's CODM evaluates the financial performance of the Company's segments based upon segment operating income or (loss) as the profitability measure. Items outside of operating income or (loss) are not reported by segment, since they are excluded from the single measure of segment profitability reviewed by the CODM.

Summarized financial information concerning the Company's reportable segments for the three and nine months ended September 30, 2025 and 2024 and the balances of assets and liabilities for each segment at September 30, 2025 and December 31, 2024 is presented below.

Three Months Ended September 30, 2025 (\$ in thousands)

	<u>NexGel</u>	<u>CGN JV</u>	<u>Total</u>
Revenue:			
Contract manufacturing	\$ 230	\$ 677	\$ 907
Custom and white label finished goods	-	-	-
Branded consumer products	1,918	-	1,918
Other income	80	29	109
Total revenue	<u>2,228</u>	<u>706</u>	<u>2,934</u>
Cost of revenues	1,127	564	1,691
Operating expenses	1,833	135	1,968
Income (loss) from operations	<u>\$ (732)</u>	<u>\$ 7</u>	<u>\$ (725)</u>

Three Months Ended September 30, 2024 (\$ in thousands)

	<u>NexGel</u>	<u>CGN JV</u>	<u>Total</u>
Revenue:			
Contract manufacturing	\$ 396	\$ 468	\$ 864
Custom and white label finished goods	-	-	-
Branded consumer products	1,930	-	1,930
Other income	109	37	146
Total revenue	<u>2,435</u>	<u>505</u>	<u>2,940</u>
Cost of revenues	1,282	503	1,785
Operating expenses	1,746	197	1,943
Loss from operations	<u>\$ (593)</u>	<u>\$ (195)</u>	<u>\$ (788)</u>

Nine Months Ended September 30, 2025 (\$ in thousands)

	<u>NexGel</u>	<u>CGN JV</u>	<u>Total</u>
Revenue			
Contract manufacturing	\$ 747	\$ 1,971	\$ 2,718
Custom and white label finished goods	27	-	27
Branded consumer products	5,584	-	5,584
Other income	202	94	296
Total revenue	<u>6,560</u>	<u>2,065</u>	<u>8,625</u>
Cost of revenues	3,453	1,482	4,935
Operating expenses	5,422	406	5,828
Income (loss) from operations	<u>\$ (2,315)</u>	<u>\$ 177</u>	<u>\$ (2,138)</u>

Nine Months Ended September 30, 2024 (\$ in thousands)

	<u>NexGel</u>	<u>CGN JV</u>	<u>Total</u>
Revenue			
Contract manufacturing	\$ 665	\$ 1,225	\$ 1,890
Custom and white label finished goods	42	-	42
Branded consumer products	3,515	-	3,515
Other income	156	44	200
Total revenue	<u>4,378</u>	<u>1,269</u>	<u>5,647</u>
Cost of revenues	2,799	1,174	3,973
Operating expenses	3,887	500	4,387
Loss from operations	<u>\$ (2,308)</u>	<u>\$ (405)</u>	<u>\$ (2,713)</u>

5. Acquisition

Silly George Acquisition

On May 15, 2024, the Company entered into and closed a transaction related to an Asset Purchase Agreement dated May 15, 2024 (the “SG Purchase Agreement”) with Semmens Online Pty Ltd as Trustee for Semmens Business Trust, an Australian proprietary limited company (the “SG Seller”), whereby the Company purchased the Silly George assets (the “Silly George acquisition”). The Company believes the Silly George assets will be accretive and synergistic to its existing health and beauty customer product brands.

Under the terms of the SG Purchase Agreement on May 15, 2024, the Company paid the SG Seller a cash payment of \$400 thousand and issued \$200 thousand in shares of the Company’s common stock based on the 10-Day VWAP (as defined in the SG Purchase Agreement), or 89,892 of shares of the Company’s common stock. Additionally, the Company will pay the Seller a cash earn-out based on 20% of the Net Profit (as defined in the SG Purchase Agreement) related to the Silly George assets for the fiscal quarterly period beginning June 30, 2024 and ending on June 30, 2028. Per the scope exception under ASC 815, the Company has not accrued the contingent consideration.

The table below shows an analysis for the Silly George acquisition (\$ in thousands):

Provisional purchase consideration at preliminary fair value:	
Purchase price	\$ 600
Consideration paid	\$ 600
Trademark related intangibles	\$ 600
Intangible assets acquired	\$ 600

Kenkoderm Acquisition

On December 1, 2023, the Company closed a transaction related to an Asset Purchase Agreement dated November 30, 2023 (the “Kenkoderm Purchase Agreement”) with Olympus Trading Company, LLC, a Virginia limited liability company, whereby the Company purchased all assets related to the Kenkoderm Seller’s skincare line focused on reducing symptoms associated with psoriasis operating under the tradename “Kenkoderm” (“Kenkoderm acquisition”). The Company believes the Kenkoderm brand fits its health and wellness lines of product.

Under the terms of the Kenkoderm Purchase Agreement, the Company paid the Kenkoderm Seller a cash payment of \$547 thousand on December 1, 2023. The Kenkoderm Seller is entitled to a quarterly contingent earn-out payment based on a set formula. The earn-out is equal to two times the base purchase price of \$547 thousand times the ratio of current quarter’s sales divided by the quarterly sales from the same period in the prior year less the base purchase price and multiplied by one quarter. Additionally, the Company will pay the Kenkoderm Seller a cash earn-out of the same amount each quarter, payable in the subsequent month following quarter end, subject to adjustment. The cash earn-out can fluctuate higher or lower based on the quarterly results of the Kenkoderm business during 2024 according to the formula contained in the Kenkoderm Purchase Agreement. The contingent consideration has been settled and the earn-out payments amounted to \$178 thousand and \$279 thousand in 2025 and 2024, respectively, net of an adjustment in fair value of contingent consideration of \$18 in 2024.

The fair value of the purchase consideration issued to the Kenkoderm Seller was allocated to the net tangible assets acquired. The Company accounted for the Kenkoderm acquisition as the purchase of a business under GAAP under the acquisition method of accounting, and the assets and liabilities acquired were recorded as of the acquisition date, at their respective fair values and consolidated with those of the Company. The fair value of the net assets acquired was approximately \$169 thousand. The excess of the aggregate fair value of the net tangible assets has been allocated to goodwill.

The table below shows an analysis for the Kenkoderm acquisition (\$ in thousands):

Purchase consideration at fair value:	
Purchase price	\$ 547
Contingent consideration liability	439
Amount of consideration	\$ 986
Assets acquired and liabilities assumed at fair value	
Inventory	\$ 56
Product/technology related intangibles	77
Marketing related intangibles	36
Net tangible assets acquired	\$ 169
Total net assets acquired	\$ 169
Consideration paid	986
Goodwill	\$ 817

Interest in Joint Venture – CGN

On March 1, 2023, the Company acquired a 50% interest in the CGN JV (see Note 1). The CGN JV is owned 50% by the Company and 50% by CG Labs. CG Labs contributed its existing converting and packaging division to the CGN JV, including, but not limited to, its facilities, equipment, employees, and customers. The Company will contribute \$500 thousand to the CGN JV, on a schedule to be determined, to be used for equipment and facility upgrades as well as general corporate purposes for the CGN JV.

The CGN JV is considered to be a VIE and we have consolidated the CGN JV because we believe we are the primary beneficiary because we meet the power and the economics criteria, as laid out in ASC 323.

The Company recorded assets acquired and liabilities assumed in connection with the formation of the CGN JV based on their estimated fair values as of March 1, 2023.

