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

FORM 10-Q

(Mark One)

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

For the quarterly period ended: September 30, 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	**26-4042544**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
2150 Cabot Blvd West, Suite B Langhorne, PA	**19047**
(Address of principal executive office)	(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 ☐	Accelerated filer ☐
Non-accelerated filer ☒	
Smaller reporting company ☒	Emerging growth company ☒

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

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

As of November 13, 2026 the registrant had 536,112 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 SEPTEMBER 30, 2026 AND DECEMBER 31, 2025
(Unaudited)
(in thousands, except share and per share data)

	September 30, 2026	December 31, 2025
ASSETS:		
Current Assets:		
Cash	$ 278	$ 317
Restricted cash	380	741
Accounts receivable, net	804	673
Inventory, net	2,747	2,111
Prepaid expenses and other current assets	727	496
Total current assets	4,936	4,338
Goodwill	1,128	1,128
Intangibles, net	12,343	681
Property and equipment, net	1,879	1,955
Operating lease - right of use asset	3,267	2,015
Investment in NexGelRx	249	249
Other assets	95	95
Total assets	$ 23,897	$ 10,461
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 3,129	$ 723
Accounts payable - related party	450	566
Accrued expenses and other current liabilities	673	462
Current portion of note payable	102	99
Partnership accrued advance	359	731
Current portion of finance lease liability	68	65
Current portion of operating lease liability	749	310
Derivative liability, at fair value	5,096	-
Total current liabilities	10,626	2,956
Operating lease liabilities, net of current portion	2,699	1,883
Financing lease liability, net of current portion	180	242
Convertible notes payable, net of debt discount	5,316	-
Notes payable, net of current portion	412	489
Total liabilities	19,233	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; 487,383 and 407,157 shares issued and outstanding as of September 30, 2026 and December 31, 2025, respectively	1	1
Additional paid-in capital	30,797	25,454
Accumulated deficit	(26,670)	(20,995)
Total NexGel stockholders' equity	4,128	4,460
Non-controlling interest in joint venture	536	431
Total stockholders' equity	4,664	4,891
Total liabilities and stockholders' equity	$ 23,897	$ 10,461

(All share and per-share amounts in these consolidated financial statements have been retrospectively adjusted to reflect the 1-for-20 reverse stock split effective October 12, 2026. See Note 1.)

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

NEXGEL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2026 AND 2025
(Unaudited)
(in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	**2025**	**2026**	**2025**
Revenues, net	$ 3,179	$ 2,934	$ 9,515	$ 8,625
Cost of revenues	2,054	1,691	6,221	4,935
Gross margin	1,125	1,243	3,294	3,690
Operating expenses:				
Research and development	-	7	20	8
Selling, general and administrative	3,664	1,961	9,277	5,820
Total operating expenses	3,664	1,968	9,297	5,828
Loss from operations	(2,539)	(725)	(6,003)	(2,138)
Other income (expense):				
Interest income (expense), net	(2,935)	10	(5,203)	(32)
Changes in fair value of derivative liability and warrant modification expense	4,656	9	6,091	113
Loss on issuance of convertible debt	(402)	-	(824)	
Other income (expense)	127	59	367	92
Total other income (expense), net	1,446	78	431	173
Loss before income taxes	(1,093)	(647)	(5,572)	(1,965)
Income tax expense	-	-	-	
Net loss	(1,093)	(647)	(5,572)	(1,965)
Less: Income attributable to non-controlling interest in joint venture	(19)	(6)	(104)	(65)
Net loss attributable to NexGel stockholders	$ (1,112)	$ (653)	$ (5,676)	$ (2,030)
Net loss per common share - basic	$ (2.28)	$ (1.64)	$ (12.61)	$ (5.23)
Net loss per common share - diluted	$ (2.28)	$ (1.64)	$ (12.61)	$ (5.23)
Weighted average shares used in computing net loss per common share - basic	487,357	398,565	450,181	387,871
Weighted average shares used in computing net loss per common share – diluted	487,357	398,565	450,181	387,871

(All share and per-share amounts in these consolidated financial statements have been retrospectively adjusted to reflect the 1-for-20 reverse stock split effective October 12, 2026. See Note 1.)

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

NEXGEL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2026 AND 2025
(Unaudited)
(in thousands, except share data)

	Common Stock		Additional Paid-in	Non-controlling	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Interest	Deficit	Equity
Balance, January 1, 2026	407,157	$ 1	$ 25,454	$ 432	$ (20,996)	$ 4,891
Restricted stock issuances	1,016	—	143	—	—	143
Issuance of securities for the conversion of convertible notes payable and accrued interest	15,612	—	319	—	—	319
Net income (loss)	—	—	—	56	(927)	(871)
Balance, March 31, 2026	423,785	1	25,916	488	(21,923)	4,482
Stock-based compensation - stock options/restricted	—	—	119	—	—	119
Issuance of securities for the conversion of convertible notes payable and accrued interest	61,216	—	613	—	—	613
Warrants issued in conjunction with the conversion of convertible notes payable	—	—	3,858	—	—	3,858
Net income (loss)	—	—	—	29	(3,635)	(3,606)
Balance, June 30, 2026	485,001	1	$ 30,506	517	(25,558)	5,466
Stock-based compensation - stock options/restricted	—	—	14	—	—	14
Issuance of securities for the conversion of convertible notes payable and accrued interest	2,382	—	24	—	—	24
Warrants issued in conjunction with the conversion of convertible notes payable	—	—	253	—	—	253
Net income (loss)	—	—	—	19	(1,112)	(1,093)
Balance, September 30, 2026	487,383	$ 1	$ 30,797	$ 536	$ (26,670)	$ 4,664

	Common Stock		Additional Paid-in	Non-controlling	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Interest	Deficit	Equity
Balance, January 1, 2025	381,925	$ 1	$ 23,750	$ 325	$ (17,996)	$ 6,080
Share-based compensation and restricted stock issuances	777	—	166	—	—	166
Net income (loss)	—	—	—	34	(712)	(678)
Balance, March 31, 2025	382,702	1	23,916	359	(18,708)	5,568
Share-based compensation and restricted stock issuances	25	—	127	—	—	127
Net income (loss)	—	—	—	25	(665)	(640)
Balance, June 30, 2025	382,727	1	24,043	384	(19,373)	5,055
Share-based compensation and restricted stock issuances	1,476	—	205	—	—	205
Equity offering proceeds, net of stock issuance costs	22,935	—	963			963
Net income (loss)	—	—	—	6	(653)	(647)
Balance, September 30, 2025	407,138	1	25,211	390	(20,026)	5,576

(All share and per-share amounts in these consolidated financial statements have been retrospectively adjusted to reflect the 1-for-20 reverse stock split effective October 12, 2026. See Note 1.)

