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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended 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: 001-38529

Verrica Pharmaceuticals Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**46-3137900**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
44 West Gay Street, Suite 400 West Chester, PA	**19380**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (484) 453-3300
N/A
(Former name, former address and former fiscal year, if changed since last report)

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on which Registered
Common Stock, $0.0001 par value	VRCA	The Nasdaq Stock 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 non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

As of November 5, 2026, the registrant had 17,178,786 shares of common stock, $0.0001 par value per share, outstanding.

VERRICA PHARMACEUTICALS INC.
QUARTERLY REPORT ON FORM 10-Q
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PART I. FINANCIAL INFORMATION

Item 1. Unaudited Consolidated Financial Statements

VERRICA PHARMACEUTICALS INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)
(Unaudited)

	September 30, 2026	December 31, 2025
ASSETS		
Current assets:		
Cash	$ 14,394	$ 30,147
Accounts receivable, net	11,238	5,260
Collaboration receivable, billed and unbilled	411	137
Deferred R&D services, current portion (Note 10)	1,491	1,958
Insurance recovery asset	2,333	—
Inventory	2,804	2,236
Prepaid expenses and other current assets	3,728	2,801
Total current assets	36,399	42,539
Property and equipment, net	167	209
Operating lease right-of-use asset	304	540
Finance lease right-of-use asset	1,429	1,113
Deferred R&D services, non-current portion (Note 10)	924	2,354
Other non-current assets	638	376
Total assets	**$ 39,861**	**$ 47,131**
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current liabilities:		
Accounts payable	$ 1,287	$ 2,072
Accrued expenses and other current liabilities	14,644	12,837
Deferred revenue	1,105	782
Legal settlement liability	4,000	—
Operating lease liability	330	341
Finance lease liability	564	405
Total current liabilities	21,930	16,437
Operating lease liability	—	242
Finance lease liability	773	643
Derivative liability	556	—
R&D funding liability (Note 10)	10,940	5,066
Term loans, net, related party (Note 9)	11,636	—
Total liabilities	**45,835**	**22,388**
Commitments and Contingencies (Note 5)		
Stockholders' (deficit) equity:		
Preferred stock, $0.0001 par value; 10,000,000 shares authorized; no shares issued and outstanding as of September 30, 2026 and December 31, 2025	—	—
Common stock, $0.0001 par value; 200,000,000 shares authorized; 17,189,300 shares issued and 17,178,786 shares outstanding as of September 30, 2026 and December 31, 2025, respectively	2	2
Treasury stock, at cost, 10,514 shares as of September 30, 2026 and December 31, 2025	—	—
Additional paid-in capital	354,179	349,654
Accumulated deficit	(360,155)	(324,913)
Total stockholders' (deficit) equity	**(5,974)**	**24,743**
Total liabilities and stockholders' (deficit) equity	**$ 39,861**	**$ 47,131**

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

VERRICA PHARMACEUTICALS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2026	2025	2026	2025
Revenue:				
Product revenue, net	$ 5,697	$ 3,607	$ 15,080	$ 11,563
License and collaboration revenue	1,217	10,737	2,719	18,922
Total revenue	6,914	14,344	17,799	30,485
Operating expenses:				
Cost of product revenue	583	754	1,562	1,517
Cost of license and collaboration revenue	565	355	1,353	523
Selling, general and administrative	10,356	9,403	30,694	27,103
Research and development	7,577	2,205	17,471	6,335
Legal settlement, net of insurance recovery	—	—	1,698	—
Total operating expenses	19,081	12,717	52,778	35,478
(Loss) income from operations	(12,167)	1,627	(34,979)	(4,993)
Other expense:				
Interest income	45	159	357	724
Interest expense	(285)	(2,094)	(609)	(6,428)
Change in fair value of derivative liability	—	34	—	886
Other expense	—	—	(11)	(1)
Total other expense, net	(240)	(1,901)	(263)	(4,819)
Net loss	**$ (12,407)**	**$ (274)**	**$ (35,242)**	**$ (9,812)**
Net loss per share, basic and diluted	$ (0.58)	$ (0.03)	$ (1.65)	$ (1.03)
Weighted average common shares outstanding, basic and diluted	21,305,025	9,490,083	21,305,025	9,489,173

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

VERRICA PHARMACEUTICALS INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(in thousands, except share amounts)
(Unaudited)

c	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Total Stockholders' Equity (Deficit)
	Shares Issued	Amount			Shares	
January 1, 2026	**17,189,300**	**$ 2**	**$ 349,654**	**$ (324,913)**	**10,514**	**$ 24,743**
Stock-based compensation	—	—	897	—	—	897
Issuance costs	—	—	(9)	—	—	(9)
Torii warrant expense	—	—	106	—	—	106
Net loss	—	—	—	(9,682)	—	(9,682)
March 31, 2026	**17,189,300**	**$ 2**	**$ 350,648**	**$ (334,595)**	**10,514**	**$ 16,055**
Stock-based compensation	—	—	1,213	—	—	1,213
Torii warrant expense	—	—	192	—	—	192
Net loss	—	—	—	(13,153)	—	(13,153)
June 30, 2026	**17,189,300**	**$ 2**	**$ 352,053**	**$ (347,748)**	**10,514**	**$ 4,307**
Stock-based compensation	—	—	1,907	—	—	1,907
Torii warrant expense	—	—	219	—	—	219
Net loss	—	—	—	(12,407)	—	(12,407)
September 30, 2026	**17,189,300**	**$ 2**	**$ 354,179**	**$ (360,155)**	**10,514**	**$ (5,974)**
January 1, 2025	**9,188,513**	**$ 1**	**$ 297,166**	**$ (307,027)**	**10,514**	**$ (9,860)**
Stock-based compensation	—	—	1,026	—	—	1,026
Vesting of restricted stock units	1,000	—	—	—	—	—
Net loss	—	—	—	(9,742)	—	(9,742)
March 31, 2025	**9,189,513**	**$ 1**	**$ 298,192**	**$ (316,769)**	**10,514**	**$ (18,576)**
Stock-based compensation	—	—	888	—	—	888
Exercise of pre-funded warrants	70,100	—	—	—	—	—
Vesting of restricted stock units	5,426	—	—	—	—	—
Net income	—	—	—	204	—	204
June 30, 2025	**9,265,039**	**$ 1**	**$ 299,080**	**$ (316,565)**	**10,514**	**$ (17,484)**
Stock-based compensation	—	—	718	—	—	718
Exercise of pre-funded warrants	235,548	—	—	—	—	—
Retired shares	(38)	—	—	—	—	—
Net loss	—	—	—	(274)	—	(274)
September 30, 2025	**9,500,549**	**$ 1**	**$ 299,798**	**$ (316,839)**	**10,514**	**$ (17,040)**

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

VERRICA PHARMACEUTICALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	For the Nine Months Ended September 30,	
	2026	**2025**
Cash flows from operating activities		
Net loss	$ (35,242)	$ (9,812)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	4,017	2,632
Depreciation expense	42	119
Non-cash interest expense	60	2,075
Loss on disposal of fixed assets	—	246
(Gain) loss on termination of finance lease	(10)	3
Amortization of operating lease right-of-use asset	236	220
Amortization of finance lease right-of-use asset	330	252
Change in deferred R&D services and R&D funding liability	7,771	375
Non-cash R&D expense related to Torii warrant vesting	517	—
Change in fair value of derivative liability	—	(886)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(927)	(1,276)
Collaboration receivable, billed and unbilled	(274)	(253)
Insurance recovery asset	(2,333)	—
Inventory	(568)	159
Accounts payable	(998)	(311)
Legal settlement liability	4,000	—
Deferred revenue	323	1,564
Accounts receivable	(5,978)	(6,999)
Accrued expenses and other current liabilities	1,807	(911)
Operating lease liability	(253)	(233)
Net cash used in operating activities	(27,480)	(13,036)
Cash flows from investing activities		
Net cash used in investing activities	—	—
Cash flows from financing activities		
Proceeds from issuance of term loans, related party	12,500	—
Payment of debt issuance costs	(156)	—
Payment of equity issuance costs	(9)	—
Repayment of debt	—	(11,919)
Repayment of finance lease	(346)	(277)
Net cash provided by (used in) financing activities	11,989	(12,196)
Net decrease in cash and restricted cash	(15,491)	(25,232)
Cash and restricted cash at the beginning of the period	30,147	46,329
Cash and restricted cash at the end of the period	**$ 14,656**	**$ 21,097**

VERRICA PHARMACEUTICALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	For the Nine Months Ended September 30,	
	2026	**2025**
Reconciliation of Cash and Restricted cash		
Cash	$ 14,394	$ 21,097
Restricted cash	262	—
Total Cash and Restricted cash	**$ 14,656**	**$ 21,097**
Supplemental disclosures		
Cash paid for interest	$ 64	$ 4,353
Supplemental disclosure of noncash investing and financing activities:		
Recognition of R&D funding liability	$ 5,874	$ 4,313
Change in deferred R&D services	$ 1,897	$ —
Finance lease liability extinguished as a result of lease termination	$ 312	$ 50
Debt issuance costs included in accounts payable	$ 213	$ —
Fair value of derivative liability related to term loans	$ 556	$ —
Right-of-use asset obtained in exchange for lease obligation	$ 972	$ 141

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

VERRICA PHARMACEUTICALS INC.
Notes to Consolidated Financial Statements
(Unaudited)

Note 1—Organization and Description of Business Operations

Verrica Pharmaceuticals Inc. (the "Company") was formed on July 3, 2013 and is incorporated in the State of Delaware. The Company is a therapeutics company developing and commercializing medications for the treatment of dermatologic diseases, including skin cancers. On July 21, 2023, the U.S. Food and Drug Administration ("FDA") approved YCANTH (VP-102) topical solution for the treatment of molluscum contagiosum in adult and pediatric patients two years of age and older. During the first quarter of 2026, the Company formed a wholly owned subsidiary in Ireland to facilitate regulatory filings in the European Union. The subsidiary had no material operations during the nine months ended September 30, 2026.

Liquidity and Capital Resources

The Company has incurred substantial operating losses since inception and expects to continue to incur significant losses for the foreseeable future and may never become profitable. As of September 30, 2026, the Company has an accumulated deficit of $360.2 million and cash of $14.4 million. The Company has cash outflows from operations of $27.5 million for the nine months ended September 30, 2026. On August 3, 2026, the Company entered into a credit agreement (the "PD Credit Agreement") with PD Joint Holdings, LLC Series 2016-B, at which time $12.5 million became available and an additional $15.0 million will be available to borrow, subject to the satisfaction of certain milestones and customary conditions as well as compliance with specified covenants. On September 17, 2026, the Company borrowed the available $12.5 million under the terms of the PD Credit Agreement. On October 22, 2026, the Company achieved the specified milestones, and the additional $15 million became available to borrow, bringing total availability under the PD Credit Agreement to $27.5 million, of which $12.5 million has been funded. Based on the current business plan and current capital resources, combined with the uncertainty regarding the availability of additional funding, the Company has concluded that substantial doubt exists regarding its ability to continue as a going concern within one year after the date these consolidated financial statements are issued. The Company plans to address the conditions that raise substantial doubt regarding its ability to continue as a going concern by, among other things, borrowing additional amounts available under the PD Credit Agreement and obtaining additional funding through equity offerings, debt financing, collaborations, strategic alliances and/or licensing arrangements. The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The consolidated financial statements do not include any adjustments to the carrying amounts and classification of recorded assets, liabilities and reported expenses that might result should the Company be unable to continue as a going concern. See Note 9 for additional information regarding the PD Credit Agreement.

There can be no assurance the Company will be able to obtain additional liquidity when needed or under acceptable terms, if at all. If the Company is unable to raise capital when needed or on attractive terms, the Company would be forced to delay, reduce or eliminate commercialization efforts and development programs.

In November 2025, the Company sold an aggregate of (i) 6,499,826 shares of its common stock, (ii) with respect to certain purchasers pre-funded warrants to purchase 5,305,164 shares of common stock in lieu of shares and (iii) in either case, the accompanying Series C warrants to purchase 2,951,241 shares of common stock pursuant to securities purchase agreements with certain investors in a private placement ("Private Placement"). The purchase price per share of common stock and accompanying Series C warrant was $4.24125 per share and the purchase price for the pre-funded warrants and accompanying Series C warrant was $4.24115 per share. The Company received net proceeds of $49.1 million from the Private Placement, after deducting placement fees of $0.9 million.

The Company plans to secure additional capital in the future through amounts available under the PD Credit Agreement, equity or debt financings, partnerships, or other sources to carry out the Company’s planned commercial and development activities. The amount of proceeds the Company may be able to raise pursuant to its currently effective shelf registration statement on Form S-3 is limited. The Company is subject to the general instructions of Form S-3 known as the "baby shelf rules." Under these rules, the amount of funds the Company can raise through primary public offerings of securities in any 12-month period using its registration statement on Form S-3 is limited to one-third of the aggregate market value of the shares of the Company's common stock held by its non-affiliates. Therefore, the Company will be limited in the amount of proceeds it is able to raise by selling its securities using its Form S-3 until such time as the Company's public float exceeds $75.0 million.

