

**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: **March 31, 2026**

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 May 13, 2026 the registrant had 9,131,055 shares of common stock outstanding.

NEXGEL, INC.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NEXGEL, INC
CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2026 AND DECEMBER 31, 2025
(Unaudited)

(in thousands, except share and per share data)

	March 31, 2026	December 31, 2025
ASSETS:		
Current Assets:		
Cash	\$ 208	\$ 317
Restricted cash	1,914	741
Accounts receivable, net	662	673
Inventory, net	2,263	2,111
Prepaid expenses and other current assets	591	496
Total current assets	5,638	4,338
Goodwill	1,128	1,128
Intangibles, net	655	681
Property and equipment, net	1,891	1,955
Operating lease - right of use asset	1,942	2,015
Investment in NexGelRx	249	249
Other assets	95	95
Total assets	<u>\$ 11,598</u>	<u>\$ 10,461</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 1,202	\$ 723
Accounts payable - related party	604	566
Accrued expenses and other current liabilities	428	462
Current portion of note payable	100	99
Partnership accrued advance	596	731
Current portion of finance lease liability	65	65
Current portion of operating lease liability	319	310
Total current liabilities	3,314	2,956
Operating lease liabilities, net of current portion	1,801	1,883
Financing lease liability, net of current portion	226	242
Convertible notes payable	1,312	-
Notes payable, net of current portion	463	489
Total liabilities	7,116	5,570
Commitments and Contingencies (Note 16)	-	-
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; 8,475,693 and 8,143,133 shares issued and outstanding as of March 31, 2026 and December 31, 2025, respectively	8	8
Additional paid-in capital	25,909	25,447
Accumulated deficit	(21,923)	(20,996)
Total NexGel stockholders' equity	3,994	4,459
Non-controlling interest in joint venture	488	432
Total stockholders' equity	4,482	4,891
Total liabilities and stockholders' equity	<u>\$ 11,598</u>	<u>\$ 10,461</u>

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

NEXGEL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025
(Unaudited)
(in thousands, except share and per share data)

	Three Months Ended	
	March 31,	
	2026	2025
Revenues, net	\$ 2,650	\$ 2,806
Cost of revenues	1,589	1,618
Gross margin	1,061	1,188
Operating expenses:		
Research and development	-	1
Selling, general and administrative	2,019	1,964
Total operating expenses	2,019	1,965
Loss from operations	(958)	(777)
Other income (expense):		
Interest income (expense), net	(42)	(21)
Changes in fair value of warrant liability and warrant modification expense	—	91
Other expense	(6)	(39)
Other income	135	68
Total other income (expense), net	87	99
Loss before income taxes	(871)	(678)
Income tax expense	—	—
Net loss	(871)	(678)
Less: Income attributable to non-controlling interest in joint venture	(56)	(34)
Net loss attributable to NexGel stockholders	\$ (927)	\$ (712)
Net loss per common share - basic	\$ (0.11)	\$ (0.09)
Net loss per common share - diluted	\$ (0.11)	\$ (0.09)
Weighted average shares used in computing net loss per common share - basic	8,204,205	7,645,311
Weighted average shares used in computing net loss per common share – diluted	8,204,205	7,645,311

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

NEXGEL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025
(Unaudited)
(in thousands, except share data)

	Common Stock		Additional Paid-in Capital	Non- controlling Interest	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance, January 1, 2026	8,143,133	\$ 8	\$ 25,447	\$ 432	\$ (20,996)	\$ 4,891
Restricted stock issuances	20,325	—	143	—	—	143
Issuance of securities for the conversion of convertible notes payable and accrued interest	312,235	—	319	—	—	319
Net income (loss)	—	—	—	56	(927)	(871)
Balance, March 31, 2026	<u>8,475,693</u>	<u>\$ 8</u>	<u>\$ 25,909</u>	<u>\$ 488</u>	<u>\$ (21,923)</u>	<u>\$ 4,482</u>
	Common Stock		Additional Paid-in Capital	Non- controlling Interest	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance, January 1, 2025	7,638,497	\$ 8	\$ 23,743	\$ 325	\$ (17,996)	\$ 6,080
Share-based compensation	6,458	—	95	—	—	95
Restricted stock issuances	9,082	—	71	—	—	71
Net income (loss)	—	—	—	34	(712)	(678)
Balance, March 31, 2025	<u>7,654,037</u>	<u>\$ 8</u>	<u>\$ 23,909</u>	<u>\$ 359</u>	<u>\$ (18,708)</u>	<u>\$ 5,568</u>

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

NEXGEL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025
(Unaudited)
(in thousands)