The table below set forth the CGN JV purchase price allocation (\$ in thousands):

Purchase consideration at fair value:	
Cash contributed by the Company	\$ 500
Noncontrolling interest portion of CG Labs' contributed business	500
Amount of consideration	<u>\$ 1,000</u>
Assets acquired and liabilities assumed at fair value	
Cash contributed by the Company	\$ 500
Fixed assets	213
Product/technology related intangibles	217
Marketing related intangibles	70
Net tangible assets acquired	<u>\$ 1,000</u>

Interest in Joint Venture – Enigma

On January 6, 2023, the Company acquired a 50% interest in a newly formed joint venture (the “Enigma JV”) to pursue branded consumer product retail opportunities and the development of new patch products. The Enigma JV agreement was effective January 6, 2023. As a result of this transaction, the Company owned 50% of the Enigma JV, with the remaining 50% held by Moiety. However, the Enigma JV was dissolved on December 23, 2024. As of December 31, 2024, the Company contributed \$20 thousand and the non-controlling interest portion of Enigma JV contributed \$37 thousand.

The Enigma JV is considered to be a VIE and we have consolidated the Enigma JV because we believe we are the primary beneficiary because we meet the power and the economics criteria, as laid out in ASC 323.

[Table of Contents](#)

The unaudited pro-forma results of operations are presented for information purposes only. The unaudited pro-forma results of operations are not intended to present actual results that would have been attained had the Silly George acquisitions been completed as of January 1, 2024 or to project potential operating results as of any future date or for any future periods (\$ in thousands except share and per share amounts):

	For the Nine Months Ended September 30,	
	2025	2024
Revenues, net	\$ 8,625	\$ 6,220
Net loss allocable to common shareholders	\$ (2,030)	\$ (2,679)
Net loss per share	\$ (0.18)	\$ (0.43)
Weighted average number of shares outstanding	7,757,429	6,274,221

6. Variable interest entities

The following table presents the assets and liabilities of the CGN JV and Enigma JV, included in the condensed consolidated balance sheet as of September 30, 2025 and December 31, 2024. The assets and liabilities presented below include only the third-party assets and liabilities of the consolidated VIE and excludes any intercompany balances, which were eliminated upon consolidation. The Enigma JV was dissolved on December 23, 2024.

	September 30, 2025	December 31, 2024
ASSETS:		
Current Assets:		
Cash	\$ 95	\$ 26
Accounts receivable, net	649	764
Inventory	911	646
Prepaid expenses and other current assets	32	45
Total current assets	1,687	1,481
Intangibles, net	55	122
Property and equipment, net	1,314	1,421
Operating lease - right of use asset	894	283
Total assets	\$ 3,950	\$ 3,307
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 1,042	\$ 912
Accounts payable – related party	421	528
Accrued expenses and other current liabilities	4	51
Deferred revenue	179	179
Current portion of note payable	91	85
Finance lease liability, short term	64	59
Operating lease liability, current portion	83	30
Total current liabilities	1,884	1,844
Operating lease liability, net of current portion	811	260
Finance lease liability, long term	252	307
Notes payable, net of current portion	259	320
Total liabilities	\$ 3,206	\$ 2,731

The amounts above represent the combined assets and liabilities of the VIE described above, for which we are the primary beneficiary. The assets of each of these consolidated VIEs can only be used to settle the obligations of the VIE. All of the liabilities are non-recourse to us as of September 30, 2025 and December 31, 2024.

7. Operating Leases

The Company has an operating lease for a commercial manufacturing facility and administrative offices located in Langhorne, Pennsylvania that runs through January 2031. There are two options that can extend the lease term for five years each. The exercise of the lease options to renew is solely at the Company's discretion.

The Company also has a sublease for office and manufacturing space in Granbury, Texas that runs through February 2028. The Company modified the lease agreement through July 2035.

The following table presents information about the amount and timing of the liability arising from the Company's operating lease as of September 30, 2025 (\$ in thousands):

Maturity of Lease Liability	Operating Lease Liability
2025 (remaining)	\$ 77
2026	363
2027	374
2028	381
2029	388
Thereafter	876
Total undiscounted operating lease payments	2,459
Less: Imputed interest	(204)
Present value of operating lease liability	<u>\$ 2,255</u>
Weighted average remaining lease term	7.3 years
Weighted average discount rate	2.2%

Total operating lease expense for the nine months ended September 30, 2025 and 2024, was \$225 and \$183 thousand, respectively, and is recorded in cost of goods sold and selling, general and administrative expenses in the accompanying condensed consolidated statements of operations.

Supplemental cash flows information related to leases was as follows:

	September 30, 2025
Cash paid for amounts included in the measurement of lease liability (\$ in thousands):	
Operating cash flows from operating lease	\$ 225

8. Financing Lease

In February 2024, the CGN JV entered into a lease agreement for certain equipment under separate non-cancelable equipment loan and security agreements. The agreement matures in January 2030. The agreements require monthly payments of principal and interest through maturity and are secured by the assets under the lease. As of September 30, 2025, \$417 thousand is included in the property and equipment on the balance sheet. The weighted average interest rate was 9.1% at September 30, 2025.

The following table presents information about the amount and timing of the liability arising from the Company's financing lease as of September 30, 2025 (\$ in thousands):

Maturity of Lease Liability	Financing Lease Liability
2025	\$ 22
2026	91
2027	90
2028	91
2029	90
Thereafter	8
Total undiscounted financing lease payments	392
Less: Imputed interest	(69)
Present value of financing lease liability	<u>\$ 323</u>
Weighted average remaining lease term	4.3 years
Weighted average discount rate	9.1%

9. Inventory

Inventory consists of the following (\$ in thousands):

	September 30, 2025	December 31, 2024
Raw materials	\$ 1,117	\$ 723
Work-in-progress	48	25
Finished goods	854	1,003
	<u>2,019</u>	<u>1,751</u>
Less: Inventory reserve for excess and slow moving inventory	-	-
Total	<u>\$ 2,019</u>	<u>\$ 1,751</u>

Inventory is maintained at the Company's warehouses and at fulfillment centers owned by Amazon, Walmart and Borderless. The Company builds its contract manufacturing products based on customer orders and immediately ships the products upon completion of the production process.

10. Property and Equipment, Net

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

	Useful Life (Years)	September 30, 2025	December 31, 2024
Machinery and equipment	3 - 10	\$ 2,126	\$ 2,118
Office furniture and equipment	3 - 10	192	187
Leasehold improvements	6	419	419
Construction in progress	N/A	547	532
		<u>3,284</u>	<u>3,256</u>
Less: accumulated depreciation and amortization		(1,288)	(1,045)
Property and equipment, net		<u>\$ 1,996</u>	<u>\$ 2,211</u>

Depreciation expense for the nine months ended September 30, 2025 and 2024 was \$242 thousand and \$240 thousand, respectively.

11. Intangible Assets

The following provides a breakdown of identifiable intangible assets as of September 30, 2025 and December 31, 2024 (\$ in thousands):

	September 30, 2025	December 31, 2024
Product/Technology Related		
Identifiable intangible assets, gross	\$ 325	\$ 325
Accumulated amortization	(265)	(191)
Product/technology related identifiable intangible assets, net	60	134
Marketing Related		
Customer related intangible asset, gross	17	17
Tradename related intangible asset, gross	113	113
Trademark related intangibles	600	600
Accumulated amortization	(78)	(57)
Marketing related identifiable intangible assets, net	652	673
Total identifiable intangible assets, net	\$ 712	\$ 807

In connection with the May 15, 2024 Silly George acquisition, the Company identified intangible assets of \$600 thousand representing trademark related intangibles with indefinite lives.

Intangible assets with indefinite lives are tested for impairment within one year of the acquisition date or annually as of December 31, and whenever indicators of impairment exist.

The intangible assets with definite lives are being amortized on a straight-line basis over their weighted average estimated useful life of 1.4 years and amortization expense amounted to \$95 and \$88 thousand for the nine months ended September 30, 2025 and 2024, respectively.

