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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM 10-K**

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

**For the Fiscal Year Ended December 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 001-41063

# JOURNEY MEDICAL CORPORATION

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Delaware** | **47-1879539** |
| (State or Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification No.) |
| **9237 E Via de Ventura Blvd., Suite 105** | |
| **Scottsdale, AZ** | **85258** |
| (Address of Principal Executive Offices) | (Zip Code) |

**Registrant's telephone number, including area code: (480) 434-6670**
**Securities registered pursuant to Section 12(b) of the Act:**

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| **Common Stock, par value $0.0001 per share** | **DERM** | **Nasdaq Capital Market** |

**Securities registered pursuant to section 12(g) of the Act: None.**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒
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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☐ No ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of voting stock held by non-affiliates of the registrant on June 30, 2025, the last business day of the registrant's most recently completed second quarter, was $84,657,305 based on the last reported sale price of the registrant's Common Stock on the Nasdaq Capital Market on that date of $7.18.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

| Class of Common Stock | Outstanding Shares as of March 25, 2026 |
|---|---|
| Class A Common Stock, $0.0001 par value | 6,000,000 |
| Common Stock, $0.0001 par value | 21,330,696 |

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's Proxy Statement for its 2026 Annual Meeting of Stockholders to be filed hereafter are incorporated by reference in Part III of this Annual Report on Form 10-K.

**JOURNEY MEDICAL CORPORATION**
**ANNUAL REPORT ON FORM 10-K**
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**SPECIAL CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS**

Certain matters discussed in this report may constitute forward-looking statements for purposes of the Securities Act of 1933, as amended (the "Securities Act"), and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from the future results, performance or achievements expressed or implied by such forward-looking statements. The words "anticipate," "believe," "estimate," "may," "expect," "will," "could," "project," "should," "intend" and similar expressions are generally intended to identify forward-looking statements. Our actual results may differ materially from the results anticipated in or implied by these forward-looking statements due to a variety of factors, including, without limitation:

- the fact that our products and future product candidates are subject to time and cost intensive regulation and clinical testing and as a result may never be successfully developed or commercialized;
- a substantial portion of our sales derive from products that may become subject to third-party generic competition because their period of exclusivity has ended or they are without patent protection, subjecting them to the potential introduction of new competitor products and/or an increase in market share of existing competitor products, either of which could have a significant adverse impact on our operating income;
- we operate in a heavily regulated industry, and we cannot predict the impact that any future legislation or administrative or executive action may have on our operations;
- our revenue is dependent mainly upon sales of our dermatology products and any setback relating to the sale of such products could impair our operating results;
- competition could limit our products' commercial opportunity and profitability, including competition from manufacturers of generic versions of our products;
- the risk that our products do not achieve broad market acceptance, including by government and third-party payors;
- our reliance on third parties for several aspects of our operations;
- our dependence on our ability to identify, develop, and acquire or in-license products and integrate them into our operations, at which we may be unsuccessful;
- the dependence of the success of our business, including our ability to finance our company and generate additional revenue, on the successful commercialization of Emrosi™ (Minocycline Hydrochloride Extended Release Capsules, 40 mg), formerly referred to as DFD-29 ("Emrosi") and the successful development, regulatory approval and commercialization any future product candidates that we may develop, in-license or acquire;
- clinical drug development is very expensive, time consuming, and uncertain and our clinical trials may fail to adequately demonstrate the safety and efficacy of our current or any future product candidates;
- our competitors could develop and commercialize products similar or identical to ours;
- risks related to the protection of our intellectual property and our potential inability to maintain sufficient patent protection for our technology and products;
- our business and operations would suffer in the event of computer system failures, cyber-attacks, or deficiencies in our or our third parties' cybersecurity;
- the effects of major public health issues, epidemics or pandemics on our product revenues and any future clinical trials;
- our potential need to raise additional capital;
- the substantial doubt expressed about our ability to continue as a going concern;
- Fortress Biotech, Inc. ("Fortress") controls a voting majority of our common stock, which could be detrimental to our other stockholders; and
- the risks described under the section titled "*Risk Factors*" in this Annual Report.

The forward-looking statements contained in this report reflect our views and assumptions as of the effective date of this report. New risks and uncertainties arise from time to time, and it is impossible for us to predict these events or how they may affect us. Except as required by law, we assume no responsibility for updating any forward-looking statements.

We qualify all of our forward-looking statements by these cautionary statements. In addition, with respect to all of our forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

## SUMMARY OF RISK FACTORS

Our business is subject to a number of risks which you should be aware of before making an investment decision. The risks described below are a summary of the principal risks associated with an investment in our common stock and are not the only risks we face. These risks are more fully described in the section titled "*Risk Factors*" of this report on Form 10-K and include the following:

**Risks Related to Our Business, Industry and Existing Operating Revenue Stream**

- Our products and future product candidates are subject to time and cost intensive regulation and clinical testing. As a result, they may never be successfully developed or commercialized. Further, any approved product may be subject to post-marketing requirements, including studies or clinical trials, the results of which could cause such product to be withdrawn from the market.
- A substantial portion of our sales derive from products that may become subject to third-party generic competition because their period of exclusivity has ended or they are without patent protection, subjecting them to the potential introduction of new competitor products and/or an increase in market share of existing competitor products, either of which could have a significant adverse impact on our operating income.
- We operate in a heavily regulated industry, and we cannot predict the impact that any future legislation or administrative or executive action may have on our operations.
- Our revenue is dependent mainly upon sales of our dermatology products and any setback relating to the sale of such products could impair our operating results.
- Our competitors may develop treatments for our products' target indications, which could limit our products' commercial opportunity and profitability.

**Risks Related to Our Reliance on Third Parties**

- We rely on third parties for several aspects of our operations, which limits our control over product development, marketing, manufacturing, and sale processes and may hinder our ability to develop and commercialize our products in a cost-effective and timely manner.

**Risks Related to Our Growth**

- Our future growth may depend on our ability to identify, develop, and acquire or in-license products and integrate them into our operations, at which we may be unsuccessful.
- We may expend resources on unsuccessful product candidates or indications and may fail to capitalize on more profitable or successful product candidates or indications.
- There is substantial doubt regarding our ability to continue as a going concern. We may need to raise additional funding (which may not be available on acceptable terms to the Company, or at all) and/or to delay, limit or terminate certain of our product development and commercialization efforts or other operations.

**Risks Related to Development and Regulatory Approval of Future Product Candidates**

- The success of our business, including our ability to finance our company and generate additional revenue, may depend on the successful development and regulatory approval of any future product candidates that we may develop, in-license or acquire.
- Clinical drug development is very expensive, time consuming, and uncertain. Our clinical trials may fail to adequately demonstrate the safety and efficacy of future product candidates, which could prevent or delay regulatory approval and commercialization.

- We expect to rely on third-party contract research organizations ("CROs") and other third parties to conduct and oversee our clinical trials, other aspects of our product development and our regulatory submission process for our product candidates. If these third parties do not meet our requirements, conduct the trials as required or otherwise provide services as anticipated, we may not be able to satisfy our contractual obligations or obtain regulatory approval for, or successfully commercialize, any future product candidates when expected or at all.

**Risks Pertaining to Intellectual Property, Generic Competition and Paragraph IV Litigation**

- If we are unable to maintain sufficient patent protection for our technology and products, our competitors could develop and commercialize products similar or identical to ours.
- Any dispute with licensors may affect our ability to develop or commercialize future product candidates.
- Generic drug companies may submit applications seeking approval to market generic versions of our products.
- In connection with these applications, generic drug companies may seek to challenge the validity and enforceability of our patents through litigation and/or with the U.S. Patent and Trademark Office ("USPTO"). Such challenges may subject us to costly and time-consuming litigation and/or USPTO proceedings.
- As a result of the loss of any patent protection from such litigation or USPTO proceedings, or the "at-risk" launch by a generic competitor of our products, our products could be sold at significantly lower prices, and we could lose a significant portion of sales of that product in a short period of time, which could adversely affect our business, financial condition, operating results and prospects.

