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 March 31, 2025

OR

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

For the transition period from ____ to _____

Commission File Number: 001-38529

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 [May 7, 2025], the registrant had [92,490,993 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 Financial Statements

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

	March 31, 2025	December 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 29,595	$ 46,329
Accounts receivable	5,607	48
Unbilled collaboration revenue	46	29
Inventory	2,459	2,463
Prepaid expenses and other current assets	1,767	2,310
Total current assets	39,474	51,179
Property and equipment, net	537	589
Operating lease right-of-use asset	764	836
Finance lease right-of-use asset	1,027	1,154
Other non-current assets	376	376
Total assets	**$ 42,178**	**$ 54,134**
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 1,443	$ 1,896
Accrued expenses and other current liabilities	14,484	13,511
Current portion of long-term debt	12,821	12,938
Operating lease liability	321	315
Finance lease liability	327	352
Total current liabilities	29,396	29,012
Operating lease liability	500	583
Finance lease liability	655	768
Derivative liability	2,394	2,648
Long term debt	27,809	30,983
Total liabilities	**60,754**	**63,994**
Commitments and Contingencies (Note 6)		
Stockholders' deficit:		
Preferred stock, $0.0001 par value; 10,000,000 shares authorized; no shares issued and outstanding as of March 31, 2025 and December 31, 2024	—	—
Common stock, $0.0001 par value; 200,000,000 authorized; 91,895,137 shares issued and 91,789,993 shares outstanding as of March 31, 2025 and 91,885,137 shares issued and 91,779,993 shares outstanding as of December 31, 2024	9	9
Treasury stock, at cost, 105,144 shares as of March 31, 2025 and December 31, 2024	—	—
Additional paid-in capital	298,184	297,158
Accumulated deficit	(316,769)	(307,027)
Total stockholders' deficit	**(18,576)**	**(9,860)**
Total liabilities and stockholders' deficit	**$ 42,178**	**$ 54,134**

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

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

	For the Three Months Ended March 31,	
	2025	**2024**
Revenue:		
Product revenue, net	$ 3,422	$ 3,232
Collaboration revenue	17	594
Total revenue	3,439	3,826
Operating expenses:		
Cost of product revenue	423	546
Cost of collaboration revenue	14	592
Selling, general and administrative	8,848	16,339
Research and development	2,284	4,948
Total operating expenses	11,569	22,425
Loss from operations	(8,130)	(18,599)
Other (expense) income:		
Interest income	337	598
Interest expense	(2,203)	(2,319)
Change in fair value of derivative liability	254	—
Other expense	—	(11)
Total other expense, net	(1,612)	(1,732)
Net loss	**$ (9,742)**	**$ (20,331)**
Net loss per share, basic and diluted	$ (0.10)	$ (0.44)
Weighted-average common shares outstanding, basic and diluted	94,837,343	46,483,669

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

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

	Common Stock		Additional Paid-in Capital	Subscription Receivable	Accumulated Deficit	Treasury Stock	Total Stockholders' (Deficit) Equity
	Shares Issued	Amount				Shares	
January 1, 2025	**91,885,137**	**$ 9**	**$ 297,158**	**$ —**	**$ (307,027)**	**105,144**	**$ (9,860)**
Stock-based compensation	—	—	1,026	—	—	—	1,026
Vesting of restricted stock units	10,000	—	—	—	—	—	—
Net loss	—	—	—	—	(9,742)	—	(9,742)
March 31, 2025	**91,895,137**	**$ 9**	**$ 298,184**	**$ —**	**$ (316,769)**	**105,144**	**$ (18,576)**
January 1, 2024	**42,518,697**	**$ 4**	**$ 250,207**	**$ —**	**$ (230,448)**	**105,144**	**$ 19,763**
Stock-based compensation	—	—	2,072	—	—	—	2,072
Exercise of stock options	6,500	—	8	(4)	—	—	4
Net loss	—	—	—	—	(20,331)	—	(20,331)
March 31, 2024	**42,525,197**	**$ 4**	**$ 252,287**	**$ (4)**	**$ (250,779)**	**105,144**	**$ 1,508**

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

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

	For the Three Months Ended March 31,	
	2025	2024
Cash flows from operating activities		
Net loss	$ (9,742)	$ (20,331)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	1,026	2,072
Depreciation expense	52	126
Non cash interest expense	668	483
Amortization of operating lease right-of-use asset	72	76
Amortization of finance lease right-of-use asset	84	138
Loss on termination of financing lease	3	—
Change in fair value of derivative liability	(254)	—
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	546	(1,275)
Collaboration revenue receivable, billed and unbilled	(17)	(424)
Accounts payable	(453)	52
Accounts receivable	(5,559)	(2,753)
Accrued expenses and other current liabilities	973	1,968
Operating lease liability	(76)	(79)
Net cash used in operating activities	(12,677)	(19,947)
Cash flows from financing activities		
Proceeds from exercise of stock options	—	4
Payment of debt amendment fees	—	(509)
Repayment of debt	(3,959)	—
Repayment of finance lease	(98)	(156)
Net cash used in financing activities	(4,057)	(661)
Net decrease in cash and cash equivalents	(16,734)	(20,608)
Cash and cash equivalents at the beginning of the period	46,329	69,547
Cash and cash equivalents at the end of the period	**$ 29,595**	**$ 48,939**
Supplemental disclosures		
Cash paid for interest	$ 1,535	$ 1,836
Supplemental disclosure of noncash investing and financing activities:		
Property and equipment purchases in accounts payable or accrued expenses and other current liabilities at period end	$ —	$ 11
Finance lease liability extinguished as a result of lease termination	$ 50	$ —
Right-of-use asset obtained in exchange for lease obligation	$ —	$ 1,193

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

VERRICA PHARMACEUTICALS INC.
Notes to 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 dermatology therapeutics company developing and selling medications for skin diseases requiring medical intervention. 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. The Company launched commercial operations in August 2023.

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 March 31, 2025, the Company has an accumulated deficit of $316.8 million and had cash outflows from operations of $12.7 million for the three months ended March 31, 2025. Based on the Company's current business plan and current capital resources, consisting of cash and cash equivalents of $29.6 million as of March 31, 2025, combined with the uncertainty regarding the availability of additional funding and considering its debt obligations, including a requirement to maintain cash, cash equivalents and investments of at least $10.0 million at all times, the Company has concluded that substantial doubt exists regarding its ability to continue as a going concern within one year after the date these 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, obtaining additional funding through equity offerings, debt financing and refinancings, collaborations, strategic alliances and/or licensing arrangements. The 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 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.

There can be no assurance that 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.

On November 22, 2024, the Company sold 45,518,243 shares of its common stock and pre-funded warrants to purchase 2,235,955 shares of common stock. The shares of common stock were sold at a price of $0.89 per share and the pre-funded warrants were sold at a price of $0.8899 per pre-funded warrant, resulting in net proceeds of $39.6 million after deducting underwriting discounts and offering expenses of approximately $2.9 million (Note 7). Accompanying each common share and pre-funded warrant were Series A warrants to purchase 23,877,099 shares of the Company's common stock at an exercise price of $1.0680 and Series B warrants to purchase 23,877,099 shares of the Company's common stock at an exercise price of $1.3350 (Note 7).

The Company plans to secure additional capital in the future through equity or debt financings, partnerships, or other sources to carry out the Company's planned commercial and development activities. If the Company is unable to raise capital when needed or on attractive terms, the Company would be forced to delay, reduce or eliminate continued commercialization efforts or research and development programs. In addition, 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.

On July 26, 2023, the Company entered into a Credit Agreement, pursuant to which the Company borrowed $50.0 million under the Loan Facility (as defined in Note 10) resulting in net proceeds of approximately $44.1 million after payment of certain fees and transaction related expenses. Amounts borrowed under the Loan Facility will mature on July 26, 2028, and payments of principal were originally not required under the Credit Agreement. Based on the Company's net revenue attributable to YCANTH on a trailing 12-month basis not meeting a specified amount set forth in the Credit Agreement (as amended) as of December 31, 2024, the Company became obligated to start making principal payments starting in January 2025. The Company is 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, the exit fee and interest.