As of September 30, 2025, the estimated annual amortization expense for each of the next five fiscal years is as follows (\$ in thousands):

2025 (remainder of year)	\$ 30
2026	64
2027	13
2028	2
2029	2
Thereafter	1
Subtotal	112
Indefinite lived intangible assets (subject to impairment analysis)	600
Total	\$ 712

12. Accrued Expenses and Other Current Liabilities

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

	September 30, 2025	December 31, 2024
Salaries, benefits, and incentive compensation	\$ 275	\$ 242
Other	255	68
Total accrued expenses and other current liabilities	<u>\$ 530</u>	<u>\$ 310</u>

13. Common Stock

At September 30, 2025, the Company has reserved common stock for issuance in relation to the following:

Share-based compensation plan	909,111
Warrants to purchase common stock	5,027,597
Restricted stock units	60,456

August Financing

On July 31, 2025, the Company entered into subscription agreements with investors for the sale by the Company of an aggregate of 413,043 shares of its common stock at a price to the public of \$2.30 per share (the “August Financing”). In connection with the August Financing, the Company issued warrants to purchase up to an aggregate of 206,521 shares of the Company’s common stock at an exercise price of \$4.25 per share (the “Warrants”). The closing of the August Financing occurred on August 5, 2025 (the “August Closing Date”). On or about the August Closing Date, the Company issued 413,043 shares of common stock and issued Warrants to purchase up to 206,521 shares of common stock.

Subject to certain ownership limitations, each of the Warrants will become exercisable on the August Closing Date and will expire five years after the August Closing Date. The Warrants may only be exercised on a cashless basis if there is no registration statement registering, or the prospectus contained in the registration statement is not available for, the issuance or resale of shares of common stock underlying the Warrants to or by the holder. The holder of a Warrant is prohibited from exercising of any such warrants to the extent that such exercise would result in the number of shares of common stock beneficially owned by such holder and its affiliates exceeding 4.99% of the total number of shares of common stock outstanding immediately after giving effect to the exercise, which percentage may be increased or decreased at the holder’s election not to exceed 9.99%.

The gross proceeds to the Company from the August Financing were approximately \$950,000, before deducting the placement agent’s fees and other offering expenses payable by the Company, and excluding the proceeds, if any, from the exercise of the Warrants. The Company intends to use the net proceeds from the August Financing for working capital and for general corporate purposes.

The Company retained Alere Financial Partners, LLC (a division of Cova Capital Partners, LLC) to act as the placement agent (the “August Placement Agent”) for the August Financing. The Company agreed to pay the August Placement Agent a cash fee of 8% of the aggregate gross proceeds in the August Financing received from non-affiliates of the Company. Additionally, and upon the closing of the August Financing, the Company agreed to issue to the August Placement Agent warrants exercisable for a period of five years to purchase up to 8% of the number of shares sold in August Financing, or up to 33,044 shares, at a per share exercise price of \$4.25.

Additionally, on July 31, 2025, the Company sold 45,652 shares of its common stock at a per share price of \$2.30 to a consultant of the Company, a member of the board of directors of the Company and one additional existing stockholder of the Company for aggregate gross proceeds of \$105,000 (the “Additional Private Placement”). The investors in the Additional Private Placement will also receive Warrants to purchase up to additional 22,826 shares of common stock. The Placement Agent will not receive any fees relating to the Additional Private Placement.

14. Share-based Compensation

The 2019 Plan provides for the granting of incentive stock options, nonqualified stock options, restricted stock, stock appreciation rights (“SARs”), restricted stock units, performance awards, dividend equivalent rights and other awards, which may be granted singly, in combination, or in tandem, and which may be paid in cash, shares of common stock of the Company or a combination of cash and shares of common stock of the Company. The Company initially reserved a total of 57,143 shares of the Company’s common stock for awards under the 2019 Plan. Effective as of May 26, 2020 and May 3, 2021, respectively, the Board approved an increase of the number of authorized shares of common stock reserved under the 2019 Plan from 57,143 shares of common stock to 485,715 and from 485,715 shares of common stock to 571,429 shares of common stock, all of which may be delivered pursuant to incentive stock options.

On December 31, 2024, the Board approved an additional 780,000 shares of common stock to be reserved under the 2019 Plan, such that total of number of shares underlying the Plan is 1,651,429 of which 975,907 shares have already been awarded or exercised. The Company’s stockholders approved the 780,000 share increase at the Company’s 2025 Annual Meeting of Stockholders held on June 17, 2025. Subject to adjustments pursuant to the 2019 Plan, the maximum number of shares of common stock with respect to which stock options or SARs may be granted to an executive officer during any calendar year is 14,286 shares of common stock.

The following table contains information about the 2019 Plan as of September 30, 2025:

	Awards Reserved for Issuance	Awards Issued	Awards Exercised	Awards Available for Grant
2019 Plan ⁽¹⁾	1,651,429	1,134,407	173,548	547,022
Awards issued outside of 2019 Plan ⁽²⁾	-	100,821	92,113	-

(1) Includes incentive stock options and restricted stock units discussed below.

(2) Includes shares of restricted common stock granted outside of the 2019 Plan to our Chief Executive Officer.

Incentive stock options

On January 2, 2025, the Company granted options to purchase up to 250,000 shares of the Company’s common stock at a per share exercise price of \$3.83, all of which vest over a period of four years beginning December 31, 2025.

New Board Member

The Board granted a new board member an option to purchase up to 30,000 shares of the Company’s common stock at a per share exercise price of \$2.25 for their services as Board members until the Company’s 2026 Annual Meeting of Stockholders. The options vest in equal 2,500 share amounts over the continuous twelve months beginning on July 31, 2025.

Non-incentive stock options

On June 25, 2025, the Company granted to each of its four non-employee Board members options to purchase up to 30,000 shares of the Company’s common stock at a per share exercise price of \$2.32 for their services as Board members until the Company’s 2026 Annual Meeting of Stockholders. The options vest in equal 2,500 share amounts over the continuous twelve months beginning on July 31, 2025.

The following table summarizes the Company’s incentive stock option activity and related information for the period ended September 30, 2025:

	Number of Options	Weighted Average Exercise Price	Weighted Average Contractual Term in Years
Outstanding at January 1, 2025	588,397	\$ 2.67	7.81
Granted	400,000	3.26	8.13
Exercised	(6,458)	2.05	—
Forfeited	—	—	—
Cancelled	(58,542)	2.01	—
Expired	(14,286)	5.25	—
Outstanding at September 30, 2025	909,111	\$ 2.94	7.29
Exercisable at September 30, 2025	436,611	\$ 2.24	7.18

As of September 30, 2025, vested outstanding stock options had \$224 thousand intrinsic value. As of September 30, 2025, there was approximately \$383 thousand of total unrecognized share-based compensation related to unvested stock options, which the Company expects to recognize over the next 29 months excluding options fully contingent upon certain sales-based milestones being achieved within 18 to 36 months of commercial release.

The Company recognizes compensation expense for stock option awards on a straight-line basis over the applicable service period of the award. The service period is generally the vesting period.

The following assumptions were used to calculate share-based compensation expense for the nine months ended September 30, 2025:

	2025
Volatility	76.26-108.75%
Risk-free interest rate	3.83-4.38%
Dividend yield	0.0%
Expected term	5.00-5.5 years

The Company does not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior. Accordingly, the Company has elected to use the “simplified method” to estimate the expected term of its share-based awards. The simplified method computes the expected term as the sum of the award’s vesting term plus the original contractual term divided by two.

The Company estimated the expected volatility input for the Black-Scholes model using the historical volatility of its own publicly traded common stock over a period commensurate with the expected term of the option.