**Risks Related to our Platform and Data**

- Our business and operations would suffer in the event of computer system failures, cyber-attacks, or deficiencies in our or our third parties' cybersecurity.

**Risks Related to Our Finances and Capital Requirements**

- Due to the numerous risks and uncertainties associated with pharmaceutical product development, we may incur losses and may be unable to maintain profitability.
- If we are unable to raise capital as needed, we may be forced to delay, reduce, or eliminate our operations.

**Risks Relating to Owning our Common Stock**

- Our operating results have fluctuated in the past and we expect them to continue to do so. Any such fluctuation may cause our performance to fall below expectations, and our stock price may suffer.

**Risks Related to our Relationship with Fortress**

- Fortress controls a voting majority of our common stock, which could be detrimental to our other shareholders. Further, Fortress' ownership qualifies us as a "controlled company" under the Nasdaq listing standards.
- Fortress' financial obligations and any potential risk of default may adversely affect the Company or constrain our ability to take certain actions.

## PART I

### Item 1. Business

### OVERVIEW

We are a commercial-stage pharmaceutical company that primarily focuses on the selling and marketing of U.S. Food and Drug Administration ("FDA") approved prescription pharmaceutical products for the treatment of dermatological conditions. Our current product portfolio includes eight FDA-approved prescription drugs for dermatological conditions that are marketed in the U.S. We acquire rights to products and product candidates by licensing or otherwise acquiring an ownership interest in, funding the research and development of, and eventually commercializing the products through our field sales organization. We are a controlled subsidiary of Fortress Biotech, Inc. ("Fortress" or "Parent").

*2025 Highlights and Events*

On November 1, 2024, the FDA approved Emrosi for the treatment of inflammatory lesions of rosacea in adults. Emrosi was developed by Journey in collaboration with Dr. Reddy's Laboratories, Ltd. ("DRL"). Our initial supply became available in March 2025. We began sales promotion of Emrosi beginning in April 2025, and we are commercializing Emrosi in the U.S. with our existing commercial team.

Effective after the close of U.S. equity markets on June 27, 2025, we joined the small cap Russell 2000® Index and the broad-market Russell 3000® Index as a result of the 2025 annual Russell Index reconstitution.

### CORPORATE INFORMATION

Journey Medical Corporation was incorporated in Delaware in 2014. Our executive offices are located at 9237 E Via de Ventura Blvd. Suite 105, Scottsdale, AZ 85258. Our telephone number is 480-434-6670, and our e-mail address is info@jmcderm.com or ir@jmcderm.com.

We maintain a website with the address www.jmcderm.com. We make available free of charge through our website our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and any amendments to these reports, as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the Securities and Exchange Commission (the "SEC"). We are not including the information on our website as a part of, nor incorporating it by reference into, this report. Additionally, the SEC maintains a website that contains annual, quarterly, and current reports, proxy statements, and other information that issuers (including us) file electronically with the SEC. The SEC's website address is http://www.sec.gov.

### Our Market, Products and Relevant Disease States

Our major actively marketed products, which have been approved by the FDA for sale in the United States, include:

- Emrosi™ (Minocycline Hydrochloride Extended Release Capsules, 40 mg for the treatment of inflammatory lesions of rosacea in adults), approved by the FDA in November 2024, sales promotion began in April 2025.
- Qbrexza® (a medicated cloth towelette for the treatment of primary axillary hyperhidrosis in patients nine years of age and older), acquired and launched in May 2021;
- Accutane® (an oral isotretinoin drug for the treatment of severe recalcitrant nodular acne), licensed in July 2020 and launched in March 2021;
- Amzeeq® (minocycline) topical foam, 4% (a topical formulation of minocycline for the treatment of inflammatory lesions of non-nodular moderate to severe acne vulgaris in adults and children nine years and older), acquired and launched in January 2022;
- Zilxi® (minocycline) topical foam, 1.5% (a topical minocycline treatment for inflammatory lesions of rosacea in adults), acquired and launched in January 2022;

In addition to our actively marketed products, we also have a portfolio of legacy products that we continue to sell, including: Exelderm® Cream and Solution (a broad-spectrum antifungal intended for topical use), Targadox® (an oral doxycycline drug for adjunctive therapy for severe acne), and Luxamend® (a water-based emulsion formulated to provide an optimally moist healing environment for superficial wounds; minor cuts or scrapes; dermal ulcers; donor sites; first- and second-degree burns, including sunburns; and radiation dermatitis).

***Rosacea and the Current Standard of Care***

Rosacea is a chronic, relapsing, inflammatory skin condition that most commonly presents with symptoms such as deep facial redness, acne-like inflammatory lesions (papules and pustules) and spider veins (telangiectasia). According to The National Rosacea Society, it is estimated that rosacea affects well over 16 million Americans and as many as 415 million people worldwide. Rosacea is most frequently seen in adults between 30 and 50 years of age. Surveys conducted by The National Rosacea Society report more than 90% of rosacea patients said their condition had lowered their self-confidence and self-esteem, and 41% reported that it had caused them to avoid public contact or cancel social engagements. Among rosacea patients with severe symptoms, 88% said the disorder had adversely affected their professional interactions, and 51% said they had missed work because of their condition.

The tetracycline class of antibiotics (minocycline and doxycycline) are considered to be effective options for the treatment of papulopustular rosacea. Oral doxycycline (40mg) has been approved for the treatment of only inflammatory lesions (papules and pustules) of rosacea and is available under the proprietary name Oracea® (Galderma L.P.) in the U.S. Oracea was the most prescribed oral doxycycline brand for rosacea for the last 20 years. Minocycline is widely believed to be the most effective tetracycline agent due to its high lipophilicity, which is anticipated to permit greater permeation into, and accumulation in, the sebaceous follicles and layers of the epidermis.

*Emrosi for the Treatment of Rosacea*

Emrosi (previously referred to as DFD-29) is a 40mg minocycline hydrochloride extended release capsule for oral use indicated to treat inflammatory lesions (papules and pustules) of rosacea in adults. Emrosi 40mg is now the lowest-dose approved oral minocycline hydrochloride approved by the FDA. It was developed using Multiple Unit Pellet System technology, which combines Immediate Release (10mg) and Extended Release (30mg) Minocycline pellets for uniform drug release. Emrosi has shown statistical superiority to Oracea and Placebo on the co-primary endpoints and all secondary endpoints in two phase 3 studies and was well-tolerated. The New Drug Application (the "NDA") was filed under Section 505(b)(2) of the Food Drug and Cosmetic Act ("FDCA") in January 2024 and was approved in November 2024 by the FDA. Emrosi has three Orange Book-listed patents that extend through January of 2039.

The oral rosacea market had more than 1.5 million prescriptions in 2025 according to Symphony Health.

*Zilxi for the Treatment of Rosacea*

Zilxi (1.5% minocycline foam) was approved by the FDA in May 2020 and became available in pharmacies nationwide in October 2020. Zilxi is a once-daily novel antibiotic foam formulation of minocycline for the treatment of inflammatory lesions of rosacea in adults. Similar to Amzeeq, Zilxi leverages MST™ technology and is the first minocycline product of any form to be approved by the FDA for use in rosacea. We believe the anti-inflammatory properties of minocycline delivered in our innovative foam technology make Zilxi a highly appealing treatment option for rosacea patients. Zilxi has nine Orange Book-listed patents that extend through October of 2030.

The topical rosacea market had more than 4.7 million prescriptions in 2025 according to Symphony Health.