	Three Months Ended March 31,	
	2026	2025
Operating Activities		
Net loss	\$ (871)	\$ (678)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	99	114
Share-based compensation and restricted stock vesting	143	166
Changes in fair value of warrant liability and warrant modification expense	—	(91)
Amortization of right-of-use asset	73	58
Amortization of debt discount	11	—
Changes in operating assets and liabilities:		
Accounts receivable, net	11	7
Inventory	(152)	(95)
Prepaid expenses and other assets	(95)	(153)
Accounts payable	479	219
Accounts payable – related party	38	(32)
Accrued expenses and other current liabilities	(32)	24
Partnership advance	(135)	—
Operating lease liability	(73)	(46)
Deferred revenue	—	107
Net Cash Used in Operating Activities	(504)	(400)
Investing Activities		
Capital expenditures	(9)	—
Net Cash Used in Investing Activities	(9)	—
Financing Activities		
Proceeds from convertible notes payable, net	1,618	—
Payment of contingent consideration	—	(178)
Principal payment on financing lease liability	(16)	(14)
Principal payments of notes payable	(25)	(23)
Net Cash Provided by (Used in) Financing Activities	1,577	(215)
Net Increase (Decrease) in Cash *	1,064	(615)
Cash and restricted cash – Beginning of period	1,058	1,807
Cash and restricted cash – End of period	<u>\$ 2,122</u>	<u>\$ 1,192</u>
(*) \$109 relates to decrease in cash and \$1,173 relates to increase in restricted cash		
Supplemental Disclosure of Cash Flows Information		
Cash paid during the year for:		
Interest	\$ 15	\$ 18
Taxes	\$ —	\$ —
Supplemental Non-cash Investing and Financing activities		
Issuance of securities for the conversion of convertible notes payable and accrued interest	<u>\$ 319</u>	<u>\$ —</u>

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.

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 and footnotes of NexGel have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial information and the instructions to Rule 10-01 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 unaudited condensed consolidated 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, 2026. These condensed consolidated 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, 2025.

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and the fifty percent (50%) owned CGN JV (see Note 5).

License and Acquisition of Celularity, Inc.’s Portfolio of Commercial-stage Regenerative Biomaterials

On March 6, 2026, the Company entered into an Asset Purchase and Exclusive License Agreement (the “Original License Agreement”) with Celularity Inc. (“Celularity”), pursuant to which Celularity agreed to grant to the Company an exclusive license to Celularity’s commercial-stage regenerative biomaterials portfolio and certain development-stage programs and to sell to the Company assets related to the portfolio (collectively, the “Celularity Transaction”).

On April 17, 2026, the Company and Celularity entered into Amendment No. 1 to the Original License Agreement (as amended, the “License Agreement”) and concurrently closed the Celularity Transaction.

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Pursuant to the License Agreement, in full consideration for the grant of rights and the transfer of assets, the Company agreed to pay or deliver to Celularity aggregate upfront consideration of \$13,300,000, consisting of (i) an \$8,300,000 cash payment, paid at closing, and (ii) an unsecured convertible promissory note in the original principal amount of \$5,000,000 (the “Celularity Note”). The Celularity Note bears interest at 10% per annum, matures on the eighteen-month anniversary of issuance and is convertible into shares of common stock at an initial conversion price of \$0.60 per share, subject to adjustment, on terms substantially identical to the Notes (as defined below). In connection with the Celularity Note, the Company issued warrants to purchase an aggregate of 4,166,667 shares of common stock, on substantially the same terms as the Warrants (as defined below). In addition, the Company is obligated to make up to \$17,500,000 in contingent milestone payments to Celularity upon the achievement of specified commercial milestones under the License Agreement.

April and May 2026 Private Placement

On or about April 17, 2026, in connection with the closing of the Celularity Transaction, the Company entered into a Securities Purchase Agreement (the “April Purchase Agreement”) with certain accredited investors and issued (i) unsecured convertible promissory notes (the “Notes”) in an aggregate original principal amount of \$7,375,000 and (ii) warrants (the “Warrants”) to purchase an aggregate of 6,145,833 shares of common stock, for aggregate gross proceeds to the Company of \$7,375,000.

The Notes bear interest at 10% per annum, mature on the eighteen-month anniversary of issuance and are convertible into shares of common stock at an initial conversion price of \$0.60 per share, subject to customary adjustments and to a downward reset on the twelve-month anniversary of issuance and on the maturity date based on the volume-weighted average prices of the common stock during specified measurement periods. The Warrants have an exercise price of \$0.80 per share, subject to customary adjustments, and expire on the five-year anniversary of issuance.

On or about May 11, 2026, the Company issued additional Notes in an aggregate original principal amount of \$1,210,000 and additional Warrants to purchase an aggregate of 1,008,334 shares of common stock, on substantially the same terms as those issued under the April Purchase Agreement, for aggregate gross proceeds to the Company of \$1,210,000.