The Credit Agreement contains customary events of default, including, but not limited to, nonpayment of principal, interest, fees or other amounts; material inaccuracy of a representation or warranty; failure to perform or observe covenants; cross-defaults with certain other indebtedness; bankruptcy and insolvency events; material monetary judgment defaults; impairment of any material definitive loan documentation; other material adverse effects; key permit and other regulatory events; key person events; and change

of control. In addition, the Credit Agreement contains a financial covenant that the Company must maintain a liquidity of at least $10.0 million and that the Company's quarterly and annual financial statements not be subject to any qualification or statement which is of a "going concern" or similar nature. The qualification of a "going concern" was waived for the financial statements for the year ended December 31, 2024 and the quarter ended March 31, 2025. If the qualification of a "going concern" is not waived for additional future periods or if additional financing is not raised to meet the liquidity test, the Company may be in default of the Credit Agreement in the near-term. Upon the occurrence of an event of default (subject to notice and grace periods), additional interest of 4% per annum applies and obligations under the Credit Agreement could be accelerated. As of March 31, 2025, the Company was in compliance with all covenants under the Credit Agreement, as amended.

Note 2—Significant Accounting Policies

Basis of Presentation

The accompanying unaudited interim financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). 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 Financial Statements

The accompanying unaudited interim financial statements have been prepared by the Company in accordance with US GAAP for interim information and pursuant to the rules and regulations of the SEC. Accordingly, certain information and footnote disclosures normally included in audited financial statements prepared in accordance with US GAAP have been condensed or omitted pursuant to such rules and regulations. These unaudited consolidated interim financial statements should be read in conjunction with the audited financial statements and related notes for the year ended December 31, 2024, filed as part of the Company's Annual Report.

These unaudited interim financial statements have been prepared on the same basis as the audited 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.

Use of Estimates

The preparation of financial statements in conformity with 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 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 selling medications for skin diseases requiring medical intervention. 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 businesses 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 that are 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 months ended March 31, 2025 and 2024:

	For the Three Months Ended	
	2025	2024
Revenue	$ 3,439	$ 3,826
Less:		
Selling, general and administrative:		
Commercial (including payroll)	4,282	9,178
General and administrative (including payroll)	3,781	5,539
Stock based compensation	785	1,622
Total selling, general and administrative	8,848	16,339
Research and development:		
YCANTH (VP-102)	371	579
VP-315	161	2,390
Common warts	27	—
Stock based compensation	241	450
Other unallocated expenses	1,484	1,529
Total research and development	2,284	4,948
Cost of revenue	437	1,138
Other segment items (a)	1,612	1,732
Net loss	**$ (9,742)**	**$ (20,331)**

(a) Other segment items include interest income, interest expense, change in fair value of embedded derivative liability and other expenses.

Cash and Cash Equivalents

The Company considers all highly-liquid investments purchased with original maturities of 90 days or less at acquisition to be cash equivalents. Cash and cash equivalents include cash held in banks and money market mutual funds.

Cash and cash equivalents are financial instruments that are potentially subject to concentrations of credit risk. The Company's deposits are 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.

Cash and cash equivalents as of March 31, 2025 includes a cash deposit of $0.2 million with Bank of America as required under the Commercial Credit Card Program with a balance equal to the outstanding credit limit on commercial credit cards.

Fair Value of Financial Instruments and Credit Risk

As of March 31, 2025, the Company's financial instruments included cash equivalents, accounts payable, and notes payable. The carrying amount of cash equivalents and accounts payable approximated fair value, given their short-term nature. The carrying value of the Company's long term note payable (Note 10) approximates fair value as the interest rate is reflective of current market rates on debt with similar terms and conditions.

Cash equivalents subject the Company to concentrations of credit risk. However, the Company invests its cash in accordance with a policy objective that seeks to ensure both liquidity and safety of principal. The policy limits investments to instruments issued by the U.S. government, certain SEC registered money market funds that invest only in U.S. government obligations and various other low-risk liquid investment options, and places restrictions on portfolio maturity terms.

Accounts receivable trade subjects the Company to concentrations of credit risk as all of the Company's revenue is from sales of a single product, YCANTH (VP-102), sold to several pharmaceutical wholesale/distributors.

Accounts Receivable

The Company had $5.6 million in accounts receivable as of March 31, 2025. As of March 31, 2025, 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. The Company has recognized obsolete inventory costs as cost of goods sold in the amount of $47,000 and $0.3 million for the three months ended March 31, 2025 and 2024, respectively, due to the expiration of Product (as defined below).

On July 21, 2023, the Company received FDA approval for YCANTH (VP-102) for the treatment of molluscum contagiosum and began capitalizing inventory purchases of saleable product from certain suppliers. Prior to FDA approval, all product purchased from such suppliers was included as a component of research and development expense, as the Company was unable to assert that the inventory had future economic benefit until YCANTH (VP-102) received FDA approval. Pursuant to the supply agreement (Note 6), the Company purchased and included in research and development expenses approximately $4.5 million of raw cantharidin and processed active pharmaceutical ingredient ("API"). The raw cantharidin and processed API is sufficient to produce approximately 14.0 million finished drug product applicators to be used for commercially saleable product and other product candidates. In addition, the Company purchased other components and services related to YCANTH (VP-102) for commercially saleable product and included approximately $1.2 million in research and development expenses prior to FDA approval. As a result, cost of product revenue related to YCANTH (VP-102) reflects a lower average per unit cost of materials for the period ended March 31, 2025 as previously expensed inventory is utilized for commercial production and sold to customers. On a pro forma basis, if the Company were to have included those costs previously expensed as a component of cost of product revenue, the Company's cost of product revenue for the three months ended March 31, 2025 and 2024 would have been $0.7 million, including $0.3 million of obsolete inventory costs in both periods. As of March 31, 2025, the amount remaining related to previously expensed inventory would have an immaterial impact in future periods and will no longer be reported as a component of cost of product revenue.

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*.

The derivative liability relates to a bifurcated settlement feature of the Company's OrbiMed Credit Agreement (Note 10). The derivative liability is subject to re-measurement at each reporting period, at each balance sheet date and any change in fair value is recognized as a component of change in fair value of derivative liability in the statements of operations. The Company will continue to adjust the liability for changes in fair value until the final repayment of the Term Loan.

Revenue

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/distributors (the "Customers") who in turn sell the Product directly to 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 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 records discrete reserves if Product held by customers, forecasted sales and expiration of Product warrant a reserve. As historical data for returns of the Product becomes available over time, the Company will utilize historical return rates of the Product in making its estimates. 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. 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.

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 payors and coupon programs for cash payors. 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.

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 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 nonrefundable, 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.

Royalties: If the Company is entitled to receive sales-based royalties from its collaborator, 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.

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. Prior to FDA approval of YCANTH (VP-102) in July 2023, the Company expensed costs associated with manufacturing of YCANTH (VP-102) as a component of research and development expense that would have been included in cost of product revenue for the three months ended March 31, 2025 and 2024 in the amount of $0.3 million and $0.1 million, respectively. Therefore, these costs are not included in cost of product revenue.

Advertising Expense

Advertising expenses, comprised primarily of print and digital assets, social media and internet advertising as well as search engine marketing, are expensed as incurred and are included in selling, general, and administrative expenses. For the three months ended March 31, 2025 and 2024, advertising expense was approximately $0.3 million and $1.5 million, respectively.

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 March 31, 2025, the Company's financial instruments included cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, and a derivative liability. The carrying amount of accounts payable, accounts receivable and accrued expenses approximates fair value due to the short-term maturities of these instruments.

The following table presents the Company's fair value information for liabilities measured at fair value on a recurring basis. The Company had no liabilities measured at fair value on a recurring basis for the three months ended March 31, 2024.