***Excessive Underarm Sweating and the Current Standard of Care***

Excessive underarm sweating, commonly referred to as primary axillary hyperhidrosis ("PAH"), is a disorder characterized by excessive sweating in the armpits. The exact cause of PAH is not known, and the disorder affects males and females equally. When excessive sweating occurs as part of some other disorder, it is said to be secondary hyperhidrosis, which is a more commonly encountered condition than primary hyperhidrosis. According to a 2016 article published in the Archives of Dermatological Research, there are approximately 10 million people who suffer from PAH in the United States. The symptoms of PAH typically begin during childhood or puberty and may often, although not always, persist throughout a person's life. Affected individuals may experience a heightened reaction to certain stimuli that can cause sweating such as anxiety, pain, exercise, tension, caffeine, and/or nicotine. The symptoms of this disorder develop due to overactivity of certain sweat glands, and incidences may be precipitated by social and/or physical stress. Some people with PAH experience relief from the symptoms during adulthood without treatment or obvious reason for the remission.

Pharmacological treatment options for PAH include topical, oral and iontophoretic treatments.

*Qbrexza (glycopyrronium 2.4% cloth) for the Treatment of Primary Axillary Hyperhidrosis*

Our Qbrexza (glycopyrronium 2.4%) product is a topical, once-daily anticholinergic cloth that was approved by the FDA in June 2018 for the treatment of PAH in adult and pediatric patients nine years of age and older. Anticholinergics are a class of pharmaceutical products that exert their effect by blocking the action of acetylcholine, a neurotransmitter that transmits signals within the nervous system that are responsible for the activation of sweat glands. Qbrexza is applied directly to the skin and is designed to block underarm sweat production by inhibiting sweat gland activation. Qbrexza has eight Orange Book-listed patents that extend through February of 2033.

The PAH market had approximately 560,000 prescriptions in 2025 according to Symphony Health, excluding over-the-counter ("OTC") clinical strength anti-perspirants.

***Acne and the Current Standard of Care***

Acne, also known as acne vulgaris, is a common skin disorder characterized by a blockage of hair follicles, which are clogged with oil and dead skin cells. According to the American Academy of Dermatology, acne is the most common skin condition in the U.S., affecting up to 50 million individuals annually.

Approximately 85% of people between the ages of 12 and 24 experience at least a minor form of acne. The disease is classified as mild, moderate or severe based on the severity of the disease progression, which is useful in identifying an appropriate treatment regimen. Mild acne is characterized by clogged hair follicles (known as comedones) that are either exposed to air (blackheads) or closed (whiteheads), with occasional inflammatory lesions which occur primarily on the face. Moderate acne is characterized by a higher presence of inflammatory lesions known as papules and pustules across the face and extending to the trunk. Severe acne is characterized by painful, deep lesions called nodules across the face, with extensive involvement of the trunk frequently.

Treatment options are based on the severity of disease, with certain drugs being reserved for more severe forms of the disease. Mild acne is addressed with dietary and lifestyle changes, along with OTC and prescription topical agents. Other therapies with varying degrees of success include dermabrasion and chemical peels, light therapy and hormonal therapy such as birth control pills or spironolactone. Moderate acne is treated with more aggressive therapy including topical and oral antibiotics such as tetracyclines, which are particularly effective due to their antibacterial and anti-inflammatory properties, and other topical agents including benzoyl peroxide and retinoids. Severe acne is treated with combination therapies, often including oral antibiotics. For resistant cases, physicians may use a potent drug known as isotretinoin (a vitamin A analog), which requires Risk Evaluation and Mitigation Strategy ("REMS") (safety) monitoring with regard to pregnancy. The current U.S. market size for treatment of acne is considerable and estimated at approximately $3 billion annually, according to the American Medical Association.

*Accutane for the Treatment of Severe Recalcitrant Nodular Acne*

Accutane (isotretinoin 10mg, 20mg, 30mg, and 40mg capsules USP) is indicated for the treatment of severe recalcitrant nodular acne. Accutane is used to treat a type of severe recalcitrant nodular acne that has not been helped by other treatments, including antibiotics. Severe recalcitrant nodular acne occurs when many red, swollen, tender lumps form in the skin. Patients with severe nodular acne are at higher risk of scarring. Accutane belongs to a class of drugs that affects all four major pathogenic processes in acne: increased sebum production, irregular follicular desquamation, propionibacterium acnes proliferation and inflammation. Accutane has achieved a strong market position and is well known in the dermatology community.

The oral isotretinoin market had just over 2.3 million prescriptions in 2025 according to Symphony Health.

*Targadox for the Treatment of Severe Acne*

Targadox (doxycycline hyclate immediate release 50mg tablets) is indicated as adjunctive therapy for severe acne, which is part of a class of oral antibiotics known as tetracyclines. The tetracycline class, which includes minocycline, doxycycline, sarecycline and tetracycline, is particularly effective in treatment for more severe forms of acne due to its antibacterial and anti-inflammatory properties. Targadox is gluten-free, lactose-free, animal byproduct-free, and GMO-free.

The oral doxycycline market had more than 28.5 million prescriptions in 2025 according to Symphony Health.

*Amzeeq for the Treatment of Moderate-to-Severe Acne*

Amzeeq (4% minocycline foam) was approved by the FDA in October 2019 and became available in pharmacies nationwide in January 2020. Amzeeq is a once-daily novel topical antibiotic foam formulation of minocycline for the treatment of inflammatory lesions of non-nodular moderate-to-severe acne vulgaris in patients nine years of age and older. Amzeeq utilizes proprietary MST™ technology and is the first topical minocycline to be approved by the FDA for any condition. We believe that the combination of a well-established antibiotic in a well-tolerated, easy to use foam makes Amzeeq a very attractive treatment option for patients. As the first topical minocycline to be approved by the FDA for any condition, we believe that Amzeeq may provide a new treatment alternative for patients and healthcare providers who are unsatisfied with their current therapies. Amzeeq has 12 Orange Book-listed patents that extend through September of 2037.

The topical acne market had more than 24.8 million prescriptions in 2025 according to Symphony Health, presenting significant unmet needs of patients and healthcare providers to be addressed.

***Fungal Infections of the Skin and the Current Standard of Care***

Fungal skin infections, collectively referred to as dermatomycoses, are common infections caused by ringworms (tinea) and include conditions such as athlete's foot, jock itch and ringworm of the body. Tinea pedis, commonly known as athlete's foot, is a form of ringworm that usually develops between the toes. Symptoms include peeling, cracking and scaly feet, blisters, and skin that is red, softened, itching, or burning. Tinea cruris, commonly known as jock itch, is a form of ringworm that affects the groin. Tinea corporis, commonly known as ringworm of the body, is a fungal infection that appears on the body in which the outer part of the sore might be raised while the skin in the middle appears normal. Fungal infections caused by ringworm cause skin rashes that present as itchy, red, raised and scaly rings. These infections are easily transmissible between people, pets or contaminated objects or surfaces but are usually not serious in nature.

Treatment options typically involve topical OTC and prescription antifungal medications. Where difficult to administer topically, oral options (such as for toenail fungus or oral thrush) or suppositories (such as for vaginal yeast infections) have proven to be more effective. OTC products typically include known antifungal ingredients such as clotrimazole, miconazole, terbinafine or ketoconazole. Prescription treatments are often reserved for more serious infections or for those in hard-to-treat areas. In conjunction with OTC or prescription medications, lifestyle adjustments, including daily washing of bedding and clothing during an infection, drying thoroughly after bathing, wearing loose clothing in affected areas and actively treating infected areas, can all contribute to disinfecting your surroundings and preventing a prolongation or recurrence of infection.

*Exelderm for the Treatment of Fungal Skin Infections*

Exelderm (sulconazole nitrate 1%, cream and solution) is a broad-spectrum antifungal agent indicated for the treatment of ringworm-caused fungal infections including tinea pedis, tinea cruris, tinea corporis and tinea versicolor. The active pharmaceutical ingredient (sulconazole) acts by inhibiting fungal cell division and growth and has been shown to have broad activity against candida species, aspergillus species and dermatophytes. Exelderm cream or solution is administered externally only, whereby a small amount of cream or solution is gently massaged into the affected and surrounding areas and only requires a convenient once or twice daily application. However, when used to treat tinea pedis, for which Exelderm cream is also indicated, twice daily application is required.

The topical antifungal market had more than 13.2 million prescriptions in 2025 according to Symphony Health.