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 March 31, 2026, the Company had an unrestricted cash balance of \$0.2 million. For the three months ended March 31, 2026, the Company incurred a net loss of \$927 thousand and had a net usage of cash in operating activities of \$504 thousand. These conditions raise substantial doubt about the Company’s ability to continue as a going concern.

In April of 2026, the Company raised \$7.0 million to be used for the Celularity Transaction. We expect this acquired business to contribute positive operating cash flows, improve liquidity, and support ongoing operations.

In addition, management continues to explore 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.

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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 our current business activities, 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 doubtful accounts, inventory reserves, deferred taxes and related valuation allowances, share-based compensation 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 and Silly George acquisitions.

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

Cash, Cash Equivalents and Restricted Cash

Cash is comprised of cash in banks. The Company considers 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 to be cash equivalents. As of March 31, 2026 and December 31, 2025, the Company had no cash equivalents.

The Company also maintains restricted cash under a Partnership Agreement (see Note 16). As of March 31, 2026, restricted cash totaled \$1.9 million, 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 and restricted cash as presented in the condensed consolidated statements of cash flows.

	March 31, 2026	March 31, 2025
Cash	\$ 208	\$ 1,192
Restricted cash	1,914	-
Total cash and restricted cash shown in the statement of cash flows	<u>\$ 2,122</u>	<u>\$ 1,192</u>

Reclassifications

Certain prior year amounts in the consolidated financial statements and accompanying footnotes have been reclassified to conform to the current year presentation. Specifically, deferred revenue was combined with accrued expenses and other current liabilities in the consolidated balance sheet as of December 31, 2025. In addition, the Company separately presented the amortization of the right-of-use asset and the reduction of the operating lease liability within the condensed consolidated statements of cash flows for the three months ended March 31, 2025. These reclassifications had no effect on previously reported total assets, total liabilities, stockholders’ equity, or net loss.

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 \$9 thousand as of March 31, 2026 and December 31, 2025.

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 reserve recorded against inventories was \$250 thousand and \$271 thousand as of March 31, 2026 and December 31, 2025, respectively.

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.

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.

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 \$27 thousand and \$45 thousand of prepaid insurance, and \$564 thousand and \$451 thousand general prepaid expenses and other current assets as of March 31, 2026 and December 31, 2025, respectively.

Other Assets

Other assets are recorded at historical costs, and as of March 31, 2026 and December 31, 2025, 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, 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.

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In 2025, the Company estimated the fair value of its investment in NexGelRX to be \$249 thousand using Level 2 inputs. In addition, the Company has elected to use the measurement alternative for its investment in NexGelRX since it has no readily determinable fair market value, and will report the investment at costs, adjusted for impairments or any observable price changes in ordinary transactions with identical or similar investments.

Warrant Liability

Warrants to purchase common stock were issued in connection with equity financing raises, which occurred during 2019 through 2025. The fair values of the warrants are estimated as of the date of issuance and again at each reporting period 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 consolidated statements of operations. The Company had no warrant liabilities as of March 31, 2026 or December 31, 2025.

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 consolidated statements of changes in stockholders' equity and consolidated balance sheets. Warrants classified as equity are initially measured at fair value using a Black-Scholes option valuation model. 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 340-40, *Other Assets and Deferred Cost*, 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 three sources: contract manufacturing, custom and white label finished goods manufacturing ("Custom and white label"), and our branded consumer products. 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.

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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	
	March 31,	
	2026	2025
Contract manufacturing	\$ 916	\$ 948
Custom and white label finished goods manufacturing	-	-
Consumer branded products	1,621	1,782
Medical devices/other	113	76
Total	<u>\$ 2,650</u>	<u>\$ 2,806</u>

The Company has four distinct lines of business; Contract Manufacturing, Custom and 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 has been the Company’s primary source of revenue.

Custom and 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 15 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, non-qualified 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 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 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 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.

Accounting Pronouncements Issued But Not Yet Adopted

In December 2025, the FASB issued ASU 2025-12, *Codification Improvements* to make improvements to the Codification arising from technical corrections, unintended application of the Codification, and clarifications. For all entities, the amendments in this Update are effective for annual reporting periods beginning after *December 15, 2026*, including interim periods within those annual reporting periods. Early adoption is permitted. The Company is currently evaluating the impact this new guidance will have on its financial statements and disclosures.

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.

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. The Company has identified its Chief Executive Officer as the CODM. 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 each of the quarters ended March 31, 2026 and 2025 is presented below.