Restricted stock awards

On June 25, 2025, the Company granted restricted stock awards of 10,000 shares of the Company’s common stock to two Board members for the services as Chairperson of the Board and Chairperson of the Audit Committee, respectively, until the Company’s 2026 Annual Meeting of Stockholders. The restricted stock awards vest ratably over the continuous twelve months beginning on July 31, 2025.

On January 1, 2025 and January 2, 2025, the Company granted 35,198 restricted stock awards to certain executives and Board members.

	Number of Units	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2025	55,874	\$ 2.16
Granted	45,198	3.57
Exercised and converted to common shares	(39,116)	3.39
Forfeited	(1,500)	2.72
Outstanding at September 30, 2025	60,456	\$ 2.41
Exercisable at September 30, 2025	15,928	\$ 2.17

Compensation expense will be recognized ratably over the total vesting schedule. The Company will periodically adjust the cumulative compensation expense for forfeited awards. The Company recognizes the reversal of any previously recognized compensation expense on forfeited awards in the period the awards are forfeited. As of September 30, 2025, there was \$51 thousand unrecognized share-based compensation related to unvested RSUs, which the Company expects to recognize through June 2026.

Share-based compensation of \$498 thousand and \$271 thousand has been recorded for the nine months ended September 30, 2025 and 2024, respectively.

Warrants

The following table shows a summary of common stock warrants through September 30, 2025:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Contractual Term in Years
Outstanding at January 1, 2025	4,765,205	\$ 5.18	2.42
Granted	262,392	4.25	5.00
Exercised	—	—	—
Forfeited	—	—	—
Cancelled	—	—	—
Expired	—	—	—
Outstanding at September 30, 2025	5,027,597	\$ 5.13	1.84
Exercisable at September 30, 2025	5,027,597	\$ 5.13	1.84

As of September 30, 2025 and 2024, 5,027,597 vested outstanding warrants had no intrinsic value as the exercise price was greater than the estimated fair value of the underlying common stock.

15. Notes Payable*CGN Segment*

The CGN JV has entered into a \$231 thousand promissory note agreement for certain equipment. The equipment was installed in December 2023. The promissory note has a term of five years beginning on March 13, 2024. The promissory note accrues interest at 8% and requires interest only payments through March 13, 2024 and monthly payments of \$4 thousand thereafter. The principal balance amounted to \$167 thousand and \$198 thousand as of September 30, 2025 and December 31, 2024, respectively.

The CGN JV has entered into a \$237 thousand promissory note agreement for certain equipment. The funding advances of \$153 thousand and \$84 thousand have been issued in February 2024 and December 2023, respectively. The promissory note has a term of five years beginning on March 13, 2024. The promissory note accrues interest at 8% and requires interest only payments through March 13, 2024 and monthly payments of \$5 thousand thereafter. The principal balance amounted to \$175 thousand and \$207 thousand as of September 30, 2025 and December 31, 2024, respectively.

NexGel Segment

The Company has entered into a \$13 thousand promissory note agreement for certain leasehold improvements. The leasehold improvements were installed in February 2024. The promissory note has a term of two years beginning on February 11, 2024. The promissory note accrues interest at 0% and requires monthly payments of less than \$1 thousand. The outstanding principal balance was \$3 thousand and \$8 thousand as of September 30, 2025 and December 31, 2024, respectively.

Economic Injury Disaster Loan

On May 28, 2020, the Company entered into the standard loan documents required for securing a loan (the “EIDL Loan”) from the SBA under its Economic Injury Disaster Loan (“EIDL”) assistance program in light of the impact of the COVID-19 pandemic on the Company’s business. Pursuant to that certain Loan Authorization and Agreement (the “SBA Loan Agreement”), the principal amount of the EIDL Loan is up to \$260,500, with proceeds to be used for working capital purposes. Interest accrues at the rate of 3.75% per annum. Installment payments, including principal and interest, are due monthly beginning May 28, 2021 (twelve months from the date of the SBA Note) in the amount of \$1,270. The balance of principal and interest is payable thirty years from the date of the SBA Note. In connection therewith, the Company received an \$8 thousand advance, which does not have to be repaid. On March 26, 2021, the SBA announced that all EIDL loans issued in 2020 will start repayment 24 months from the date of the SBA Note. The SBA has since extended the repayment start to 30 months from the date of the SBA Note. The Company made its first payment in December 2022. The balances of the principal and accrued interest amounted to \$268 thousand and \$272 thousand as of September 30, 2025 and December 31, 2024, respectively.

The future annual principal amounts and accrued interest to be paid as of September 30, 2025 are as follows:

	Amount
For the year ending December 31 (\$ in thousands):	
2025 (remaining of the year)	\$ 25
2026	96
2027	103
2028	111
2029	34
Thereafter	245
Total	614
Less: current portion of notes payable	99
Long-term portion of notes payable	\$ 515

16. Warrant Liability

The Company issued approximately 265,000 warrants in 2019, 2020 and 2021 as equity issuance consideration, in connection with equity offerings of the Company's common stock. The warrants entitle the holder to purchase one share of our common stock at an exercise price equal to \$0.49 to \$5.25 per share at any time on or after their issuance date and on or prior to the close of business three to five years after the issuance date (the "Termination Date"). The Company determined that these warrants are free standing financial instruments that are legally detachable and separately exercisable from the common stock included in the public share offering. Management also determined that the warrants required classification as a liability pursuant to ASC 815, *Derivatives and Hedging*. In accordance with the accounting guidance, the outstanding warrants are recognized as a warrant liability on the balance sheet and are measured at their inception date fair value and subsequently re-measured at each reporting period with changes being recorded as a component of other income (expense) in the condensed consolidated statements of operations.

The warrants outstanding and fair values at each of the respective valuation dates are summarized below:

Warrant Liability	Warrants Outstanding	Fair Value per Share	Fair Value
Fair value as of 12/31/2024	57,777	\$ 2.05	\$ 118
Change in fair value of warrant liability	-		(112)
Fair value as of 9/30/2025	57,777	\$ 0.25	\$ 6

The following assumptions were used to calculate the warrant liability as of September 30, 2025 and 2024, respectively:

	2025
Exercise price	\$ 2.80 to \$5.25
Share price	\$ 2.44 to \$2.98
Volatility	52.78% to 79.26%
Risk-free interest rate	3.68 to 4.41%
Dividend yield	0.0%
Expected term	1 to 2.00 years

The warrant liabilities are considered Level 3 liabilities on the fair value hierarchy as the determination of fair value includes various assumptions about future activities and the Company's stock prices and historical volatility of guideline public companies as inputs.

17. Commitments and Contingencies

Partnership Advance

On July 14, 2025, the Company announced expanding its partnership with STADA Arzneimittel AG ("STADA"), a European leader in consumer health. The expansion included a \$1 million advance from STADA to the Company in non-dilutive capital to support product launches and marketing efforts under the Master Distribution Agreement between the parties and relates to the planned launch of digestive enzyme formulas and solutions targeting scars and stretch marks. As of September 30, 2025, the Company maintained \$920 thousand of the advance in partnership restricted cash related to the advance with \$920 thousand also classified as a current liability under partnership accrued advance. The advance is subject to contractual restrictions on use and will be applied against eligible project costs as incurred in accordance with the terms of the Master Distribution Agreement, as amended.

Litigation

The Company may be subject to legal proceedings and claims that arise in the ordinary course of business. Except as described in Part II, Item 1 "Legal Proceedings" of this Form 10-Q, management is not currently aware of any matters that will or may have a material effect on the financial position, results of operations, or cash flows of the Company.

18. Concentrations of Risk

The Company's revenues are concentrated in a small group of customers with some individually having more than 10% of total revenues.

For the nine months ended September 30, 2025, the Company had no revenue from customers that approximated 10% of total revenue. For the nine months ended September 30, 2024, the Company had revenue from one customer that approximated 10% of total revenue.