	As of March 31, 2025		
	(Level 1)	(Level 2)	(Level 3)
Recurring fair value measurements			
Derivative liability	$ —	$ —	$ 2,394

The following is a rollforward of the derivative liability:

Balance at December 31, 2024	$ 2,648
Change in fair value	(254)
Balance at March 31, 2025	$ 2,394

The Company estimated the fair value of the derivative liability using a lattice model with an interest rate lattice consistent with the Hull-White model. The derivative liability was classified within Level 3 of the fair value hierarchy due to the use of unobservable inputs. The key inputs into the lattice model for the derivative liability were as follows:

	March 31, 2025
Expected term (years)	3.32
Credit spread	12.9%

Net Loss Per Share

Net loss per share of common stock is computed by dividing net loss by the weighted average number of shares of common stock outstanding for the period including pre-funded warrants to purchase shares of common stock that were issued in an underwritten offering in February 2023 and November 2024 (Note 7). 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 is virtually assured. Diluted net loss per share excludes the potential impact of common stock options, unvested shares of restricted stock

and warrants that the Company has issued to OrbiMed, Torii Pharmaceutical Co., Ltd. ("Torii") and holders of Series A and Series B warrants issued in the November 2024 underwritten public offering 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:

	March 31,	
	2025	2024
Shares issuable upon exercise of stock options	11,812,537	6,613,615
Non-vested shares under restricted stock grants	334,267	834,000
Shares issuable upon exercise of warrants pursuant to debt financing	518,551	518,551
Shares issuable upon exercise of warrants pursuant to Torii amendment	500,000	—
Shares issuable upon exercise of Series A and B warrants pursuant to 2024 equity financing	47,754,198	—
Total	60,919,553	7,966,166

Recent Accounting Pronouncements

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): *Improvements to Income Tax Disclosures*. ASU 2023-09 is intended to improve income tax disclosure requirements by requiring (1) consistent categories and greater disaggregation of information in the rate reconciliation and (2) the disaggregation of income taxes paid by jurisdiction. The guidance makes several other changes to the income tax disclosure requirements as well. The guidance in ASU 2023-09 will be effective for annual reporting periods in fiscal years beginning after December 15, 2024. The Company is currently evaluating the impact that the adoption of ASU 2023-09 will have on its financial statements and disclosures.

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 financial statements and disclosures.

Note 3 —Inventory

Upon FDA approval of YCANTH (VP-102) for the treatment of molluscum contagiosum on July 21, 2023, the Company began capitalizing the purchases of saleable inventory of YCANTH (VP-102) from suppliers. Inventory consisted of the following (in thousands):

	March 31, 2025	December 31, 2024
Raw materials	$ 1,046	$ 1,082
Work in process	179	664
Finished goods	1,234	717
Total inventory	$ 2,459	$ 2,463

Note 4—Property and Equipment

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

	March 31, 2025	December 31, 2024
Machinery and equipment	$ 1,164	$ 1,164
Office equipment	326	326
Office furniture and fixtures	303	303
Leasehold improvements	54	54
	1,847	1,847
Accumulated depreciation	(1,310)	(1,258)
Total property and equipment, net	$ 537	$ 589

Depreciation expense for each of the three months ended March 31, 2025 and 2024 was $0.1 million.

Note 5—Accrued Expenses and Other Current Liabilities

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

	March 31, 2025	December 31, 2024
Gross to net reserves	$ 11,031	$ 10,316
Compensation and related costs	1,612	1,173
Commercial-related costs	743	407
Professional fees	477	618
Clinical trials and drug development	455	892
Other current liabilities	166	105
Total accrued expenses and other current liabilities	$ 14,484	$ 13,511

Note 6—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 current and former officers and directors ("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 seeks 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 "Putative 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 Putative 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. Defendants' motion to dismiss the second amended complaint was fully briefed as of April 22, 2024, and is pending before the Court. 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.

In addition, on October 21, 2024, plaintiff Ivan S. Cohen filed a putative stockholder derivative lawsuit in the U.S. District Court for the Eastern District of Pennsylvania. The 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 putative class action lawsuit. The 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 derivative lawsuit.

In February 2024, the Company filed a lawsuit in the Eastern District of Pennsylvania against Dormer Laboratories Inc. ("Dormer Labs"), a Canadian Drug Manufacturer, requesting, among other relief, that the court enjoin Dormer Labs from marketing, selling, and distributing drugs containing cantharidin in the United States, as well as compensatory, statutory and punitive damages for Dormer Labs' violations of the federal Lanham Act and Pennsylvania law.

In June 2024, the Company and Dormer Labs announced the settlement of litigation. As part of the settlement, Dormer Labs discontinued the sale of all cantharidin-containing products in the United States and also, provided the Company with Dormer's customer list in exchange for $0.8 million, which was fully paid during the year ended December 31, 2024.

The Company is also involved in ordinary, routine legal proceedings that are not considered by management to be material. In the opinion of Company counsel and management, 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 7—Stockholders' Deficit

Common Stock

The Company had authorized 200,000,000 shares of common stock, $0.0001 par value per share, as of March 31, 2025 and December 31, 2024. Each share of common stock is entitled to one vote. Common stock owners are entitled to dividends when funds are legally available and declared by the Board.

November 2024 Offering

In November 2024, the Company sold 45,518,243 shares of its common stock, and in lieu of common stock to certain investors, pre-funded warrants to purchase 2,235,955 shares of its common stock, with accompanying Series A warrants to purchase to purchase 23,877,099 shares of its common stock at an exercise price of $1.0680 per share of common stock and Series B warrants to purchase 23,877,099 shares of its common stock at an exercise price of $1.3350 per share of common stock (the "November 2024 Offering"). The offering price was $0.89 per share of common stock and accompanying Series A and Series B warrants, or $0.8899 per pre-funded warrant and accompanying Series A and Series B warrants. The Series A warrants expire in November 2025 and the Series B warrants expire in November 2029. The November 2024 Offering resulted in net proceeds of approximately $39.6 million after deducting underwriting discounts and commissions, and offering expenses of $2.9 million. Pre-funded warrants for 660,955 shares of common stock were exercised in December 2024.

Warrants

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

	March 31, 2025		
	Number of warrants	Exercise Price	Expiration Date
Equity classified warrants			
Pre-funded warrants issued pursuant to 2023 underwritten public offering	1,481,481	$ 0.0001	No expiration
Warrants issued in connection with OrbiMed debt facility	518,551	$ 3.4504	7/26/2033
Warrants issued in connection with Torii amendment	500,000	$ 9.5600	5/14/2034
Pre-funded warrants issued pursuant to 2024 underwritten public offering	1,575,000	$ 0.0001	No expiration
Series A warrants issued pursuant to 2024 underwritten public offering	23,877,099	$ 1.0680	11/21/2025
Series B warrants issued pursuant to 2024 underwritten public offering	23,877,099	$ 1.3350	11/20/2029

The OrbiMed warrants are eligible for a price adjustment if the Company consummates any share distribution at a price per common shares less than the exercise price. As a result of the November 2024 Offering, the OrbiMed warrant exercise price was adjusted down to $3.4504 per share.

Note 8—Stock-Based Compensation

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

	For the Three Months Ended March 31,	
	2025	2024
Selling, general and administrative	$ 785	$ 1,622
Research and development	241	450
Total stock-based compensation	$ 1,026	$ 2,072

Stock Options

The following table summarizes the Company's stock option activity for the three months ended March 31, 2025:

	Number of shares	Weighted average exercise price	Weighted average remaining contractual term (in years)	Aggregate intrinsic value
Outstanding as of December 31, 2024	8,005,620	$ 4.95	7.3	
Granted	5,373,102	0.63		
Forfeited	(252,498)	4.65		
Expired	(1,313,687)	10.16		
Outstanding as of March 31, 2025	11,812,537	$ 2.41	8.9	$ —
Options vested and exercisable as of March 31, 2025	1,954,352	$ 8.73	4.9	$ —

The aggregate intrinsic value in the above table is calculated as the difference between fair market value of the Company's common stock price and, as of March 31, 2025, the exercise price of the stock options. The weighted average grant date fair value per share for the employee and non-employee stock options granted during three months ended March 31, 2025 was $0.43. As of March 31, 2025, the total unrecognized compensation related to unvested stock option awards granted was $7.4 million, which the Company expects to recognize over a weighted-average period of 2.51 years.

Restricted Stock Units

In November 2019 and August 2020, the Company granted 300,000 and 250,000 restricted stock units ("RSU"), respectively, to its executive officers, of which 125,000 were forfeited. Half of the remaining RSUs vested upon receipt of regulatory approval of YCANTH (VP-102) for the treatment of molluscum on July 21, 2023 (the "Approval Date") and the other half vested on July 21, 2024.

In March 2023, the Company granted 698,000 RSUs, half of which vested upon the first commercial sale of YCANTH (VP-102) on August 24, 2023 and half of which vested on August 24, 2024.

In March 2024, the Company granted 272,500 RSUs to executive officers. These restricted stock units vest 25% annually over four years.

Compensation expense related to RSUs is recognized in the Company's statements of operations based on the fair market value at the date of grant over the period expected to vest. As of March 31, 2025, the remaining unrecognized compensation expense related to the RSUs was $0.2 million, which the Company expects to recognize over a weighted average service period of 1.46 years.