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

NEXGEL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2026 AND 2025
(Unaudited)
(in thousands)

	Nine Months Ended September 30,	
	2026	**2025**
Operating Activities		
Net loss	$ (5,572)	$ (1,965)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,134	338
Share-based compensation and restricted stock vesting	277	498
Amortization of right-of-use asset	365	218
Amortization of debt discount	4,584	—
Changes in fair value of warrant liability and warrant modification expense	(6,091)	(112)
Loss on issuance of convertible note	824	-
Changes in operating assets and liabilities:		
Accounts receivable, net	(129)	94
Inventory	(610)	(268)
Prepaid expenses and other assets	(231)	(263)
Accounts payable	610	34
Accounts payable – related party	(116)	(110)
Accrued expenses and other current liabilities	861	220
Partnership advance	(373)	(80)
Operating lease liability	(363)	(197)
Deferred revenue	(2)	1
Net Cash Used in Operating Activities	(3,832)	(1,592)
Investing Activities		
Capital expenditures	(117)	(28)
Investment in BioNx (License Agreement)	(6,503)	—
Net Cash Used in Investing Activities	(6,620)	(28)
Financing Activities		
Proceeds from margin line of credit	—	1,000
Proceeds from convertible notes payable, net	11,140	1,055
Proceeds from equity offerings	—	(92)
Payment of contingent consideration	—	(178)
Principal payment on financing lease liability	(59)	(43)
Financing costs	(182)	—
Principal payments of notes payable	(847)	(71)
Net Cash Provided by (Used in) Financing Activities	10,052	1,671
Net Increase (Decrease) in Cash *	(400)	51
Cash and restricted cash – Beginning of period	1,058	1,807
Cash and restricted cash – End of period	$ 658	$ 1,858
(*) $278 relates to an increase in cash and $380 relates to increase in restricted cash		
Supplemental Disclosure of Cash Flows Information		
Cash paid during the year for:		
Interest	$ 45	$ 54
Taxes	$ —	$ —
Supplemental Non-cash Investing and Financing activities		
Issuance of convertible notes and other liabilities in conjunction with license agreement	$ 8,800	$ —
Issuance of securities for the conversion of convertible notes payable and accrued interest	$ 1,025	$ —
Issuance of warrants in conjunction with convertible notes payable	$ 4,112	$ —
Debt issued at a discount	$ 242	$ —
Derivative liabilities recognized as debt discounts	$ 11,187	$ —
Initial recognition of ROU asset and operating lease liabilities	$ 1,617	$ 677

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. Since April 2026, following the Company's acquisition of an exclusive license to, and certain assets related to, Celularity Inc.'s portfolio of commercial-stage regenerative biomaterials (see "License and Acquisition of Celularity, Inc.'s Portfolio of Commercial-stage Regenerative Biomaterials" below), the Company also markets and sells biomaterial products used in tendon repair, soft tissue reconstruction and bone regeneration under the brand name "BioNx**."**

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).

Reverse Stock Split

On October 12, 2026, following approval by the Company's stockholders on September 23, 2026 and its Board of Directors, the Company effected a 1-for-20 reverse stock split of its common stock (the "Reverse Split"). The par value ($0.001) and the number of authorized shares of common stock (25,000,000) were not changed. No fractional shares were issued; fractional shares were rounded up to the next whole share. As a result of the rounding up of fractional share, an additional 47,970 shares of common stock were issued. The exercise and conversion prices and number of shares issuable under outstanding warrants, convertible notes and equity awards were proportionately adjusted. All share and per-share amounts in these financial statements have been retroactively adjusted from the earliest period presented to reflect the Reverse Split, with a corresponding reclassification between common stock and additional paid-in capital. On October 26, 2026, Nasdaq notified the Company that it had regained compliance with the minimum bid price requirement and the matter was closed.

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 perpetual 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.

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 thousand, consisting of (i) $8,300 thousand in cash funded by the Notes (as defined below) and of which $7,203 thousand has been paid, and (ii) an unsecured convertible promissory note in the original principal amount of $5,000 thousand (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 $12.00 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 208,333 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 $20,000 thousand in contingent milestone payments to Celularity upon the achievement of specified commercial milestones under the License Agreement.

The products, technologies, and commercial-stage assets acquired and licensed pursuant to the License Agreement are marketed and sold by the Company under the brand name "BioNx." References in these notes and elsewhere in this Quarterly Report on Form 10-Q to the "BioNx" line of business, "BioNx surgical" revenue, or similar terms refer to revenue and operations derived from the Celularity Transaction.

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 thousand and (ii) warrants (the "Warrants") to purchase an aggregate of 307,292 shares of common stock, for aggregate gross proceeds to the Company of $7,375 thousand.

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 $12.00 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 $16.00 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 thousand and additional Warrants to purchase an aggregate of 50,417 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 thousand.

On July 2, 2026, one of the holders of the Notes accelerated their commitment to purchase an additional $1 million in Notes. In consideration for this acceleration the buyer received a reduction in the purchase price of the principal to $938 thousand, warrants to purchase 41,667 shares of Common Stock, being 50% of the number of shares of Common Stock underlying the $1 million in principal amount of the additional Notes, on the same terms and conditions as the warrants issued at the initial closing, including an exercise price of $16.00 per share, and a separate additional warrant to purchase 1,500 shares of Common Stock as additional consideration for the holder's agreement to accelerate funding. The additional warrant was issued on the same terms and conditions as the original Warrants, including an exercise price of $16.00 per share.

2. Going Concern

The accompanying condensed consolidated financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of the Company as a going concern. As of September 30, 2026, the Company had an unrestricted cash balance of $278 thousand. For the nine months ended September 30, 2026, the Company incurred a net loss of $5.7 million and had a net usage of cash in operating activities of $3.8 million. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

In April, May and July 2026, the Company received aggregate gross proceeds of approximately $9.5 million from the issuance of the Notes, substantially all of which was used to fund the cash consideration for the Celularity Transaction. We expect the license and acquisition of Celularity, Inc.'s portfolio of commercial-stage regenerative biomaterials will ultimately contribute positive operating cash flows, improve liquidity, and support ongoing operations, although there can be no assurance that it will do so.

On November 10, 2026, the Company entered into and closed Note Amendment and Conversion Agreements with holders of approximately $14.1 million in aggregate principal amount of its convertible notes and a securities purchase agreement for the sale of common stock and warrants, under which it received gross proceeds of approximately $1.2 million, in each case as described in Note 19. The conversion of the amended notes into common stock is conditioned on the completion of the proposed merger described in Note 19, for which no definitive agreement has been entered into. Because the completion of the merger and the conversion of the notes are not within the Company's control, management has concluded that they do not alleviate the substantial doubt about the Company's ability to continue as a going concern within one year after the date that these condensed consolidated financial statements are issued.

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 is considering various options to raise capital through equity or debt offerings to fund our current business activities and potential acquisitions. 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, the valuation of the convertible notes embedded derivative liability 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. The segment also includes the Kenkoderm and Silly George acquisitions and the Celularity Asset Purchase and License Agreement.

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

Reclassifications

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 nine months ended September 30, 2026. These reclassifications had no effect on previously reported total assets, total liabilities, stockholders' equity, or net loss.

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 September 30, 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 September 30, 2026, restricted cash totaled $380 thousand, representing funds that are contractually restricted from use for general operating purposes and may be utilized only in accordance with the terms of the Partnership Agreement. Restricted cash is included in total cash and restricted cash as presented in the condensed consolidated statements of cash flows.

	September 30, 2026	September 30, 2025
Cash	$ 278	$ 938
Restricted cash	380	920
Total cash and restricted cash shown in the statement of cash flows	$ 658	$ 1,858

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 $14 thousand and $9 thousand as of September 30, 2026 and December 31, 2025, respectively.

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 $351 thousand and $271 thousand as of September 30, 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 fulfilment centers owned by Amazon.

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 $24 thousand and $45 thousand of prepaid insurance, and $703 thousand and $451 thousand general prepaid expenses and other current assets as of September 30, 2026 and December 31, 2025, respectively.

Other Assets

Other assets are recorded at historical costs, and as of September 30, 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.

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.

Derivative Liabilities

The Company measures certain liabilities at fair value on a recurring basis. These liabilities consist primarily of derivative liabilities associated with convertible notes (see Note 13). These instruments are valued using significant unobservable inputs and are classified within Level 3 of the fair value hierarchy. The fair value of these instruments was updated as of September 30, 2026 in accordance with ASC 820, *Fair Value Measurement*, reflecting all relevant market inputs and valuation considerations as of the reporting date.

Valuation Methodology

The derivative liabilities relate to embedded features within the Company's convertible notes, including variable conversion pricing. Because these features are not considered indexed to the Company's own stock and may require net-cash settlement, they are accounted for as derivative liabilities under ASC 815, *Derivatives and Hedging—Contracts in Entity's Own Equity*.