For Quarter Ended March 31, 2026 (\$ in thousands)

	<u>NexGel</u>	<u>CGN JV</u>	<u>Total</u>
Revenues, net	\$ 1,945	\$ 705	\$ 2,650
Cost of revenues	1,154	435	1,589
Advertising, marketing and amazon fees	635	-	635
General and administrative	1,239	145	1,384
Total Selling, general and administrative	<u>1,874</u>	<u>145</u>	<u>2,019</u>
Research and development	-	-	-
Operating expenses	<u>1,874</u>	<u>145</u>	<u>2,019</u>
Income (loss) from operations	<u>\$ (1,083)</u>	<u>\$ 125</u>	<u>\$ (958)</u>

For Quarter Ended March 31, 2025 (\$ in thousands)

	<u>NexGel</u>	<u>CGN JV</u>	<u>Total</u>
Revenues, net	\$ 1,998	\$ 808	\$ 2,806
Cost of revenues	1,043	575	1,618
Advertising, marketing and amazon fees	641	-	641
General and administrative	1,185	138	1,323
Total Selling, general and administrative	<u>1,826</u>	<u>138</u>	<u>1,964</u>
Research and development	1	-	1
Operating expenses	<u>1,827</u>	<u>138</u>	<u>1,965</u>
Income (loss) from operations	<u>\$ (872)</u>	<u>\$ 95</u>	<u>\$ (777)</u>

Summarized total assets for the Company's reportable segments as of March 31, 2026 and December 31, 2025 are presented below:

As of March 31, 2026 (\$ in thousands)

	<u>NexGel</u>	<u>CG Labs</u>	<u>Total</u>
Total Assets	<u>\$ 7,902</u>	<u>\$ 3,696</u>	<u>\$ 11,598</u>

As of December 31, 2025 (\$ in thousands)

	<u>NexGel</u>	<u>CG Labs</u>	<u>Total</u>
Total Assets	<u>\$ 6,777</u>	<u>\$ 3,684</u>	<u>\$ 10,461</u>

5. Variable Interest Entities*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 and we meet the power and the economics criteria.

The following table presents the assets and liabilities of the CGN JV, included in the condensed consolidated balance sheet as of March 31, 2026 and December 31, 2025. 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. .

	March 31, 2026	December 31, 2025
ASSETS		
Current Assets:		
Cash	\$ 63	\$ 94
Accounts receivable, net	552	519
Inventory	913	841
Prepaid expenses and other current assets	20	11
Total current assets	1,548	1,465
Intangibles, net	16	32
Property and equipment, net	1,279	1,314
Operating lease - right of use asset	853	873
Total assets	\$ 3,696	\$ 3,684
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 103	\$ 87
Accounts payable – related party	482	477
Accrued expenses and other current liabilities	1	1
Current portion of note payable	94	93
Finance lease liability, short term	65	65
Operating lease liability, current portion	84	84
Total current liabilities	829	807
Operating lease liability, net of current portion	768	790
Finance lease liability, long term	226	242
Notes payable, net of current portion	203	228
Total liabilities	\$ 2,026	\$ 2,067

The amounts above represent the assets and liabilities of the VIE described above, for which we are the primary beneficiary. The assets of the CGN JV consolidated VIE can only be used to settle the obligations of the VIE. All of the liabilities are non-recourse to us as of March 31, 2026 and December 31, 2025.

6. 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 2025.

The following table presents information about the amount and timing of the liability arising from the Company's operating lease as of March 31, 2026 (\$ in thousands):

Maturity of Lease Liability	Operating Lease Liability
2026	\$ 276
2027	374
2028	381
2029	388
2030	395
Thereafter	481
Total undiscounted operating lease payments	2,295
Less: Imputed interest	(175)
Present value of operating lease liability	<u>\$ 2,120</u>

Total operating lease expense for the three months ended March 31, 2026, and 2025, was \$86 thousand and \$71 thousand, respectively, and is recorded in cost of goods sold and selling, general, and administrative expenses in the accompanying condensed consolidated statements of operations. The weighted average discount rate was 2.6% and 2.6% and the weighted average remaining lease term was 6.7 years and 6.2 years at March 31, 2026 and 2025, respectively.

Supplemental cash flows information related to leases was as follows:

	March 31, 2026	March 31, 2025
Cash paid for amounts included in the measurement of lease liability (\$ in thousands):		
Operating cash flows from operating leases	\$ 86	\$ 61

7. 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 March 31, 2026, \$419 thousand is included in the property and equipment on the balance sheet. The weighted average interest rate was 9.1% and 9.1% and the weighted average remaining lease term was 3.8 years and 4.8 years at March 31, 2026 and December 31, 2025, respectively.