The following table summarizes the Company's restricted stock unit activity for the three months ended March 31, 2025:

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested as of December 31, 2024	384,267	$ 2.24
Forfeited	(40,000)	4.80
Vested	(10,000)	4.80
Nonvested as of March 31, 2025	334,267	$ 1.86

Note 9—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 leased office space in Scotch Plains, New Jersey under an agreement classified as an operating lease, which commenced on May 1, 2022 and was due to expire on April 30, 2025. In September 2024, the Company terminated the agreement effective November 30, 2024. No termination fees were incurred.

The Company entered into a fleet program to provide vehicles for its sales force. The vehicles are leased for a term of 52 months and classified as finance leases. During the three months ended March 31, 2024, the Company recognized a right-of-use asset of $1.2 million and a right-of use liability of $1.2 million related to these finance leases. A total of 57 vehicle leases were terminated and the lessor has sold those vehicles at auction during the year ended December 31, 2024. The Company recognized an impairment of the right-of-use asset based on estimated fair value of the vehicles of $0.3 million and a loss on termination of leases of $19,000 for the year ended December 31, 2024. The Company reduced the lease liability by $1.5 million and right-of-use assets by $1.6 million related to the terminated leases for the year ended December 31, 2024.

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

	For the Three Months Ended March 31,	
	2025	2024
Finance lease cost:		
Amortization right-of-use assets	$ 84	$ 139
Interest on lease liabilities	20	44
Operating lease:		
Operating lease costs	$ 85	$ 94

Maturities of the Company's operating leases, excluding short-term leases, as of March 31, 2025 are as follows (in thousands):

	Operating	Finance
2025 (remaining 9 months)	$ 271	$ 301
2026	366	344
2027	246	320
2028	-	133
Total lease payments	883	1,098
Less imputed interest	(62)	(116)
Lease liability	$ 821	$ 982

The weighted average remaining lease term and discount rates for the Company's leases as of March 31, 2025 are as follows:

	Operating	Finance
Weighted average remaining lease term (years)	2.67	3.45
Weighted average discount rate	6.25%	7.76%

Note 10—Debt

On July 26, 2023 (the "Closing Date"), the Company entered into a Credit Agreement (the "Credit Agreement"), by and between the Company, as borrower, and OrbiMed Royalty & Credit Opportunities IV, LP, a Delaware limited partnership (the "Initial Lender"), as a lender, and each other lender that may from time to time become a party thereto (each, including the Initial Lender, and together with their affiliates, successors, transferees and assignees, the "Lenders"), and OrbiMed Royalty & Credit Opportunities IV, LP, as administrative agent for the Lenders (in such capacity, the "Administrative Agent"). The Credit Agreement provides for a five-year senior secured credit facility in an aggregate principal amount of up to $125.0 million (the "Loan Facility"). The Company borrowed $50.0 million under the Credit Agreement on July 26, 2023, resulting in net proceeds of approximately $44.1 million after payment of certain fees and transaction related expenses. The Company will not be able to borrow any additional funds under the Credit Agreement.

Amounts borrowed under the Loan Facility will mature on July 26, 2028 (the "Maturity Date"). Based on the Company's net revenue attributable to YCANTH on a trailing 12-month basis not meeting a specified amount set forth in the Credit Agreement as of December 31, 2024, the Company became obligated to start making principal payments starting on January 1, 2025. The Company is

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. The Company recorded a derivative liability related to the accelerated settlement of the Credit Agreement (See Note 2- Financial Instruments - Derivatives and Fair Value Measurement).

During the term of the Loan Facility, interest payable in cash by the Company shall accrue on any outstanding balance due at a rate per annum equal to the higher of (x) the Secured Overnight Financing Rate ("SOFR") rate (which is the forward-looking term rate for a one-month tenor based on the secured overnight financing rate administered by the CME Group Benchmark Administration Limited) and (y) 4.00% plus, in either case, 8.00%. During an event of default, any outstanding amount under the Loan Facility will bear interest at a rate of 4.00% in excess of the otherwise applicable rate of interest. The Company paid or will pay certain fees with respect to the Loan Facility, including an upfront fee, an unused fee on the undrawn portion of the Loan Facility, an administration fee, a prepayment premium and an exit fee, as well as certain other fees and expenses of the Administrative Agent and the Lenders.

The Credit Agreement contains customary events of default, including, but not limited to, nonpayment of principal, interest, fees or other amounts; material inaccuracy of a representation or warranty; failure to perform or observe covenants; cross-defaults with certain other indebtedness; bankruptcy and insolvency events; material monetary judgment defaults; impairment of any material definitive loan documentation; other material adverse effects; key permit and other regulatory events; key person events; and change of control. In addition, the Credit Agreement contains a financial covenant that the Company must maintain a liquidity of at least $10.0 million and that the Company's quarterly and annual financial statements not be subject to any qualification or statement which is of a "going concern" or similar nature. The qualification of a "going concern" was waived for the financial statements for the three months ended March 31, 2025. Upon the occurrence of an event of default (subject to notice and grace periods), additional interest of 4% per annum applies and obligations under the Credit Agreement could be accelerated. As of March 31, 2025, the Company was in compliance with all covenants under the Credit Agreement, as amended.

On the Closing Date, the Company also issued the Initial Lender warrants to purchase up to 518,551 shares of the Company's common stock, at an exercise price of $6.0264 per share, which have a term of 10 years from the issuance date. The proceeds from the debt transaction were allocated among the two instruments based on their relative fair values. The relative fair value of the warrants was determined to be $2.0 million and the fair value was determined to be $2.4 million based on the Black-Scholes valuation technique and the key assumptions used were as follows: (i) an expected term of 10 years, (ii) an expected volatility of 94.86%, (iii) a risk free rate of 3.86% and (iv) no estimated dividend yield. The exercise price of the warrants will be adjusted 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 warrant exercise price was adjusted down to $3.4504 per share.

On each of December 20, 2023 and January 31, 2024, the Company entered into an amendment to the Credit Agreement in order to extend a deadline for a specified regulatory milestone. For the second amendment on January 31, 2024, the Company paid an up front amendment fee of $250,000 and agreed to make an additional payment of $250,000 if a specified regulatory milestone is not achieved by a specified date.

On May 6, 2024, the Company entered into an amendment to the Credit Agreement (the "Third Amendment") pursuant to which the Lenders waived the going concern requirement under Section 7.1(b) of the Credit Agreement with respect to the financial statements for the quarter ended March 31, 2024. In connection with the Third Amendment, the Company paid an amendment fee of $100,000.

On June 26, 2024, the Company entered into an amendment to the Credit Agreement (the "Fourth Amendment") changing the commencement date of the Revenue Test to September 30, 2024. In connection with the Fourth Amendment, the Company paid an amendment fee of $500,000.

On August 2, 2024, the Company entered into the fifth amendment and waiver to the Credit Agreement (the "Fifth Amendment") pursuant to which the Lenders waived the going concern requirement under Section 7.1(b) of the Credit Agreement with respect to the financial statements for the quarters ended June 30, 2024 and September 30, 2024, the commencement date for the Revenue Test was changed to December 31, 2024 and the exit fee for the Initial Loans (as defined in the Credit Agreement) was increased from 5.00% to 7.50%.

On February 18, 2025, the Company entered into a waiver to the Credit Agreement pursuant to which the Lenders waived specified covenants under the Credit Agreement, including the requirements under Section 7.1(b) and Section 7.1(c) of the Credit Agreement that there be no "going concern" qualification with respect to the financial statements for the year ended December 31, 2024 and the quarter ended March 31, 2025.

For the three months ended March 31, 2025, the Company recognized interest expense related to the Credit Agreement of $2.2 million, of which $1.5 million was interest on the term loan and $0.7 million was non-cash interest expense related to the amortization of deferred debt issuance costs and accrual of the final payment fee.

The following table summarizes the composition of debt reflected on the balance sheet as of March 31, 2025 (in thousands):

	As of March 31, 2025		
	Short-term	Long-term	Total
Gross proceeds	$ 13,953	$ 32,559	$ 46,512
Accrued final payment fee	1,047	2,441	3,488
Accrued repayment fee	651	186	837
Unamortized debt discount and issuance costs	(2,830)	(7,377)	(10,207)
Total debt, net	$ 12,821	$ 27,809	$ 40,630

The aggregate maturities of debt are as follows:

	Debt	Final payment fee	Repayment fee	Total
2025 (9 months remaining)	$ 10,465	$ 785	$ 512	$ 11,762
2026	13,953	1,047	325	15,325
2027	13,953	1,047	-	15,000
2028	8,141	609	-	8,750
Total	$ 46,512	$ 3,488	$ 837	$ 50,837

Note 11—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.