The Company had one customer with accounts receivable balances that was 50% of total accounts receivable as of September 30, 2025. The Company had four customers with accounts receivable balances that were 25%, 23%, 13% and 10% of total accounts receivable as of September 30, 2024.

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash, cash equivalents, restricted cash, and marketable securities. Cash balances are maintained principally at major U.S. financial institutions and are insured by the Federal Deposit Insurance Corporation ("FDIC") up to regulatory limits. As of September 30, 2025, there is no balance exceeding such limit. The Company has not experienced any credit losses associated with its cash balances in the past. The Company invests its cash equivalents in U.S. treasury bills with original maturities of three months or less.

Marketable securities are comprised of U.S. treasury bills with original maturities greater than three months. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash, cash equivalents, and marketable securities and performs periodic evaluations of the credit standing of such institutions.

19. Related Party Transactions

Accounts payable – related party

As of September 30, 2025 and December 31, 2024, the Company had outstanding balances of \$404 thousand and \$494 thousand, respectively, due to C.G. Laboratories, Inc., a related party. Additionally, as of September 30, 2025 and December 31, 2024, the Company had an outstanding balance of \$17 thousand and \$37 thousand due to the CEO of CG Labs. These balances primarily relate to transactions for contract manufacturing, packaging, and other services provided by CG Laboratories, Inc.

20. Subsequent Event

In accordance with ASC 855 "Subsequent Events", the Company evaluated subsequent events after September 30, 2025, through the date these Condensed Consolidated Financial Statements were issued and has no transactions or events requiring disclosure except as disclosed below.

On October 3, 2025, the Company incorporated Nexgel Australia Pty Ltd, a wholly-owned subsidiary, established to support international expansion initiatives.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis are intended to help prospective investors understand our business, financial condition, results of operations, liquidity and capital resources. You should read this discussion in conjunction with our condensed consolidated financial statements and related notes thereto included elsewhere in this information statement.

The statements in this discussion regarding industry outlook, expectations regarding our future performance, liquidity and capital resources and other non-historical statements are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in "Special Note Regarding Forward-Looking Statements." Actual results may differ materially from those contained in any forward-looking statements.

The NexGel Financial Statements, discussed below, reflect the NexGel financial condition, results of operations, and cash flows. The financial information discussed below and included in this information statement, however, may not necessarily reflect what the NexGel financial condition, results of operations, or cash flows would have been had NexGel been operated as a separate, independent entity during the years presented, or what the NexGel financial condition, results of operations, and cash flows may be in the future.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements," which include information relating to future events, future financial performance, strategies, expectations, competitive environment and regulation. Words such as "may," "should," "could," "would," "predict," "potential," "continue," "expect," "anticipate," "future," "intend," "plan," "believe," "estimate," and similar expressions, as well as statements in future tense, identify forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results and may not be accurate indications of when such performance or results will actually be achieved. Forward-looking statements are based on information we have when those statements are made or our management's good faith belief as of that time with respect to future events and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to:

- our ability to continue as a going concern;
- inadequate capital;
- inadequate or an inability to raise sufficient capital to execute our business plan;
- our ability to comply with current good manufacturing practices;
- loss or retirement of key executives;
- our plans to make significant additional outlays of working capital before we expect to generate significant revenues and the uncertainty regarding when we will begin to generate significant revenues, if we are able to do so;
- adverse economic conditions and/or intense competition;
- loss of a key customer or supplier;
- entry of new competitors;
- adverse federal, state and local government regulation;
- technological obsolescence of our manufacturing process and equipment;

- technical problems with our research and products;
- risks of mergers and acquisitions including the time and cost of implementing transactions and the potential failure to achieve expected gains, revenue growth or expense savings;
- price increases for supplies and components; and
- the inability to carry out our business plans.

For a discussion of these and other risks that relate to our business and investing in shares of our common stock, you should carefully review the risks and uncertainties described elsewhere in this Quarterly Report on Form 10-Q. The forward-looking statements contained in this Quarterly Report on Form 10-Q are expressly qualified in their entirety by this cautionary statement. We do not undertake any obligation to publicly update any forward-looking statement to reflect events or circumstances after the date on which any such statement is made or to reflect the occurrence of unanticipated events.

There may be other factors that may cause our actual results to differ materially from the forward-looking statements, including factors disclosed under the section titled and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this information statement. You should evaluate all forward-looking statements made in this information statement in the context of these risks and uncertainties.

No assurance can be given that any goal or plan set forth in any forward-looking statement can or will be achieved, and readers are cautioned not to place undue reliance on such statements which speak only as of the date they are made. We do not undertake any obligation to update or release any revisions to any forward-looking statement or to report any events or circumstances after the date of this information statement or to reflect the occurrence of unanticipated events, except as required by law.

Overview

We manufacture high water content, electron beam cross-linked, aqueous polymer hydrogels, or gels, used for wound care, medical diagnostics, transdermal drug delivery and cosmetics. We specialize in custom gels by capitalizing on proprietary manufacturing technologies. We have historically served as a contract manufacturer, supplying our gels to third parties who incorporate them into their own products. Beginning in 2020, we created two new lines of business for the Company. First, our own line of branded consumer products sold direct to consumers. Second, we expanded into custom and white label opportunities, which focuses on combining our gels with proprietary branded products and white label opportunities. All of our gel products are manufactured using proprietary and non-proprietary mixing, coating and cross-linking technologies. Together, these technologies enable us to produce gels that can satisfy rigid tolerance specifications with respect to a wide range of physical characteristics (e.g., thickness, water content, adherence, absorption, moisture vapor transmission rate [a measure of the passage of water vapor through a substance] and release rate) while maintaining product integrity. Additionally, we have the manufacturing ability to offer broad choices in the selection of liners onto which the gels are coated. Consequently, we and our customers are able to determine tolerances in moisture vapor transmission rate and active ingredient release rates while personalizing color and texture. In May 2023, we formed a joint venture with CG Laboratories, Inc. called CG Converting and Packaging, LLC, which is located in Granbury, Texas and of which we own a 50% interest, allowing us to expand our ability to deliver finished goods to our growing customer base.

We have four distinct lines of business; Contract Manufacturing, Custom & White Label, Consumer Branded Products, and Medical Devices/Other, which are described below.

Contract Manufacturing

Customers order rolls of gel (“rollstock”). The rollstock is shipped to our customers, which they package into finished goods. Historically, this was the Company’s primary source of revenue.

Custom & White Label

These products often infuse various ingredients into our base gel to develop unique product offerings to satisfy market demand (e.g. aloe infused into the gel for a beauty mask). The rollstock is converted and packaged into salable units. The finished goods are shipped to the customer, who is ultimately responsible for product distribution. Frequently these products started as development deals, in which the customer paid the Company a small fee to develop a specific product. Once completed, the customer places an order for newly developed product.

Consumer Branded Products

These products are finished goods marketed and sold directly to consumers by the Company through online and retail channels. We are responsible for sales, marketing, and distribution. The products we sell under our MedaGel brand primarily relate to healthcare over-the-counter (“OTC”) remedy solutions, such as blister and applications. In December 2023 we added a second consumer product brand when we completed the purchase of the Kenkoderm brand. The Kenkoderm skincare line was originally developed by a dermatologist to provide gentle to the skin products for consumer with psoriasis. In May 2024, we added our third consumer product brand with the purchase of the Silly George brand. Silly George is a beauty brand primarily focused on false eyelashes and other eye related products. We continue to look for additional potential acquisitions as part of our consumer product ‘roll-up’ strategy.

Medical Devices/Other

Medical Devices are a hybrid business, combining elements of Custom & White Label and Consumer Branded Products. Medical Devices, which are not yet marketed, are expected to be distributed through strategic partnerships. We will manufacture and possibly convert/package the device while the strategic partner brings the product to market. Small market Medical Devices could be launched by us, but also be offered to a distributor to reach the full scale of the market.