***Pruritus (Itch) and the Current Standard of Care***

Pruritus or itch is defined as an unpleasant sensation of the skin that provokes the urge to scratch. It is a characteristic feature of many skin diseases and an unusual sign of some systemic diseases. Pruritus may be localized or generalized and can occur as an acute or chronic condition. Itch can be caused by a number of conditions, including skin conditions such as dry skin, eczema, psoriasis, scabies, parasites, burns, scars, insect bites and hives. Depending on the cause of itchiness, skin may appear normal, red, rough or bumpy. Repeated scratching can cause raised thick areas of skin that might bleed or become infected.

Treatment for itch may include moisturizing daily, using gentle cleansers, and bathing with lukewarm water. Long-term relief requires identifying and treating the underlying cause of itchy skin. Common treatments are prescription medicated creams and lotions, moist dressings, and oral anti-itch medicines.

*Anti-Itch Product for the Treatment of Pruritus*

Our acquired anti-itch product is indicated to treat pruritus, scabies, and other skin itch conditions (“Anti-itch Product”). Our Anti-itch Product delivers prescription relief and is non-steroidal and antihistamine free. Topical steroids are effective against itch because they reduce inflammation that can cause itch. However, they are not recommended for long-term use. Antihistamines are also effective in treating some types of itch, but they too have drawbacks with continued use. We plan on launching our Anti-itch Product through our field sales force during the first half of 2026.

*Luxamend for Wound Healing*

Luxamend is a water-based wound cream formulated for the dressing and management of superficial wounds; minor abrasions; dermal ulcers; donor sites; 1st and 2nd degree burns, including sunburns; and radiation dermatitis. Luxamend contains purified water, white mineral oil, ethylene glycol monostearate, stearic acid, propylene glycol, paraffin wax, squalane, avocado oil, trolamine/sodium alginate, triethanolamine, cetyl palmitate, sodium sulfate (anhydrous), potassium sorbate, methylparaben sodium, propylparaben sodium, sodium hexametaphosphate, sulfamic acid, and allergen-free fragrance. When applied properly to a wound, Luxamend provides an optimum moist environment for the healing process. It is approved as a prescription medical device and is supplied in a 114-gram tube.

**Our Strategy**

We are a highly focused, pharmaceutical company dedicated to developing and commercializing therapies for the treatment of dermatologic conditions that seeks to deliver value to patients, physicians and the healthcare system, as well as to our stakeholders. Our strategic priorities include continuing to augment and grow our product portfolio and organization in order to maximize long-term value creation. This will consist of both commercial execution on our existing product portfolio, including lifecycle management, out-licensing of our current branded products, intellectual property and/or technologies in global markets, as well as investing in additional growth strategies through product and company acquisitions, licensing, or developing new products.

An important part of our growth strategy is to identify new business development opportunities, including development stage and commercial drugs that we may acquire from other pharmaceutical companies. We are in various stages of discussion for other opportunities, both commercial and development stage, that could drive additional growth in the business. Successful development and commercialization of any future in-licensed development stage or commercial drugs will require us to navigate the many laws and regulations of governmental authorities and regulatory agencies around the world, including the FDA, relating to the manufacture, development, approval and commercialization of investigational drugs, if approved. For development stage drugs, we may require financial resources significantly in excess of our current cash on hand, and it may take many years for us to receive marketing approval, if ever, for any in-licensed or acquired product candidate.

**Competitive Strengths**

To successfully execute our strategy, we must continue to capitalize on our following core strengths:

- *Commercial leadership of our management team with a track record of commercial execution*. We have a highly skilled and customer-focused management team in critical leadership positions across our Company. Our senior management team has over 135 years of collective sales and marketing experience in the pharmaceutical industry and a proven track record of developing businesses and creating value. Members of our management team have developed, launched, commercialized, and managed brands generating over $3 billion in aggregate peak sales, collectively, at leading dermatology organizations. This experience includes improving business performance through organic revenue growth, maximizing operational efficiencies and through the identification, consummation and integration of licensing and acquisition opportunities. Our senior management team has extensive roots in the dermatology industry, with many of them having worked at and held senior positions with Medicis Pharmaceutical, Inc. leading up to the company's acquisition by Valeant Pharmaceuticals, Inc. (now Bausch Health Pharmaceuticals, Inc.) for $2.6 billion in 2012. Our strategic approach leverages our management team's experience with the capabilities of our field sales force to drive performance based on prescribing habits, brand preferences, promotional strategies and profit optimization while focusing on customer service excellence for our providers and their patients.

- *Performance and experience of our accomplished field sales force*. Our current seasoned field sales force has deep-rooted and longstanding customer relationships in their respective territories. We have strategically optimized our sales outreach to cover over 80% of dermatologists in the top 50 U.S. metropolitan statistical areas and over 70% of the overall dermatology prescribing market. We are able to leverage the experience of our field sales force to create a tailored and entrepreneurial compensation plan that incentivizes our field sales force and aligns their activities with our corporate performance and growth objectives. We intend to continue to build a team of committed, experienced employees and to engage with patients and members of the dermatology community. Additionally, we believe that consolidation in the medical dermatology industry has resulted in an enhanced opportunity for a medical dermatology-focused company to build relationships with these stakeholders and has made available a large and growing talent pool of experienced individuals who can make significant contributions to our Company.

- *Specialized and differentiated access and distribution model*. We have a specialized and differentiated access and distribution network of over 600 specialty pharmacies and wholesalers, where we directly sell our products, with limited distribution through traditional national wholesalers. This decentralized approach allows us to maximize our brand equity across our product portfolio with pharmacies and allows us to provide exceptional customer service and access to patients and physicians.

- *Active business development initiative*. Business development plays a vital role in our growth strategy as we look to build scale. We consistently evaluate both synergistic acquisitions that leverage our existing infrastructure, as well as more transformative assets that would require building out or restructuring our field sales force. We have extensive relationships in the industry that help us stay informed of developments in our space and continually monitor new opportunities. We believe that we are an ideal partner for development stage companies with limited or no commercial capabilities, as well as established pharmaceutical companies looking to deprioritize their dermatology products that are no longer a strategic fit for their portfolio. We regularly engage in discussions with an array of companies, both domestic and international, including traditional large pharma, mid-size specialty pharma companies and smaller companies that focus on research and development, although we have not entered into any definitive agreements or arrangements. Another important part of our business development strategy is to continue to out-license our branded products, intellectual property and/or proprietary technologies in global markets.

**Major Customers**

We primarily sell our prescription products to specialty pharmacies, independent wholesalers, and distributors with limited sales through the traditional national wholesaler channels. Our wholesalers and distributors purchase products from us and, in turn, supply products to retail drug store chains, independent pharmacies and managed care organizations. Customers in the managed care market include health maintenance organizations, group purchasing organizations, nursing homes, clinics, pharmacy benefit management companies and mail order customers.

**License & Collaboration Agreements and Acquisitions**

We continue to seek to enhance our product line and develop a portfolio of differentiated products through product acquisitions and in-licensing or acquiring rights to products and technologies from third parties. We intend to enter into strategic alliances and collaborative arrangements with third parties, which will give us rights to develop, manufacture, market and/or commercialize pharmaceutical products, the rights to which are primarily owned by these third parties. These alliances and arrangements can take many forms, including licensing arrangements, co-development and co-marketing agreements, co-promotion arrangements, research collaborations and joint ventures. Such alliances and arrangements will potentially enable us to share the risk of incurring all research and development expenses that do not lead to revenue-generating products. However, because profits from alliance products are shared with the counterparties to the collaborative arrangement, the gross margins on alliance products are generally lower, sometimes substantially so, than the gross margins that could be achieved had we not opted for a development partner. From time to time, we may also seek to grant licenses or sublicenses of rights to develop, sell and distribute our products to third parties in exchange for the payment of license fees, royalty payments and/or milestone payments.