The Company engaged an independent valuation specialist to estimate the fair value of the derivative liabilities using a Monte Carlo simulation model, which incorporates assumptions regarding expected volatility, risk-free interest rates, expected term, and probability-weighted assessments of contingent events. The derivative liability was estimated based on Level 3 inputs.

Fair Value Hierarchy

	Level 1	Level 2	Level 3	Total
Derivative liability as of September 30, 2026 ($ in thousands)	$ –	$ –	$ 5,096	$ 5,096

Level 3 Roll-forward

	Amount ($ in thousands)
Balance at January 1, 2026	$ –
Initial recognition of derivative liability	11,187
Changes in fair value	(6,091)
Balance at September 30, 2026	$ 5,096

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

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

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

The Company has five distinct lines of business; Contract Manufacturing, Custom and White Label, Consumer Branded Products, Biomaterial 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 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.

Biomaterial Products

These finished goods products are licensed as a result of the Celularity transaction, disclosed in Note 1, and establishes the Company as an emerging platform in regenerative medicine through the formation of BioNx Surgical, a dedicated division focused on advanced biomaterials for tendon repair, soft tissue reconstruction, and bone regeneration. The acquired portfolio includes 6 established products with over a decade of clinical use and existing reimbursement coverage. We are responsible for sales, marketing and distribution.

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.

Disaggregated revenue by sales type ($ in thousands):

	Three Months September 30,	
	2026	**2025**
Contract manufacturing	$ 736	$ 907
Custom and white label finished goods manufacturing	-	-
Consumer branded products	1,476	1,918
Medical devices/other	86	109
Biomaterial products	881	-
Total	$ 3,179	$ 2,934

	Nine Months Ended September 30,	
	2026	**2025**
Contract manufacturing	$ 2,690	$ 2,718
Custom and white label finished goods manufacturing	-	27
Consumer branded products	4,854	5,584
Medical devices/other	276	296
Biomaterial products	1,695	-
Total	$ 9,515	$ 8,625

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 condensed consolidated statements of operations on a straight-line basis over the requisite service period, which is generally the vesting period.

Income Taxes

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

Tax benefits are recognized from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by a tax authority and based upon the technical merits of the tax position. The tax benefit recognized in the 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 pursuant to 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 liabilities, 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 ASU 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 well 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 September 30, 2026 and 2025 is presented below.

Three Months Ended September 30, 2026 ($ in thousands)

	NexGel	CGN JV	Total
Revenues, net	$ 2,706	$ 473	$ 3,179
Cost of revenues	1,768	286	2,054
Advertising, marketing and amazon fees	397	-	397
General and administrative	3,122	145	3,267
Total Selling, general and administrative	3,519	145	3,664
Research and development	-	-	-
Operating expenses	3,519	145	3,664
Income (loss) from operations	$ (2,581)	$ 42	$ (2,539)

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

	NexGel	CGN JV	Total
Revenues, net	$ 2,228	$ 706	$ 2,934
Cost of revenues	1,127	564	1,691
Advertising, marketing and amazon fees	650	-	650
General and administrative	1,176	135	1,311
Total Selling, general and administrative	1,826	135	1,961
Research and development	7	-	7
Operating expenses	1,833	135	1,968
Income (loss) from operations	$ (732)	$ 7	$ (725)

Nine Months Ended September 30, 2026 ($ in thousands)

	NexGel	CGN JV	Total
Revenues, net	$ 7,532	$ 1,983	$ 9,515
Cost of revenues	4,921	1,300	6,221
Advertising, marketing and amazon fees	1,660	-	1,660
General and administrative	7,168	449	7,617
Total Selling, general and administrative	8,828	449	9,277
Research and development	20	-	20
Operating expenses	8,848	449	9,297
Income (loss) from operations	$ (6,237)	$ 234	$ (6,003)

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

	NexGel	CGN JV	Total
Revenues, net	$ 6,560	$ 2,065	$ 8,625
Cost of revenues	3,453	1,482	4,935
Advertising, marketing and amazon fees	1,913	-	1,913
General and administrative	3,501	406	3,907
Total Selling, general and administrative	5,414	406	5,820
Research and development	8	-	8
Operating expenses	5,422	406	5,828
Income (loss) from operations	$ (2,315)	$ 177	$ (2,138)

Summarized total assets for the Company's reportable segments as of September 30, 2026 and December 31, 2025 are presented below:

As of September 30, 2026 ($ in thousands)

	NexGel	CGN JV	Total
Total Assets	$ 20,698	$ 3,199	$ 23,897

As of December 31, 2025 ($ in thousands)

	NexGel	CGN JV	Total
Total Assets	$ 6,777	$ 3,684	$ 10,461

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 4). 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 September 30, 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.

	September 30, 2026	December 31, 2025
ASSETS		
Current Assets:		
Cash	$ 171	$ 94
Accounts receivable, net	411	519
Inventory	547	841
Prepaid expenses and other current assets	14	11
Total current assets	1,143	1,465
Intangibles, net	7	32
Property and equipment, net	1,238	1,314
Operating lease - right of use asset	811	873
Total assets	$ 3,199	$ 3,684
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 40	$ 87
Accounts payable – related party	455	477
Accrued expenses and other current liabilities	-	1
Current portion of note payable	96	93
Finance lease liability, short term	68	65
Operating lease liability, current portion	85	84
Total current liabilities	744	807
Operating lease liability, net of current portion	726	790
Finance lease liability, long term	180	242
Notes payable, net of current portion	155	228
Total liabilities	$ 1,805	$ 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 September 30, 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 2035.

On April 17, 2026, in conjunction with the Celularity License Agreement, the Company entered into a five-year sublease with Celularity, Inc. for approximately 7,843 square feet of office space in Florham Park, New Jersey. The sublease incorporates the applicable terms and conditions of the underlying master lease, as amended on September 24, 2023.

The following table presents information about the amount and timing of the liability arising from the Company's operating lease as of September 30, 2026 ($ in thousands):

Maturity of Lease Liability	Operating Lease Liability
2026	$ 195
2027	786
2028	793
2029	800
2030	807
Thereafter	561
Total undiscounted operating lease payments	3,942
Less: Imputed interest	(494)
Present value of operating lease liability	$ 3,448

Total operating lease expense for the nine months ended September 30, 2026, and 2025, was $461 thousand and $225 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 5.53% and 2.2% and the weighted average remaining lease term was 5.4 years and 7.3 years at September 30, 2026 and 2025, respectively.

Supplemental cash flows information related to leases was as follows:

	September 30, 2026	September 30, 2025
Cash paid for amounts included in the measurement of lease liability ($ in thousands):		
Operating cash flows from operating leases	$ 458	$ 225

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 September 30, 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 3.3 years and 4.8 years at September 30, 2026 and December 31, 2025, respectively.

The following table presents information about the amount and timing of the liability arising from the Company's financing lease as of September 30, 2026:

Maturity of Lease Liability	Financing Lease Liability
2026	$ 12
2027	90
2028	91
2029	90
Thereafter	8
Total undiscounted financing lease payments	291
Less: Imputed interest	(43)
Present value of financing lease liability	$ 248

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

	September 30, 2026	September 30, 2025
Cash paid for amounts included in the measurement of lease liability ($ in thousands):		
Financing cash flows from financing lease	$ 68	$ 68

8. Inventory, net

Inventory consists of the following ($ in thousands):

	September 30, 2026	December 31, 2025
Raw materials	$ 1,001	$ 1,374
Work-in-progress	46	47
Finished goods	2,051	961
	3,098	2,382
Less: Inventory reserve for excess and slow moving inventory	(351)	(271)
Total	$ 2,747	$ 2,111

Inventory is maintained at the Company's warehouses and at fulfillment centers owned by Amazon 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)	September 30, 2026	December 31, 2025
Machinery and equipment	3 - 10	$ 2,201	$ 2,161
Office furniture and equipment	3 - 10	243	197
Leasehold improvements	6	419	419
Construction in progress	N/A	575	547
		3,438	3,324
Less: accumulated depreciation and amortization		(1,559)	(1,369)
Property and equipment, net		$ 1,879	$ 1,955

Depreciation expense for the nine months ended September 30, 2026 and 2025 was $192 thousand and $242 thousand, respectively.