Note 2—Significant Accounting Policies

Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. All intercompany balances and transactions have been eliminated in consolidation. Any reference in these notes to applicable guidance is meant to refer to the authoritative United States generally accepted accounting principles as found in the Accounting Standards Codification ("ASC") and Accounting Standards Update ("ASU") of the Financial Accounting Standards Board ("FASB").

Unaudited Interim Consolidated Financial Statements

The accompanying unaudited interim consolidated financial statements have been prepared by the Company in accordance with U.S. GAAP for interim information and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, certain information and footnote disclosures normally included in audited consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes for the year ended December 31, 2025, filed as part of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2025.

These unaudited interim consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and, in management's opinion, include all adjustments, consisting of only normal recurring adjustments, necessary for the fair presentation of the financial information for the interim periods. However, the results of operations for any interim period are not necessarily indicative of the results to be expected for the full fiscal year. Certain items have been reclassified in the prior year disclosure to conform to the current year presentation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on current facts, historical experience as well as other pertinent industry and regulatory authority information, results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of revenues and expenses that are not readily apparent from other sources. Actual results may differ materially and adversely from these estimates. To the extent there are material differences between the estimates and actual results, the Company's future results of operations will be affected.

Segments

Operating segments are identified as components of an enterprise about which separate and discrete financial information is available for evaluation by the chief operating decision-maker ("CODM") in making decisions regarding resource allocation and assessing performance.

The Company views its operations and manages its business in one operating segment engaged in developing and commercializing medications for the treatment of dermatologic diseases, including skin cancers. The Company's Chief Executive Officer ("CEO"), as the CODM, regularly reviews the entity-wide financial and operational performance as a single unit. No financial information is disaggregated into separate lines of business and the Company does not differentiate the activities of its headquarters from the overall performance of the Company. The CEO makes resource allocation and business process decisions regarding the overall level of resources available and how to best deploy these resources.

The single segment's principal measure of segment profit and loss is consolidated net loss. The CEO considers actual and forecasted consolidated revenues, significant expenses, and consolidated net loss when evaluating performance. Significant expenses are amounts regularly provided to the CEO and included in consolidated net loss and include selling, general and administrative expenses and research and development expenses.

The table below summarizes the significant revenue and expense categories regularly reviewed by the CEO for the three and nine months ended September 30, 2026 and 2025:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2026	2025	2026	2025
Revenue:				
Product revenue, net	$ 5,697	$ 3,607	$ 15,080	$ 11,563
License and collaboration revenue	1,217	10,737	2,719	18,922
Total revenue	6,914	14,344	17,799	30,485
Less:				
Cost of product revenue	583	754	1,562	1,517
Cost of license and collaboration revenue	565	355	1,353	523
Selling, general and administrative:				
Commercial (including payroll)	5,610	4,976	16,983	13,604
General and administrative (including payroll)	3,326	3,996	10,899	11,695
Stock-based compensation	1,420	431	2,812	1,804
Total selling, general and administrative expense	10,356	9,403	30,694	27,103
Research and development:				
YCANTH (VP-102)	1,389	304	2,475	1,015
VP-315	387	197	588	391
Common warts	3,990	16	8,998	(50)
Stock-based compensation	465	287	1,137	828
Other unallocated expenses	1,346	1,401	4,273	4,151
Total research and development expense	7,577	2,205	17,471	6,335
Legal settlement, net of insurance recovery	—	—	1,698	—
Other:				
Other expense (a)	240	1,901	263	4,819
Net loss	**$ (12,407)**	**$ (274)**	**$ (35,242)**	**$ (9,812)**

(a) Other expense includes interest income, interest expense, change in fair value of derivative liability and other expenses.

Cash

Cash includes deposits in accounts at large financial institutions, and amounts may exceed federally insured limits. The Company believes it is not exposed to significant credit risk due to the financial strength of the depository institutions in which the funds are held. The Company has no financial instruments with off-balance sheet risk of loss.

Restricted Cash

Restricted cash as of September 30, 2026 comprises a cash deposit of $0.3 million with JPMorgan Chase Bank, N.A. as required under the Commercial Credit Card Program with a balance equal to the outstanding credit limit on commercial credit cards. This is included in other non-current assets on the consolidated balance sheets.

Fair Value of Financial Instruments and Credit Risk

As of September 30, 2026, the Company's financial instruments included cash, accounts receivable, accounts payable, accrued expenses, the derivative liability related to the Final Payment (as defined in Note 9) under the PD Credit Agreement (see Note 9) and the Term Loans (as defined in Note 9). The carrying amounts of accounts receivable, accounts payable and accrued expenses approximated fair value, given their short-term nature. The derivative liability is measured at fair value on a recurring basis (see Fair Value Measurement below). The Term Loans are carried at amortized cost; their fair value, which is categorized within Level 3 of the fair value hierarchy, approximated their carrying amount of $11.6 million at September 30, 2026 because the Term Loans were issued on September 17, 2026 and bear interest at a variable rate.

The Company is subject to credit risk from accounts receivable. As of September 30, 2026, one customer represented approximately 91% of the Company's accounts receivable. Based on the Company's periodic credit evaluations, there have been no historical concerns with this customer.

Accounts Receivable

The Company had $11.2 million in accounts receivable as of September 30, 2026. As of September 30, 2026, the Company had no allowance for credit losses. An allowance for credit losses is determined based on the Company's assessment of the creditworthiness and financial condition of its customers, aging of receivables, as well as the general economic environment. Any allowance would reduce the net receivables to the amount that is expected to be collected. Current payment terms for YCANTH (VP-102) are generally 60 days from the shipment date.

Inventory

The Company values inventory at the lower of cost or net realizable value. Inventory cost is determined using the specific identification method. The Company regularly reviews its inventory quantities and, when appropriate, records a provision for obsolete and excess inventory to derive the new cost basis, which takes into account the Company’s sales forecast and corresponding expiry dates. Costs related to obsolete inventory were $0.1 million for the three and nine months ended September 30, 2026 and $0.4 million for the three and nine months ended September 30, 2025.

Financial Instruments – Derivatives

The Company evaluates its financial instruments to determine if the financial instrument itself or any embedded components of a financial instrument potentially qualify as derivatives required to be separately accounted for in accordance with ASC Topic 815 - *Derivatives and Hedging*.

Prior to its settlement in November 2025, the Company had a derivative liability related to a bifurcated settlement feature of the Company's OrbiMed Credit Agreement (Note 9). The OrbiMed Credit Agreement provided for a five-year senior secured credit facility in an aggregate principal amount of up to $125.0 million (the "OrbiMed Loan Facility"). The derivative liability was subject to re-measurement at each balance sheet date and any change in fair value was recognized as a component of change in fair value of derivative liability in the consolidated statements of operations. The Company adjusted the liability for changes in fair value until the settlement of the OrbiMed Loan Facility, which occurred in November 2025.

On August 3, 2026, the Company entered into the PD Credit Agreement with PD Joint Holdings, LLC Series 2016-B, a related party, and on September 17, 2026 borrowed $12.5 million of Term Loans thereunder. Upon a liquidity event (referred to herein as “triggering events”), the Company owes PD Joint Holdings, LLC Series 2016-B the Final Payment described in Note 9. The Company accounts for the Final Payment as a freestanding derivative liability measured at fair value at each reporting date, with changes in fair value recognized in change in fair value of derivative liability in the consolidated statements of operations. As of September 30, 2026, the Company assessed the fair value of the derivative liability and determined that the change in fair value during the three months ended September 30, 2026 was not material. Accordingly, no adjustment to the carrying value was recorded for the period. The derivative liability is presented separately from the Term Loans in the accompanying consolidated balance sheet and is categorized within Level 3 of the fair value hierarchy. Its fair value is estimated using a probability-weighted discounted cash flow model; the significant unobservable inputs are the probability and expected timing of a triggering event and the discount rate. On October 22, 2026, the Company achieved the specified milestones required to draw the additional $15 million that became available to borrow, bringing total availability under the PD Credit Agreement to $27.5 million, of which $12.5 million has been funded.

Revenue

Product Revenue, Net

The Company recognizes revenue from sales of a single product, YCANTH (VP-102) (the "Product") in accordance with ASC Topic 606 – *Revenue from Contracts with Customers*. YCANTH (VP-102) became available for commercial sale and shipment to patients with a prescription in the United States in the third quarter of 2023. The Company sells the Product to several pharmaceutical wholesalers and distributors (the "Customers"), who in turn sell the Product directly to pharmacies, clinics, hospitals, and federal healthcare programs. Revenue is recognized as the Product is physically delivered to the Customers.

Gross product sales are reduced by corresponding gross-to-net ("GTN") estimates using the expected value method, resulting in the Company’s reported "Product revenue, net" in the accompanying consolidated statements of operations. Product revenue, net reflects the amount the Company ultimately expects to realize in net cash proceeds, taking into account the current period gross sales and related cash receipts and the subsequent cash disbursements on these sales

that the Company estimates for the various GTN categories discussed below. The GTN estimates are based upon information received from external sources, such as written or oral information obtained from our customers with respect to their period-end inventory levels and sales to end-users during the period, in combination with management's informed judgments. Due to the inherent uncertainty of these estimates, the actual amount of product returns, government chargebacks, prompt pay discounts, commercial rebates, Medicaid rebates, co-pay assistance and distribution, data, and group purchasing organizations ("GPO") administrative fees may be materially above or below the amount estimated. Variance between actual amounts and estimated amounts may result in prospective adjustments to reported net product revenue.

Each of the GTN estimate categories are discussed below:

Product Returns Allowances: The Customers are contractually permitted to return purchased Product in certain circumstances. The Company estimates reserves for product returns using historical return rates, considering factors such as product held by customers, forecasted sales, and product expiration. Returned Product is typically destroyed, since substantially all returns are due to expiry and cannot be resold.

Government Chargebacks: The Product is subject to pricing limits under certain federal government programs, including Medicare and the 340B drug pricing program. Qualifying entities (the "End-Users") purchase the Product from the Customers at their applicable qualifying discounted price. The chargeback amount the Company incurs represents the difference between the Company's contractual sales price to the Customers and the end-user's applicable discounted purchase price under the government program.

Medicaid Rebates: The Product is subject to state government-managed Medicaid programs, whereby rebates are issued to participating state governments, which may include supplemental rebates. These rebates arise when a patient treated with the Product is covered under Medicaid, resulting in a discounted price for the Product under the applicable Medicaid program. The Medicaid rebate accrual calculations require the Company to project the magnitude of its sales, by state, that will be subject to these rebates.

Managed Care Rebates: Managed care rebates represent our estimated obligations to third parties, primarily pharmacy benefit managers. Under the terms of these contracts, the Company offers rebates to these third parties. The rebates are calculated based on the applicable contracts, estimated during the period that the revenue is recognized and paid by the Company in subsequent periods.

Patient Assistance: The Company offers a voluntary co-pay patient assistance program intended to provide financial assistance to eligible patients with a prescription drug co-payment required by commercial payers. The calculation of the current liability for this assistance is based on an estimate of claims and the cost per claim that the Company expects to receive associated with YCANTH (VP-102) that has been recognized as revenue but remains in the distribution channel inventories at the end of each reporting period.

Distribution, Data, and GPO Administrative Fees: Distribution, data, and GPO administrative fees are paid to authorized wholesalers/distributors of the Company's products for various commercial services including contract administration, inventory management, delivery of end-user sales data, and product returns processing. These fees are based on a contractually determined percentage of the Company's applicable sales.

License and Collaboration Revenues

The Company has generated collaboration revenue through its licensing and collaboration arrangements. The terms of the arrangements typically include payments to the Company of one or more of the following: nonrefundable, up-front license fees; regulatory and commercial milestone payments; payments for manufacturing supply of product and services; materials shipped to support development; and royalties on net sales of licensed products.

In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under each of its agreements, the Company performs the following steps:

(i) identification of the promised goods or services in the contract;

(ii) determination of whether the promised goods or services are performance obligations including whether they are distinct in the context of the contract;

(iii) measurement of the transaction price, including the constraint on variable consideration;

(iv) allocation of the transaction price to the performance obligations; and

(v) recognition of revenue when (or as) the Company satisfies each performance obligation. The Company's revenue arrangements may include the following:

Up-front License Fees: If a license is determined to be distinct from the other performance obligations identified in the arrangement, the Company recognizes revenues from non-refundable, up-front fees allocated to the license when the license is transferred to the licensee and the licensee is able to use and benefit from the license. For licenses that are bundled with other promises, the Company utilizes judgment to assess the nature of the combined performance obligation to determine whether the combined performance obligation is satisfied over time or at a point in time and, if over time, the appropriate method of measuring progress for purposes of recognizing revenue from non-refundable, up-front fees. The Company evaluates the measure of progress each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition.

Milestone Payments: At the inception of an agreement that includes regulatory or commercial milestone payments, the Company evaluates whether each milestone is considered probable of being achieved and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within the control of the Company or the licensee, such as regulatory approvals, are not considered probable of being achieved until those approvals are received. At each reporting period, the Company assesses the probability of achievement of each milestone under its current agreements. The Company did not recognize any milestone revenue during the three and nine months ended September 30, 2026 and recognized $10.0 million and $18.0 million, respectively, in development milestone revenue during the three and nine months ended September 30, 2025 because it became probable that a development milestone would be met and a significant reversal of revenue would not occur related to the previously constrained portion of the transaction price.