**Environmental Matters**

Our operations are subject to substantial federal, state and local environmental laws and regulations concerning, among other matters, the generation, handling, storage, transportation, treatment and disposal of, and exposure to, hazardous substances. Violation of these laws and regulations, which may change, can lead to substantial fines and penalties. Many of our third-party operations require environmental permits and controls to prevent and limit pollution of the environment. We believe that the facilities of our third-party service providers are in substantial compliance with applicable environmental laws and regulations, and we do not believe that future compliance costs will have a material adverse effect on our business, financial condition, results of operations or cash flows.

**Employees and Human Capital Management**

As of March 18, 2026, we had 58 employees, all of whom are full-time employees. 39 of these employees are in sales and marketing and 19 employees in general and administrative positions. Additionally, we have retained a number of expert advisors and consultants that help us navigate through different aspects of our business. We consider our relations with our employees to be good and have not experienced any work stoppages, slowdowns or other serious labor problems that have materially impeded our business operations.

Our human capital management objectives include, as applicable, identifying, recruiting, retaining, incentivizing, and integrating our new and existing employees. The principal purpose of our equity incentive plan is to attract, retain, and motivate selected employees, consultants, and directors through the granting of share-based compensation awards and cash-based bonus awards.

**Geographic Areas**

In general, all of our product revenues are generated from operations or otherwise earned within the U.S. During 2025, we began supplying Cutia Therapeutics (HK) Limited (“Cutia”) with Amzeeq for sale in the People’s Republic of China (the “PRC”). We recognized Other revenue during 2025 associated with the supply of Amzeeq to Cutia and royalties earned on net sales made by Cutia in the PRC.

**Seasonality of Business**

Our business is affected by the standard annual insurance deductible resets, as well as the purchasing patterns and concentration of our customers; however, our business is not materially impacted by seasonality. There are no assurances that these historical trends will continue in the future.

**Relationship with Fortress**

Fortress is a biopharmaceutical company dedicated to acquiring, developing and commercializing pharmaceutical and biotechnology products and product candidates at its majority-owned and majority-controlled subsidiaries and joint ventures, and at entities founded by Fortress and in which it maintains significant minority ownership positions. So long as it holds shares of our Class A Common Stock, of which it is currently the sole holder, Fortress will at all times have voting control of us. Fortress has a talented and experienced business development team, comprised of scientists, doctors, and finance professionals, who identify, evaluate, and propose for our consideration.

**In-licensing Agreements and Asset Acquisitions**

*Amzeeq, Zilxi, FCD105 and the Molecule Stabilizing Technology Platform*

On January 12, 2022, we entered into an Asset Purchase Agreement (the "Vyne APA") with Vyne Therapeutics Inc. ("Vyne") to acquire Vyne's Molecule Stabilizing Technology™ franchise (the "Acquisition") for an upfront payment of $20.0 million, with an additional $5.0 million payment due on the one-year anniversary of the closing of the Acquisition. The Vyne APA also provides for contingent net sales milestone payments: in the first calendar year in which annual sales reach each of $100 million, $200 million, $300 million, $400 million and $500 million, we will be required to make a one-time payment of $10 million, $20 million, $30 million, $40 million and $50 million, respectively, in that year only, per product, totaling up to $450.0 million. In addition, Journey will pay Vyne 10% of any upfront payment received by Journey from a licensee or sublicensee of the products in any territory outside of the U.S., subject to exceptions for certain jurisdictions as detailed in the Vyne APA. There are no subsequent milestone payments or royalties beyond the aforementioned payments. The Acquisition included two FDA-approved products (Amzeeq and Zilxi), and a development-stage dermatology program (FCD105), along with the Molecule Stabilizing Technology proprietary platform.

*Emrosi (formerly DFD-29)*

On June 29, 2021, we entered into a license, collaboration, and assignment agreement with DRL to obtain the global rights for the development and commercialization of Emrosi, a late-stage development modified release oral minocycline that is being evaluated for the treatment of inflammatory lesions of rosacea (the "Emrosi Agreement"). We acquired global rights to Emrosi, including in the U.S. and Europe, except that DRL has retained certain rights to the program in select markets including Armenia, Azerbaijan, Belarus, Brazil, Georgia, India, Kazakhstan, Kyrgyzstan, Moldova, the PRC, Russia, Taiwan, Tajikistan, Turkmenistan, Ukraine and Uzbekistan. Pursuant to the Emrosi Agreement, we agreed to make an upfront payment of $10.0 million, comprised of a $2.0 million payment upon execution and $8.0 million which was paid on September 29, 2021, 90 days following execution. In addition, we paid two developmental milestones in 2024. In January 2024 we paid a $3.0 milestone to DRL, based on FDA acceptance of the NDA application for Emrosi, and in December of 2024 we paid a $15.0 million milestone payment to DRL, which was triggered by the November 1, 2024 FDA approval of Emrosi. Upon the $15.0 million milestone payment, the assets related to Emrosi, including the NDA, regulatory documentation and intellectual property, transferred to us. Pursuant to the Emrosi Agreement we may be required to pay additional contingent regulatory, commercial, and corporate-based milestone payments, totaling up to $150.0 million. Royalties ranging from ten percent to fourteen percent are payable on net sales of the product. Royalties are payable in each country until the last-to-expire patent in such country expires. Royalties are subject to a 50% reduction in the event that a generic competitor launches in an applicable country where we market and sell the product.

*Qbrexza*

On March 31, 2021, we executed an asset purchase agreement for Qbrexza (the "Qbrexza APA") with Dermira Inc. ("Dermira"), pursuant to which we acquired global ownership to Qbrexza (glycopyrronium), a prescription cloth towelette approved to treat primary axillary hyperhidrosis in people nine years of age and older. The transaction closed on May 14, 2021, and pursuant to the Qbrexza APA, we made an upfront $12.5 million cash payment to Dermira. We are obligated to make payments to Dermira of up to $144.0 million in the aggregate upon the achievement of certain milestones. We are required to pay royalties on Qbrexza net sales ranging from the lower teen digits to the upper teen digits, which are payable for a period of eight years ending in 2029, subject to certain reductions. The Qbrexza APA contains customary representations, warranties, and indemnities. Each party may also terminate the Qbrexza APA for material breach by the other party.

As part of the Qbrexza APA, we were assigned an exclusive license agreement with Rose University ("Rose U") pursuant to which we obtained a worldwide exclusive license within a field of use including hyperhidrosis to practice, enforce and otherwise exploit certain patent rights, know-how and data related to Qbrexza. The license agreement with Rose U includes a sublicense of certain data and an assignment of certain regulatory filings which Rose U had obtained from Stiefel Laboratories ("Stiefel"). In connection with the license agreement, we assumed Rose U's obligations to Stiefel to use commercially reasonable efforts to develop and commercialize products using the licensed patent rights, know-how and data.

Pursuant to these agreements with Rose U and the related agreement with Stiefel with respect to Qbrexza, we are obligated to pay Rose U low-to-mid single-digit royalties on net product sales and low double-digit royalties on sublicense fees and certain milestone, royalty and other contingent payments received from sublicensees, to the extent such amounts are in excess of the milestone and royalty payments we are obligated to pay Rose U directly upon the events or sales triggering such payments.

We are permitted to grant sublicenses to the licensed rights and may assign the agreements upon our acquisition or that of our assets that relate to the license agreement. We may terminate the license agreement if Rose U experiences certain insolvency events or if Rose U commits a material breach of the license agreement, subject to applicable cure provisions. Rose U may terminate the license in certain circumstances if we experience certain insolvency events or if we commit a material breach of the license agreement or if we cause Rose U to be in material breach of its license agreement with Stiefel, subject in each case to applicable cure provisions. Subject to earlier termination, the license agreement remains in effect until 15 years following the first commercial sale of a licensed product has elapsed or, if later, the date that the last patent or patent application in the licensed patent rights has expired or been revoked, invalidated or abandoned. As of December 31, 2025, the last-to-expire issued patent relating to Qbrexza that we license under the license agreement with Rose U expires in 2029.