Other includes freight charged to customers who purchase the Company’s branded consumer products through their Shopify stores.

Results of Operations

The following sections discuss and analyze the changes in the significant line items in the accompanying condensed consolidated statements of operations for the comparison periods identified.

Comparison of the Three Months ended September 30, 2025 and 2024 (\$ in thousands)

Revenues, net.

For the three months ended September 30, 2025 revenues were \$2,934 and decreased by \$6, or 0.20%, when compared to \$2,940 for the three months ended September 30, 2024.

Gross profit (loss). Our gross profit was \$1,243 for the three months ended September 30, 2025 compared to a gross profit of \$1,155 for the three months ended September 30, 2024. The increase of \$88 in gross profit quarter over quarter was primarily due to the decrease in depreciation and amortization expense. Gross profit was 42.4% for the three months ended September 30, 2025 compared to a gross profit of 39.2% for the three months ended September 30, 2024.

The components of cost of revenues are as follows for the three months ended September 30, 2025 and 2024 (\$ in thousands):

	Three Months Ended September 30,	
	2025	2024
Cost of revenues		
Materials and finished products	\$ 1,186	\$ 1,250
Share-based compensation	5	10
Compensation and benefits	50	97
Depreciation and amortization	70	157
Commission and contract fees	169	127
Equipment, production and other expenses	211	144
Total cost of revenues	<u>\$ 1,691</u>	<u>\$ 1,785</u>

Cost of revenues decreased by \$94, or 5.2%, to \$1,691 for the three months ended September 30, 2025, as compared to \$1,785 for the three months ended September 30, 2024. The decrease in cost of revenues is primarily related to a decrease in depreciation and amortization expense.

Selling, general and administrative expenses. The following table highlights Selling, general and administrative expenses by type for the three months ended September 30, 2025 and 2024 (\$ in thousands):

	Three Months Ended September 30,	
	2025	2024
Selling, general and administrative expenses		
Compensation and benefits	\$ 406	\$ 239
Share-based compensation	200	143
Depreciation and amortization	42	27
Advertising, marketing, and Amazon fees	650	870
Investor and shareholder services	66	47
Franchise tax and corporate insurance	38	38
Professional and consulting fees	420	375
Other expenses and professional fees	139	204
Total selling, general and administrative expenses	<u>\$ 1,961</u>	<u>\$ 1,943</u>

Selling, general and administrative expenses increased by \$18 or 0.9%, to \$1,961 for the three months ended September 30, 2025, as compared to \$1,943 for the three months ended September 30, 2024. The increase in selling, general, and administrative expenses were attributable to increases in compensation and benefits, share-based compensation, professional and consulting fees, and investor and shareholder services, which was partly offset by a decrease in advertising, marketing and amazon fees and other expenses and professional fees.

Compensation and benefits increased by \$167, or 69.9%, to \$406 for the three months ended September 30, 2025, as compared to \$239 for the three months ended September 30, 2024. The number of employees increased compared to the prior period and officer compensation increased in conjunction with contract renewals.

Share-based compensation increased by \$57, or 39.8%, to \$200 for the three months ended September 30, 2025, as compared to \$143 for the three months ended September 30, 2024. The share-based compensation increase is related to the issuance of stock options and restricted awards to our officers, employees, board of directors, and advisors compared to the same prior year period.

Advertising, marketing, and Amazon fees decreased by \$170 or 20.7%, to \$650 for the three months ended September 30, 2025, as compared to \$820 for the three months ended September 30, 2024. The decrease primarily pertains to a concerted effort by the Company to rationalize advertising and maximize the return on investment.

Investor and shareholder services increased by \$19, or 40.4%, to \$66 for the three months ended September 30, 2025, as compared to \$47 for the three months ended September 30, 2024. The increase is due to an increase of investor services compared to the prior year period.

Franchise taxes and corporate insurance remained the same at \$38 for the three months ended September 30, 2025 and the three months ended September 30, 2024.

Professional and consulting fees increased by \$45, or 12.0%, to \$420 for the three months ended September 30, 2025, as compared to \$375 for the three months ended September 30, 2024. We continued to incur accounting and consulting fees associated with public company governance requirements.

Other expenses increased by \$66, or 32.4%, to \$138 for the three months ended September 30, 2025 from \$204 for the three months ended September 30, 2024. Other selling, general and administrative expenses generally consist of costs associated with our selling efforts and general management, including information technology, travel, training and recruiting.

Research and development expenses. Research and development expenses were \$7 and \$0 for the three months ended September 30, 2025 and 2024, respectively.

Comparison of the Nine Months ended September 30, 2025 and 2024 (in thousands)

Revenues, net

For the nine months ended September 30, 2025, revenues were \$8,625 and increased by \$2,978, or 52.7%, when compared to \$5,647 for the nine months ended September 30, 2024. The increase in our overall revenues was primarily due to sales growth in our branded consumer products, as the prior year period included gross revenue for a partial year from Silly George from May 15, 2024 through September 30, 2025.

Gross profit. Our gross profit was \$3,690 for the nine months ended September 30, 2025, compared to a gross profit of \$1,674 for the nine months ended September 30, 2024. The increase of \$2,016 in gross profit recorded for the nine months ended September 30, 2025, as compared to the nine months ended September 30, 2024, was primarily due to increase in branded consumer products. Gross profit was approximately 42.8% for the nine months ended September 30, 2025, compared to a gross profit of 29.6% for the nine months ended September 30, 2024.

The components of cost of revenues are as follows for the nine months ended September 30, 2025 and 2024 (\$ in thousands):

	Nine Months Ended September 30,	
	2025	2024
Cost of revenues		
Materials and finished products	\$ 3,460	\$ 2,537
Share based compensation	15	15
Compensation and benefits	258	432
Depreciation and amortization	211	218
Commissions and contract fees	455	295
Equipment, production, and other expenses	536	476
Total cost of revenues	<u>\$ 4,935</u>	<u>\$ 3,973</u>

[Table of Contents](#)

Cost of revenues increased by \$962, or 24.2%, to \$4,935 for the nine months ended September 30, 2025, as compared to \$3,973 for the nine months ended September 30, 2024. The increase in cost of revenues pertains to an increase in materials and finished products. The increase in cost of revenues is primarily aligned with sales of branded consumer products and the acquisition of Silly George in the prior year period which increased by 333%.

Selling, general, and administrative expenses. The following table highlights selling, general, and administrative expenses by type for the nine months ended September 30, 2025 and 2024 (\$ in thousands):

	Nine Months Ended September 30,	
	2025	2024
Selling, general, and administrative expenses		
Compensation and benefits	\$ 1,149	\$ 743
Share-based compensation	484	246
Depreciation and amortization	126	110
Advertising, marketing, and Amazon fees	1,913	1,398
Investor and shareholder services	242	197
Franchise tax and corporate insurance	102	118
Professional and consulting fees	1,347	1,140
Other expenses	457	357
Total selling, general and administrative expenses	<u>\$ 5,820</u>	<u>\$ 4,309</u>

Selling, general, and administrative expenses increased by \$1,511, or 35.1%, to \$5,820 for the nine months ended September 30, 2025, as compared to \$4,309 for the nine months ended September 30, 2024. The increase in selling, general, and administrative expenses is attributable to increased Compensation and benefits and Advertising, marketing and Amazon fees. The number of employees increased compared to the prior period and officer compensation increased in conjunction with contract renewals. The increase in Advertising, marketing and Amazon fees directly correlates to our growth in branded consumer products.

Compensation and benefits increased by \$406, or 54.6%, to \$1,149 for the nine months ended September 30, 2025, as compared to \$743 for the nine months ended September 30, 2024. The number of employees increased compared to the prior period and officer compensation increased in conjunction with contract renewals.