Royalties: If the Company is entitled to receive sales-based royalties from its collaborators, including milestone payments based on the level of sales, and the license is deemed to be the predominant item to which the royalties relate, the Company recognizes revenue at the later of (i) when the related sales occur, provided the reported sales are reliably measurable, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied).

Manufacturing Supply and Research Services: Arrangements that include a promise for supply of drug substance or drug product for either clinical development or commercial supply at the licensee's discretion are generally considered as options. The Company assesses if these options provide a material right to the licensee and if so, they are accounted for as separate performance obligations. If not, the supply services are recognized as collaboration revenue as the Company provides the services.

The Company receives payments from its licensees based on schedules established in each contract. Amounts are recorded as accounts receivable when the Company's right to consideration is unconditional. The Company does not assess whether a contract has a significant financing component if the expectation at contract inception is such that the period between payment by the licensees and the transfer of the promised goods or services to the licensees will be one year or less.

Deferred Revenue: The Company records deferred revenue when a customer prepays for goods or services, or when the Company has an unconditional right to bill but has not yet delivered the performance obligation. Deferred revenue is primarily comprised of deposits on customer product orders yet to be delivered. The Company expects to recognize all of the deferred revenue within the next 12 months.

Cost of Product Revenue

Cost of product revenue includes the cost of inventory sold, which includes direct manufacturing, production and packaging materials for YCANTH (VP-102) sales.

Cost of License and Collaboration Revenue

Cost of license and collaboration revenue consisted of commercial supplies and development activity with Torii.

Fair Value Measurement

ASC Topic 820, *Fair Value Measurement*, provides guidance on the development and disclosure of fair value measurements. Under this accounting guidance, fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability.

The accounting guidance classifies fair value measurements in one of the following three categories for disclosure purposes:

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

Level 2: Inputs other than Level 1 prices for similar assets or liabilities that are directly or indirectly observable in the marketplace.

Level 3: Unobservable inputs which are supported by little or no market activity and values determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

At September 30, 2026, the Company's financial instruments included cash, accounts receivable, accounts payable, accrued expenses, the derivative liability related to the Final Payment under the PD Credit Agreement (see Note 9) and the Term Loans. The carrying amounts of accounts receivable, accounts payable and accrued expenses approximate fair value due to the short-term maturities of these instruments. The carrying amounts of the Term Loans approximate fair value due to the Term Loans bearing interest at a variable rate that reflects current market rates for debt with similar terms and credit risk. The derivative liability is measured at fair value on a recurring basis and is categorized within Level 3 of the fair value hierarchy. The Company had no assets measured at fair value on a recurring basis as of September 30, 2026, and no assets or liabilities are measured at fair value on a recurring basis as of December 31, 2025.

The following table presents the Company's fair value information for liabilities measured at fair value on a recurring basis.

	As of September 30, 2026		
	(Level 1)	(Level 2)	(Level 3)
Recurring fair value measurements			
Derivative liability	$ —	$ —	556

As of September 30, 2026, the Company assessed the fair value of the derivative liability and determined that the change in fair value during the three months ended September 30, 2026 was not material. Accordingly, no adjustment to the carrying value was recorded for the period. The following is a roll forward of the derivative liability:

Balance at December 31, 2025	—
Noncash valuation of embedded derivative	556
Change in fair value	—
Balance at September 30, 2026	$ 556

The Company estimated the fair value of the derivative liability using a probability-weighted discounted cash flow model. The derivative liability was classified within Level 3 of the fair value hierarchy due to the use of unobservable inputs, which were as follows:

	September 30, 2026
Probability of triggering event	90 %
Expected timing of triggering event (years)	0.8 to 3.8
Weighted-average discount rate	15.6 %

Net Loss Per Share

Net loss per share is computed using the two-class method required for participating securities. Basic net loss per share is computed by dividing net loss by the weighted-average number of shares of common stock outstanding during the period including pre-funded warrants to purchase shares of common stock that were issued in an underwritten offering in November 2024 and the Private Placement in November 2025 (see Note 6). The pre-funded warrants to purchase common stock are included in the calculation of basic and diluted net loss per share as the exercise price of $0.0001 per share is non-substantive and exercise is virtually assured. Diluted net loss per share excludes the potential impact of common stock options, unvested shares of restricted stock and warrants because their effect would be anti-dilutive due to the Company's net loss. Since the Company had a net loss in each of the periods presented, basic and diluted net loss per common share are the same.

The table below provides potential shares outstanding that were not included in the computation of diluted net loss per common share, as the inclusion of these securities would have been anti-dilutive:

	September 30,	
	2026	2025
Shares issuable upon exercise of stock options	2,914,574	1,006,478
Non-vested shares under restricted stock grants	—	25,000
Shares issuable upon exercise of warrants pursuant to debt financing	51,855	51,855
Shares issuable upon exercise of warrants pursuant to Torii amendment	50,000	50,000
Shares issuable upon exercise of Series A and B warrants pursuant to 2024 equity financing	2,387,703	4,775,406
Shares issuable upon exercise of Series C warrants pursuant to the Private Placement	2,951,241	—
Total	8,355,373	5,908,739

The Series A warrants expired unexercised in November 2025 and therefore are not included in the shares issuable upon exercise as of September 30, 2026.

Recent Accounting Pronouncements

In November 2024, the FASB issued ASU No. 2024-03, *Disaggregation of Income Statement Expenses*. ASU 2024-03 requires additional disclosure of specific types of expenses included in the expense captions presented on the face of the income statement as well as disclosures about selling expenses. ASU 2024-03 is effective for fiscal years beginning after December 15, 2026, and interim periods beginning after December 15, 2027, with early adoption permitted. The requirements will be applied prospectively with the option for retrospective application. The Company is currently evaluating the impact that the adoption of ASU 2024-03 will have on its consolidated financial statements and disclosures.

In January 2025, the FASB issued ASU 2025-01, *Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date*. This update clarifies that all public business entities must adopt the guidance in ASU 2024-03 for annual reporting periods beginning after December 15, 2026, and for interim periods within annual reporting periods beginning after December 15, 2027, with early adoption permitted. This guidance is not expected to have a material impact on the Company's consolidated financial statements.

In December 2025, the FASB issued ASU 2025-11, Interim Reporting (Topic 270): *Narrow-Scope Improvements*. This update clarifies a shift in focus for interim reporting towards current-period facts and circumstances, over prior-period precedent. This update is effective for interim periods within annual periods that begin after December 15, 2027. This guidance is not expected to have a material impact on the Company's consolidated financial statements.

Note 3 —Inventory

Inventory consisted of the following (in thousands):

	September 30, 2026	December 31, 2025
Raw materials	$ 924	$ 974
Work in process	772	784
Finished goods	1,108	478
Total inventory	$ 2,804	$ 2,236

Note 4—Accrued Expenses and Other Current Liabilities

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

	September 30, 2026	December 31, 2025
Gross to net reserves	$ 9,669	$ 8,562
Compensation and related costs	1,957	1,763
Professional fees	918	1,259
Commercial-related costs	1,048	550
Clinical trials and drug development	685	454
Inventory	334	130
Other current liabilities	33	119
Total accrued expenses and other current liabilities	$ 14,644	$ 12,837

Note 5—Commitments and Contingencies

Litigation

On June 6, 2022, plaintiff Kranthi Gorlamari ("Plaintiff") filed a putative class action complaint captioned Gorlamari v. Verrica Pharmaceuticals Inc., et al., in the U.S. District Court for the Eastern District of Pennsylvania against us and certain of our then-current and former officers ("Defendants"). On January 12, 2023, the Plaintiff filed an amended complaint alleging that Defendants violated federal securities laws by, among other things, failing to disclose certain manufacturing deficiencies at the facility where our contract manufacturer produced bulk solution for the YCANTH (VP-102) drug device and that such deficiencies posed a risk to the prospects for regulatory approval of YCANTH (VP-102) for the treatment of molluscum. The amended complaint sought unspecified compensatory damages and other relief on behalf of Plaintiff and all other persons and entities which purchased or otherwise acquired our securities between May 19, 2021 and May 24, 2022 (the "Class Period").

On January 12, 2024, the Court granted in part and denied in part Defendants' motion to dismiss the amended complaint. The Court held that Plaintiff's claims relating to statements made in May and June 2021 were sufficiently pled, but dismissed Plaintiff's claims relating to all other statements made during the Class Period. On January 26, 2024, Plaintiff filed a second amended complaint in an attempt to cure certain of the deficiencies identified in the January 12, 2024 ruling. On September 3, 2024, the Court granted in part and denied in part Defendants' motion to dismiss the second amended complaint. The Court dismissed Plaintiff's claims related to one of the two individual defendants but held that Plaintiff's claims against the Company and the other individual defendant were sufficiently pled. On March 4, 2026, the Court granted Plaintiff's motion for class certification. On July 10, 2026, following mediation in June, the parties entered into a term sheet reflecting an agreement in principle to settle the litigation. On November 6, 2026, the parties executed a stipulation of settlement. On November 9, 2026, Plaintiff filed a motion for preliminary approval of the settlement. The settlement remains subject to customary conditions, including notice to the class and final court approval. The Company has recorded an accrued legal settlement liability of $4.0 million, representing the full amount of its estimated settlement obligation. Because the Company is the primary obligor under the term sheet and will be the primary obligor in the final settlement documents, the liability has been recognized on a gross basis and is presented as an accrued legal settlement liability in the consolidated balance sheets. The Company has also recognized a separate insurance recovery asset of $2.3 million, representing amounts that are probable of recovery under its directors' and officers' liability insurance policies. The insurance recovery asset is presented separately within current assets in the consolidated balance sheets. The net impact of the settlement, after consideration of the expected insurance recovery, was $1.7 million, which was recorded as legal settlement expense, net of insurance recovery, within operating expenses in the consolidated statements of operations for the nine months ended September 30, 2026.

In addition, on October 21, 2024, May 12, 2025, and June 26, 2025, plaintiffs Ivan S. Cohen, Paul Cannon, and Joseph Bonaccorso, respectively, each filed a putative stockholder derivative lawsuit in the U.S. District Court for the Eastern District of Pennsylvania. Each derivative complaint names the Company as a nominal defendant and purports to bring claims on behalf of the company against certain of our current and former directors and officers for alleged violations of the federal securities laws and breaches of their fiduciary duties in relation to substantially the same factual allegations as the above-described Gorlamari class action lawsuit. Each derivative complaint primarily seeks to recover for the Company compensatory damages for losses allegedly sustained related to the facts alleged, restitution, and punitive

damages. On December 16, 2024, the Court granted the parties' joint stipulation to stay the Cohen derivative lawsuit. On July 21, 2025, the Court granted the parties' joint stipulation in the Cohen and Cannon derivative lawsuits to consolidate the two actions and stay the consolidated action. On July 24, 2025, the plaintiff in the Bonaccorso derivative lawsuit filed a corrected complaint to clarify that the named plaintiff "is not Joseph (Joe) Bonaccorso, the former Chief Commercial Officer" of the Company. On July 29, 2025, the plaintiff in the Bonaccorso derivative lawsuit filed a notice voluntarily dismissing the action without prejudice. On August 5, 2026, the court in the consolidated Cohen and Cannon derivative action entered an order continuing the stay of the action until the conclusion of the settlement approval process in the Gorlamari class action lawsuit. The derivative actions are covered under the same directors' and officers' liability insurance policies as the securities class action, and amounts incurred in connection with these matters are applied against the same self-insured retention.

The Company is also involved in ordinary, routine legal proceedings that are not considered by management to be material. The Company's management believes the ultimate liabilities resulting from such legal proceedings will not materially affect the financial position of the Company or its results of operations or cash flows.

Note 6—Stockholders' Equity

Common Stock

The Company had authorized 200,000,000 shares of common stock, $0.0001 par value per share, as of September 30, 2026 and December 31, 2025. Each share of common stock is entitled to one vote. Common stock owners are entitled to dividends when funds are legally available and when declared by the Company's Board of Directors (the "Board").

November 2025 Offering

In November 2025, the Company sold an aggregate of (i) 6,499,826 shares of its common stock, (ii) with respect to certain purchasers pre-funded warrants to purchase 5,305,164 shares of common stock in lieu of shares and (iii) in either case, the accompanying Series C warrants to purchase 2,951,241 shares of common stock. The purchase price per share of common stock and accompanying Series C warrant was $4.24125 per share and the purchase price for the pre-funded Warrants and accompanying Series C warrant was $4.24115 per share. The Company received net proceeds of $49.1 million from the Private Placement, after deducting placement fees of $0.9 million.

Pre-funded Warrant Exercises

There were no pre-funded warrants exercised in the nine months ended September 30, 2026. Pre-funded warrants for 70,100, 191,248 and 44,300 shares of common stock were exercised in April 2025, July 2025, and August 2025, respectively.