Pursuant to the Torii Agreement, the Company received milestone payments from Torii in prior periods totaling $20.0 million. Additionally, the Company is entitled to receive from Torii an additional $50.0 million in aggregate payments contingent on achievement of specified development, regulatory, and sales milestones, in addition to tiered transfer price payments for supply of product in the percentage range of the mid-30's to the mid-40's of net sales. The transfer 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.

On March 7, 2022, the Company executed a Clinical Supply Agreement with Torii, whereby the Company will supply product to Torii for use in clinical trials and other development activities. The Company recognized collaboration revenue of $0.1 million and $0.6 million for the three months ended March 31, 2025 and 2024 respectively related to supplies and development activity pursuant to this agreement. The costs of collaboration revenue consists of expenses incurred by the Company for manufacturing supply to support development and testing services pursuant to the Torii Clinical Supply Agreement.

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 will equally split the cost of a global Phase 3 program of YCANTH (VP-102) for the treatment of common warts (the "Program"), with Torii paying all of the costs when due and the Company repaying Torii half of the costs (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 our 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 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. No costs were incurred during the three months ended March 31, 2025 and the Company anticipates the Program may begin as early as mid-2025.

In conjunction with the First Amendment, the Company issued Torii a warrant to purchase up to 500,000 shares of the Company's common stock at an exercise price per share of $9.56. 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. The shares underlying the warrant will vest as follows: one-third on the date the first patient is dosed in the Program, 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.

Lytix Agreement

In August 2020, the Company entered into an exclusive license agreement with Lytix Biopharma AS ("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.

Note 12 – Related Parties

Our Chief Executive Officer, Jayson Rieger, and our 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.

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 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, 2024 and 2023 included in our Annual Report on Form 10-K for the year ended December 31, 2024, filed with the Securities and Exchange Commission (the "SEC") on March 11, 2025. Our 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 (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, 2024, filed with the SEC on March 11, 2025, in this Quarterly Report under Part II - Item 1A "Risk Factors," and in our other filings with the SEC.

Overview

We are a dermatology therapeutics company developing and selling medications for skin diseases requiring medical intervention. 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 contagiosum 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, including 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 contagiosum. We have built a specialized sales organization consisting of 35 employee sales representatives in the United States focused on pediatric dermatologists, dermatologists, and select pediatricians.

Additional Pipeline Products

YCANTH (VP-102) - Treatment of Common Warts

We also plan to advance YCANTH (VP-102) for common warts through a separate regulatory approval process and conduct a global phase three program with our partner, Torii. We anticipate the program may begin as early as mid-2025.

In the future, we also intend to pursue commercialization for YCANTH (VP-102) for the treatment of molluscum contagiosum, as well as YCANTH (VP-102) for common warts if approved, in additional geographic regions, either alone or together with a strategic partner.

VP-315 - Treatment of Basal Cell Carcinoma

We are also developing VP-315 for the treatment of BCC and potentially additional dermatological oncology indications. We held an end-of-Phase 2 meeting with the FDA in the first quarter and expect to report additional data in mid-2025, which we believe will help inform next steps for the advancement of the program into Phase 3 clinical trials.

Liquidity Overview

Since our inception in 2013, our operations have focused on developing YCANTH (VP-102), organizing and staffing our company, business planning, raising capital, establishing our intellectual property portfolio and conducting clinical trials. 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 a Credit Agreement, pursuant to which we borrowed $50.0 million under the Loan Facility (as defined in Note 10), resulting in net proceeds of approximately $44.1 million after payment of certain fees and transaction related expenses. Amounts borrowed under the Loan Facility will 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 Credit Agreement as of December 31, 2024, we became obligated to start making principal payments starting on January 1, 2025. We are 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.

The Credit Agreement contains customary events of default, including, but not limited to, nonpayment of principal, interest, fees or other amounts; material inaccuracy of a representation or warranty; failure to perform or observe covenants; cross-defaults with certain other indebtedness; bankruptcy and insolvency events; material monetary judgment defaults; impairment of any material definitive loan documentation; other material adverse effects; key permit and other regulatory events; key person events; and change of control. In addition, the Credit Agreement contains a financial covenant that we must maintain a liquidity of at least $10.0 million and that our quarterly and annual financial statements not be subject to any qualification or statement which is of a “going concern” or similar nature. The qualification of a "going concern" was waived for the annual financial statements for the year ended December 31, 2024 and quarterly financial statements for the quarter ended March 31, 2025. If the qualification of a "going concern" is not waived for additional future periods or if additional financing is not raised to meet the liquidity test, we may be in default of the debt agreement in the near-term. Upon the occurrence of an event of default (subject to notice and grace periods), additional interest of 4% per annum applies and obligations under the Credit Agreement could be accelerated. As of March 31, 2025, we were in compliance with all covenants under the Credit Agreement as amended.

In November 2024, we closed an underwritten offering of 45,518,243 shares of our common stock (and, in lieu of common stock to certain investors that so chose, pre-funded warrants to purchase 2,235,955 shares of our common stock, or the pre-funded warrants), and in either case, accompanying Series A warrants to purchase 23,877,099 shares of our common stock at an exercise price of $1.0680 per share of common stock, or the Series A Warrants, and Series B warrants to purchase 23,877,099 shares of our common stock at an exercise price of $1.3350 per share of common stock, or the Series B Warrants, at a combined public offering price of $0.89 per share of common stock and accompanying Series A and Series B Warrants (or $0.8899 per Pre-Funded Warrant and accompanying Series A and Series B Warrants). The offering resulted in net proceeds of $39.6 million, after deducting underwriting discounts and commissions, and offering expenses.

As of March 31, 2025, we had cash and cash equivalents of $29.6 million. Based on our current business plan and current capital resources, combined with the uncertainty regarding the availability of additional funding and considering our debt obligations, including a requirement to maintain cash, cash equivalents and investments of at least $10.0 million at all times, we have concluded that there is substantial doubt regarding our ability to continue as a going concern within one year after the date these financial statements are issued. 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 March 31, 2025, we had an accumulated deficit of $316.8 million. Our 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 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 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 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 financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these 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 GAAP, we evaluate our estimates and judgments on an ongoing basis.

A summary of our significant accounting policies are disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024. However, we believe that the additional accounting policies disclosed in Note 2 to our 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) became available for commercial sale and shipment for the treatment of patients by a healthcare provider in the United States in the year ended December 31, 2023. We sell the Product to several pharmaceutical wholesalers and distributors, or the Customers, who in turn sell the Product directly to 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 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.

Collaboration Revenue

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, including YCANTH (VP-102).

Operating Expenses

Cost of Product Revenue

Cost of product revenue includes the cost of inventory sold, which includes direct manufacturing and supply chain costs. Prior to FDA approval, all product purchased from such suppliers was included as a component of research and development expense, as we were unable to assert that the inventory had future economic benefit until YCANTH (VP-102) received FDA approval. Pursuant to the supply agreement, we purchased and included in research and development expenses approximately $4.5 million of raw cantharidin and processed active pharmaceutical ingredient, or API. The raw cantharidin and processed API is sufficient to produce approximately 14 million finished drug product applicators to be used for commercially saleable product and other YCANTH (VP-102) product candidates. In addition, we purchased other components and services related to YCANTH (VP-102) for commercially saleable product and included approximately $1.2 million in research and development expenses prior to FDA approval. As a result, cost of product revenue related to YCANTH (VP-102) will initially reflect a lower average per unit cost of materials over approximately the next year as previously expensed inventory is utilized for commercial production and sold to customers. If we included those costs previously expensed as a component of cost of product revenue, our cost of product revenue for each of the three months ended March 31, 2025 and 2024 would have been $0.7 million, including $0.3 million of obsolete inventory costs in both periods. As of

March 31, 2025, the amount remaining related to previously expensed inventory would have an immaterial impact in future periods and will no longer be reported as a component of cost of product revenue.