Share-based compensation increased by \$238, or 96.7%, to \$484 for the nine months ended September 30, 2025, as compared to \$246 for the nine months ended September 30, 2024. The increase related to the issuance of stock options and restricted awards to our officers, employees, board of directors, and advisors.

Advertising, marketing, and Amazon fees increased by \$515 or 36.8%, to \$1,913 for the nine months ended September 30, 2025, as compared to \$1,398 for the nine months ended September 30, 2024. The increase is due to the increased Amazon selling fees and increase in advertising and marketing attributable to promoting Kenkoderm and Silly George.

Investor and shareholder services increased by \$45 or 22.8%, to \$242 for the nine months ended September 30, 2025, as compared to \$197 for the nine months ended September 30, 2024. The increase is due to a net increase of investor services compared to the prior year period.

Franchise taxes and corporate insurance decreased by \$16 or 13.6%, to \$102 for the nine months ended September 30, 2025, as compared to \$118 for the nine months ended September 30, 2024. In the prior year period, a non-recurring adjustment resulted in a decrease in franchise taxes.

Professional and consulting fees increased by \$207 or 18.2% to \$1,347 for the nine months ended September 30, 2025, as compared to \$1,140 for the nine months ended September 30, 2024. We continued to incur accounting and consulting fees associated with public company governance requirements. Additionally, we incurred significant expenses related to our European Medical Device Regulation project in preparation for entering European markets.

Other expenses increased by \$100, or 28.0%, to \$457 for the nine months ended September 30, 2025 from \$357 for the nine months ended September 30, 2024. Other selling, general and administrative expenses generally consist of normal costs associated with our selling efforts and general management, including information technology, travel, training and recruiting.

Research and development expenses. Research and development expenses decreased by \$70, or 89.7% to \$8 for the nine months ended September 30, 2025 from \$78 for the nine months ended September 30, 2024. Research and development expenses are related to research costs incurred for potential products for existing or new customers.

Liquidity and Capital Resources (\$ in thousands)

Cash Flow (in thousands)

	September 30, 2025	September 30, 2024
Net cash used in operating activities	\$ (1,592)	\$ (3,008)
Net cash used in investing activities	(28)	(712)
Net cash provided by financing activities	1,671	2,079
Net increase (decrease) in cash and cash equivalents	51	(1,641)
Cash and cash equivalents at beginning of year	1,807	2,700
Cash and cash equivalent, and restricted cash at end of quarter	<u>\$ 1,858</u>	<u>\$ 1,059</u>

As of September 30, 2025, we had \$938 of cash and cash equivalents and \$920 in restricted cash, compared to \$1,807 of cash and cash equivalents at December 31, 2024. Net cash used in operating activities was \$1,592 and \$3,008 for the nine months ended September 30, 2025 and 2024, respectively.

Net cash used in investing activities was \$28 and net cash used in investing activities was \$712 for the nine months ended September 30, 2025 and 2024, respectively, consisting of purchases of capital equipment of \$28 for the nine months ending September 30, 2025 and consisting of the sales of marketable securities of \$62, the purchase of capital equipment of \$374 and the acquisition of \$400 for nine months ended September 30, 2024.

Net cash used in financing activities for the nine months ended September 30, 2025 was \$1,671 is attributable to the proceeds from rights offerings and stock issuances of \$963, proceeds from STADA of \$1,000, offset by principal payments of notes payable of \$71, principal payments of financing lease liabilities of \$43, and payment of contingent consideration of \$178.

Net cash provided by financing activities for the nine months ended September 30, 2024 was \$2,079 consisting of net proceeds from the February Offering and August Offering of \$1,950, an investment of \$37 by a joint venture partner, and from the margin line of credit of \$345, offset by principal payments of notes payable of \$36, a change in contingent consideration liability of \$164, and by principal payment on financing lease liability of \$53.

At September 30, 2025, current assets totaled \$5,602 and current liabilities totaled \$3,308, as compared to current assets totaling \$5,114 and current liabilities totaling \$2,470 at December 31, 2024. As a result, we had working capital of \$2,294 at September 30, 2025, compared to a working capital of \$2,644 at December 31, 2024. The change in the working capital as of September 30, 2025 is primarily attributable to the loss from operations of \$2,138.

We have never declared or paid any cash dividends on our common stock. For the foreseeable future, we anticipate that all available funds and any earnings generated in our business will be used to finance the growth of our business and will not be paid out as dividends to our shareholders. Any future determination related to our dividend policy will be made at the discretion of our Board of Directors and will depend upon, among other factors, our results of operations, financial condition, capital requirements, contractual restrictions, business prospects and other factors our Board of Directors may deem relevant.

Management is exploring new product channel sales in consumer products, such as cosmetics, athletic products, and proprietary medical devices. The Company has increased its focus on sales and the develop of a sales pipeline for potential customers. This customer base expansion will enable us to provide financial stability for the foreseeable future, expand our current processes, and position us for long-term shareholder value creation.

Our recent August Financing provides working capital necessary to continue our strategic objectives (see Note 13). We intend to maintain and attempt to grow our existing contract manufacturing business. We also plan to continue building and developing our catalogue of consumer products for sale to branding partners and to use our in-house capabilities to create and test market additional branded products. These products will be target marketed and sold online through social media, television and online marketplaces. Furthermore, the Company plans to develop its own proprietary medical devices and explore drug delivery programs for its technology. Additionally, the Company continues to evaluate strategic initiatives (e.g., acquisitions) and additional capital raises through debt or equity may be necessary to achieve these objectives.

We expect to continue incurring losses for the near-term future. Our ability to continue to operate as a going concern in the long term is dependent upon our ability to manage and grow our current products and to ultimately achieve profitable operations. Management may consider various options to raise capital to fund potential acquisitions through equity or debt offerings. There can be no assurances, however, that management will be able to obtain sufficient additional funds, if needed, or that such funds, if available, will be obtained on terms satisfactory to us. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary should we be unable to continue as a going concern.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions, including the recoverability of long-lived assets.

Off Balance Sheet Arrangements

As of September 30, 2025, we had no off-balance sheet arrangements in the nature of guarantee contracts, retained or contingent interests in assets transferred to entities (or similar arrangements serving as credit, liquidity or market risk support to entities for any such assets), or obligations (including contingent obligations) arising out of variable interests in entities providing financing, liquidity, market risk or credit risk support to us, or that engage in leasing, hedging or research and development services with us.

Critical Accounting Policies and Estimates

The preparation of our accompanying condensed consolidated financial statements in accordance with generally accepted accounting principles is based on the selection and application of accounting policies that require us to make significant estimates and assumptions about the effects of matters that are inherently uncertain. We consider the accounting policies discussed below to be critical to the understanding of our Financial Statements. Actual results could differ from our estimates and assumptions, and any such differences could be material to our Financial Statements.

Share-based compensation – We utilize share-based compensation in the form of incentive stock options. The fair values of incentive stock option award grants are estimated as of the date of grant using a Black-Scholes option valuation model. Compensation expense is recognized in the statements of operations on a straight-line basis over the requisite service period, which is generally the vesting period required to obtain full vesting. The expected term of the awards granted is estimated using the simplified method which computes the expected term as the sum of the award's vesting term plus the original contractual term divided by two.

Warrant Liability – Warrants to purchase common stock were issued in connection with equity financing raises which occurred during 2019 through 2024. The fair values of the warrants are estimated as of the date of issuance and again at each year end using a Black-Scholes option valuation model. At issuance, the fair value of the warrant is recognized as an equity issuance cost within additional paid-in-capital. Fair value adjustments to the warrant liability are recognized in other income (expense) in the statements of operations. The expected term of the awards granted are based on either the three-year or five-year contractual expiration date.