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The following table presents information about the amount and timing of the liability arising from the Company's financing lease as of March 31, 2026 (\$ in thousands):

Maturity of Lease Liability	Financing Lease Liability
2026	68
2027	90
2028	91
2029	90
Thereafter	8
Total undiscounted financing lease payments	347
Less: Imputed interest	(56)
Present value of financing lease liability	<u>\$ 291</u>

Supplemental cash flows information related to financing lease was as follows:

	March 31, 2026	March 31, 2025
Cash paid for amounts included in the measurement of lease liability (\$ in thousands):		
Financing cash flows from financing lease	\$ 23	\$ 23

8. Inventory

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

	March 31, 2026	December 31, 2025
Raw materials	\$ 1,443	\$ 1,374
Work-in-progress	50	47
Finished goods	1,020	961
	<u>2,513</u>	<u>2,382</u>
Less: Inventory reserve for excess and slow moving inventory	(250)	(271)
Total	<u>\$ 2,263</u>	<u>\$ 2,111</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.

9. Property and Equipment, Net

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

	Useful Life (Years)	March 31, 2026	December 31, 2025
Machinery and equipment	3 - 10	\$ 2,178	\$ 2,161
Office furniture and equipment	3 - 10	194	197
Leasehold improvements	6	419	419
Construction in progress	N/A	541	547
		<u>3,332</u>	<u>3,324</u>
Less: accumulated depreciation and amortization		(1,441)	(1,369)
Property and equipment, net		<u>\$ 1,891</u>	<u>\$ 1,955</u>

Depreciation expense for the three months ended March 31, 2026 and 2025 was \$73 thousand and \$82 thousand, respectively.

10. Intangible Assets

The following provides a breakdown of identifiable intangible assets as of March 31, 2026 and December 31, 2025 (\$ in thousands):

	March 31, 2026	December 31, 2025
Product/Technology Related		
Identifiable intangible assets, gross	\$ 325	\$ 325
Accumulated amortization	(308)	(289)
Product/technology related identifiable intangible assets, net	17	36
Marketing Related		
Customer related intangible asset, gross	17	17
Tradename related intangible asset, gross	713	713
Accumulated amortization	(92)	(85)
Marketing related identifiable intangible assets, net	638	645
Total identifiable intangible assets, net	\$ 655	\$ 681

In connection with the May 15, 2024 acquisition of Silly George, 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 1.5 years and amortization expense amounted to \$26 and \$32 thousand for the three months ended March 31, 2026 and 2025, respectively.

As of March 31, 2026, the estimated annual amortization expense for each of the next five fiscal years is as follows (\$ in thousands):

2026 (remainder of year)	\$ 37
2027	13
2028	2
2029	2
2030	1
Subtotal	55
Indefinite lived intangible assets (subject to impairment analysis)	600
Total	\$ 655

11. Accrued Expenses and Other Current Liabilities

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

	March 31, 2026	December 31, 2025
Salaries, benefits, and incentive compensation	\$ 296	\$ 126
Other	132	336
Total accrued expenses and other current liabilities	\$ 428	\$ 462

12. Notes Payable

CGN Segment

The CGN JV has entered into two separate promissory note agreements for the purchase of equipment. These notes have a term of five years beginning on March 13, 2024, accrue interest at 8% and require monthly payments of \$9 thousand, collectively, until maturity. The total principal balance outstanding was \$297 thousand and \$321 thousand as of March 31, 2026 and December 31, 2025, respectively.

NexGel Segment

The Company has entered into a \$13 thousand promissory note agreement for certain leasehold improvements. The Outstanding principal amount of \$1 thousand as of December 31, 2025 was repaid in full in January of 2026.

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 \$265 and \$267 thousand as of March 31, 2026 and December 31, 2025, respectively.

The future annual principal amounts and accrued interest to be paid as of March 31, 2026 are as follows:

	Amount
For the year ending December 31 (\$ in thousands):	
2026	\$ 74
2027	106
2028	114
2029	24
2030	6
Thereafter	239
Total	563
Less: current portion of notes payable	100
Long-term portion of notes payable	\$ 463

13. Convertible Notes Payable

On February 10, 2026, the Company issued \$1,797 thousand aggregate principal amount of Series A Senior Secured Convertible Note (the “Series A Convertible Note”) for cash proceeds of \$1,618 thousand. The Series A Convertible Note matures on February 10, 2028, which is two years from issuance, unless earlier converted, redeemed or repurchased, and bears interest at 10% per annum. Interest is payable in arrears on the first trading date of each calendar month beginning May 1, 2026.

The holder may convert the Series A Convertible Note or any portion of the Series A Convertible Note, at their option, into common shares of the Company. The number of common shares to be issued will equal 110% of outstanding principal and accrued unpaid interest converted at the conversion price of \$1.244 per share (the “initial conversion price”). The conversion price is subject to adjustment if certain conditions are met.