Cost of Collaboration Revenue

The costs of collaboration revenue consists of payments for 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 March 31, 2025 and 2024

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

	For the Three Months Ended March 31,		
	2025	2024	Change
Total revenue			
Product revenue, net	$ 3,422	$ 3,232	$ 190
Collaboration revenue	17	594	(577)
Total revenue	3,439	3,826	(387)
Operating expenses:			
Cost of product revenue	423	546	(123)
Cost of collaboration revenue	14	592	(578)
Selling, general and administrative	8,848	16,339	(7,491)
Research and development	2,284	4,948	(2,664)
Total operating expenses	11,569	22,425	(10,856)
Loss from operations	(8,130)	(18,599)	10,469
Other income (expense):			
Interest income	337	598	(261)
Interest expense	(2,203)	(2,319)	116
Change in fair value of derivative liability	254	—	254
Other expense	—	(11)	11
Total other expense, net	(1,612)	(1,732)	120
Net loss	**$ (9,742)**	**$ (20,331)**	**$ 10,589**

Product Revenue, Net

Product revenue, net was $3.4 million for the three months ended March 31, 2025, compared to $3.2 million for the three months ended March 31, 2024. Product revenue, net, related to the delivery of YCANTH (VP-102) to our distribution partners.

Collaboration Revenue

Collaboration revenue was $17,000 for the three months ended March 31, 2025, compared to $0.6 million for the three months ended March 31, 2024. Collaboration revenue for each of the three months ended March 31, 2025 and 2024 consisted of supplies and development activity with Torii.

Cost of Product Revenue

Cost of product revenue for the three months ended March 31, 2025 and 2024 was $0.4 million and $0.5 million, respectively, consisting of product costs related to the sale of YCANTH (VP-102) and obsolete inventory write-off of $47,000 and $0.3 million, respectively.

Cost of Collaboration Revenue

Cost of collaboration revenue was $14,000 for the three months ended March 31, 2025, compared to $0.6 million for the three months ended March 31, 2024. The decrease of $0.6 million was primarily due to decreased manufacturing supply required to support development and testing services pursuant to the Torii Clinical Supply Agreement.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $8.8 million for the three months ended March 31, 2025, compared to $16.3 million for the three months ended March 31, 2024. The decrease of $7.5 million was primarily due to lower expenses related to commercial activities for YCANTH (VP-102), including decreases in compensation, stock compensation, recruiting fees, benefits and travel due to reduced sales force of $4.4 million, decreased marketing and sponsorship costs of $2.1 million and other commercial activity of $0.4 million, and decreased legal costs of $0.7 million.

Research and Development Expenses

Research and development expenses were $2.3 million for the three months ended March 31, 2025, compared to $4.9 million for the three months ended March 31, 2024. The decrease of $2.6 million was primarily related to decreased clinical trial costs for VP-315 of $2.1 million and decreased regulatory and medical affairs costs of $0.4 million.

The following table summarizes our research and development expense by product candidate or, for unallocated expenses, by type, for the three months ended March 31, 2025 and 2024. Unallocated expenses include compensation and other personnel-related costs (in thousands):

	For the Three Months Ended March 31,		
	2025	2024	Change
YCANTH (VP-102)	$ 371	$ 579	$ (208)
VP-315	161	2,390	(2,229)
Common warts	27	—	27
Stock based compensation	241	450	(209)
Other unallocated expenses	1,484	1,529	(45)
Research and development expense	$ 2,284	$ 4,948	$ (2,664)

Interest Income

Interest income was $0.3 million for the three months ended March 31, 2025 compared to $0.6 million for the three months ended March 31, 2024. The decrease of $0.3 million was primarily due to a lower cash balance.

Interest Expense

Interest expense was $2.2 million for the three months ended March 31, 2025 compared to $2.3 million for the three months ended March 31, 2024 and consisted of interest expense on the OrbiMed Credit Agreement as described in Note 10 to our financial statements for each period. The decrease of $0.1 million was related to a lower outstanding principal balance under our Credit Agreement with OrbiMed.

Liquidity and Capital Resources

Since our inception, we have incurred net losses and negative cash flows from our operations. We have financed our operations since inception primarily through sales of our convertible preferred stock, the sale of our common stock, and $20.0 million from the Torii Agreement. In November 2024, we closed an underwritten offering of 45,518,243 shares of our common stock and, in lieu of common stock to certain investors that so chose, pre-funded warrants to purchase 2,235,955 shares of our common stock, and in either case, accompanying Series A Warrants to purchase 23,877,099 shares of our common stock at an exercise price of $1.0680 per share of common stock and Series B Warrants to purchase 23,877,099 shares of our common stock at an exercise price of $1.3350 per share of common stock, at a combined public offering price of $0.89 per share of common stock and accompanying Series A and Series B Warrants (or $0.8899 per Pre-Funded Warrant and accompanying Series A and Series B Warrants). The offering resulted in net proceeds of $39.6 million, after deducting underwriting discounts and commissions, and offering expenses.

As of March 31, 2025, we had cash and cash equivalents of $29.6 million.

On July 21, 2023, the FDA approved YCANTH (VP-102) topical solution for the treatment of molluscum contagiosum in adult and pediatric patients two years of age and older. Our first commercial sale of YCANTH (VP-102) occurred in August 2023.

On July 26, 2023, we entered into the 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 will 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 Credit Agreement as of December 31, 2024, we became obligated to start making principal payments starting in January 2025. We are 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.

In addition, the Credit Agreement contains a financial covenant that we must maintain a liquidity of at least $10.0 million and also requires that our quarterly and annual financial statements not be subject to any qualification or statement which is of a “going concern” or similar nature. The qualification of a "going concern" was waived for the annual financial statements for the year ended December 31, 2024 and quarterly financial statements for the quarter ended March 31, 2025. If the qualification of a "going concern" is not waived for additional future periods or if we don’t raise additional financing, we may be in default of our debt in the near-term.

During the term of the Credit Agreement, interest payable in cash by us will accrue on any outstanding balance due under the Credit Agreement at a rate per annum equal to the higher of (x) the SOFR rate (which is the forward-looking term rate for a one-month tenor based on the secured overnight financing rate administered by the CME Group Benchmark Administration Limited) and (y) 4.00% plus, in either case, 8.00%. During an event of default, any outstanding amount under the Credit Agreement will bear interest at a rate of 4.00% in excess of the otherwise applicable rate of interest. We will pay certain fees with respect to the Credit Agreement, including an upfront fee, an unused fee on the undrawn portion of the Credit Agreement, an administration fee, a prepayment premium and an exit fee, as well as certain other fees and expenses of the Administrative Agent and the Lenders.

Cash Flows

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

	For the Three Months Ended March 31,	
	2025	2024
Net cash used in operating activities	$ (12,677)	$ (19,947)
Net cash used in financing activities	(4,057)	(661)
Net decrease in cash and cash equivalents	$ (16,734)	$ (20,608)

Operating Activities

During the three months ended March 31, 2025, operating activities used $12.7 million of cash, primarily resulting from a net loss of $9.7 million partially offset by non-cash stock-based compensation of $1.0 million and noncash interest of $0.7 million. Net cash used by changes in operating assets and liabilities consisted primarily of an increase in accounts receivable of $5.6 million partially offset by an increase in accrued expenses of $1.0 million and a decrease in prepaid expenses and other assets of $0.6 million.

During the three months ended March 31, 2024, operating activities used $19.9 million of cash, primarily resulting from a net loss of $20.3 million partially offset by non-cash stock-based compensation of $2.1 million. Net cash used by changes in operating assets and liabilities consisted primarily of increases in accounts receivable of $2.8 million and prepaid expenses and other assets of $1.3 million partially offset by an increase in accrued expenses of $1.7 million.

Investing Activities

During the three months ended March 31, 2025 and 2024, no cash was used in or provided by investing activities.

Financing Activities

During the three months ended March 31, 2025, net cash used by financing activities of $4.1 million was primarily due to the repayment of debt related to the Credit Agreement.

During the three months ended March 31, 2024, net cash used by financing activities of $0.7 million was primarily due to $0.5 million of debt amendment costs paid related to the Credit Agreement.

Funding Requirements

Our first commercial sale of YCANTH (VP-102) occurred in August 2023 to a specialty pharmacy distributor. 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 March 31, 2025, we had an accumulated deficit of $316.8 million. We believe our cash, and cash equivalents of $29.6 million as of March 31, 2025 will be sufficient to support our planned operations into the third quarter of 2025. Based on our current business plan and current capital resources, combined with the uncertainty regarding the availability of additional funding and considering our debt obligations, including a requirement to maintain cash, cash equivalents and investments of at least $10.0 million at all times, we have concluded there is substantial doubt regarding our ability to continue as a going concern within one year after the date these 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, obtaining additional funding through equity offerings, debt financing and refinancings, collaborations, strategic alliances and/or licensing arrangements. While beyond our control, the milestone payment of $8.0 million due from Torii upon the first patient dosed in Japan in the Phase 3 program, and/or the exercise of the Series A Warrants issued in conjunction with the November 2024 Equity Financing, which have an exercise price of $1.0680 per share and expire in November 2025 may result in additional liquidity during 2025 and alleviate the substantial doubt regarding our ability to continue as a going concern. We cannot predict with certainty that these funds will be received and alleviate the substantial doubt. Our 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 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:

- our ability to maintain compliance with our covenants under our Credit Agreement;
- 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 and secure manufacturing arrangements for commercial production of YCANTH (VP-102) for the treatment of molluscum contagiosum and any product candidate we successfully commercialize; and
- the costs of establishing and maintaining sales and marketing capabilities for YCANTH (VP-102) for the treatment of molluscum contagiosum 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 March 31, 2025, 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, 2024.