Warrants

The following table summarizes the Company's outstanding warrants, all of which are exercisable for shares of common stock:

	September 30, 2026		
	Number of warrants	Exercise Price	Expiration Date
Equity classified warrants			
Warrants issued in connection with OrbiMed Loan Facility	51,855	$ 23.5541	7/26/2033
Warrants issued in connection with Torii amendment	50,000	$ 95.6000	5/14/2034
Series B warrants issued pursuant to 2024 underwritten public offering	2,387,703	$ 13.3500	11/20/2029
Series C warrants issued pursuant to the Private Placement	2,951,241	$ 6.3150	11/25/2030
Pre-funded warrants issued pursuant to the Private Placement	4,126,239	$ 0.0001	No expiration

The OrbiMed warrants are eligible for a price adjustment if the Company consummates any share distribution at a price per common share less than the exercise price. As a result of the November 2024 Offering, the OrbiMed warrant exercise price was adjusted down to $34.50 per share. As a result of the Private Placement, the OrbiMed warrant exercise price was adjusted down to $23.55 per share. The Torii warrants become exercisable at different clinical milestones related to the global Phase 3 Program of YCANTH (VP-102) for the treatment of common warts (the "Program"). The related

expense is recognized as research and development expense as costs are incurred for the Program under the R&D funding arrangement (see Note 10).

Note 7—Stock-Based Compensation

Stock-based compensation expense, which includes expense for options, including market-based options, and restricted stock units, has been reported in the Company's consolidated statements of operations as follows (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2026	2025	2026	2025
Selling, general and administrative	$ 1,420	$ 431	$ 2,812	$ 1,804
Research and development	465	287	1,137	828
Cost of product revenue	11	—	33	—
Cost of license and collaboration revenue	11	—	35	—
Total stock-based compensation	$ 1,907	$ 718	$ 4,017	$ 2,632

Stock Options

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

	Number of shares	Weighted average exercise price	Weighted average remaining contractual term (in years)	Aggregate intrinsic value
Outstanding as of December 31, 2025	1,353,918	$ 16.13	8.9	$ 1,181,200
Granted	1,717,113	7.45		
Forfeited	(128,780)	8.50		
Expired	(27,677)	14.46		
Outstanding as of September 30, 2026	2,914,574	$ 11.37	8.9	$ 3,479
Options vested and exercisable as of September 30, 2026	537,263	$ 26.74	7.4	$ 403

The aggregate intrinsic value in the above table is calculated as the difference between the fair market value of the Company's common stock price and, as of September 30, 2026, the exercise price of the stock options. Total options granted of 1,717,113 consist of 1,117,449 market-based stock option awards and 599,664 service-based option awards.

Service-Based Stock Option Awards

The weighted average grant date fair value per share for the employee and non-employee stock options granted during the nine months ended September 30, 2026 was $4.99. As of September 30, 2026, the total unrecognized compensation related to unvested stock option awards granted was $5.4 million, which the Company expects to recognize over a weighted-average period of 2.3 years.

Market-Based Stock Option Awards

In December 2025 and February 2026, the Board approved certain market-based stock option awards for members of the executive leadership team. The awards are subject to multiple substantive contingencies, including (i) approval by the Company's stockholders of an amendment to the 2018 Equity Incentive Plan (the "2018 Plan"), (ii) achievement of specified stock price-based vesting conditions, and (iii) continued service. In June 2026, the Company's stockholders approved the amendment to the 2018 Plan, as described in the Company's definitive proxy statement filed with the SEC, resulting in the satisfaction of the applicable approval contingency. As a result, 1,117,449 stock options were granted in June 2026, and the grant-date fair value of the awards was determined using a Monte Carlo simulation model to account for the stock price-based vesting conditions. No additional awards were granted during the quarter ended September 30, 2026. The Company recognized stock-based compensation expense of $1.0 million and $1.3 million related to these awards during the three and nine months ended September 30, 2026. As of September 30, 2026, the total unrecognized

compensation related to unvested stock option awards granted was $3.6 million, which the Company expects to recognize over a weighted-average period of 1.1 years.

Restricted Stock Units

Compensation expense related to RSUs is recognized in the Company's consolidated statements of operations based on the fair market value at the date of grant over the period expected to vest. No RSUs were granted, vested, or modified during the period, and as of September 30, 2026, there was no remaining unrecognized compensation expense related to RSUs.

Note 8—Leases

The Company leases office space located in West Chester, Pennsylvania that serves as the Company's headquarters. The initial term expires on September 1, 2027. Base rent over the initial term is approximately $2.4 million, and the Company is also responsible for its share of the landlord's operating expenses.

The Company entered into a fleet program to provide vehicles for its sales force. The vehicles are leased for a typical term of 48 months and classified as finance leases. The Company recorded $0.4 million and $1.0 million of additional right-of-use assets and $0.4 million and $1.0 million of additional right-of-use liabilities during the three and nine months ended September 30, 2026, respectively. There were no additional right-of-use assets or right-of-use liabilities recorded during the three and nine months ended September 30, 2025.

The components of lease expense are as follows (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2026	2025	2026	2025
Finance lease cost:				
Amortization of right-of-use assets	$ 117	$ 88	$ 330	$ 252
Interest on lease liabilities	24	19	64	57
Total finance lease costs	$ 141	$ 107	$ 394	$ 309
Operating lease:				
Operating lease costs	$ 85	$ 85	$ 256	$ 256

Maturities of the Company's operating leases, excluding short-term leases, as of September 30, 2026 are as follows (in thousands):

	Operating	Finance
2026 (remaining 3 months)	$ 123	$ 173
2027	246	599
2028	—	401
2029	—	230
Thereafter	—	68
Total lease payments	369	1,471
Less imputed interest	(39)	(134)
Lease liability	$ 330	$ 1,337

The weighted average remaining lease term and discount rates for the Company's leases as of September 30, 2026 are as follows:

	Operating	Finance
Weighted average remaining lease term (years)	0.92	3.33
Weighted average discount rate	6.25 %	7.61 %

Note 9—Debt

PD Joint Holdings Credit Agreement

On August 3, 2026, the Company entered into the PD Credit Agreement, which provides for delayed-draw term loans of up to $12.5 million, increasing to $27.5 million upon the Company's achievement of specified milestone conditions (the "Term Loans"). On September 17, 2026, the Company borrowed $12.5 million under the facility. In October 2026, the Company achieved the specified milestone conditions, increasing total availability under the PD Credit Agreement to $27.5 million, of which $12.5 million has been funded and $15 million remains available to borrow. PD Joint Holdings, LLC Series 2016-B is an entity controlled by Paul B. Manning, a significant investor of the Company and Chairman of the Board.

The Term Loans mature on December 31, 2030 and bear interest at a variable rate equal to the greater of (a) one-month term SOFR (subject to a 4.50% floor) plus a margin of 8% (subject to step-downs to 7.50% and 7% upon achievement of specified YCANTH revenue conditions) and (b) 12.50% per annum. The PD Credit Agreement contains an annual YCANTH revenue covenant and a $5 million monthly minimum liquidity covenant. Absent an event of default, interest is not payable in cash but is paid in kind, capitalized into the principal balance quarterly in arrears, and is due at maturity. During an event of default, interest accrues at the base rate plus 3% and is payable in cash. The Term Loans are secured by a first-priority lien on substantially all assets of the Company.

Upon a triggering event, the Company must pay the Lender a fee (the “Final Payment”) equal to the amount, if any, by which a 16.00% gross internal rate of return on the Term Loans exceeds all interest (including accreted payment-in-kind, or PIK, interest), principal and fees previously paid. The Final Payment obligation survives repayment of the Term Loans and termination of the PD Credit Agreement. The Company accounts for the Final Payment as a freestanding derivative liability measured at fair value at each reporting date with changes in fair value recognized in other income (expense), net. The derivative liability is presented separately from the Term Loans in the accompanying consolidated balance sheet and is categorized within Level 3 of the fair value hierarchy. Its fair value is estimated using a probability-weighted discounted cash flow model; the significant unobservable inputs are the probability and expected timing of a triggering event and the discount rate. A reconciliation of the beginning and ending balances of the Level 3 derivative liability is presented in Note 2, Fair Value Measurements.

The proceeds of the Term Loans were allocated first to the derivative liability at its fair value of $0.6 million on the September 17, 2026 draw date, with the residual allocated to the Term Loans. The resulting discount of $0.6 million and issuance costs of approximately $0.4 million are presented as a direct deduction from the carrying amount of the Term Loans and are amortized to interest expense under the effective interest method through the December 31, 2030 maturity. At September 30, 2026, the carrying amount of the Term Loans was $11.6 million, comprising $12.5 million of principal and $0.1 million of capitalized paid-in-kind interest, less $0.9 million of unamortized discount and issuance costs. For the three and nine months ended September 30, 2026, the Company recognized interest expense related to the Term Loans of $0.1 million, consisting of paid-in-kind interest and amortization of the discount and issuance costs. No cash interest was paid on the Term Loans during the period.

Gross proceeds from Loan Facility	$	12,500
Capitalized paid-in-kind interest		56
Less: unamortized debt discount and issuance costs		(920)
Total debt, net	$	11,636

OrbiMed Credit Agreement

On July 26, 2023 (the "Closing Date"), the Company entered into a Credit Agreement (the "OrbiMed Credit Agreement"), by and between the Company, as borrower, and OrbiMed Royalty & Credit Opportunities IV, LP, a Delaware limited partnership (the "Initial Lender"). The Company borrowed $50.0 million under the OrbiMed Credit Agreement on July 26, 2023, resulting in net proceeds of approximately $44.1 million after payment of certain fees and transaction-related expenses.

On November 25, 2025, the Company remitted $35.0 million in cash to fully settle and extinguish all amounts outstanding under its OrbiMed Credit Agreement. As a result of the settlement, the Company recognized a loss on extinguishment of debt of $1.5 million during the year ended December 31, 2025. The Company had a derivative liability related to a bifurcated settlement feature of the OrbiMed Credit Agreement. The derivative liability was remeasured to fair value immediately prior to settlement, resulting in a reduction to nil, with the corresponding change in fair value of the derivative liability recognized in the consolidated statement of operations.

For the three and nine months ended September 30, 2025, the Company recognized interest expense related to the OrbiMed Credit Agreement of $2.0 million and $6.3 million, respectively, of which $1.3 million and $4.3 million, respectively, was interest on the Term Loan and $0.7 million and $2.1 million, respectively, was non-cash interest expense related to the amortization of deferred debt issuance costs and accrual of the final payment fee.

Note 10—License and Collaboration Agreements

Torii Agreements

On March 17, 2021, the Company entered into a collaboration and license agreement (the "Torii Agreement") with Torii, pursuant to which the Company granted Torii an exclusive license to develop and commercialize the Company's product candidates that contain a topical formulation of cantharidin for the treatment of molluscum contagiosum and common warts in Japan, including YCANTH (VP-102). Additionally, the Company granted Torii a right of first negotiation with respect to additional indications for the licensed products and certain additional products for use in the licensed field, in each case in Japan.

As of September 30, 2026, the Company had received milestone payments from Torii in prior periods totaling $38.0 million, including an $8.0 million milestone payment in July 2025 and a $10.0 million milestone payment in September 2025, as described below. As of September 30, 2026, the Company is entitled to receive from Torii an additional $32.0 million in aggregate payments, contingent on achievement of specified regulatory and sales milestones, in addition to transfer price payments for supply of product, which will begin to be replaced by royalty payments as part of the manufacturing transfer. The transfer price and royalty payments shall be payable, on a product-by-product basis, beginning on the first commercial sale of such product and ending on the latest of (a) expiration of the last-to-expire valid claim contained in certain licensed patents in Japan that cover such product, (b) expiration of regulatory exclusivity for the first indication for such product in Japan, and (c) (i) with respect to the first product, ten years after first commercial sale of such product, and (ii) with respect to any other product, the later of (x) ten years after first commercial sale of the first product and (y) five years after first commercial sale of such product.

The Torii Agreement expires on a product-by-product basis upon expiration of Torii's obligation under the agreement to make transfer price payments for such product. Torii has the right to terminate the agreement upon specified prior written notice to us. Additionally, either party may terminate the agreement in the event of an uncured material breach of the agreement by, or insolvency of, the other party. The Company may terminate the agreement in the event that Torii commences a legal action challenging the validity, enforceability or scope of any licensed patents.

The Company recognized license and collaboration revenue of $1.2 million and $10.7 million for the three months ended September 30, 2026 and 2025, respectively, related to commercial supply and development activity in the current period and including milestone revenue in the prior period. The Company recognized license and collaboration revenue of $2.7 million and $18.9 million for the nine months ended September 30, 2026 and 2025, respectively. The cost of license and collaboration revenue consists of expenses incurred by the Company for commercial supply and to support development and testing services.

On May 14, 2024, the Company entered into the First Amendment to the Torii Agreement (the "First Amendment"). Pursuant to the First Amendment, the Company and Torii agreed on the framework of a cost sharing arrangement for the Program, with Torii paying all the costs of the Program when due and the Company repaying Torii half of the cost (the "Company Portion"). The results of the Program will be utilized by the Company in the filing of its new drug application with the FDA for YCANTH (VP-102) for the treatment of common warts. The Company Portion accrues interest annually at the greater of (i) the one-month SOFR plus 2% and (ii) 6%. Torii may recoup the Company's share of the costs plus applicable interest against certain development milestone payments in the Torii Agreement that would otherwise be due to the Company under the terms of the Torii Agreement. In addition, if Torii has not received payment or other recoupment in full of the Company Portion plus applicable interest within 60 months after August 20, 2025, the date on which Torii made its first payment for the Program costs, Torii may invoice the Company for the remaining Company Portion plus applicable interest.