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The Convertible Note was issued at a \$180 thousand discount, representing the difference between the principal amount and cash proceeds received. This discount is being amortized to interest expense over the contractual term of the Series A Convertible Note using the effective interest method. For the three month period ended March 31, 2026, the Company recognized contractual coupon interest of \$23 thousand and amortization of debt discount of \$11 thousand, for total interest expense related to the Series A Convertible Note of \$34 thousand. The effective interest rate is approximately 10.5%.

On March 12, 2026, the holder converted \$350,000 of principal amount and unpaid interest of the note into 312,235 shares of common stock pursuant to the contractual conversion terms. The Company accounted for the transaction as a debt conversion and reclassified the carrying amount of the converted portion of the Series A Convertible Note, including the related unamortized discount, to stockholders' equity, and no gain or loss was recognized on the conversion.

As of March 31, 2026, the Series A Convertible Note, after considering the partial conversion to common shares, had principal outstanding of \$1,447 thousand and unamortized discount of \$135 thousand resulting in a net carrying amount of \$1,312 thousand.

Subsequent to March 31, 2026, the holder converted an additional \$400,000 of principal amount and unpaid interest of the Series A Senior Convertible Note into an additional 655,363 shares of common stock.

As of March 31, 2026, the carrying amount of the Series A Convertible Note approximates its fair value.

14. Common Stock

At March 31, 2026, the Company has reserved common stock for issuance in relation to the following:

Share-based compensation plan	848,363
Warrants to purchase common stock	4,793,626
Restricted stock units	80,781

15. 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. Effective as of May 26, 2020, May 3, 2021, and March 23, 2023 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, from 485,715 shares of common stock to 571,429 shares of common stock, and from 571,429 shares of common stock to 785,715, 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, bringing the total number of shares underlying the Plan to 1,651,429 of which 793,735 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.

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The following table contains information about the 2019 Plan as of March 31, 2026:

	Awards Reserved for Issuance	Awards Issued	Awards Exercised	Awards Available for Grant
2019 Plan ⁽¹⁾	1,651,429	1,114,676	194,240	536,753
Awards issued in excess 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, Adam Levy.

Incentive stock options

On February 12, 2026, the Company granted options to purchase up to 25,000 shares of the Company's common stock at a per share exercise price of \$1.31 to the former Chief Financial Officer pursuant to the terms of a separation agreement dated February 4, 2026, all of which vests immediate and expires three years from the date of the grant.

The following table summarizes the Company's incentive stock option activity and related information for the period ended March 31, 2026:

	Number of Options	Weighted Average Exercise Price	Weighted Average Contractual Term in Years
Outstanding at January 1, 2026	907,111	\$ 2.94	7.03
Granted	25,000	1.31	3.00
Exercised	—	—	—
Forfeited	(83,748)	3.56	—
Cancelled	—	—	—
Expired	—	—	—
Outstanding at March 31, 2026	<u>848,363</u>	<u>\$ 2.83</u>	<u>6.47</u>
Exercisable at March 31, 2026	<u>570,863</u>	<u>\$ 2.33</u>	<u>6.64</u>

As of March 31, 2026, vested outstanding stock options had \$12 thousand intrinsic value as the exercise price is greater than the estimated fair value of the underlying common stock, respectively. As of March 31, 2026, there was approximately \$336 thousand of total unrecognized share-based compensation related to unvested stock options, which the Company expects to recognize over the next 33 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 three months ended March 31, 2026 and 2025:

	2026	2025
Volatility	76.07%	78.21%
Risk-free interest rate	3.49%	4.38%
Dividend yield	0.0%	0.0%
Expected term	3.00 years	5.00 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.

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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.

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.

Restrictive stock awards

Effective February 12, 2026, the Company granted an aggregate of 20,325 fully vested shares of its common stock to its former Chief Financial Officer pursuant to the terms of a separation agreement dated February 4, 2026. An additional 20,325 shares were authorized for issuance under the agreement; however, such issuance had not been consummated as of the reporting date. Under ASC 718, *Compensation—Stock Compensation*, the Company has measured the value of the 40,650 shares granted based on the closing price of the Company's stock at the grant date of the RSU Grant (\$0.63 per share).

The following table summarizes the Company's restricted stock awards activity for the three months ended March 31, 2026:

	Number of Units	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2026	60,456	\$ 2.41
Granted	40,650	0.63
Exercised and converted to common shares	(20,325)	0.63
Forfeited	—	—
Outstanding at March 31, 2026	<u>80,781</u>	<u>\$ 1.96</u>
Exercisable at March 31, 2026	<u>68,663</u>	<u>\$ 1.84</u>

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 March 31, 2026, there was \$29 thousand unrecognized share-based compensation related to unvested RSUs, which the Company expects to recognize through December 2027.