Item 3. Quantitative and Qualitative Disclosures About Market Risks

There have been no material changes to our quantitative and qualitative disclosures about market risk as previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024.

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 it files or submits 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 has concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of March 31, 2025.

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 March 31, 2025, 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 ("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 current and former officers and directors ("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 seeks 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 "Putative 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 Putative 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. Defendants' motion to dismiss the second amended complaint was fully briefed as of April 22, 2024, and is pending before the Court. 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.

In addition, on October 21, 2024, plaintiff Ivan S. Cohen filed a putative stockholder derivative lawsuit in the U.S. District Court for the Eastern District of Pennsylvania. The complaint names us as a nominal defendant and purports to bring claims on or 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. The complaint primarily seeks to recover for us compensatory damages for losses allegedly sustained related to the facts alleged, restitution, and punitive damages.

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, 2024, filed with the Securities and Exchange Commission on March 11, 2025.

Item 5. Other Information

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

During the three months ended March 31, 2025, 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]	Amended and Restated Bylaws.
10.1 [3]	Release Agreement, dated April 24, 2025, by and between the Company and Christopher G. Hayes
10.2	Waiver, dated February 18, 2025, by and between the Company and Orbimed Royalty & Credit Opportunities IV, LP.
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 3.4 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.

(3) Previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-38529), filed with the Securities and Exchange Commission on April 25, 2025.

* 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.

May 13, 2025

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 10.2

WAIVER

This **WAIVER** (this "Waiver") is made and entered into as of February 18, 2025 by and among **VERRICA PHARMACEUTICALS INC.**, a Delaware corporation (the "Borrower"), the Lenders party hereto (the "Lenders"), and **ORBIMED ROYALTY & CREDIT OPPORTUNITIES IV, LP**, as administrative agent for the Lenders (together with its Affiliates, successors, transferees and assignees, the "Administrative Agent").

WHEREAS, the Borrower, the Lenders and the Administrative Agent entered into a Credit Agreement, dated as of July 26, 2023 (as amended by that First Amendment to Credit Agreement, dated as of December 20, 2023, as further amended by that certain Second Amendment to Credit Agreement, dated as of January 31, 2024, as further amended by that certain Third Amendment and Waiver to Credit Agreement, dated as of May 6, 2024, as further amended by that certain Fourth Amendment to Credit Agreement, dated as of June 26, 2024, and as further amended by that certain Fifth Amendment and Waiver to Credit Agreement, dated as of August 2, 2024, the "Existing Credit Agreement"; the Existing Credit Agreement as may be further amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), pursuant to which the Lenders have extended credit to the Borrower on the terms set forth therein;

WHEREAS, pursuant to Section 7.1(b) of the Credit Agreement, the Borrower is required, among other things, to deliver to the Administrative Agent consolidated financial statements of the Borrower and its Subsidiaries for each Fiscal Quarter, which financial statements shall be without any "going concern" or like qualification (the "Quarterly Going Concern Requirement");

WHEREAS, the Borrower has requested that the Lenders waive, solely in respect of the Borrower's quarterly unaudited financial statements for the Fiscal Quarters ending December 31, 2024 and March 31, 2025 (the "Specified Quarterly Financials"), the Quarterly Going Concern Requirement, and the Lenders agree to provide such waiver on the terms and subject to the conditions set forth herein;

WHEREAS, pursuant to Section 7.1(c) of the Credit Agreement, the Borrower is required, among other things, to deliver to the Administrative Agent audited financial statements of the Borrower and its Subsidiaries for each Fiscal Year, which financial statements shall be without any "going concern" or like qualification (the "Annual Going Concern Requirement");

WHEREAS, the Borrower has requested that the Lenders waive, solely in respect of the Borrower's annual audited financial statements for the Fiscal Year ending December 31, 2024 (the "Specified Annual Financials"), the Annual Going Concern Requirement, and the Lenders agree to provide such waiver on the terms and subject to the conditions set forth herein;

WHEREAS, pursuant to Section 9.1(k) of the Credit Agreement, it is an Event of Default if any of the following individuals ceases to be employed full time by the Borrower and actively working in the identified position: (i) Ted White, as President and Chief Executive Officer, (ii) Terry Kohler, as Chief Financial Officer, or (iii) Joe Bonaccorso, as Chief Commercial Officer, unless, in each case, within 120 days after such individual ceases to be employed full time and actively working, the Borrower hires a replacement for such individual reasonably acceptable to the Lenders;

WHEREAS, Ted White, Terry Kohler and Joe Bonaccorso have been replaced by Jayson Rieger, as the President and Chief Executive Officer of the Borrower, John Kirby, as the Interim Chief Financial Officer of the Borrower, and Aaron Hullett, as a consultant acting in the capacity and fulfilling the duties of a "chief commercial officer" (though not officially appointed with such title), respectively (collectively, the "Specified Replacements").

WHEREAS, pursuant to Section 10.1 of the Credit Agreement, the Credit Agreement may be amended or waived by an instrument in writing signed by the Borrower and the Lenders and acknowledged by the Administrative Agent; and

WHEREAS, the Borrower and the Lenders desire to waive certain provisions of the Existing Credit Agreement as provided in this Waiver.

NOW, THEREFORE, in consideration of the mutual agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Definitions; Loan Document**. Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Credit Agreement. This Waiver shall constitute a Loan Document for all purposes of the Credit Agreement and the other Loan Documents.

2. **Acknowledgement of Acceptable Officers**. In accordance with Section 9.1(k) of the Credit Agreement, the Lenders hereby acknowledge and confirm that the Specified Replacements are acceptable to the Lenders.

3. **Waiver**. Subject to the effectiveness of this Waiver and the terms and conditions set forth herein (a) solely with respect to the Specified Quarterly Financials required to be delivered pursuant to Section 7.1(b) of the Credit Agreement, the Lenders agree to waive the Quarterly Going Concern Requirement, (b) solely with respect to the Specified Annual Financials required to be delivered pursuant to Section 7.1(c) of the Credit Agreement, the Lenders agree to waive the Annual Going Concern Requirement, (c) the Lenders agree to waive any Default or Event of Default arising under Section 9.1(k) of the Credit Agreement from the Specified Replacements and (d) the Lenders agree to waive any Event of Default arising under Section 9.1(c) of the Credit Agreement as a result of any failure to provide timely notice under Section 7.1(e) of the Credit Agreement of the Defaults and Events of Defaults described in the foregoing clauses (a) through (c) of this Section 3.

4. **Conditions to Effectiveness of Waiver**. This Waiver shall be deemed to be effective as of February 18, 2025 upon the receipt by the Lenders, the Administrative Agent and the Borrower of a counterpart signature of the others to this Waiver duly executed and delivered by each of the Lenders, the Administrative Agent and the Borrower.

5. **Expenses**. The Borrower agrees to pay on demand all expenses of the Administrative Agent and the Lenders (including, without limitation, the fees and out-of-pocket expenses of Covington & Burling LLP, counsel to the Administrative Agent and the Lenders) incurred in connection with the negotiation, preparation, execution and delivery of this Waiver.

6. **Representations and Warranties**. The Borrower represents and warrants to the Lenders, as of the effective date of this Waiver, as follows:

6.1. The representations and warranties of the Borrower and the Subsidiaries contained in the Credit Agreement or any other Loan Document are true and correct in all material respects as of the date hereof (except (i) with respect to representations and warranties expressly made as of an earlier date, in which case such representations and warranties are true and correct in all material respects as of such earlier date and (ii) if any such representation or warranty contains any materiality qualifier, such representation or warranty is true and correct in all respects).

6.2. After giving effect to any waiver in Section 3, no Default or Event of Default under the Credit Agreement has occurred and is continuing or would result from the effectiveness of this Waiver.