In conjunction with the First Amendment, the Company issued Torii a warrant to purchase up to 50,000 shares of the Company's common stock at an exercise price per share of $95.60. The warrant has a term of ten years and is exercisable only with respect to the shares that have vested as of the date of exercise. One-third of the shares underlying the warrant vested in December 2025, when the first patient was dosed in the Program, with the remaining vesting occurring one-third on the date that the database lock with respect to the trial occurs and one-third on the date the Company submits a new drug application to the FDA for YCANTH (VP-102) for the treatment of common warts.

On June 27, 2025, the Company entered into the Second Amendment to the Torii Agreement (the "Second Amendment"), which further revised the details of the cost sharing arrangement initially negotiated as part of the First Amendment. The Second Amendment accelerated an $8.0 million milestone payment, which was paid to the Company in July 2025, following Torii's approval of the study plan and execution of the agreement with the clinical research organization ("CRO"). The Company recognized revenue related to this milestone in the second quarter of 2025, when it became probable that the associated performance obligations were met. The milestone payment was initially conditioned upon the dosing of the first patient as part of the Program. In September 2025, Torii paid to the Company a $10.0 million milestone payment upon the approval of TO-208, referred to as YCANTH in the U.S., for molluscum contagiosum in Japan, in cash, rather than as an offset to costs of the Program as originally contemplated under the First Amendment. Torii will be paying the first $40.0 million of out-of-pocket costs when due, with the Company repaying to Torii half of such costs over time. Consistent with the First Amendment, to repay its portion of the costs of the Program, the Company will offset amounts otherwise due from Torii for future royalties, certain transfer price payments and remaining development milestones. To the extent the cost of the Program exceeds $40.0 million, the Company will pay such excess costs, up to a specified maximum amount, and Torii will repay to the Company half of such costs. The Second Amendment also sets forth that the Company will initiate a manufacturing transfer to Torii, which is expected to take several years and will allow Torii to produce YCANTH (TO-208) applicators to be sold in Japan. In the interim, Torii will continue to purchase applicators from the Company. After the transfer of at least one component of the manufacturing process, the Company will begin earning royalties related to net sales in Japan of applicators manufactured by Torii and/or its manufacturing partners in lieu of the transfer price for completed applicators.

The Company is accounting for the Second Amendment as a R&D funding arrangement since the Company is obligated to repay Torii regardless of the outcome of the research such that a substantive and genuine transfer of risk has not occurred. The R&D Funding Liability recorded on the balance sheet represents the portion that the Company will pay to Torii, as described above, and the corresponding R&D asset ("Deferred R&D Services") represents the Company's right to prepaid research and development services. The Deferred R&D Services asset is classified between current and non-current assets based on the expected timing of service performance.

The Company expenses the Deferred R&D Services within R&D expense as the services are performed by the CRO. Because the R&D Funding Liability is with a collaborator and the interest rate is below market, the Company is imputing interest expense using a 12% market rate of interest, and the difference between the market rate of interest and the rate being charged by Torii reduces research and development expense. Interest expense of $0.2 million and $0.5 million was recognized during the three and nine months ended September 30, 2026.

As part of the Program, the Company will also directly contract with third parties for certain clinical supply and distribution services that will be reimbursed by Torii and those reimbursements will be recognized as contra-research and development expense once incurred. For the three and nine months ended September 30, 2026, the Company recognized $0.3 million and $1.1 million as contra-research and development expense. Since the inception of the Program, the Company has recorded $1.9 million as contra-research and development expense related to this project.

For the three and nine months ended September 30, 2026, total program costs incurred under the arrangement were $7.4 million and $17.4 million, of which $3.7 million and $8.7 million represented the Company's share and was recognized as research and development expense. The remaining costs represented Torii's share of the program costs and were not reflected in the Company's Consolidated Statement of Operations. Since the inception of the Program, total program costs incurred under the arrangement were $19.6 million, of which $9.8 million represented the Company's share.

Lytix Agreement

In August 2020, the Company entered into an exclusive license agreement with Lytix Biopharma ASA ("Lytix") for the use of licensed technology, referred to as VP-315, to research, develop, manufacture, have manufactured, use, sell, have sold, offer for sale, import, and otherwise commercialize products for use in all malignant and pre-malignant dermatological indications, other than metastatic melanoma and metastatic Merkel cell carcinoma (the "Lytix Agreement"). As part of the Lytix Agreement, the Company has paid Lytix milestone fees of $3.6 million in previous periods. The Company is also obligated to pay up to $111.0 million contingent on achievement of specified development, regulatory, and sales milestones, as well as tiered royalties based on worldwide annual net sales ranging in the low double digits to the mid-teens, subject to certain customary reductions. The Company’s obligation to pay royalties expires on a country-by-country and product-by-product basis on the later of the expiration or abandonment of the last to expire licensed patent covering VP-315 anywhere in the world and expiration of regulatory exclusivity for VP-315 in such country. Additionally, all upfront fees and milestone-based payments received by the Company from a sublicensee will be treated as net sales and will be subject to the royalty payment obligations under the Lytix Agreement, and all royalties received by the Company from a sublicensee shall be shared with Lytix at a rate that is initially 50% but decreases based on the stage of development of VP-315 at the time such sublicense is granted.

Medomie Agreement

In July 2026, the Company entered into an exclusive distribution, marketing and supply agreement with Medomie Pharma Ltd. ("Medomie") pursuant to which Medomie received the exclusive rights to seek regulatory approval for and commercialize YCANTH for the treatment of molluscum contagiosum in Israel. Under the agreement, the Company will manufacture and supply YCANTH to Medomie and receive a share of product sales as well as certain regulatory and commercial milestone payments. As of September 30, 2026, no sales royalties or milestone payments have been received.

Note 11—Related Parties

The Company's Chief Executive Officer, Jayson Rieger, and Chief Operating Officer, David Zawitz, are former employees of, and current consultants to, PBM Capital Group, LLC, an entity controlled by Paul B. Manning, a significant investor of the Company and Chairman of the Board. Transactions with Alpha 6 Innovations, LLC, an affiliate of Sean Stalfort who is a director of the Company, comprised $75,000 and $259,000 for the three and nine months ended September 30, 2026, of which $56,000 and $197,000 were pass through costs, and $120,000 and $246,000 for the three and nine months ended September 30, 2025, of which $74,000 and $179,000 were pass through costs.

On August 3, 2026, the Company entered into the PD Credit Agreement with PD Joint Holdings, LLC Series 2016-B, an entity controlled by Paul B. Manning, a significant investor of the Company and Chairman of the Board, and on September 17, 2026 the Company borrowed $12.5 million of Term Loans under the facility. The terms of the PD Credit Agreement, including the interest rate, maturity, covenants and the Final Payment, are described in Note 9. As of September 30, 2026, the Term Loans had a principal balance, including capitalized paid-in-kind interest, of $12.5 million and a carrying amount of $11.6 million, and the derivative liability for the Final Payment owed to PD Joint Holdings, LLC Series 2016-B was $0.6 million; both are presented as noncurrent liabilities in the consolidated balance sheet. For the three and nine months ended September 30, 2026, the Company recognized interest expense of $0.1 million related to the Term Loans, all of which was paid in kind, and paid $0.1 million of fees and expenses of PD Joint Holdings, LLC Series 2016-B in connection with the PD Credit Agreement, which were recorded as debt issuance costs.

On October 22, 2026, the Company achieved specified milestone conditions, increasing total availability under the PD Credit Agreement to $27.5 million, of which $12.5 million has been funded and $15.0 million remains available to borrow.

Note 12—Subsequent Events

The Company has evaluated subsequent events through the date the condensed consolidated financial statements were issued.

On October 22, 2026, the Company achieved the specified milestone conditions under the PD Credit Agreement. As a result, the total amount available to the Company under the PD Credit Agreement increased from $12.5 million to $27.5 million. The Company borrowed the initial $12.5 million in September 2026, and the additional $15 million remains available to borrow, subject to customary conditions. See Note 9 for additional information.

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

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with (i) our unaudited interim consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and (ii) our audited financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations for the years ended December 31, 2025 and 2024 included in our Annual Report on Form 10-K for the year ended December 31, 2025, filed with the Securities and Exchange Commission or the SEC, on March 11, 2026. Our consolidated financial statements have been prepared in accordance with U.S. GAAP.

We own various U.S. federal trademark applications and unregistered trademarks, including our company name and YCANTH. All other trademarks or trade names referred to in this Quarterly Report on Form 10-Q are the property of their respective owners. Solely for convenience, the trademarks and trade names in this report are referred to without the symbols ® and ™, but such references should not be construed as an indication that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, or the Exchange Act, including, without limitation, statements regarding our expectations, beliefs, intentions or future strategies that are signified by the words "expect," "anticipate," "intend," "believe," "may," "plan," "seek" or similar language. All forward-looking statements included in this document are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. Our business and financial performance are subject to substantial risks and uncertainties. Our actual results could differ materially from those discussed in these forward-looking statements. In evaluating our business, you should carefully consider the information set forth in our Annual Report on Form 10-K for the year ended December 31, 2025, filed with the SEC on March 11, 2026, in this Quarterly Report under Part II - Item 1A "Risk Factors," and in our other filings with the SEC.

Overview

We are a therapeutics company developing and commercializing medications for the treatment of dermatologic diseases, including skin cancers. Our commercial product and portfolio of product candidates are clinician administered therapies in areas of high unmet need. Our current product portfolio consists of one approved product with several potential follow-on indications, as well as an additional pipeline product. Our commercial product, YCANTH (VP-102), was approved by the U.S. Food and Drug Administration, or FDA, in July 2023 for the treatment of molluscum in adult and pediatric patients two years of age and older. YCANTH (VP-102) is a proprietary drug-device combination that contains a GMP-controlled formulation of cantharidin. We are currently developing YCANTH (VP-102) for a potential follow-on indication for the treatment of common warts. Our second development candidate, VP-315, is an oncolytic peptide-based injectable therapy for the potential treatment of dermatology oncologic conditions, initially targeting basal cell carcinoma or BCC.

Commercial Product

We commercially launched YCANTH (VP-102) in August 2023 in the United States for the treatment of molluscum. We have built a specialized sales organization which as of October 31, 2026, consisted of approximately 50 employee sales representatives in the United States focused on pediatric dermatologists, dermatologists, pediatricians and select other primary care healthcare providers.

In the fourth quarter of 2025, we also launched YCANTHRx, a non-dispensing pharmacy, in order to streamline and simplify the provider experience by allowing offices to send YCANTH prescriptions to the same place, regardless of the patient's insurance coverage, for triage to an in-network dispensing pharmacy.

Additional Pipeline Products

YCANTH (VP-102) - Treatment of Common Warts

We are also advancing YCANTH (VP-102) for common warts through a separate regulatory approval process and have initiated a global Phase 3 program, or the Program, of YCANTH for the treatment of common warts with our partner, Torii. The first patient in the first Phase 3 clinical study (COVE-2) in the Program was dosed in the United States in December 2025, and the first patients were dosed in the second Phase 3 study (COVE-3) in the Program in the United States and Japan in June 2026. We announced in August 2026 that COVE-2 enrollment has been completed and we had

achieved greater than 50% of COVE-3 enrollment and patients continue to be enrolled in COVE-3 and through the long-term follow up study (COVE-4). Top-line data is anticipated in the first quarter of 2027 for COVE-2, with the remaining top-line data from our Program expected to be available in mid-2027.

On October 20, 2025, we announced that the Committee for Medicinal Products for Human Use of the European Medicines Agency provided positive feedback which supports the filing of a Marketing Authorization Application for YCANTH (VP-102) as a treatment for molluscum contagiosum in the EU with no requirement to complete additional clinical studies.

In July 2026, we entered into an exclusive distribution, marketing and supply agreement with Medomie Pharma Ltd., or Medomie, pursuant to which Medomie received the exclusive rights to seek regulatory approval for and commercialize YCANTH for the treatment of molluscum contagiosum in Israel. We currently retain all global rights to YCANTH outside of Japan and Israel and we are exploring non-dilutive partnerships to fund development and commercialization for YCANTH (VP-102) for the treatment of molluscum contagiosum, as well as for common warts if approved, in additional geographic regions outside of the United States and Japan.

VP-315 - Treatment of Basal Cell Carcinoma

We are also developing VP-315 for the treatment of BCC and potentially additional dermatological oncology indications. In November 2025, we presented additional data at the Society for Immunotherapy of Cancer 40th Annual Meeting, which showed that VP-315 induced a robust local immune response with both cell-mediated and humoral components, effectively shifting the tumor microenvironment from an immunosuppressive to an anti-tumor state, and additional data regarding the histologic assessment in non-injected lesions that suggests a potential abscopal-like effect. We have also presented at multiple dermatology conferences in 2026. There has been a growing interest in this program across a broad audience. We believe this reflects the high response rates observed in the study and the potential for VP-315 to change the paradigm for the treatment of BCC, particularly for patients wishing to avoid or reduce their surgical burden and recovery. Our enthusiasm is further supported by the suggested potential for less scarring and improved compliance versus other therapeutic options such as surgery and topicals, as either a primary or neoadjuvant treatment for superficial and nodular tumors. We have also continued to evaluate the abscopal response in 14 observed but not treated lesions in the Phase 2 study and have reported that 3 out of the 14 lesions had complete histologic clearance and that there was a 67% overall reduction in tumor size across all 14 lesions. If this overall product profile could be demonstrated in pivotal Phase 3 testing, we believe VP-315 has the potential to emerge as a non-surgical, immunotherapy treatment option for BCC and other skin cancers.