10. Intangible Assets

The following provides a breakdown of identifiable intangible assets as of September 30, 2026 and December 31, 2025:

	September 30, 2026	December 31, 2025
License Agreement		
License agreement, gross	$ 13,605	$ -
Accumulated amortization	(1,890)	-
License agreement related identifiable intangible assets, net	11,715	-
Product/Technology Related		
Identifiable intangible assets, gross	325	325
Accumulated amortization	(321)	(289)
Product/technology related identifiable intangible assets, net	4	36
Marketing Related		
Customer related intangible asset, gross	17	17
Tradename related intangible asset, gross	713	713
Accumulated amortization	(106)	(85)
Marketing related identifiable intangible assets, net	624	645
Total identifiable intangible assets, net	$ 12,343	$ 681

As discussed in Note 1, on April 17, 2026, the Company completed the acquisition of an exclusive license and certain related assets from Celularity pursuant to the License Agreement. The Company accounted for the transaction as an asset acquisition and recorded a finite-lived intangible asset with an initial carrying value of $13.3 million, consisting of $8.3 million in cash and a $5.0 million convertible promissory note. The acquired license is being amortized on a straight-line basis over its estimated useful life of three years.

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.

The intangible assets with definite lives are being amortized on a straight-line basis over their weighted average estimated useful life of 2.6 years and amortization expense amounted to $1,942 and $95 thousand for the nine months ended September 30, 2026 and 2025, respectively.

As of September 30, 2026, the estimated annual amortization expense for each of the next five fiscal years is as follows ($ in thousands):

2026 (remainder of year)	$ 1,145
2027	4,548
2028	4,537
2029	1,513
2030	-
Subtotal	11,743
Indefinite lived intangible assets (subject to impairment analysis)	600
Total	$ 12,343

11. Accrued Expenses and Other Current Liabilities

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

	September 30, 2026	December 31, 2025
Salaries, benefits, and incentive compensation	$ 421	$ 126
Other	252	336
Total accrued expenses and other current liabilities	$ 673	$ 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 $251 thousand and $321 thousand as of September 30, 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 $261 thousand, 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 thousand. 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 $263 and $267 thousand as of September 30, 2026 and December 31, 2025, respectively.

The future annual principal amounts and accrued interest to be paid as of September 30, 2026 are as follows:

	Amount
For the year ending December 31	
2026	$ 25
2027	106
2028	114
2029	24
2030	6
Thereafter	239
Total	514
Less: current portion of notes payable	102
Long-term portion of notes payable	$ 412

13. Convertible Notes Payable

Series A Convertible Notes

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 $24.88 per share (the "initial conversion price"). The conversion price is subject to adjustment if certain conditions are met.

The Series A 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 nine month period ended September 30, 2026, the Company recognized contractual coupon interest of $21 thousand and amortization of debt discount of $100 thousand, for total interest expense related to the Series A Convertible Note of $121 thousand. The effective interest rate is approximately 10.5%.

During the nine months ending September 30, 2026, the holder converted $1,026 thousand of principal amount and unpaid interest of the note into 6,223 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.

On August 12, 2026, the remaining restricted cash was applied to the outstanding obligations under the Series A Convertible Note. As a result, the Series A Convertible Note has been paid in full and the Company no longer has any obligation to make payments or issue shares of common stock. The related security documents have terminated in accordance with their terms, and the related security interests have been released.

Convertible Promissory Notes

As discussed in Note 1, in April and May 2026, to fund the license and acquisition of Celularity Inc.'s portfolio of commercial-stage regenerative biomaterials, the Company issued $13,885 thousand aggregate principal amount of convertible promissory notes that bear interest at 10% per annum, payable quarterly in cash or, at the holder's election, in shares of the Company's common stock at the applicable conversion price. The notes mature 18 months from their issuance date. Upon an event of default, interest accrues at the lesser of 18% per annum or the maximum rate permitted by law.

The notes are convertible at the option of the holder into shares of the Company's common stock at an initial conversion price of $12.00 per share, subject to customary anti-dilution adjustments, including stock splits, stock dividends, recapitalizations, and full-ratchet anti-dilution protection for certain dilutive issuances. In addition, the conversion price is subject to automatic resets on the twelve-month anniversary of issuance and at maturity based on the lower of the then-current conversion price or the five-day volume-weighted average market price immediately preceding the applicable measurement date.

The notes contain customary events of default, mandatory prepayment provisions from certain financing proceeds, and optional prepayment provisions requiring payment of a premium. The financing agreements also include registration rights, rights of first refusal, restrictions on certain future financing transactions, and other customary investor protections.

The Company is aware that potential events of default may exist under the Notes issued in April and May 2026, relating to (i) the Company's not having filed the registration statement required under the related Registration Rights Agreement within the time period specified therein, (ii) the Company's not having timely filed a Current Report on Form 8-K/A containing certain financial statements required under Item 9.01 of Form 8-K in connection with the Celularity Transaction, and (iii) the sufficiency of the Company's reserve of authorized and unissued shares of common stock for issuance upon conversion of the Notes and exercise of the related warrants. No holder of the Notes has declared an acceleration of the Notes or the amounts payable thereunder. The Company has taken steps intended to address these matters, including filing on August 20, 2026 a registration statement on Form S-1 covering the resale of shares of common stock issuable upon conversion of the Notes (other than Notes held by certain officers and directors), which has not yet been declared effective, working with Celularity toward the filing of the Form 8-K/A, which the Company expects to file following the filing of this Quarterly Report on Form 10-Q, and obtaining stockholder approval on September 23, 2026 of an increase in the Company's authorized shares of common stock and a reverse stock split, which reverse stock split was effected on October 12, 2026. In addition, the Note Amendment and Conversion Agreements described in Note 19 include waivers by the holders party thereto of these matters. There can be no assurance that these matters will be resolved on terms satisfactory to the Company, or at all.

In connection with the issuance of the convertible notes, the Company also issued 578,541 five-year warrants with an exercise price of $16.00 per share. The warrants entitle the holders to purchase shares equal to 50% of the shares underlying the principal amount of notes purchased and contain customary anti-dilution adjustments. The warrants may be exercised on a cashless basis under certain circumstances.

The Company evaluated the warrants under ASC 815-40 and concluded that they meet the requirements for equity classification. Accordingly, the warrants were recorded in additional paid-in capital and are not subsequently remeasured.

The Company evaluated the conversion feature of the notes under ASC 815, Derivatives and Hedging, and determined that the conversion feature does not qualify for the scope exception in ASC 815-40 due primarily to the full-ratchet anti-dilution provisions and automatic conversion price reset features, which could result in a settlement amount that is not indexed solely to the Company's own stock.

Accordingly, the Company bifurcated the embedded conversion feature from the host debt instrument and recorded it as a derivative liability at fair value on the issuance date. The initial fair value assigned to the derivative reduced the carrying amount of the host debt and is subsequently remeasured to fair value at each reporting date, with changes in fair value recognized in the consolidated statements of operations until the derivative is exercised, expires, or is otherwise extinguished. Upon initial recognition, the Company recognized a day-one loss of $56 thousand, representing the excess of the fair value of the embedded derivative liabilities over the net proceeds allocated to the host debt instruments.

In connection with the issuance of the convertible debt, the Company issued a placement agent warrant to purchase 20,212 shares of the Company's common stock at an exercise price of $16.00 per share. The warrant has a term of five years and was issued as compensation for placement agent services. The placement agent warrants were evaluated separately and determined to be equity-classified instruments, and accordingly, the Company recognized a day-one loss of $184 thousand, with the fair value recorded in additional paid-in capital as a cost of the financing and $182 thousand as a placement fee.