Share-based compensation of \$143 thousand and \$166 thousand has been recorded for the three months ended March 31, 2026 and 2025, respectively.

Warrants

The following table shows a summary of common stock warrants through March 31, 2026:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Contractual Term in Years
Outstanding at January 1, 2026	5,142,940	\$ 5.11	1.93
Granted	—	—	—
Exercised	—	—	—
Forfeited	—	—	—
Cancelled	—	—	—
Expired	(349,314)	4.77	—
Outstanding at March 31, 2026	<u>4,793,626</u>	<u>\$ 5.14</u>	<u>1.53</u>
Exercisable at March 31, 2026	<u>4,793,626</u>	<u>\$ 5.14</u>	<u>1.53</u>

As of March 31, 2026 and 2025, vested outstanding warrants had \$0 thousand and \$2 thousand, respectively, intrinsic value as the exercise price is greater than the estimated fair value of the underlying common stock.

16. Commitments and Contingencies

Partnership Advance

On July 14, 2025, the Company expanded 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 March 31, 2026 and December 31, 2025, the Company held \$612 thousand and \$741 thousand, respectively, of restricted cash related to advances received under partnership arrangements. Correspondingly, \$596 thousand and \$731 thousand, respectively, were recorded as current liabilities within partnership accrued advances. 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.

License agreement

Under the License Agreement described in Note 1, the Company may be required to make contingent milestone payments of up to \$17.5 million to Celularity upon the achievement of specified commercial milestones.

Litigation

The Company may be subject to legal proceedings and claims that arise in the ordinary course of business. 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.

17. Concentrations of Risk

For the three months ended March 31, 2026, the Company had no revenue from customers that approximated 10% of total revenue. For the three months ended March 31, 2025, the Company had revenue from one customer that approximated 10% of total revenue.

The Company had three customers with accounts receivable balances that were 18%, 18% and 38% of total accounts receivable as of March 31, 2026. The Company had two customers with accounts receivable balances that were 26% and 49% of total accounts receivable as of March 31, 2025.

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 March 31, 2026, there is a \$361,210 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.

18. Related Party Transactions

Accounts payable – related party

As of March 31, 2026 and December 31, 2025, the Company had outstanding balances of \$462 thousand and \$456 thousand, respectively, due to C.G. Laboratories, Inc., a related party. Additionally, as of March 31, 2026 and December 31, 2025, the Company had an outstanding balance of \$17 thousand to the CEO of CG Labs. These balances primarily relate to transactions for contract manufacturing, packaging, and other services provided by CG Laboratories, Inc.

As of March 31, 2026 and December 31, 2025, the Company had outstanding balances due to Achieving Consulting Excellence, LLC, a company owned by the Company’s former Interim Chief Financial Officer, of \$125 thousand and \$93 thousand, respectively, related to consulting services.

19. Subsequent Events

In accordance with ASC 855, *Subsequent Events*, the Company evaluated subsequent events after March 31, 2026, through the date these condensed consolidated financial statements were issued and has determined that, other than already disclosed, no transactions or events have occurred that require recognition or disclosure in the condensed consolidated financial statements.

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;

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- 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 distribute our products as a contract manufacturer, supplying our gels to third parties who incorporate them into their own products. We also have a line of branded consumer products sold direct to consumers and 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. Our joint venture with CG Laboratories, Inc. called CG Converting and Packaging, LLC, which is located in Granbury, Texas in which we own a 50% interest, allowing us to expand our ability to deliver finished goods to our growing customer base.

Lines of Business

We have 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 has been 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 a large order for newly developed product.

Consumer Branded Products

These products are finished goods marketed and sold directly to the customer 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 pain 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 March 31, 2026 and 2025 (\$ in thousands)

Revenues, net

	Three Months Ended March 31,	
	2026	2025
Revenues, net	\$ 2,650	\$ 2,806

For the three months ended March 31, 2026 revenues were \$2,650 and decreased by \$156, or 5.6%, when compared to \$2,806 for the three months ended March 31, 2025. The decrease in our overall revenues was primarily due to a decline in our branded consumer products, partially offset by an increase in Medical Device/Other revenues.

Cost of revenues are as follows for the three months ended March 31, 2026 and 2025 (\$ in thousands):

	Three Months Ended March 31,	
	2026	2025
Cost of revenues	\$ 1,589	\$ 1,618

Cost of revenues decreased by \$29, or 1.79%, to \$1,589 for the three months ended March 31, 2026, as compared to \$1,618 for the three months ended March 31, 2025. The decrease in cost of revenues is primarily aligned with decrease in sales.