7. **No Implied Amendment or Waiver**. Except as expressly set forth in this Waiver, this Waiver shall not, by implication or otherwise, limit, impair, constitute a waiver of or otherwise affect any rights or remedies of the Administrative Agent and the Lenders under the Credit Agreement or the other Loan Documents, or alter, modify, amend or in any way affect any of the terms, obligations or covenants contained in the Credit Agreement or the other Loan Documents, all of which shall continue in full force and effect. Nothing in this Waiver shall be construed to imply any willingness on the part of the Administrative Agent or any Lender to agree to or grant any similar or future amendment, consent or waiver of any of the terms and conditions of the Credit Agreement or the other Loan Documents.

8. **Waiver and Release**. TO INDUCE THE ADMINISTRATIVE AGENT AND THE LENDERS TO AGREE TO THE TERMS OF THIS WAIVER, THE BORROWER AND ITS AFFILIATES (COLLECTIVELY, THE "**RELEASING PARTIES**") REPRESENT AND WARRANT THAT, AS OF THE DATE HEREOF, THERE ARE NO CLAIMS OR OFFSETS AGAINST, OR RIGHTS OF RECOUPMENT WITH RESPECT TO, OR DISPUTES OF, OR DEFENSES OR COUNTERCLAIMS TO, THEIR OBLIGATIONS UNDER THE LOAN DOCUMENTS, AND IN ACCORDANCE THEREWITH THE RELEASING PARTIES:

8.1. WAIVE ANY AND ALL SUCH CLAIMS, OFFSETS, RIGHTS OF RECOUPMENT, DISPUTES, DEFENSES AND COUNTERCLAIMS, WHETHER KNOWN OR UNKNOWN, ARISING PRIOR TO THE DATE HEREOF.

8.2. FOREVER RELEASE, RELIEVE, AND DISCHARGE THE ADMINISTRATIVE AGENT, THE LENDERS, THEIR AFFILIATES AND THEIR RESPECTIVE OFFICERS, DIRECTORS, SHAREHOLDERS, MEMBERS, PARTNERS, PREDECESSORS, SUCCESSORS, ASSIGNS, ATTORNEYS, ACCOUNTANTS, AGENTS, EMPLOYEES, AND REPRESENTATIVES (COLLECTIVELY, THE "**RELEASED PARTIES**"), AND EACH OF THEM, FROM ANY AND ALL CLAIMS, LIABILITIES, DEMANDS, CAUSES OF ACTION, DEBTS, OBLIGATIONS, PROMISES, ACTS, AGREEMENTS, AND DAMAGES, OF WHATEVER KIND OR NATURE, WHETHER KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, CONTINGENT OR FIXED, LIQUIDATED OR UNLIQUIDATED, MATURED OR UNMATURED, WHETHER AT LAW OR IN EQUITY, WHICH THE RELEASING PARTIES EVER HAD, NOW HAVE, OR MAY, SHALL, OR CAN HEREAFTER HAVE, DIRECTLY OR INDIRECTLY ARISING OUT OF OR IN ANY WAY BASED UPON, CONNECTED WITH, OR RELATED TO MATTERS, THINGS, ACTS, CONDUCT, AND/OR OMISSIONS AT ANY TIME FROM THE BEGINNING OF THE WORLD THROUGH AND INCLUDING THE DATE HEREOF, INCLUDING WITHOUT LIMITATION ANY AND ALL CLAIMS AGAINST THE RELEASED PARTIES ARISING UNDER OR RELATED TO ANY OF THE LOAN DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREBY.

8.3. IN CONNECTION WITH THE RELEASE CONTAINED HEREIN, ACKNOWLEDGE THAT THEY ARE AWARE THAT THEY MAY HEREAFTER DISCOVER CLAIMS PRESENTLY UNKNOWN OR UNSUSPECTED, OR FACTS IN ADDITION TO OR DIFFERENT FROM THOSE WHICH THEY KNOW OR BELIEVE TO BE TRUE, WITH RESPECT TO THE MATTERS RELEASED HEREIN. NEVERTHELESS, IT IS THE INTENTION OF THE RELEASING PARTIES, THROUGH THIS WAIVER AND WITH ADVICE OF COUNSEL, FULLY, FINALLY, AND FOREVER TO RELEASE ALL SUCH MATTERS, AND ALL CLAIMS RELATED THERETO, WHICH DO NOW EXIST, OR HERETOFORE HAVE EXISTED. IN FURTHERANCE OF SUCH INTENTION, THE RELEASES HEREIN GIVEN SHALL BE AND REMAIN IN EFFECT AS A FULL AND COMPLETE RELEASE OR WITHDRAWAL OF SUCH MATTERS NOTWITHSTANDING THE DISCOVERY OR EXISTENCE OF ANY SUCH ADDITIONAL OR DIFFERENT CLAIMS OR FACTS RELATED THERETO.

8.4. COVENANT AND AGREE NOT TO BRING ANY CLAIM, ACTION, SUIT, OR PROCEEDING AGAINST THE RELEASED PARTIES, DIRECTLY OR INDIRECTLY, REGARDING OR RELATED IN ANY MANNER TO THE MATTERS RELEASED HEREBY, AND FURTHER COVENANT AND AGREE THAT THIS WAIVER IS A BAR TO ANY SUCH CLAIM, ACTION, SUIT, OR PROCEEDING.

8.5. REPRESENT AND WARRANT TO THE RELEASED PARTIES THAT THEY HAVE NOT HERETOFORE ASSIGNED OR TRANSFERRED, OR PURPORTED TO ASSIGN OR TRANSFER, TO ANY PERSON OR ENTITY ANY CLAIMS OR OTHER MATTERS HEREIN RELEASED.

8.6. ACKNOWLEDGE THAT THEY HAVE HAD THE BENEFIT OF INDEPENDENT LEGAL ADVICE WITH RESPECT TO THE ADVISABILITY OF ENTERING INTO THIS RELEASE AND HEREBY KNOWINGLY, AND UPON SUCH ADVICE OF COUNSEL, WAIVE ANY AND ALL APPLICABLE RIGHTS AND BENEFITS UNDER, AND PROTECTIONS OF, CALIFORNIA CIVIL CODE SECTION 1542, AND ANY AND ALL STATUTES AND DOCTRINES OF SIMILAR EFFECT. CALIFORNIA CIVIL CODE SECTION 1542 PROVIDES AS FOLLOWS:

A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release, and that if known by him or her, would have materially affected his or her settlement with the debtor or released party.

9. **Counterparts; Governing Law**. This Waiver may be executed by the parties hereto in several counterparts, each of which shall be an original and all of which shall constitute together but one and the same agreement. Delivery of an executed counterpart of a signature page to this Waiver by email (e.g., "pdf" or "tiff") or telecopy shall be effective as delivery of a manually executed counterpart of this Waiver. THIS WAIVER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (INCLUDING FOR SUCH PURPOSE SECTIONS 5-1401 AND 5- 1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK).

10. **Agent Authorization**. Each of the Lenders party hereto, constituting all of the Lenders, hereby authorizes and directs the Administrative Agent to execute and deliver the acknowledgment to this Waiver.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Waiver to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

VERRICA PHARMACEUTICALS INC.
as the Borrower

By: /s/ Christopher Hayes
Name: Christopher Hayes
Title: Secretary and Chief Legal Officer

ORBIMED ROYALTY & CREDIT OPPORTUNITIES IV, LP,

By: OrbiMed ROF IV LLC,
its General Partner

By: OrbiMed Advisors LLC,
Its Managing Member

By: /s/ Matthew Rizzo
Name: Matthew Rizzo
Title: Member

ORBIMED ROYALTY & CREDIT OPPORTUNITIES IV OFFSHORE, LP,
as a Lender

By: OrbiMed ROF IV LLC,
its General Partner

By: OrbiMed Advisors LLC,
Its Managing Member

By: /s/ Matthew Rizzo
Name: Matthew Rizzo
Title: Member

ACKNOWLEDGED BY:

ORBIMED ROYALTY & CREDIT OPPORTUNITIES IV, LP
as the Administrative Agent

By: OrbiMed ROF IV LLC,
its General Partner

By: OrbiMed Advisors LLC,
its Managing Member

By: /s/ Matthew Rizzo
Name: Matthew Rizzo
Title: Member

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 March 31, 2025 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: May 13, 2025

/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 March 31, 2025 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: May 13, 2025

/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 March 31, 2025, 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 May, 2025.

/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.