We have obtained feedback from the FDA from the end-of-Phase 2 meeting in 2025, which supports an efficient Phase 3 program and path to registration for VP-315. This includes two Phase 3 studies of approximately 100 subjects each in placebo-controlled studies with a primary endpoint of complete clearance at week 14. Additional long-term follow-up clinical studies will be needed post-approval. We believe these data, coupled with the EOP2 regulatory feedback, further support the clinical efficacy and histologic clearance observed in the Phase 2 BCC trial. These data support the advancement of the Phase 3 Program and we have initiated clinical and chemistry, manufacturing and controls, or CMC, activities to prepare for commencement of Phase 3 clinical trials. We may also pursue non-dilutive strategic partnerships to help fund the development and commercialization of VP-315.

We are also exploring the potential of VP-315 to treat patients with Gorlin syndrome, a rare disease that leads to dozens or hundreds of BCCs over the patient's lifetime, often presenting them with substantial surgical fatigue. We believe our foundational data in sporadic BCC provides promise for the potential benefit of VP-315 to Gorlin patients, and we will provide more details as the clinical protocol and anticipated timelines are finalized.

Liquidity Overview

Since our inception in 2013, our operations have focused on developing YCANTH (VP-102) and expanding our development pipeline (which includes VP-315), organizing and staffing our company, business planning, raising capital, establishing our intellectual property portfolio, conducting clinical trials and commercializing YCANTH. We have funded our operations primarily through the sale of equity and equity-linked securities and through borrowings under loan agreements.

On July 26, 2023, we entered into the OrbiMed Credit Agreement, pursuant to which we borrowed $50.0 million under the OrbiMed Loan Facility (as defined in Note 9), resulting in net proceeds of approximately $44.1 million after payment of certain fees and transaction-related expenses. Amounts borrowed under the OrbiMed Loan Facility were scheduled to mature on July 26, 2028. On November 25, 2025, following the Private Placement described below, we fully extinguished the OrbiMed Loan Facility by paying a cash settlement amount of $35.0 million.

On November 23, 2025, we entered into Securities Purchase Agreements with certain investors, or the Purchasers, pursuant to which we sold and issued in a private placement, or the Private Placement, an aggregate of (i) 6,499,826 shares of our common stock, (ii) with respect to certain Purchasers, pre-funded warrants to purchase 5,305,164 shares of common stock, or the Pre-Funded Warrants, in lieu of shares and (iii) in either case, accompanying Series C warrants to purchase 2,951,241 shares of common stock, or the Series C Warrants. The purchase price per share of common stock and accompanying Series C Warrant was $4.24125 per share and the purchase price for the Pre-Funded Warrants and accompanying Series C Warrant was $4.24115 per share. The Series C Warrants expire on November 25, 2030. We received net proceeds of $49.1 million from the private placement transaction, after deducting placement fees of $0.9 million.

On August 3, 2026, we entered into a credit agreement, or the PD Credit Agreement, with PD Joint Holdings, LLC Series 2016-B, or the Lender, which provides for delayed-draw term loans of up to $12.5 million, increasing to $27.5 million upon our achievement of specified milestone conditions, or the Term Loans. On September 17, 2026, we borrowed $12.5 million under the facility. On October 22, 2026, we achieved the specified milestone conditions, increasing total availability under the PD Credit Agreement to $27.5 million, of which $12.5 million has been funded and $15 million remains available to borrow. The Lender is an entity controlled by Paul B. Manning, a significant investor of our company and Chairman of the Board.

As of September 30, 2026, we had cash of $14.4 million. Based on our current business plan and current capital resources, combined with the uncertainty regarding the availability of additional funding, we have concluded that there is substantial doubt regarding our ability to continue as a going concern within one year after the date these consolidated financial statements are issued. Our consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result should we be unable to continue as a going concern.

We plan to secure additional capital in the future through equity or debt financings, partnerships, or other sources to carry out our planned commercial and development activities. If we are unable to raise capital when needed or on attractive terms, we would be forced to delay, reduce or eliminate continued and future commercialization efforts and/or research and development programs.

We have incurred substantial operating losses since inception and expect to continue to incur significant losses for the foreseeable future and may never become profitable. As of September 30, 2026, we had an accumulated deficit of $360.2 million. We expect to continue to incur significant expenses and operating losses for the foreseeable future. Our expenses may increase in connection with our ongoing activities, as we:

- continue to establish our commercialization infrastructure, obtain secondary suppliers for key components of the YCANTH manufacturing process and scale up external manufacturing and distribution capabilities to commercialize YCANTH (VP-102) for the treatment of molluscum contagiosum and product candidates for which we may obtain regulatory approval;
- continue our ongoing clinical programs evaluating VP-102 for the treatment of common warts and VP-315 for the treatment of BCC and potentially additional dermatological oncology indications;
- pursue regulatory approvals for YCANTH (VP-102) for the treatment of common warts and VP-315 for the treatment of BCC;
- adapt our regulatory compliance efforts to incorporate requirements applicable to marketed products;
- maintain, expand and protect our intellectual property portfolio;
- hire and retain clinical, manufacturing, commercialization and scientific personnel; and
- incur additional legal, accounting and other expenses while operating as a public company.

Critical Accounting Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the dates of the balance sheets and the reported amounts of expenses during the reporting periods. In accordance with U.S. GAAP, we evaluate our estimates and judgments on an ongoing basis.

A summary of our significant accounting policies is disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2025. However, we believe that the additional accounting policies disclosed in Note 2 to our consolidated financial statements are important to understanding and evaluating our reported financial results.

Components of Results of Operations

Product Revenue, Net

We recognize revenue from sales of YCANTH (VP-102), or the Product, in accordance with ASC Topic 606 – *Revenue from Contracts with Customers*. YCANTH (VP-102) is available for commercial sale and shipment for the treatment of patients by a healthcare provider in the United States. We sell the Product to several pharmaceutical wholesalers and distributors, or the Customers, who in turn sell the Product directly to pharmacies, clinics, hospitals, and federal healthcare programs. Revenue is recognized as the Product is physically delivered to the Customers.

Gross product sales are reduced by corresponding gross-to-net, or GTN, estimates using the expected value method, resulting in our reported "Product revenue, net" in the accompanying consolidated statements of operations. Product revenue, net reflects the amount we ultimately expect to realize in net cash proceeds, taking into account the current period gross sales and related cash receipts and the subsequent cash disbursements on these sales that we estimate for the various GTN categories as well as adjustments for any potential future product returns from Customers. The GTN estimates are based upon information received from external sources, such as written or oral information obtained from our customers with respect to their period-end inventory levels and sales to end-users during the period, in combination with management's informed judgments. Due to the inherent uncertainty of these estimates, the actual amount of product returns, government chargebacks, prompt pay discounts, commercial rebates, Medicaid rebates, co-pay assistance and distribution, data, and group purchasing organizations, or GPOs, administrative fees may be materially above or below the amount estimated. Variance between actual amounts and estimated amounts may result in prospective adjustments to reported net product revenue.

License and Collaboration Revenue

License and collaboration revenue represents revenue from the Torii Agreement pursuant to which we granted Torii an exclusive license to develop and commercialize our product candidates that contain a topical formulation of cantharidin for the treatment of molluscum contagiosum and common warts in Japan. In September 2025, YCANTH (VP-102) received regulatory approval from Japan's Ministry of Health for treatment of molluscum contagiosum and in February 2026, Torii launched YCANTH as a new treatment option for molluscum in children over 2 years of age in Japan.

Operating Expenses

Cost of Product Revenue

Cost of product revenue includes the cost of inventory sold, which includes direct manufacturing and supply chain costs. Cost of product revenue also includes period costs related to excess and obsolete inventory write-downs.

Cost of License and Collaboration Revenue

The cost of license and collaboration revenue consists of payments for commercial product and manufacturing supply to support development and testing services pursuant to the Torii Clinical Supply Agreement.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist principally of salaries and related costs for personnel in sales, executive and administrative functions, including stock-based compensation, travel expenses and recruiting expenses. Other selling, general and administrative expenses include cost of samples, sponsorships, consumer and health care professional marketing and advertising expense, insurance costs, and professional fees for audit, tax and legal services.

Research and Development Expenses

Research and development expenses consist of expenses incurred in connection with the discovery and development of YCANTH (VP-102) for the treatment of molluscum contagiosum, potential follow-on indications for YCANTH (VP-102), including common warts, and our other product candidates in addition to VP-315 for BCC. We expense research and development costs as incurred. These expenses include:

- expenses incurred under agreements with contract research organizations, or CROs, as well as investigative sites and consultants that conduct our clinical trials and preclinical studies;

- manufacturing and supply scale-up expenses and the cost of acquiring and manufacturing preclinical and clinical trial supply and commercial supply, including manufacturing validation batches;
- outsourced professional scientific development services;
- employee-related expenses, which include salaries, benefits and stock-based compensation;
- expenses relating to regulatory activities; and
- laboratory materials and supplies used to support our research activities.

Research and development activities are central to our business model. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. We expect our research and development expenses to increase over the next several years as we increase personnel costs, including stock-based compensation, initiate and conduct clinical trials of YCANTH (VP-102) in patients with common warts and VP-315 for BCC and potentially additional dermatological oncology indications and prepare regulatory filings for our product candidates.

The successful development of our product candidates is highly uncertain. At this time, we cannot reasonably estimate or know the nature, timing and costs of the efforts that will be necessary to complete the remainder of the development of, or when, if ever, material net cash inflows may commence from YCANTH (VP-102) or our other product candidates. This uncertainty is due to the numerous risks and uncertainties associated with the duration and cost of clinical trials, which vary significantly over the life of a project as a result of many factors, including:

- the number of clinical sites included in the trials;
- the length of time required to enroll suitable patients;
- the number of patients that ultimately participate in the trials;
- the number of doses patients receive;
- the duration of patient follow-up; and
- the results of our clinical trials.

Our expenditures are subject to additional uncertainties, including the manufacturing process for our product candidates, the terms and timing of regulatory approvals, and the expense of filing, prosecuting, defending and enforcing any patent claims or other intellectual property rights. We may never succeed in achieving regulatory approval for our product candidates. We may obtain unexpected results from our clinical trials. We may elect to discontinue, delay or modify clinical trials of our product candidates. A change in the outcome of any of these variables with respect to the development of a product candidate could mean a significant change in the costs and timing associated with the development of that product candidate. For example, if the FDA or other regulatory authorities were to require us to conduct clinical trials beyond those that we currently anticipate, or if we experience significant delays in enrollment in any of our clinical trials, we could be required to expend significant additional financial resources and time on the completion of clinical development.

Results of Operations for the Three Months Ended September 30, 2026 and 2025

The following table summarizes our results of operations (in thousands):

	For the Three Months Ended September 30,		
	2026	2025	Change
Total revenue			
Product revenue, net	$ 5,697	$ 3,607	$ 2,090
License and collaboration revenue	1,217	10,737	(9,520)
Total revenue	6,914	14,344	(7,430)
Operating expenses:			
Cost of product revenue	583	754	(171)
Cost of license and collaboration revenue	565	355	210
Selling, general and administrative	10,356	9,403	953
Research and development	7,577	2,205	5,372
Total operating expenses	19,081	12,717	6,364
(Loss) income from operations	(12,167)	1,627	(13,794)
Other expense:			
Interest income	45	159	(114)
Interest expense	(285)	(2,094)	1,809
Change in fair value of derivative liability	—	34	(34)
Total other expense, net	(240)	(1,901)	1,661
Net loss	**$ (12,407)**	**$ (274)**	**$ (12,133)**

Product Revenue, Net

Product revenue, net was $5.7 million for the three months ended September 30, 2026, compared to $3.6 million for the three months ended September 30, 2025. The increase in product revenue, net was primarily due to higher deliveries of YCANTH to our distribution partners, consistent with growth in dispensed applicator unit volume, as well as improved yield resulting from reduced spending on our co-pay assistance program.

License and Collaboration Revenue

License and collaboration revenue was $1.2 million for the three months ended September 30, 2026, compared to $10.7 million for the three months ended September 30, 2025. License and collaboration revenue for the three months ended September 30, 2026 consisted primarily of commercial supply. License and collaboration revenue for the three months ended September 30, 2025 consisted of a one-time $10.0 million milestone payment from Torii as well as supplies and development activity.

Cost of Product Revenue

Cost of product revenue for the three months ended September 30, 2026 and 2025 was $0.6 million and $0.8 million, respectively, consisting primarily of product costs related to the sale of YCANTH (VP-102).

Cost of License and Collaboration Revenue

Cost of license and collaboration revenue was $0.6 million and $0.4 million for the three months ended September 30, 2026 and 2025, respectively. Cost of license and collaboration revenue consisted of commercial product and supplies and development activity with Torii.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $10.4 million for the three months ended September 30, 2026, compared to $9.4 million for the three months ended September 30, 2025. Excluding the impact of stock-based compensation, expenses were comparable to the prior-year period. The following table summarizes our selling, general and administrative expense for the three months ended September 30, 2026 and 2025 (in thousands).