On July 2, 2026, one of the holders of the Notes accelerated their commitment to purchase an additional $1 million in Notes. In consideration for this acceleration the buyer received a reduction in the purchase price of the principal to $938 thousand, warrants to purchase 41,667 shares of Common Stock, being 50% of the number of shares of Common Stock underlying the $1 million in principal amount of the additional Notes, on the same terms and conditions as the warrants issued at the initial closing, including an exercise price of $16.00 per share, and a separate additional warrant to purchase 1,500 shares of Common Stock as additional consideration for the holder's agreement to accelerate funding. The additional warrant was issued on the same terms and conditions as the original Warrants, including an exercise price of $16.00 per share.

In connection with the issuance of the convertible notes, the Company also issued 43,167 five-year warrants with an exercise price of $11.32 per share. The warrants entitle the holders to purchase shares equal to 50% of the shares underlying the principal amount of notes purchased and contain customary anti-dilution adjustments. The warrants may be exercised on a cashless basis under certain circumstances.

The Company evaluated the warrants under ASC 815-40 and concluded that they meet the requirements for equity classification. Accordingly, the warrants were recorded in additional paid-in capital and are not subsequently remeasured.

Accordingly, the Company bifurcated the embedded conversion feature from the host debt instrument and recorded it as a derivative liability at fair value on the issuance date. The initial fair value assigned to the derivative reduced the carrying amount of the host debt and is subsequently remeasured to fair value at each reporting date, with changes in fair value recognized in the consolidated statements of operations until the derivative is exercised, expires, or is otherwise extinguished. Upon initial recognition, the Company recognized a day-one loss of $402 thousand, representing the excess of the fair value of the embedded derivative liabilities over the net proceeds allocated to the host debt instruments.

As of September 30, 2026, the Convertible Promissory Notes had principal outstanding of $14,885 thousand, accrued interest of $646 thousand and unamortized discount of $10,163 thousand resulting in a net carrying amount of $5,316 thousand.

The components of the Company's outstanding convertible debt as of September 30, 2026 were as follows ($ in thousands):

	September 30, 2026
Series A Convertible Note	$ -
Convertible Promissory Notes	14,885
Total gross principal	14,885
Unamortized debt discount and OID – Convertible Promissory Notes	(10,215)
Total principal, net of unamortized debt discount	4,670
Accrued interest	646
Convertible debt, long-term, net of debt discount	$ 5,316

14. Common Stock

At September 30, 2026, the Company has reserved common stock for issuance in relation to the following:

Share-based compensation plan	44,493
Warrants to purchase common stock	863,572
Restricted stock units	3,413

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 2,857 shares of common stock to 24,286, from 24,286 shares of common stock to 28,571 shares of common stock, and from 28,571 shares of common stock to 43,571, all of which may be delivered pursuant to incentive stock options.

On December 31, 2024, the Board approved an additional 39,000 shares of common stock to be reserved under the 2019 Plan, bringing the total number of shares underlying the Plan to 82,571 of which 39,687 shares have already been awarded or exercised as of that date. The Company's stockholders approved the 39,000 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 714 shares of common stock.

The following table contains information about the 2019 Plan as of September 30, 2026:

	Awards Reserved for Issuance	Awards Issued	Awards Exercised	Awards Available for Grant
2019 Plan[(1)]	82,571	57,520	9,718	25,053
Awards issued in excess of 2019 Plan[(2)]	-	5,037	4,603	-

(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 former Chief Executive Officer.

Incentive stock options

On April 27, 2026, the Company granted options to purchase up to 8,000 shares of the Company's common stock at a per share exercise price of $13.00 to the current Chief Financial Officer pursuant to the terms of an employment agreement dated April 27, 2026, all of which vests as follows: 2,000 shares vest on the first anniversary, and the remaining 6,000 shares vest in 36 equal monthly installments of 167 shares (with rounding adjustments) commencing on March 31, 2027 and expires ten years from the date of the grant.

On February 12, 2026, the Company granted options to purchase up to 1,250 shares of the Company's common stock at a per share exercise price of $26.20 to the former Chief Financial Officer pursuant to the terms of a separation agreement dated February 4, 2026, all of which vested immediately 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 nine months ended September 30, 2026:

	Number of Options	Weighted Average Exercise Price	Weighted Average Contractual Term in Years
Outstanding at January 1, 2026	45,354	$ 58.81	7.03
Granted	9,250	14.78	9.32
Exercised	—	—	—
Forfeited	(9,813)	74.28	—
Outstanding at September 30, 2026	44,791	$ 46.33	6.95
Exercisable at September 30, 2026	33,791	$ 53.63	6.24

As of September 30, 2026, vested outstanding stock options had no intrinsic value as the exercise price is greater than the estimated fair value of the underlying common stock. As of September 30, 2026, there was approximately $47 thousand total unrecognized share-based compensation related to unvested stock options, which the Company expects to recognize over the next 31 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 the grant date fair value of awards issued during the nine months ended September 30, 2026 and 2025:

	2026	2025
Volatility	76.07-80.42%	76.26-108.75%
Risk-free interest rate	3.49-3.94%	3.83-4.38%
Dividend yield	0.0%	0.0%
Expected term	3.00-5.62 years	5.00-5.50 years

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

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

Restricted stock awards

Effective February 12, 2026, the Company granted an aggregate of 1,016 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 1,016 shares were authorized for issuance under the agreement; however, such issuance was forfeited. Under ASC 718, *Compensation—Stock Compensation*, the Company has measured the value of the 2,033 shares granted based on the closing price of the Company's stock at the grant date of the RSU Grant ($12.60 per share).

The following table summarizes the Company's restricted stock awards activity for the nine months ended September 30, 2026:

	Number of Units	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2026	3,026	$ 48.12
Granted	2,596	18.32
Exercised and converted to common shares	(1,016)	28.00
Forfeited	(1,192)	18.77
Outstanding at September 30, 2026	3,414	$ 41.69
Exercisable at September 30, 2026	3,106	$ 40.43

Compensation expense will be recognized ratably over the total vesting schedule. The Company will periodically adjust the cumulative compensation expense for forfeited awards. The Company recognizes the reversal of any previously recognized compensation expense on forfeited awards in the period the awards are forfeited. As of September 30, 2026, there was $8 thousand unrecognized share-based compensation related to unvested RSUs, which the Company expects to recognize through December 2027.

Share-based compensation of $277 thousand and $498 thousand has been recorded for the nine months ended September 30, 2026 and 2025, respectively.

Warrants

The following table shows a summary of common stock warrants through September 30, 2026:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Contractual Term in Years
Outstanding at January 1, 2026	257,146	$ 102.20	1.93
Granted	640,422	15.87	5.00
Expired	(33,995)	100.05	—
Outstanding at September 30, 2026	863,573	$ 38.27	3.69
Exercisable at September 30, 2026	863,573	$ 38.27	3.69

As of September 30, 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 September 30, 2026 and December 31, 2025, the Company held $380 thousand and $741 thousand, respectively, of restricted cash related to advances received under partnership arrangements. Correspondingly, $359 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 $20.0 million to Celularity upon the achievement of specified commercial milestones. No amounts have been recorded due to the uncertainty regarding the achievement of the applicable milestones.

Litigation

Except as described below, 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.

On April 27, 2026, Bezalel Partners, LLC ("Bezalel") commenced an arbitration proceeding against the Company before JAMS, asserting claims for breach of contract and declaratory relief arising from a Finder's Fee Agreement, dated July 29, 2024, as amended. Bezalel alleges that it is entitled to a "Transaction Fee" in excess of $1,750 thousand, plus interest, attorneys' fees and costs. On July 2, 2026, the Company filed its Answer, denying Bezalel's claims in their entirety and asserting affirmative defenses. The Company intends to vigorously defend against this claim. Given the early stage of this proceeding, the Company is unable to predict its outcome, hearing or resolution timing or estimate a range of reasonably possible loss, if any, at this time.