*Accutane*

On July 29, 2020, we entered into a license and supply agreement for Accutane (the "Accutane Agreement") with DRL. Pursuant to the Accutane Agreement, we agreed to pay $5.0 million, comprised of an upfront payment of $1.0 million paid upon execution, with additional milestone payments totaling $4.0 million due over time. To date, we have paid all of the additional milestone payments. Three additional milestone payments totaling $17.0 million are contingent upon the achievement of certain net sales milestones. Royalties in the low-double digits based on net sales, subject to specified reductions, are also due.

The term of the Accutane Agreement is ten years and renewable upon mutual agreement. The agreement contains customary representations, warranties, and indemnities. Each party may also terminate the Accutane Agreement for material breach by the other party or for certain bankruptcy or insolvency related events and we may terminate the Accutane Agreement upon 180 days written notice to the other party. We commenced sales of this product in April 2021.

*Anti-Itch Product*

On December 18, 2020, we entered into an asset purchase agreement for our Anti-itch Product (the "Anti-itch APA") with Sun Pharmaceutical Industries, Inc. ("Sun"). Pursuant to the Anti-itch APA, total consideration is $4.0 million, comprised of an upfront payment of $2.0 million, payable upon execution. Through December 31, 2025, we have paid $4.0 million and have no additional payment obligations. The Anti-itch APA contains customary representations, warranties, and indemnities. There are no subsequent milestone payments or royalties beyond the aforementioned payments. We intend to launch this product during the first half of 2026.

*Exelderm*

On August 31, 2018, we entered into an asset purchase agreement for Exelderm (the "Exelderm APA") with Sun. Pursuant to the Exelderm APA, total consideration is $1.6 million, comprised of an upfront payment of $1.2 million, which was payable within 60 days after execution on October 31, 2018. The remaining milestone payment was contingent upon net sales reaching a certain threshold, at which point a $0.4 million payment became due. This threshold was achieved in 2020 and paid in early 2021. We were obligated to pay royalties in the low-double digits based on net sales of Exelderm until the end of 2023, and no additional licensing or milestone payments are required. We commenced sales of this product in August 2018.

*Targadox*

On May 21, 2025, we entered into a Manufacturing and Supply Agreement for Targadox (the "Targadox Agreement") with Epic Pharma, LLC ("Epic"). No royalties or upfront payment was made. The term of the Targadox Agreement is three years and automatically renews for two-year periods unless either party provides notice of its intent not to renew at least 120 days prior to the expiration of the applicable term. The Targadox Agreement contains customary representations, warranties, and indemnities. Each party may also terminate the Targadox Agreement for material breach by the other party or for certain bankruptcy or insolvency related events. We commenced sales of this product under a previous agreement with an affiliated entity of Epic, PuraCap International LLC n/k/a Caribe Holdings, Inc., in October 2016. We commenced sales of this product in September 2025 under the Targadox Agreement.

**Out-licensing Agreements**

*Maruho License Agreement*

On August 31, 2023, we entered into the New License Agreement with Maruho Co. Lts. ("Maruho"), whereby we granted an exclusive license to Maruho to develop and commercialize Qbrexza for the treatment of primary axillary hyperhidrosis in South Korea, Taiwan, Hong Kong, Macau, Thailand, Indonesia, Malaysia, Philippines, Singapore, Vietnam, Brunei, Cambodia, Myanmar and Laos. Under the terms of the New License Agreement, in exchange for the exclusive rights to Qbrexza in Japan, Maruho paid $19.0 million as a non-refundable upfront payment.

*Cutia License Agreement*

In January 2022, as a part of the Vyne APA, we assumed a license agreement with Cutia, a Hong Kong biopharmaceutical company with experience in developing pharmaceutical products in the greater China region (the "Cutia Agreement"). Pursuant to the agreement, Cutia was granted an exclusive license to obtain regulatory approval of and commercialize Amzeeq (topical 4% minocycline foam) and Zilxi (topical 1.5% minocycline foam) in mainland China, Taiwan, Hong Kong and Macau. We have agreed to supply the finished Licensed Products to Cutia for clinical and commercial use at an agreed price. On November 11, 2024, Cutia received marketing approval for topical 4% minocycline foam from the National Medical Products Administration (the "NMPA") of the PRC. The approval triggered a $1.0 million dollar milestone payment to us. Additionally, during 2025, we began supplying Amzeeq to Cutia and earning a royalty on net sales of Amzeeq made by Cutia.

**Research and Development**

As discussed above, on June 29, 2021, we obtained the global rights from DRL for the development and commercialization of Emrosi, then known as DFD-29, a modified release oral minocycline we developed for the treatment of inflammatory lesions of rosacea. Through this collaboration, the parties were required to work together to complete the development of the product, which included conducting two Phase 3 studies to assess the efficacy, safety and tolerability of oral Emrosi for the treatment of rosacea and the January 4, 2024 regulatory submission of an NDA under Section 505(b)(2) of the FDCA. DRL provided development support, including responding to any requests for information or clarification from FDA regarding the NDA. On November 1, 2024, Emrosi received approval by the FDA for the treatment of inflammatory lesions of rosacea in adults and is being manufactured for commercialization.

**Intellectual Property**

*General*

We rely on a combination of contractual provisions, confidentiality policies and procedures and patent, trademark, copyright and trade secrecy laws to protect the proprietary aspects of our technology and business. Three of our marketed products, Accutane, Targadox, and Exelderm, do not have patent protection and/or are not otherwise eligible for patent protection. As part of our development and acquisition strategy, we place a strong emphasis on the patent protection for potential products.

Four of our FDA approved products, Emrosi, Qbrexza, Amzeeq, and Zilxi currently have patent protection with patents listed in the FDA Orange Book.

*Emrosi Patents*

With regard to Emrosi, we own three issued U.S. patents, one allowed application, and one U.S. continuation application, as well as four issued foreign patents (one in each of Australia, Japan, Korea, and Mexico) and eight foreign pending patent applications (one in each of Australia, Canada, Europe, Japan, and South Africa; and two in New Zealand) covering methods and/or compositions for treating an inflammatory skin condition by selecting and administering an oral composition comprising reduced dose of minocycline and the relevant pharmacokinetic parameters. We have also filed an additional patent application directed to methods and compositions for treating rosacea which is currently pending as a U.S. patent application and an International Patent Application (PCT). The three issued U.S. patents will expire in 2039.

*Qbrexza Patents*

We own or have an exclusive license to 20 issued U.S. patents and 38 issued foreign patents, which include granted European patent rights that have been validated in selected European Patent Office ("EPO") member states (Switzerland, Germany, Spain, France, Great Britain (UK), Ireland, Italy), Australia, Canada, Mexico, Israel, Japan, Hong Kong, Korea, New Zealand, Singapore, and South Africa, as well as two pending U.S. patent applications, and one pending foreign patent application, all relating to Qbrexza.

We own 16 of the issued U.S. patents, the one pending U.S. patent application, 29 of the issued foreign patents, and the pending foreign application, and have exclusively licensed from Rose U worldwide rights to four of the issued U.S. patents, and nine issued foreign patents. The issued Qbrexza patents contain claims directed to individually packaged wipes for the treatment of hyperhidrosis where the wipes contain a composition comprising Qbrexza or other related compounds, and methods of alleviating hyperhidrosis using such compositions and contain claims directed to compositions comprising Qbrexza or other related compounds, individually packaged wipes comprising such compositions, absorbent pads comprising Qbrexza pharmaceutical compositions and methods of treating hyperhidrosis with topical administration of Qbrexza or other related formulations. The issued U.S. and foreign patents and applications relating to Qbrexza will expire between 2028 and 2033.

*Amzeeq, Zilxi and the Molecular Stabilizing Technology Platform Patents*

We own 30 issued U.S. patents and 17 issued foreign patents, and five pending U.S. patent applications, and two pending foreign patent applications. Of these patents and patent applications:

- There are 14 issued U.S. patents, 14 issued foreign patents (Australia, Canada, Europe, Israel, Mexico, United Kingdom, South Africa), two pending U.S. patent applications and one pending foreign application (Canada), all relating to Amzeeq. The issued Amzeeq patents contain claims directed to compositions and use of the compositions (method claims). The issued U.S. and foreign patents relating to Amzeeq will expire between 2030 and 2037 and the pending U.S. and foreign patent applications relating to Amzeeq will expire between 2030 and 2037.