	For the Three Months Ended September 30,		
	2026	2025	Change
Commercial (including payroll)	$ 5,610	$ 4,976	$ 634
General and administrative (including payroll)	3,326	3,996	(670)
Stock-based compensation	1,420	431	989
Selling, general and administrative expense	$ 10,356	$ 9,403	$ 953

Research and Development Expenses

Research and development expenses were $7.6 million for the three months ended September 30, 2026, compared to $2.2 million for the three months ended September 30, 2025. Excluding the impact of stock-based compensation, the increase of $5.2 million was primarily due to an increase of $3.7 million in non-cash expense related to the Program, in addition to an increase of $1.3 million of expense related to chemistry, manufacturing and controls costs across YCANTH and VP-315.

The following table summarizes our research and development expense by product candidate or, for unallocated expenses, by type, for the three months ended September 30, 2026 and 2025. Unallocated expenses include compensation and other personnel-related costs (in thousands):

	For the Three Months Ended September 30,		
	2026	2025	Change
YCANTH (VP-102)	$ 1,389	$ 304	$ 1,085
VP-315	387	197	190
Common warts	3,990	16	3,974
Stock-based compensation	465	287	178
Other unallocated expenses	1,346	1,401	(55)
Research and development expense	$ 7,577	$ 2,205	$ 5,372

Interest Income

Interest income was $45,000 and $0.2 million for the three months ended September 30, 2026, and September 30, 2025, respectively. The decrease of $0.1 million was primarily due to lower cash balances.

Interest Expense

Interest expense was $0.3 million for the three months ended September 30, 2026, compared to $2.1 million for the three months ended September 30, 2025. The decrease of $1.8 million was primarily related to the settlement of the OrbiMed Loan Facility and termination of the OrbiMed Credit Agreement in November 2025, as discussed in Note 9 to our consolidated financial statements, partially offset by imputed interest on the R&D funding liability under the Torii Agreement and $0.1 million of interest expense, consisting of paid-in-kind interest and amortization of discount and issuance costs, on the Term Loans borrowed under the PD Credit Agreement on September 17, 2026.

Results of Operations for the Nine Months Ended September 30, 2026 and 2025

The following table summarizes our results of operations (in thousands):

	For the Nine Months Ended September 30,		
	2026	2025	Change
Total revenue			
Product revenue, net	$ 15,080	$ 11,563	$ 3,517
License and collaboration revenue	2,719	18,922	(16,203)
Total revenue	17,799	30,485	(12,686)
Operating expenses:			
Cost of product revenue	1,562	1,517	45
Cost of license and collaboration revenue	1,353	523	830
Selling, general and administrative	30,694	27,103	3,591
Research and development	17,471	6,335	11,136
Legal settlement, net of insurance recovery	1,698	—	1,698
Total operating expenses	52,778	35,478	17,300
Loss from operations	(34,979)	(4,993)	(29,986)
Other expense:			
Interest income	357	724	(367)
Interest expense	(609)	(6,428)	5,819
Change in fair value of derivative liability	—	886	(886)
Other expense	(11)	(1)	(10)
Total other expense, net	(263)	(4,819)	4,556
Net loss	**$ (35,242)**	**$ (9,812)**	**$ (25,430)**

Product Revenue, Net

Product revenue, net was $15.1 million for the nine months ended September 30, 2026, compared to $11.6 million for the nine months ended September 30, 2025. The increase in product revenue, net was primarily related to an increase in deliveries of YCANTH to our distribution partners commensurate with an increase in dispensed applicator unit volume.

License and Collaboration Revenue

License and collaboration revenue was $2.7 million for the nine months ended September 30, 2026, compared to $18.9 million for the nine months ended September 30, 2025. License and collaboration revenue for the nine months ended September 30, 2026, consisted primarily of commercial supply. License and collaboration revenue for the nine months ended September 30, 2025, consisted of $18.0 million in milestone payments as well as supplies and development activity.

Cost of Product Revenue

Cost of product revenue for the nine months ended September 30, 2026 and 2025 was $1.6 million and $1.5 million, respectively, consisting primarily of product costs related to the sale of YCANTH (VP-102).

Cost of License and Collaboration Revenue

Cost of license and collaboration revenue was $1.4 million and $0.5 million for the nine months ended September 30, 2026 and 2025, respectively. Cost of license and collaboration revenue consisted of commercial product and supplies and development activity with Torii.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $30.7 million for the nine months ended September 30, 2026, compared to $27.1 million for the nine months ended September 30, 2025. Excluding the impact of stock-based

compensation, the increase of $2.6 million was primarily a result of increased commercial spend related to the expansion of the sales force.

The following table summarizes our selling, general and administrative expense for the nine months ended September 30, 2026 and 2025 (in thousands).

	For the Nine Months Ended September 30,		
	2026	2025	Change
Commercial (including payroll)	16,983	13,604	$ 3,379
General and administrative (including payroll)	10,899	11,695	$ (796)
Stock-based compensation	2,812	1,804	1,008
Selling, general and administrative expense	$ 30,694	$ 27,103	$ 3,591

Research and Development Expenses

Research and development expenses were $17.5 million for the nine months ended September 30, 2026, compared to $6.3 million for the nine months ended September 30, 2025. Excluding the impact of stock-based compensation, the increase of $10.8 million was primarily due to an increase of $9.0 million in costs related to the Program as well as an increase of $1.5 million in chemistry, manufacturing and controls costs.

The following table summarizes our research and development expense by product candidate or, for unallocated expenses, by type, for the nine months ended September 30, 2026 and 2025. Unallocated expenses include compensation and other personnel-related costs (in thousands):

	For the Nine Months Ended September 30,		
	2026	2025	Change
YCANTH (VP-102)	$ 2,475	$ 1,015	$ 1,460
VP-315	588	391	197
Common warts	8,998	(50)	9,048
Stock-based compensation	1,137	828	309
Other unallocated expenses	4,273	4,151	122
Research and development expense	$ 17,471	$ 6,335	$ 11,136

Legal Settlement, net of Insurance Recovery

An agreement in principle was reached to settle certain legal proceedings, and for the nine months ended September 30, 2026, $1.7 million was recorded representing the net expected impact after the insurance recovery. There was no expense related to legal settlements in the nine months ended September 30, 2025.

Interest Income

Interest income was $0.4 million and $0.7 million for the nine months ended September 30, 2026 and September 30, 2025, respectively. The decrease of $0.4 million was primarily due to lower cash balances.

Interest Expense

Interest expense was $0.6 million for the nine months ended September 30, 2026 compared to $6.4 million for the nine months ended September 30, 2025. The decrease of $5.8 million was primarily related to the settlement of the OrbiMed Loan Facility and termination of the OrbiMed Credit Agreement in November 2025, as discussed in Note 9 to our consolidated financial statements. Interest expense for the nine months ended September 30, 2026 includes $0.3 million of imputed interest on the R&D funding liability under the Torii Agreement and $0.1 million of interest expense on the Term Loans borrowed under the PD Credit Agreement on September 17, 2026.

Liquidity and Capital Resources

As of September 30, 2026, we had cash of $14.4 million. Since our inception, we have incurred negative cash flows from our operations. We have financed our operations since inception primarily through sales of our convertible preferred stock, sales of our common stock, and $38.0 million from the Torii Agreement, which includes $8.0 million received in July 2025 and $10.0 million received in September 2025.

On November 23, 2025, we sold an aggregate of (i) 6,499,826 shares of common stock, (ii) with respect to certain Purchasers, the pre-funded warrants in lieu of shares of common stock and (iii) in either case, accompanying warrants to purchase 2,951,241 shares of our common stock, referred to herein as the Series C Warrants. The purchase price per share of Common Stock and accompanying Series C Warrant was $4.24125 per share and the purchase price for the Pre-Funded Warrants and accompanying Series C Warrant was $4.24115 per share. We received net proceeds of $49.1 million from the Private Placement, after deducting placement fees of $0.9 million.

On July 26, 2023, we entered into the OrbiMed Credit Agreement under which we borrowed $50.0 million, resulting in net proceeds to us of approximately $44.1 million after payment of certain fees and transaction related expenses. Amounts borrowed under the Loan Facility were set to mature on July 26, 2028. Based on our net revenue attributable to YCANTH on a trailing 12-month basis not meeting a specified amount set forth in the OrbiMed Credit Agreement as of December 31, 2024, we became obligated to start making principal payments starting in January 2025. We were obligated to repay the principal amount of the loan on the last day of each month in equal monthly installments through the maturity date, together with the applicable repayment premium and the exit fee. On November 25, 2025, we paid $35.0 million to fully settle the debt related to the OrbiMed Credit Agreement.

On August 3, 2026, we entered into the PD Credit Agreement with PD Joint Holdings, LLC Series 2016-B, referred to herein as the Lender, an entity controlled by Paul B. Manning, our Chairman of the Board and a significant investor, which provides for delayed-draw Term Loans of up to $12.5 million, increasing to $27.5 million upon the Company's achievement of specified milestone conditions, referred to herein as the Term Loans. On September 17, 2026, the Company borrowed $12.5 million under the facility. On October 22, 2026, we achieved the specified milestone conditions, increasing total availability under the PD Credit Agreement to $27.5 million, of which $12.5 million has been funded and $15 million remains available to borrow. The Term Loans mature on December 31, 2030, bear interest at a variable rate with a 12.5% per annum minimum, and interest is paid in kind by capitalization into principal rather than in cash, absent an event of default. The PD Credit Agreement requires mandatory prepayments from specified cash flows and proceeds, requires repayment in full upon specified triggering events, at which time we also owe the Lender the Final Payment, and contains an annual YCANTH revenue covenant and a $5 million monthly minimum liquidity covenant. We were in compliance with these covenants as of September 30, 2026. See Note 9 to our consolidated financial statements for additional information.

***C*ash Flows**

The following table summarizes our cash flows (in thousands):

	For the Nine Months Ended September 30,	
	2026	**2025**
Net cash used in operating activities	$ (27,480)	$ (13,036)
Net cash used in investing activities	—	—
Net cash provided by (used in) financing activities	11,989	(12,196)
Net decrease in cash and restricted cash	$ (15,491)	$ (25,232)

Operating Activities

During the nine months ended September 30, 2026, operating activities used $27.5 million of cash, primarily resulting from a net loss of $35.2 million partially offset by the non-cash change in obligation for the R&D funding arrangement of $7.8 million, non-cash stock-based compensation of $4.0 million, and the amortization of right-of-use assets related to operating and financing leases of $0.6 million. Net cash used by changes in operating assets and liabilities consisted primarily of an increase in accounts receivable of $6.0 million, an increase in insurance recovery asset of $2.3 million, an increase in inventory of $0.6 million and a decrease in accounts payable of $1.0 million, partially offset by the change in legal settlement accrual of $4.0 million, increase in accrued expenses and other current liabilities of $1.8 million and an increase in deferred revenue of $0.3 million.

During the nine months ended September 30, 2025, operating activities used $13.0 million of cash, primarily resulting from a net loss of $9.8 million partially offset by non-cash stock-based compensation of $2.6 million and non-cash interest expense of $2.1 million. Net cash used by changes in operating assets and liabilities consisted primarily of an increase in accounts receivable of $7.0 million and an increase in prepaid expenses and other assets of $1.3 million partially offset by an increase in deferred revenue of $1.6 million.

Investing Activities

We did not use any cash in investing activities during the nine months ended September 30, 2026 and 2025.

Financing Activities

During the nine months ended September 30, 2026, net cash provided by financing activities of $12.0 million was primarily due to $12.5 million of proceeds from the issuance of the Term Loans under the PD Credit Agreement, partially offset by the payment of $0.2 million of related debt issuance costs and $0.3 million of finance lease repayments.

During the nine months ended September 30, 2025, net cash used in financing activities of $12.2 million was primarily due to the repayment of debt related to the OrbiMed Credit Agreement.

Funding Requirements

While we expect to continue to generate revenue from the sale of YCANTH (VP-102), our expenses may increase in connection with our ongoing activities, particularly as we continue the research and development of, continue or initiate clinical trials of, and seek marketing approval for, our product candidates. We will need substantial additional financing to fund our operations. If we are unable to raise capital when needed or on attractive terms, we would be forced to reduce operating expenses, delay, reduce or eliminate our research and development programs and/or continued and future commercialization efforts. In addition, the amount of proceeds we may be able to raise pursuant to our currently effective shelf registration statement on Form S-3 is limited. We are subject to the general instructions of Form S-3 known as the "baby shelf rules." Under these rules, the amount of funds we can raise through primary public offerings of securities in any 12-month period using our registration statement on Form S-3 is limited to one-third of the aggregate market value of the shares of our common stock held by non-affiliates. Therefore, we will be limited in the amount of proceeds we are able to raise by selling securities using our Form S-3 until such time as our public float exceeds $75.0 million.