On September 15, 2026, the Company's former President and Chief Executive Officer, who was also a former member of the Company's Board of Directors, filed a complaint against the Company in the United States District Court for the Southern District of New York. The complaint alleges breach of his Executive Employment Agreement and certain other allegations in connection with the termination of his employment effective August 21, 2026. The Company disputes the plaintiff's claims and intends to defend the action vigorously. As of September 30, 2026, the Company had accrued $375 thousand related to this matter. The accrual is not an admission of liability. The Company is unable to estimate any reasonably possible loss in excess of the amount accrued. Litigation is inherently uncertain.

17. Concentrations of Risk

For the nine months ended September 30, 2026, the Company had one customer that approximated 10% of total revenue, while for the nine months ended September 30, 2025, the Company had no revenue from customers that approximated 10% of total revenue.

The Company had four customers with accounts receivable balances that were 37%, 17%, 11%, and 10% of total accounts receivable as of September 30, 2026. The Company had one customer with an accounts receivable balance that was 50% of total accounts receivable as of December 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 September 30, 2026, there is a $387 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 six months or less.

18. Related Party Transactions

Accounts payable – related party

As of September 30, 2026 and December 31, 2025, the Company had outstanding balances of $450 thousand and $456 thousand, respectively, due to C.G. Laboratories, Inc., a related party. Additionally, as of September 30, 2026 and December 31, 2025, the Company had an outstanding balance of $8 thousand and $17 thousand, respectively, to the CEO of CG Labs. These balances primarily relate to transactions for contract manufacturing, packaging, and other services provided by CG Laboratories, Inc.

Brian J. Kieser, the Company's Interim Chief Executive Officer since August 21, 2026 and a member of its Board of Directors, is the Chief Executive Officer and sole owner of Sequence LifeScience, Inc. ("Sequence"). On April 17, 2026, prior to Mr. Kieser's appointment to the Company's Board of Directors, Sequence purchased an unsecured convertible promissory note in the original principal amount of $5.5 million, convertible into up to 458,333 shares of common stock, and a warrant to purchase up to 229,167 shares of common stock, in each case on the same terms as those issued to the other buyers in the private placement described in Note 13. Mr. Kieser was appointed to the Company's Board of Directors on May 6, 2026. On May 11, 2026, following his appointment to the Board, Mr. Kieser personally purchased an additional unsecured convertible promissory note in the original principal amount of $1 million, convertible into up to 83,333 shares of common stock, and a warrant to purchase up to 41,667 shares of common stock, on the same terms as those issued to the other buyers in that offering. As of September 30, 2026, the aggregate principal amount outstanding under the notes held by Sequence and Mr. Kieser was $6.5 million.

Sales Representative Obligations

In connection with the Company's April 2026 transaction with Celularity Inc., the Company assumed obligations to two sales representatives. On September 10, 2026, Sequence issued promissory notes directly to the sales representatives in the principal amounts of $804,625 and $292,750, each guaranteed by Mr. Kieser, and paid $100,000 to one representative., in each case in satisfaction of the Company's obligations to the sales representatives. Under an Accommodation and Reimbursement Agreement dated as of September 10, 2026 and approved by the Company's Audit Committee and Board of Directors on October 14, 2026, with an interested director recused, the Company will reimburse Sequence and Mr. Kieser for amounts they actually pay on these obligations, including principal, interest and extension fees, and the $100,000 payment. The reimbursement obligation does not itself bear interest. The Company remains the primary obligor to the sales representatives, has agreed to indemnify the sales representatives if Sequence or Mr. Kieser fails to pay its note, and continues to record the obligations to the sales representatives, including the $100,000 payment, as liabilities of $1,097 thousand as of September 30, 2026.

19. Subsequent Events

In accordance with ASC 855, *Subsequent Events*, the Company evaluated subsequent events after September 30, 2026, through the date these condensed consolidated financial statements were issued and has determined that, other than already disclosed or noted below, no further transactions or events have occurred that require recognition or disclosure in the condensed consolidated financial statements.

Recapitalization and Proposed Merger

On November 10, 2026, the Company entered into and closed Note Amendment and Conversion Agreements with holders of approximately $14.1 million of the $14.9 million aggregate principal amount of its convertible notes. Effective immediately, and whether or not the merger described below is completed, the conversion price of the notes was reduced to $5.50 per share and the exercise price of the related warrants to $13.00 per share (in each case after giving effect to the Reverse Split described in Note 1). Upon completion of the merger and satisfaction of other conditions, the holders will convert their notes into common stock at $5.50 per share and receive interest accrued through September 30, 2026 in common stock. If the merger is not completed by March 31, 2027 (subject to extension), the conversions will not occur, the notes will remain outstanding with interest reinstated from October 1, 2026, and the shares sold in the financing described below will be exchanged for convertible notes. Concurrently, the Company entered into a securities purchase agreement providing for the sale of up to $5.0 million of shares of common stock at $5.50 per share, each share accompanied by a warrant to purchase one share of common stock at an exercise price of $10.00 per share, and on November 10, 2026 issued 281,182 shares of common stock and warrants to purchase 281,182 shares of common stock under that agreement for gross proceeds of approximately $1.2 million.

The proposed merger would combine the businesses of Fountainhead LifeSciences and its affiliates, including Sequence and NVISION Biomedical Technologies, Inc. ("Fountainhead"), with the Company in exchange for 45% to 50% of the Company's fully diluted shares. Fountainhead is an affiliate of Mr. Kieser, the Company's Interim Chief Executive Officer and a director, so the merger would be a related party transaction. Mr. Kieser, Sequence and certain other directors and officers hold notes and participated in the financing. No definitive agreement for the merger has been entered into, and there is no assurance that it will be completed. The Company is evaluating the accounting for these transactions, including the modification of the notes and warrants, and cannot yet estimate their effect on its financial statements.

Potential Sale of Consumer Brands

In October 2026, the Company began marketing its Silly George and Kenkoderm brands for sale. No definitive agreement has been entered into with respect to either or both brands, and the Company does not expect a sale to have a material effect on its results.

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

The following discussion and analysis are intended to help 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 Quarterly Report on Form 10-Q.

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 "Forward-Looking Statements." Actual results may differ materially from those contained in any forward-looking statements.

Forward-Looking Statements

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

- our ability to continue as a going concern;
- inadequate capital;
- inadequate or an inability to raise sufficient capital to execute our business plan;
- our ability to comply with current good manufacturing practices;
- loss or retirement of key executives;
- our plans to make significant additional outlays of working capital before we expect to generate significant revenues and the uncertainty regarding when we will begin to generate significant revenues, if we are able to do so;
- adverse economic conditions and/or intense competition;
- loss of a key customer or supplier;
- entry of new competitors;
- adverse federal, state and local government regulation;
- technological obsolescence of our manufacturing process and equipment;
- technical problems with our research and products;
- risks of mergers and acquisitions including the time and cost of implementing transactions and the potential failure to achieve expected gains, revenue growth or expense savings;
- price increases for supplies and components;
- our ability to complete the proposed merger with Fountainhead LifeSciences, which is a related-party transaction, and the related conversion of our convertible notes;

- our ability to maintain the listing of our common stock on The Nasdaq Capital Market;
- our dependence on Celularity and our ability to realize the anticipated benefits of the Celularity Transaction;
- potential events of default under our convertible notes;
- the outcome of pending and threatened legal proceedings; 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 sections titled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Quarterly Report on Form 10-Q. You should evaluate all forward-looking statements made in this Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q 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, allows us to expand our ability to deliver finished goods to our growing customer base.