Gross profit

Our gross profit was \$1,061 for the three months ended March 31, 2026 compared to a gross profit of \$1,188 for the three months ended March 31, 2025. The decrease of \$127 in gross profit recorded for the three months ended March 31, 2026, as compared to March 31, 2025, was primarily due to the decrease in consumer branded products partially offset by an increase in Medical Device/Other revenue. Gross profit was 40.0% for the three months ended March 31, 2026 compared to a gross profit of 42.3% for the three months ended March 31, 2025.

Selling, general and administrative expenses. Selling, general and administrative expenses are as follows for the three months ended March 31, 2026 and 2025 (\$ in thousands):

	Three Months Ended March 31,	
	2026	2025
Selling, general and administrative expenses	\$ 2,019	\$ 1,964

Selling, general and administrative expenses increased by \$55, or 2.8%, to \$2,019 for the three months ended March 31, 2026, as compared to \$1,964 for the three months ended March 31, 2025. The increase in Selling, general and administrative expenses is primarily attributable to an increase in increase in professional and consulting fees of \$59, partially offset by a decrease in advertising and marketing expenses of \$6.

Research and development expenses

Research and development expenses decreased by \$1 to \$0 for the three months ended March 31, 2026 from \$1 for the three months ended March 31, 2025. 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)

	March 31, 2026	March 31, 2025
Net cash used in operating activities	\$ (504)	\$ (400)
Net cash provided by (used in) investing activities	(9)	-
Net cash provided by (used in) financing activities	1,577	(215)
Net increase (decrease) in cash and cash equivalents	1,064	(615)
Cash and cash equivalents at beginning of year	1,058	1,807
Cash and cash equivalent at end of quarter	<u>\$ 2,122</u>	<u>\$ 1,192</u>

As of March 31, 2026, we had \$2,122 of cash and cash equivalents, compared to \$1,058 of cash and cash equivalents at December 31, 2025. Net cash used in operating activities was \$504 and \$400 for the three months ended March 31, 2026 and 2025, respectively.

Net cash used in investing activities was \$9 and \$0 for the three months ended March 31, 2026 and 2025, respectively.

Net cash provided by financing activities for March 31, 2026 was \$1,577 and was attributable to the proceeds from convertible notes payable of \$1,618 offset by principal payments of notes payable and principal payments of financing lease liabilities of \$41. Net cash used in financing activities for the three months ended March 31, 2025 was \$215 and was attributable to \$37 of principal payments of notes payable and principal payments of financing lease liabilities and payment of contingent consideration of \$178.

At March 31, 2026, current assets totaled \$5,638 and current liabilities totaled \$3,314, as compared to current assets totaling \$4,338 and current liabilities totaling \$2,956 at December 31, 2025. As a result, we had working capital of \$2,324 at March 31, 2026, compared to a working capital of \$1,382 at December 31, 2025. The increase in the working capital as of March 31, 2026 is primarily attributable to the loss from operations of \$958 and proceeds from issuance of convertible debt of \$1,618.

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 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.

Our recent capital raise which closed on or about August 5, 2025 provides working capital necessary to continue our strategic objectives (discussed further within Note 2). 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 March 31, 2026, 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.

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 (v) 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 March 31, 2026, 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 March 31, 2026, 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 March 31, 2026 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.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the fiscal quarter ended March 31, 2026 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

From time to time, we may become involved in lawsuits, investigations and claims that arise in the ordinary course of business. As of the date of this information statement, we are not a party to any litigation whereby the outcome of such litigation, if determined adversely to us, would materially affect our financial position, results of operations or cash flows.

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 2025 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 2026 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 three months ended March 31, 2026

The Company did not sell any unregistered securities during the three months ended March 31, 2026.

(b) Issuer Repurchases of Securities during the three months ended March 31, 2026

The Company did not repurchase any of its securities during the three months ended March 31, 2026.

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 three months ended March 31, 2026, 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

<u>Exhibit No.</u>	<u>Description</u>
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 11, 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 2, 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 11, 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 March 31, 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: May 14, 2026

NEXGEL, INC.

By: /s/ Adam Levy

Name: Adam Levy

Title: Chief Executive Officer
(Principal Executive Officer)

By: /s/ Ian Blackman

Name: Ian Blackman

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: May 14, 2026

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, Ian Blackman, 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: May 14, 2026

By: /s/ Ian Blackman
Ian Blackman
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 three months ended March 31, 2026, 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: May 14, 2026

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 three months ended March 31, 2026 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: May 14, 2026

By: /s/ Ian Blackman
Name: Ian Blackman
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.