- There are 11 issued U.S. patents, 14 issued foreign patents (Australia, Canada, Europe, Israel, Mexico, United Kingdom, South Africa), and two pending U.S. patent applications, all relating to Zilxi. The issued Zilxi patents contain claims directed to compositions and use of the compositions (method claims). The issued U.S. and foreign patents relating to Zilxi will expire between 2030 and 2037 and the pending U.S. and foreign patent applications relating to Zilxi will expire between 2030 and 2037.

- The other patents related to molecular stabilizing platform but not products directly are 13 issued U.S. patents, two pending U.S. patent applications, three issued foreign patents (Canada, Israel, and Mexico), and one pending foreign application (Europe).

*Additional Intellectual Property and Proprietary Right Protection*

We also use other forms of protection, such as trademark, copyright, and trade secret protection, to protect our intellectual property, particularly where we do not believe patent protection is appropriate or obtainable. We aim to take advantage of all of the intellectual property rights that are available to us and believe that this comprehensive approach will provide us with proprietary positions for our product candidates, where available. Patents extend for varying periods according to the date of patent filing or grant and the legal term of patents in various countries where patent protection is obtained. The actual protection afforded by a patent, which can vary from country to country, depends on the type of patent, the scope of its coverage and the availability of legal remedies in the country.

Our goal is to obtain, maintain and enforce patent protection for our products, formulations, processes, methods and other proprietary technologies, to preserve our trade secrets, and to operate without infringing on the proprietary rights of other parties, both in the United States and in other countries. Our policy is to actively seek to obtain, where appropriate, the broadest intellectual property protection possible for any product candidates, proprietary information and proprietary technology through a combination of contractual arrangements and patents, both in the U.S. and elsewhere in the world.

Patents and other proprietary rights are crucial to the development of our business. We will be able to protect our proprietary technologies from unauthorized use by third parties only to the extent that our proprietary rights are covered by valid and enforceable patents, supported by regulatory exclusivity, or are effectively maintained as trade secrets.

Generally, patent applications in the U.S. are maintained in secrecy for a period of 18 months or more. The patent positions of biotechnology and pharmaceutical companies are highly uncertain and involve complex legal and factual questions. Therefore, we cannot predict the breadth of claims allowed in biotechnology and pharmaceutical patents, or their enforceability. To date, there has been no consistent policy regarding the breadth of claims allowed in biotechnology patents. Third parties or competitors may challenge or circumvent our patents or patent applications, if issued. If our competitors prepare and file patent applications in the U.S. that claim technology also claimed by us, we may have to participate in derivation proceedings declared by the USPTO to determine proper inventorship of a claim of invention, which could result in substantial cost, even if the eventual outcome is favorable to us. Because of the extensive time required for development, testing and regulatory review of a potential product, it is possible that before we commercialize any of our products, any related patent may expire or remain in existence for only a short period following commercialization, thus reducing any advantage of the patent. However, the life of a patent covering a product that has been subject to regulatory approval may be extended through the patent term restoration program, although any such extension could still be minimal.

If a patent is issued to a third party containing one or more preclusive or conflicting claims, and those claims are ultimately determined to be valid and enforceable, we may be required to obtain a license under such patent or to develop or obtain alternative technology, neither of which may be possible. In the event of litigation involving a third-party claim, an adverse outcome in the litigation could subject us to significant liabilities to such third party, require us to seek a license under the disputed rights of such third party, and/or require us to cease use of the technology. Moreover, our breach of an existing license or failure to obtain a license for technology required to commercialize our products may seriously harm our business. We also may need to commence litigation to enforce any patents issued to us or to determine the scope and validity of third-party proprietary rights. Litigation could involve substantial costs.

*Other Intellectual Property Rights*

We depend upon trademarks, trade secrets, and continuing technological advances to develop and maintain our competitive position. We also depend upon the skills, knowledge and experience of our scientific and technical personnel, as well as that of our advisors, consultants and other contractors. This knowledge and experience we call “know-how.” To help protect our proprietary know-how that is not patentable, and for inventions for which patents may be difficult to enforce, we rely on trade secret protection and confidentiality agreements to protect our interests. To this end, we require all employees, scientific advisors, consultants, collaborators and other contractors, upon commencement of a relationship with us, to enter into confidentiality agreements, which prohibit the disclosure of confidential information and, in the case of parties other than our research and development collaborators, require disclosure and assignment to us of the ideas, developments, discoveries and inventions important to our business. These agreements are designed to protect our proprietary information and to grant us ownership of technologies that are developed in connection with their relationship with us. These agreements may not, however, provide protection for our trade secrets in the event of unauthorized disclosure of such information.

There can be no assurance that any of our patents, licenses or other intellectual property rights will afford us any protection from competition, that our confidentiality agreements will not be breached, that we will have adequate remedies for any breach, that others will not independently develop equivalent proprietary information or that other third parties will not otherwise gain access to our trade secrets and other intellectual property.

We may find it necessary to initiate litigation to enforce our patent rights, to protect our intellectual property or trade secrets or to determine the scope and validity of the proprietary rights of others. Litigation is costly and time-consuming and there can be no assurance that our litigation expenses will not be significant in the future or that we will prevail in any such litigation. See *"Item 3 - Legal Proceedings"* for additional information.

**Competition**

*Pharmaceutical Industry*

Our competitors include pharmaceutical companies and biotechnology companies, as well as universities and public and private research institutions. In addition, companies that are active in different but related fields represent substantial competition for us. Many of our competitors have significantly greater capital resources, larger research and development staffs and facilities and greater experience in drug development, regulation, manufacturing and marketing than we do. These organizations also compete with us to recruit qualified personnel, attract partners for joint ventures or other collaborations, and license technologies that are competitive with ours. To compete successfully in this industry, we must identify novel and unique drugs or methods of treatment and then complete the development of those drugs as treatments in advance of our competitors.

*Dermatology Sector*

The dermatology competitive landscape is highly fragmented, with a large number of midsize and smaller companies competing in both the prescription sector and the OTC sector. Our competitors are pursuing the development and/or acquisition of pharmaceuticals, medical devices and OTC products that target the same diseases and conditions that we are targeting in dermatology. Competitive factors vary by product line and geographic area in which our products are sold. The principal methods of competition for our products include quality, efficacy, market acceptance, price, and marketing and promotional efforts.

Branded products often must compete with therapeutically similar branded or generic products or with generic equivalents. Such competition frequently increases over time. For example, if competitors introduce new products, delivery systems or processes with therapeutic or cost advantages, our products could be subject to progressive price reductions and/or decreased volume of sales. To successfully compete for business, we must often demonstrate that our products offer not only medical benefits, but also cost advantages as compared with other forms of care. Accordingly, we face pressure to continually seek out technological innovations and to market our products effectively.

Our major competitors, including Galderma Laboratories, Almirall, Leo Pharma, Mayne Pharma, Botanix Pharmaceuticals, and Ortho Dermatologics, among others, vary depending on therapeutic and product category, dosage strength and drug-delivery systems, among other factors.

*Generic Competition*

We face increased competition from manufacturers of generic pharmaceutical products, who may submit applications to the FDA seeking to market generic versions of our products. In connection with these applications, the generic drug companies may seek to challenge the validity and enforceability of our patents through litigation. When patents covering certain of our products (if applicable) expire or are successfully challenged through litigation or in USPTO proceedings, if a generic company launches a competing product "at risk," or when the regulatory or licensed exclusivity for our products (if applicable) expires or is otherwise lost, we may face generic competition as a result. Generic versions are generally significantly less expensive than branded versions, and, where available, may be required to be utilized before or in preference to the branded version under third-party reimbursement programs, or substituted by pharmacies. Accordingly, when a branded product loses its market exclusivity, it normally faces intense price competition from generic forms of the product. To successfully compete for business with managed care and pharmacy benefits management organizations, we must often demonstrate that our products offer not only medical benefits, but also cost advantages as compared with other forms of care. Generic products generally face intense competition from other generic equivalents (including authorized generics) and therapeutically similar branded or generic products. See *"Item 3 - Legal Proceedings"* for additional information.