We have incurred substantial operating losses since inception and expect to continue to incur significant losses for the foreseeable future and may never become profitable. As of September 30, 2026, we had an accumulated deficit of $360.2 million. We believe our cash of $14.4 million as of September 30, 2026, together with the $15.0 million of additional borrowing capacity that became available on October 22, 2026, upon the Company's achievement of the specified milestone conditions under the PD Credit Agreement entered into on August 3, 2026, would be sufficient to extend our cash runway into the fourth quarter of 2027, without giving effect to any potential clinical trial costs related to any study of VP-315 for the treatment of Gorlin syndrome. Based on our current business plan and current capital resources, combined with the uncertainty regarding the availability of additional funding, we have concluded that there is substantial doubt regarding our ability to continue as a going concern within one year after the date these consolidated financial statements are issued. We plan to address the conditions that raise substantial doubt regarding our ability to continue as a going concern by, among other things, utilizing borrowings available under the PD Credit Agreement, subject to the terms and conditions thereof, and obtaining additional funding through equity offerings, debt financing, collaborations, strategic alliances and/or licensing arrangements. Our consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result should we be unable to continue as a going concern. We have based this estimate on assumptions that may prove to be wrong, and we could exhaust our capital resources sooner than we expect. Our future capital requirements, and timing, will depend on many factors, including:

- the level of sales achieved, and costs related to the commercialization of YCANTH (VP-102) for the treatment of molluscum contagiosum;
- the costs, timing and outcome of regulatory review of our product candidates;
- the scope, progress, results and costs of our clinical trials;
- the scope, prioritization and number of our research and development programs;
- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims;
- our ability to maintain compliance with covenants under our loan agreements;

- the extent to which we acquire or in-license other product candidates and technologies;
- the impact on the timing of our clinical trials and our business;
- the costs to scale up commercial production of YCANTH (VP-102) and any product candidate we successfully commercialize; and
- the costs of establishing and maintaining sales and marketing capabilities for YCANTH (VP-102) and any product candidate that obtains regulatory approval.

Identifying potential product candidates and conducting preclinical studies and clinical trials is a time-consuming, expensive and uncertain process that takes many years to complete, and we may never generate the necessary data or results required to obtain marketing approval and achieve product sales. In addition, YCANTH (VP-102), and our other product candidates, if approved, may not achieve commercial success. Our commercial revenues will be derived solely from sales of YCANTH (VP-102) in the near term. We may need to continue to rely on additional financing to achieve our business objectives. Adequate additional financing may not be available to us on acceptable terms, or at all.

Until such time, if ever, as we can generate substantial product revenues, we expect to finance our cash needs through a combination of equity offerings, debt financings, collaborations, strategic alliances and licensing arrangements. Our ability to raise additional capital may be adversely impacted by potential worsening global economic conditions and the disruptions to, and volatility in, the credit and financial markets in the United States and worldwide. To the extent that we raise additional capital through the sale of equity or convertible debt securities, ownership interests of existing stockholders may be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our existing stockholders' rights. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends.

If we raise funds through additional collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or to grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

Contractual Obligations and Commitments

As of September 30, 2026, there have been no material changes to our contractual obligations and commitments as previously discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2025.

Item 3. Quantitative and Qualitative Disclosures About Market Risks

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, we are not required to provide quantitative and qualitative disclosures about market risks.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Interim Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q to ensure that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that information required to be disclosed in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Interim Chief Financial Officer, to allow timely decisions regarding required disclosures. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost benefit relationship of possible controls and procedures. Based on such evaluation, our Chief Executive Officer and Interim Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of September 30, 2026.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(b) and 15d-15(b) of the Exchange Act that occurred during the quarter ended September 30, 2026, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On June 6, 2022, plaintiff Kranthi Gorlamari, or Plaintiff, filed a putative class action complaint captioned Gorlamari v. Verrica Pharmaceuticals Inc., et al., in the U.S. District Court for the Eastern District of Pennsylvania against us and certain of our then-current and former officers, or Defendants. On January 12, 2023, the Plaintiff filed an amended complaint alleging that Defendants violated federal securities laws by, among other things, failing to disclose certain manufacturing deficiencies at the facility where our contract manufacturer produced bulk solution for the YCANTH (VP-102) drug device and that such deficiencies posed a risk to the prospects for regulatory approval of YCANTH (VP-102) for the treatment of molluscum. The amended complaint sought unspecified compensatory damages and other relief on behalf of Plaintiff and all other persons and entities which purchased or otherwise acquired our securities between May 19, 2021 and May 24, 2022.

On January 12, 2024, the Court granted in part and denied in part Defendants' motion to dismiss the amended complaint. The Court held that Plaintiff's claims relating to statements made in May and June 2021 were sufficiently pled, but dismissed Plaintiff's claims relating to all other statements made during the Class Period. On January 26, 2024, Plaintiff filed a second amended complaint in an attempt to cure certain of the deficiencies identified in the January 12, 2024 ruling. On September 3, 2024, the Court granted in part and denied in part Defendants' motion to dismiss the second amended complaint. The Court dismissed Plaintiff's claims related to one of the two individual defendants but held that Plaintiff's claims against us and the other individual defendant were sufficiently pled. On March 4, 2026, the Court granted Plaintiff's motion for class certification. On July 10, 2026, following mediation in June, the parties entered into a term sheet reflecting an agreement in principle to settle the litigation. On November 6, 2026, the parties executed a stipulation of settlement. On November 9, 2026, Plaintiff filed a motion for preliminary approval of the settlement. The settlement remains subject to customary conditions, including notice to the class and final court approval. We recorded an accrual legal settlement liability of $4.0 million representing the full amount of our estimated settlement obligation. We also recorded an insurance recovery asset of $2.3 million representing amounts probable of recovery under our directors' and officers' liability insurance policies. As a result, the net expected impact to us is approximately $1.7 million. Subject to execution of final settlement documents, notice to the class and court approval, we expect the primary insurer for the applicable directors' and officers' liability insurance policies to fund its portion of the settlement amount directly into an escrow account established in connection with the settlement. We expect to fund our obligations from available cash resources.

In addition, on October 21, 2024, May 12, 2025, and June 26, 2025, plaintiffs Ivan S. Cohen, Paul Cannon, and Joseph Bonaccorso, respectively, each filed a putative stockholder derivative lawsuit in the U.S. District Court for the Eastern District of Pennsylvania. Each derivative complaint names us as a nominal defendant and purports to bring claims on our behalf against certain of our current and former directors and officers for alleged violations of the federal securities laws and breaches of their fiduciary duties in relation to substantially the same factual allegations as the above-described putative class action lawsuit. Each derivative complaint primarily seeks to recover for us compensatory damages for losses allegedly sustained related to the facts alleged, restitution, and punitive damages. On December 16, 2024, the Court granted the parties' joint stipulation to stay the Cohen derivative lawsuit. On July 21, 2025, the Court granted the parties' joint stipulation in the Cohen and Cannon derivative lawsuits to consolidate the two actions and stay the consolidated action. On July 24, 2025, the plaintiff in the Bonaccorso derivative lawsuit filed a corrected complaint to clarify that the named plaintiff "is not Joseph (Joe) Bonaccorso, the former Chief Commercial Officer" of the Company. On July 29, 2025, the plaintiff in the Bonaccorso derivative lawsuit filed a notice voluntarily dismissing the action without prejudice. On August 5, 2026, the court in the consolidated Cohen and Cannon derivative action entered an order continuing the stay of the action until the conclusion of the settlement approval process in the Gorlamari class action lawsuit. The derivative actions are covered under the same directors' and officers' liability insurance policies as the securities class action, and amounts incurred in connection with these matters are applied against the same self-insured retention.

We are involved in ordinary, routine legal proceedings that are not considered by management to be material. We believe the ultimate liabilities resulting from such legal proceedings will not materially affect our financial position or our results of operations or cash flows.

Item 1A. Risk Factors

Our business is subject to risks and events that, if they occur, could adversely affect our financial condition and results of operations and the trading price of our securities. In addition to the other information set forth in this quarterly report on Form 10-Q, you should carefully consider the factors described in Part I, Item 1A. "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2025, filed with the Securities and Exchange Commission on March 11, 2026. During the third quarter of fiscal 2026, there were no material changes to our previously disclosed risk factors except as set forth below.

We may not be able to generate sufficient cash to service our indebtedness or borrow additional funds pursuant to our PD Credit Agreement.

We have entered into the PD Credit Agreement, pursuant to which the Lender has committed to provide up to $27.5 million of financing. We borrowed the initial $12.5 million in September 2026, and the remaining $15.0 million became available in October 2026 upon our achievement of certain specified milestones, subject to customary conditions. Our obligations under the PD Credit Agreement are secured by all or substantially all of our assets.

The PD Credit Agreement contains a number of covenants that, among other things, will limit or restrict our ability to: create liens and encumbrances; incur additional indebtedness; merge, dissolve, liquidate, or consolidate; make acquisitions, investments, advances, or loans; dispose of or transfer assets; pay dividends; amend certain material documents; redeem or repurchase certain debt; engage in certain transactions with affiliates; enter into certain restrictive agreements; and make certain capital expenditures. The PD Credit Agreement also contains customary financial covenants, including (i) a minimum annual YCANTH revenue covenant and (ii) a minimum liquidity covenant requiring us to maintain at least $5.0 million of liquidity at all times. For purposes of the minimum liquidity covenant, liquidity may consist of cash, accounts receivable, or any combination thereof.

The PD Credit Agreement contains customary events of default, subject in certain cases to customary grace periods and thresholds, including: nonpayment of principal, interest, fees or other amounts; material inaccuracies in representations and warranties; failure to comply with covenants; cross-defaults with certain other indebtedness; bankruptcy and insolvency events; material monetary judgment defaults; impairment of any Loan Document or collateral document; other material adverse effects; delisting or suspension of our common stock from the Nasdaq Stock Market; and change of control. Upon the occurrence and during the continuance of an event of default, the Lender may terminate its commitments and declare all outstanding obligations under the PD Credit Agreement immediately due and payable.

Our ability to satisfy our payment obligations or to refinance our debt obligations depends on numerous factors, including the amount of our cash reserves and our actual and projected financial and operating performance. These amounts and our performance are subject to certain financial and business factors, as well as prevailing economic and competitive conditions, some of which may be beyond our control. We cannot assure you that we will maintain a level of cash reserves or cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our existing or future indebtedness. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets or operations, seek additional capital or restructure or refinance our indebtedness. We cannot assure you that we would be able to take any of these actions, or that these actions would permit us to meet our scheduled debt service obligations. Failure to comply with the conditions of the PD Credit Agreement could result in an event of default, which could result in an acceleration of amounts due under the PD Credit Agreement. We may not have sufficient funds or may be unable to arrange for additional financing to repay our indebtedness or to make any accelerated payments, and the Lender could seek to enforce security interests in the collateral securing such indebtedness, which would harm our business.

In addition, if we are unable to borrow additional funds pursuant to the PD Credit Agreement, it could negatively impact our ability to fund our operations.

Item 5. Other Information

Rule 10b5-1 Trading Arrangements and Non-Rule 10b5-1 Trading Arrangements

During the three months ended September 30, 2026, none of our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" (as each term is defined in Item 408 of Regulation S-K).

Item 6. Exhibits

EXHIBIT INDEX

Exhibit No.	Description
3.1 (1)	Amended and Restated Certificate of Incorporation.
3.2 (2)	Certificate of Amendment of the Amended and Restated Certificate of Incorporation
3.3 (3)	Amended and Restated Bylaws.
31.1	Certification of Chief Executive Officer and President (Principal Executive Officer), pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Interim Chief Financial Officer (Interim Principal Financial Officer), pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1*	Certifications of Chief Executive Officer and President (Principal Executive Officer) and Interim Chief Financial Officer (Interim Principal Financial Officer), pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

(1) Previously filed as Exhibit 3.3 to the Company's Registration Statement on Form S-1 (File No. 333-225104), filed with the Securities and Exchange Commission on May 22, 2018.
(2) Previously filed as Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-38529), filed with the Securities and Exchange Commission on July 23, 2025.
(3) Previously filed as Exhibit 3.4 to the Company's Registration Statement on Form S-1 (File No. 333-225104), filed with the Securities and Exchange Commission on May 22, 2018.
* These certifications are being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Signatures

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

VERRICA PHARMACEUTICALS INC.

November 13, 2026

By: /s/ Jayson Rieger

Jayson Rieger
Chief Executive Officer and President
(Principal Executive Officer)

By: /s/ John J. Kirby

John J. Kirby
Interim Chief Financial Officer
(Interim Principal Financial Officer)

Exhibit 31.1

VERRICA PHARMACEUTICALS INC.
CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jayson Rieger, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2026 of Verrica Pharmaceuticals 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 consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

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

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

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

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

Date: November 13, 2026

/s/ Jayson Rieger

Jayson Rieger
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

VERRICA PHARMACEUTICALS INC.
CERTIFICATION OF INTERIM PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John J. Kirby, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2026 of Verrica Pharmaceuticals 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 consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

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

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

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

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

Date: November 13, 2026

/s/ John J. Kirby

John J. Kirby
Interim Chief Financial Officer
(Interim Principal Financial Officer)

Exhibit 32.1

VERRICA PHARMACEUTICALS INC.
PRINCIPAL EXECUTIVE OFFICER AND INTERIM PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Jayson Rieger, President and Chief Executive Officer of Verrica Pharmaceuticals Inc. (the "Company"), and John J. Kirby, Interim Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2026, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

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

IN WITNESS WHEREOF , the undersigned have set their hands hereto as of the 13th day of November, 2026.

/s/ Jayson Rieger
Jayson Rieger
President and Chief Executive Officer
(Principal Executive Officer)

/s/ John J. Kirby
John J. Kirby
Interim Chief Financial Officer
(Interim Principal Financial Officer)

* This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.