Since April 2026, following our acquisition of an exclusive license to, and certain assets related to, Celularity portfolio of commercial-stage regenerative biomaterials (see Note 1, “License and Acquisition of Celularity, Inc.’s Portfolio of Commercial-stage Regenerative Biomaterials”), we also market and sell biomaterial products used in tendon repair, soft tissue reconstruction and bone regeneration under the brand name “BioNx**.”**

Lines of Business

We have five distinct lines of business; Contract Manufacturing, Custom & White Label, Consumer Branded Products, Medical Devices/Other, and BioNx.

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.

Biomaterial Products

These products are licensed from the Celularity transaction, as disclosed in Note 1, and the acquired portfolio includes 6 established products with over a decade of clinical use and existing reimbursement coverage. We are responsible for sales, marketing and distribution.

Medical Devices/Other

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

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

Results of Operations

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

Comparison of the Three Months ended September 30, 2026 and 2025 ($ in thousands)

Revenues, net

	Three Months Ended September 30,	
	2026	**2025**
Revenues, net	$ 3,179	$ 2,934

For the three months ended September 30, 2026 revenues were $3,179 and increased by $245, or 8.4%, when compared to $2,934 for the three months ended September 30, 2025. The increase in our overall revenues was primarily due to new Biomaterial product revenue of $881, partially offset by decreases of $442 in Consumer Branded Products revenue and $171 in Contract Manufacturing revenue.

Cost of revenues are as follows for the three months ended September 30, 2026 and 2025 ($ in thousands):

	Three Months Ended September 30,	
	2026	**2025**
Cost of revenues	$ 2,054	$ 1,691

Cost of revenues increased by $363, or 21.5%, to $2,054 for the three months ended September 30, 2026, as compared to $1,691 for the three months ended September 30, 2025. The increase in cost of revenues is primarily aligned with the increase in sales from the new Biomaterial products, combined with increased freight and royalty costs.

Gross profit

Our gross profit was $1,125 for the three months ended September 30, 2026 compared to a gross profit of $1,243 for the three months ended September 30, 2025. The decrease of $118 in gross profit recorded for the three months ended September 30, 2026, as compared to September 30, 2025, was primarily due to the initial Biomaterial product sales at lower margin combined with higher inventory write off, freight and royalty costs. Gross margin was 35.4% for the three months ended September 30, 2026 compared to 42.4% for the three months ended September 30, 2025.

Selling, general and administrative expenses. Selling, general and administrative expenses are as follows for the three months ended September 30, 2026 and 2025 ($ in thousands):

	Three Months Ended September 30,	
	2026	**2025**
Selling, general and administrative expenses	$ 3,664	$ 1,961

Selling, general and administrative expenses increased by $1,703 or 86.8%, to $3,664 for the three months ended September 30, 2026, as compared to $1,961 for the three months ended September 30, 2025. The increase in Selling, general and administrative expenses is primarily attributable to $702 in costs related to establishing and running the BioNx Surgical division to sell Biomaterial products, along with $1,134 in amortization of the intangible asset related to the Celularity license agreement.

Research and development expenses

Research and development expenses were $0 and $7 for the three months ended September 30, 2026 and September 30, 2025. Research and development expenses are related to research costs incurred for potential products for existing or new customers.

Comparison of the Nine Months ended September 30, 2026 and 2025 ($ in thousands)

Revenues, net

	Nine Months Ended September 30,	
	2026	**2025**
Revenues, net	$ 9,515	$ 8,625

For the nine months ended September 30, 2026 revenues were $9,515 and increased by $890, or 10.3%, when compared to $8,625 for the nine months ended September 30, 2025. The increase in our overall revenues was primarily due to $1,695 in sales of Biomaterial products, partially offset by a $730 decline in Consumer Branded Products revenue.

Cost of revenues are as follows for the nine months ended September 30, 2026 and 2025 ($ in thousands):

	Nine Months Ended September 30,	
	2026	**2025**
Cost of revenues	$ 6,221	$ 4,935

Cost of revenues increased by $1,286, or 26.1%, to $6,221 for the nine months ended September 30, 2026, as compared to $4,935 for the nine months ended September 30, 2025. The increase in cost of revenues is primarily aligned with increase in sales combined with increased inventory write-off, freight and royalty costs.

Gross profit

Our gross profit was $3,294 for the nine months ended September 30, 2026 compared to a gross profit of $3,690 for the nine months ended September 30, 2025. The decrease of $396 in gross profit recorded for the nine months ended September 30, 2026, as compared to September 30, 2025 was primarily due to the initial Biomaterial product sales at lower margin combined with higher inventory write off, freight and royalty costs. Gross margin was 34.6% for the nine months ended September 30, 2026 compared to 42.8% for the nine months ended September 30, 2025.

Selling, general and administrative expenses. Selling, general and administrative expenses are as follows for the nine months ended September 30, 2026 and 2025 ($ in thousands):

	Nine Months Ended September 30,	
	2026	**2025**
Selling, general and administrative expenses	$ 9,277	$ 5,820

Selling, general and administrative expenses increased by $3,457, or 59.4%, to $9,277 for the nine months ended September 30, 2026, as compared to $5,820 for the nine months ended September 30, 2025. The increase in Selling, general and administrative expenses is primarily attributable to $1,359 in costs related to establishing and running the BioNx Surgical division to sell Biomaterial products, along with $1,890 in amortization of the intangible asset related to the Celularity license agreement.

Research and development expenses

Research and development expenses increased by $12 to $20 for the nine months ended September 30, 2026 from $8 for the nine months ended September 30, 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)

	September 30, 2026	**September 30, 2025**
Net cash used in operating activities	$ (3,832)	$ (1,592)
Net cash provided by (used in) investing activities	(6,620)	(28)
Net cash provided by financing activities	10,052	1,671
Net increase (decrease) in cash and cash equivalents	(400)	51
Cash and cash equivalents at beginning of year	1,058	1,807
Cash and cash equivalent at end of quarter	$ 658	$ 1,858

As of September 30, 2026, we had $658 of cash and restricted cash, of which $278 was unrestricted, compared to $1,058 of cash and restricted cash, of which $317 was unrestricted, at December 31, 2025. Net cash used in operating activities was $5,124 and $1,592 for the nine months ended September 30, 2026 and 2025, respectively.

Net cash used in investing activities was $6,620 and $28 for the nine months ended September 30, 2026 and 2025, respectively. The increase was primarily due to the $6,503 cash payment for the acquisition of an exclusive license and related assets from Celularity, as well as $117 of capital expenditures, compared to $28 in the prior-year period.

Net cash provided by financing activities for the nine months ended September 30, 2026 was $10,052 and was attributable to net proceeds from convertible notes payable of $11,140 offset by principal payments of notes payable and principal payments of financing lease liabilities of $906 and debt financing costs of $182. Net cash provided by financing activities for the nine months ended September 30, 2025 was $1,671 and was attributable to the proceeds from rights offerings and stock issuances of $963, proceeds from STADA of $1,000, offset by principal payments of notes payable of $71, principal payments of financing lease liabilities of $43, and payment of contingent consideration of $178.

At September 30, 2026, current assets totaled $4,936 and current liabilities totaled $10,626 as compared to current assets totaling $4,338 and current liabilities totaling $2,956 at December 31, 2025. As a result, we had negative working capital of $5,690 at September 30, 2026, compared to a working capital of $1,382 at December 31, 2025. The decrease in the working capital as of September 30, 2026 is primarily attributable to the loss from operations of $6,003, an increase in non-cash derivative liability of $4,584 and proceeds from issuance of convertible debt, exclusive of Celularity financing, of $2,556.

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.

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.