Black Scholes Inputs - The fair value of each stock option award and warrant issued was estimated on the date of grant using a Black-Scholes option-valuation model, which requires management to make certain assumptions regarding: (i) fair value of the common stock that underlies the stock option; (ii) the expected volatility in the market price of our common stock; (iii) dividend yield; (iv) risk-free interest rates; and (iv) the period of time employees are expected to hold the award prior to exercise (referred to as the expected term). Under the Black-Scholes option-valuation model, entities typically estimate the expected volatility based on historical volatilities of the entity's own common stock. Based on the lack of historical data of volatility for the Company's common stock, the Company based its estimate of expected volatility on a weighted average of the historical volatility of comparable public companies that manufacture similar products and are similar in size, stage of life cycle, and financial leverage. The fair value of the common stock that underlies the stock option is estimated by the Company considering the price of the most recent issuance of the Company's common stock. The dividend yield is based upon the assumption that the Company will not declare a dividend over the life of the options. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for bonds with maturities consistent with the expected term of the related award.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures.

As of September 30, 2025, we conducted an evaluation of the effectiveness of our "disclosure controls and procedures" ("Disclosure Controls"), as defined by Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Disclosure Controls evaluation was done under the supervision and with the participation of management, including our chief executive officer and chief financial officer. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon this evaluation, our chief executive officer and chief financial officer have concluded that our Disclosure Controls and Procedures were not effective as of September 30, 2025, due to material weaknesses in our internal control over financial reporting, which are described below.

Specifically, management has concluded that its internal control over financial reporting was not effective as of September 30, 2025 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America due to not maintaining proper segregation of duties, including: (i) we have not designed controls to ensure all accounting journals entries are reviewed and approved and (ii) we have one individual in our accounting department who has "super user" access and security administration rights to the financial reporting systems. To remediate these material weaknesses, we are working to do the following: (i) implementing appropriate controls for accounting journal entry approvals, including the approval of our chief financial officer, and (ii) either actively monitoring any accounting user with elevated rights or assigning another employee outside of an accounting and reporting role with elevated access. We will not be able to fully remediate the material weakness until the actions discussed above have been implemented and operated effectively for a sufficient period of time. .

Additionally, we have not designed controls to ensure the financial reporting process is operating effectively. We noted improper fair value adjustments to contingent consideration, failure to record adequate inventory reserves and various balance sheet accounts not being properly reconciled. We intend to design controls to ensure the financial information is accurate, complete, and recorded in the correct period.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the fiscal quarter ended September 30, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On April 9, 2025, we filed a Complaint for Declaratory Judgment against Kiss Nail Products, Inc. (“Kiss Nail Products”) in the United States District Court for the Eastern District of Pennsylvania (*NexGel, Inc. v. Kiss Nails Products, Inc.*). The dispute relates a takedown notice sent by Kiss Nail Products to Amazon.com claiming that our ready-to-use eyelash extension products sold under our Silly George brand violate a United States patent owned by Kiss Nail Products. Based on advice from our patent legal counsel, we believe the patent owned by Kiss Nails Products is invalid and expect to prevail in our action for declaratory judgment to declare the patent invalid. However, if we are unable to prevail in our action, certain of our ready-to-use eyelash extension products may be removed from Amazon.com, which would result in a material adverse effect to our business and financial results.

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. Except as described above, we are currently not aware of any such legal proceedings or claims.

There are no material proceedings in which any of our directors, officers or affiliates or any registered or beneficial shareholder of more than 5% of our common stock is an adverse party or has a material interest adverse to our interest.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our 2024 Annual Report on Form 10-K, which could materially affect our business, financial condition or future results. There have been no material changes during fiscal year 2025 to the risk factors that were included in the Form 10-K.

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

(a) Sales of Unregistered Securities during the nine months ended September 30, 2025

The Company did not sell any unregistered securities during the nine months ended September 30, 2025.

(b) Issuer Repurchases of Securities during the nine months ended September 30, 2025

The Company did not repurchase any of its securities during the nine months ended September 30, 2025.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Trading Plans.

During the quarter ended September 30, 2025, no director or officer of the Company adopted, modified or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS

See “Index to Exhibits” for a description of our exhibits.

Index to Exhibits

Exhibit No.	Description
3.1	Certificate of Incorporation of AquaMed Technologies, Inc. (incorporated by reference to Exhibit 3.1 to Form S-1, filed with the SEC on January 9, 2019).
3.2	Certificate of Amendment to Certificate of Incorporation of AquaMed Technologies, Inc. (incorporated by reference to Exhibit 3.2 to Form S-1, filed with the SEC on January 9, 2019).
3.3	Amended and Restated Certificate of Incorporation of AquaMed Technologies, Inc. (incorporated by reference to Exhibit 3.3 to Amendment No. 1 to Form S-1, filed with the SEC on March 12, 2019).
3.4	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of AquaMed Technologies, Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K, filed with the SEC on November 14, 2019).
3.5	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of NexGel, Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K, filed with the SEC on May 29, 2020).
3.6	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of NexGel, Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K, filed with the SEC on August 5, 2021).
3.7	Amended and Restated Bylaws of AquaMed Technologies, Inc. (incorporated by reference to Exhibit 3.5 to Amendment No. 1 to Form S-1, filed with the SEC on March 12, 2019).
31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer Pursuant to Section 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer Pursuant to Section 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following materials from the Company’s Quarterly Report on Form 10-Q for the fiscal quarter September 30, 2025, formatted in iXBRL (Inline eXtensible Business Reporting Language), (i) Balance Sheets, (ii) Statements of Operations, (iii) Statements of Stockholders’ Equity, (iv) Statements of Cash Flows, and (v) Notes to the Financial Statements.
104*	Cover Page Interactive Data File (Embedded within the Inline XBRL document and included in Exhibit).

* Filed herewith.

** Certain exhibits and schedules have been omitted and the Company agrees to furnish supplementary to the Securities and Exchange Commission a copy of any omitted exhibits upon request.

SIGNATURES

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

Date: November 12, 2025

NEXGEL, INC.

By: /s/ Adam Levy
Name: Adam Levy
Title: Chief Executive Officer
(Principal Executive Officer)

By: /s/ Joseph F. McGuire
Name: Joseph F. McGuire
Title: Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULES 13a-14(A) AND 15d-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Adam Levy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of NexGel, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in 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 subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 12, 2025

By: /s/ Adam Levy
Adam Levy
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULES 13a-14(A) AND 15d-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Joseph F. McGuire, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of NexGel, 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 subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2025

By: /s/ Joseph F. McGuire
Joseph F. McGuire
Chief Financial Officer
(Principal Financial Officer)

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

This certification is furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) and accompanies the Quarterly Report on Form 10-Q (the "Form 10-Q") for the nine months ended September 30, 2025, of NexGel, Inc. (the "Company"). I, Adam Levy, the Chief Executive Officer and Principal Executive Officer of the Company, certify that, based on my knowledge:

- (1) The Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in this report.

Date: November 12, 2025

By: /s/ Adam Levy

Name: Adam Levy

Title: Chief Executive Officer
(Principal Executive Officer)

The foregoing certification is being furnished as an exhibit to the Form 10-Q pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and, accordingly, is not being filed as part of the Form 10-Q for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

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

This certification is furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) and accompanies the Quarterly Report on Form 10-Q (the "Form 10-Q") for nine months ended September 30, 2025 of NexGel, Inc. (the "Company"). I, Joseph F. McGuire, the Chief Financial Officer and Principal Financial Officer of the Company, certify that, based on my knowledge:

- (1) The Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in this report.

Date: November 12, 2025

By: /s/ Joseph F. McGuire

Name: Joseph F. McGuire

Title: Chief Financial Officer
(Principal Financial Officer)

The foregoing certification is being furnished as an exhibit to the Form 10-Q pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and, accordingly, is not being filed as part of the Form 10-Q for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.