Material Cash Requirements and Recent Developments

As of September 30, 2026, we had $278 of unrestricted cash. Our material cash requirements over the next twelve months include, among other things, the remaining $1,798 of cash consideration payable to Celularity under the License Agreement, amounts we have agreed to reimburse to Sequence and Mr. Kieser in respect of the Sales Representative obligations described in Note 18 to our condensed consolidated financial statements, interest on our convertible notes to the extent not paid in shares, and the costs of the legal proceedings described in Note 16. On November 10, 2026, we entered into and closed the Note Amendment and Conversion Agreements and the securities purchase agreement described in Note 19, receiving gross proceeds of approximately $1.2 million. Upon completion of the proposed merger with Fountainhead, holders of approximately $14.1 million in principal amount of our convertible notes would convert their notes into common stock, which would substantially reduce our indebtedness. No definitive agreement for the merger has been entered into, and there can be no assurance that the merger will be completed. Even if these transactions are completed, we expect that we will need to raise additional capital to fund our operations.]

Off Balance Sheet Arrangements

As of September 30, 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

As a smaller reporting company, we are not required to provide the information required by this Item.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures.

As of September 30, 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 September 30, 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 September 30, 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 journal 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 September 30, 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

Except as described below, 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 Quarterly Report on Form 10-Q, 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.

On April 27, 2026, Bezalel Partners, LLC commenced an arbitration proceeding against the Company before JAMS, asserting claims for breach of contract and declaratory relief arising from a Finder's Fee Agreement and seeking damages in excess of $1,750,000, plus interest, attorneys' fees and costs. See Note 16 to the condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information regarding this proceeding.

On September 15, 2026, the Company's former President and Chief Executive Officer, who was also a former member of the Company's Board of Directors, filed a complaint against the Company in the United States District Court for the Southern District of New York. The complaint alleges breach of his Executive Employment Agreement and certain other allegations in connection with the termination of his employment effective August 21, 2026. The Company disputes the plaintiff's claims and intends to defend the action vigorously. As of September 30, 2026, the Company had accrued $375 thousand, included in accrued expenses and other current liabilities related to this matter. The accrual is not an admission of liability. The Company is unable to estimate any reasonably possible loss in excess of the amount accrued. Litigation is inherently uncertain.

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. Except as set forth below and in Part II, Item 1A of our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2026 and June 30, 2026, there have been no material changes to the risk factors that were included in the Form 10-K.

We have incurred substantial indebtedness under convertible notes issued in 2026, which could adversely affect our liquidity and result in significant dilution to our stockholders.

As of September 30, 2026, we had $14.9 million of convertible notes payable outstanding, issued in private placements completed in April, May and July 2026, including the $5.0 million Celularity Note. These notes bear interest at 10% per annum (18% upon an event of default) and are convertible into shares of our common stock at conversion prices subject to downward adjustment. Our ability to service this indebtedness depends on our future operating performance, and our failure to make required payments or comply with applicable covenants could result in an event of default, which could have a material adverse effect on our business and financial condition and cause us to cease operations. Conversion of these notes and exercise of the related warrants will also result in substantial dilution to our existing stockholders.

Our license and acquisition of assets from Celularity may not achieve the anticipated benefits, and we may be required to make significant additional contingent payments.

In April 2026, we completed the acquisition of an exclusive license to Celularity's commercial-stage regenerative biomaterials portfolio for aggregate upfront consideration of $13.3 million, and we may be required to pay up to an additional $20.0 million in contingent milestone payments if certain commercial milestones are achieved. The anticipated benefits of this transaction, including the successful commercialization of the licensed products under our BioNx brand, may not be realized on the timeline we expect, or at all, and integrating these products and technologies may divert management attention and require significant additional expenditures.

The proposed recapitalization and merger with Fountainhead LifeSciences, an affiliate of our Interim Chief Executive Officer, may not be completed, and if completed, will result in substantial dilution and a significant concentration of ownership.

In November 2026, we amended approximately $14.1 million in principal amount of our convertible notes to provide for their conversion into common stock at $5.50 per share upon completion of a proposed merger with Fountainhead LifeSciences, and we sold shares of common stock and warrants in a private placement. Fountainhead is an affiliate of Brian Kieser, our Interim Chief Executive Officer and a director, who, together with Sequence LifeScience, Inc., holds $6.5 million in principal amount of our convertible notes, and the owners of Fountainhead would receive 45% to 50% of our fully diluted shares. No definitive merger agreement has been entered into, and the merger is subject to, among other things, negotiation of definitive terms, approval by a special committee of independent directors, receipt of a fairness opinion and the approval of our stockholders. If the merger is not completed by March 31, 2027 (subject to extension), the notes will not convert and will remain outstanding, and the shares sold in the private placement will be exchanged for convertible notes. If the transactions are completed, our existing stockholders will experience substantial dilution, and Mr. Kieser and his affiliates will be in a position to exert significant influence over matters requiring stockholder approval. Mr. Kieser's interests in these transactions may differ from those of our other stockholders.

We may be unable to maintain the listing of our common stock on The Nasdaq Capital Market.

In April 2026, we received a deficiency notice from Nasdaq relating to the minimum bid price requirement, and on October 12, 2026 we effected a 1-for-20 reverse stock split to regain compliance, which Nasdaq confirmed on October 26, 2026. There can be no assurance that we will continue to satisfy the minimum bid price requirement or Nasdaq's other continued listing requirements, including the minimum stockholders' equity requirement, or that the transactions described above will not raise additional listing compliance matters. The reverse stock split may also reduce the liquidity of our common stock. A delisting of our common stock could adversely affect its liquidity and market price and our ability to raise capital, and could constitute an event of default under our convertible notes.

We are party to legal proceedings that could result in significant costs and liabilities.

We are defending an arbitration brought by Bezalel Partners, LLC seeking a transaction fee in excess of $1.75 million, plus interest and fees, and a lawsuit brought by our former Chief Executive Officer seeking severance and other damages, and we have received other claims and demands relating to our business and the Celularity Transaction. Litigation is costly and diverts management attention, and an adverse outcome in any of these matters could have a material adverse effect on our liquidity and financial condition.

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

(a) **Sales of Unregistered Securities during the nine months ended September 30, 2026**

Other than as previously reported on the Company's Current Reports on Form 8-K filed with the Securities and Exchange Commission, the Company did not sell any unregistered securities during the three months ended September 30, 2026.

(b) **Issuer Repurchases of Securities during the nine months ended September 30, 2026**

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

Exhibit No.	Description
3.1	Certificate of Incorporation of AquaMed Technologies, Inc. (incorporated by reference to Exhibit 3.1 to Form S-1, filed with the SEC on January 9, 2019).
3.2	Certificate of Amendment to Certificate of Incorporation of AquaMed Technologies, Inc. (incorporated by reference to Exhibit 3.2 to Form S-1, filed with the SEC on January 9, 2019).
3.3	Amended and Restated Certificate of Incorporation of AquaMed Technologies, Inc. (incorporated by reference to Exhibit 3.3 to Amendment No. 1 to Form S-1, filed with the SEC on March 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 ended September 30, 2026, 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 101).

* Filed herewith.

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.

NEXGEL, INC.

Date: November 13, 2026

By: */s/ Brian Kieser*
Name: Brian Kieser
Title: Interim Chief Executive Officer
(Principal Executive Officer)

By: */s/ Ian Blackman*
Name: Ian Blackman
Title: Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 31.1

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

I, Brian Kieser, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of NexGel, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: November 13, 2026

By: */s/ Brian Kieser*
Brian Kieser
Interim Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

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: November 13, 2026

By: */s/ Ian Blackman*
Ian Blackman
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

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 September 30, 2026, of NexGel, Inc. (the "Company"). I, Brian Kieser, the Interim Chief Executive Officer and Principal Executive Officer of the Company, certify that, based on my knowledge:

(1) The Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in this report.

Date: November 13, 2026

By: */s/ Brian Kieser*
Name: Brian Kieser
Title: Interim 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.

EXHIBIT 32.2

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 the three months ended September 30, 2026 of NexGel, Inc. (the "Company"). I, Ian Blackman, the Chief Financial Officer and Principal Financial Officer of the Company, certify that, based on my knowledge:

(1) The Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in this report.

Date: November 13, 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.