**Supply and Manufacturing**

We have limited experience in manufacturing products for clinical or commercial purposes, and we currently do not have any internal manufacturing capabilities. We currently rely upon multiple contract manufacturers to produce our products and clinical supply of product candidates, some of which are located outside of the U.S., and will continue to rely upon contract manufacturers for any current or future product candidates under current Good Manufacturing Practice ("cGMP") regulations for use in pre-clinical and clinical activities. Due to the risks associated with reliance on third-party manufacturing, as part of our current and future strategy of licensing, acquiring, or the future development of assets, we currently, and will continue to, secure manufacturing agreements with either a counterparty to a transaction, with one or more of our contract manufacturers or additional contract manufacturers. As with any supply program, obtaining raw materials of the correct quality cannot be guaranteed, and we cannot ensure that we will be successful. Our third-party manufacturers have a limited number of facilities in which our product candidates can be produced and may have limited experience in manufacturing our product candidates in quantities sufficient for commercialization. Our third-party manufacturers will have other clients and may have other priorities that could affect their ability to perform the work satisfactorily and/or on a timely basis. Both of these occurrences would be beyond our control. We expect to similarly rely on contract manufacturing relationships for any products that we may in-license or acquire in the future. However, there can be no assurance that we will be able to successfully contract with such manufacturers on terms acceptable to us, or at all.

Contract manufacturers are subject to ongoing periodic and unannounced inspections by the FDA, the Drug Enforcement Administration and corresponding state and European agencies to ensure strict compliance with cGMPs and other state and federal regulations. We do not have control over third-party manufacturers' compliance with these regulations and standards, other than through contractual obligations. If they are deemed out of compliance with cGMPs, product recalls could result, inventory could be destroyed, production could be stopped, and supplies could be delayed or otherwise disrupted.

If we need to change manufacturers during the clinical or development stage for product candidates or after commercialization for our approved products, the FDA and corresponding foreign regulatory agencies must approve these new manufacturers in advance, which will involve testing and additional inspections to ensure compliance with FDA regulations and standards and may require significant lead times and delay. Furthermore, switching manufacturers may be difficult because the number of potential manufacturers is limited. It may be difficult or impossible for us to find a replacement manufacturer quickly or on terms acceptable to us, or at all.

**Government and Industry Regulations - Overview**

*FDA Regulations*

Numerous governmental authorities, principally the FDA and corresponding state and foreign regulatory agencies, impose substantial regulations upon any potential clinical development and the manufacture and marketing of our products. Before marketing in the U.S., any drug that we may develop must undergo rigorous pre-clinical testing and clinical trials and an extensive regulatory approval process implemented by the FDA under the FDCA. The FDA regulates, among other things, the pre-clinical and clinical testing, safety, efficacy, approval, manufacturing, record keeping, lot traceability, individual serialization, adverse event reporting, packaging, labeling, storage, advertising, promotion, export, sale and distribution of biopharmaceutical products.

The regulatory review and approval process is lengthy, expensive and uncertain. In the event that we acquire or develop a clinical stage asset, we will be required to submit extensive pre-clinical and clinical data and supporting information to the FDA for each indication or use to establish a product candidate's safety and efficacy before we can secure FDA approval to market or sell a product in the U.S. The approval process may take many years, depending on the stage of development of a target asset, and requires the expenditure of substantial resources and may involve ongoing requirements for post-marketing studies or surveillance.

Clinical testing must meet requirements for institutional review board oversight, informed consent and good clinical practices, and must be conducted pursuant to an Investigational New Drug ("IND") Application unless exempted.

For purposes of NDA approval, clinical trials are typically conducted in the following sequential phases:

*Phase 1*:

- The drug is administered to a small group of humans, either healthy volunteers or patients, to test for safety, dosage tolerance, absorption, metabolism, excretion and clinical pharmacology.

*Phase 2*:

➢Studies are conducted on a larger number of patients to assess the efficacy of the product, to ascertain dose tolerance and the optimal dose range, and to gather additional data relating to safety and potential adverse events.

*Phase 3*:

➢Studies establish safety and efficacy in an expanded patient population.

*Phase 4*:

➢The FDA may require Phase 4 post-marketing studies to find out more about the drug's long-term risks, benefits, and optimal use, or to test the drug in different populations.

The length of time necessary to complete clinical trials varies significantly and may be difficult to predict. Clinical results are frequently susceptible to varying interpretations that may delay, limit or prevent regulatory approvals. Additional factors that can cause delay or termination in future clinical trials, or that may increase the costs of these trials, include:

- slow patient enrollment due to the nature of the clinical trial plan, the proximity of patients to clinical sites, the eligibility criteria for participation in the study or other factors;
- inadequately trained or insufficient personnel at the study site to assist in overseeing and monitoring clinical trials or delays in approvals from a study site's review board;
- longer treatment time required to demonstrate efficacy or determine the appropriate product dose;
- insufficient supply of the drug candidates;
- adverse events in treated patients; and
- ineffectiveness of the drug candidates.

In addition, the FDA, equivalent foreign regulatory authority, or a data safety monitoring committee for a trial may place a clinical trial on hold or terminate it if it concludes that subjects are being exposed to an unacceptable health risk, or for futility. Any drug is likely to produce some toxicity or undesirable adverse events in animals and in humans when administered at sufficiently high doses and/or for a sufficiently long period of time. Unacceptable toxicity or adverse events may occur at any dose level at any time in the course of studies in animals designed to identify unacceptable effects of a drug candidate, known as toxicological studies, or clinical trials of drug candidates. The appearance of any unacceptable toxicity or adverse event could cause us or regulatory authorities to interrupt, limit, delay or abort the development of any of our drug candidates and could ultimately prevent approval by the FDA or foreign regulatory authorities for any or all targeted indications.

Sponsors of drugs may apply for a special protocol assessment ("SPA") from the FDA. The SPA process is a procedure by which the FDA provides official evaluation and written guidance on the design and size of proposed protocols that are intended to form the basis for an NDA. However, final marketing approval depends on the results of efficacy, the adverse event profile and an evaluation of the benefit/risk of treatment demonstrated in the Phase 3 trial. The SPA agreement may only be changed through a written agreement between the sponsor and the FDA, or if the FDA becomes aware of a substantial scientific issue essential to product safety or efficacy.

Before receiving FDA approval to market a product, we must demonstrate that the product is safe and effective for its intended use by submitting to the FDA an NDA, Abbreviated NDA ("ANDA"), 510(K) or Biologics License Application ("BLA") containing the pre-clinical and clinical data that have been accumulated, together with chemistry and manufacturing and controls specifications and information, and proposed labeling, among other things. The FDA may refuse to accept an NDA, ANDA, 510(K) or BLA for filing if certain content criteria are not met and, even after accepting an NDA, ANDA, 510(K) or BLA, the FDA may often require additional information, including clinical data, before approval of marketing a product.

Section 505(b)(2) NDAs may provide an alternate path to FDA approval for new or improved formulations or new uses of previously approved products. Section 505(b)(2) permits the filing of an NDA where at least some of the information required for approval comes from clinical trials not conducted by, or for, the applicant and for which the applicant has not obtained a right of reference. The FDA may then approve the new product candidate for all, or some, of the label indications for which the referenced product has been approved, as well as for any new indication sought by the Section 505(b)(2) applicant.

To the extent that the Section 505(b)(2) applicant is relying on the FDA's findings of safety and effectiveness for an already approved product, the applicant is required to certify to the FDA concerning any patents listed for the approved product in the Orange Book to the same extent that an ANDA applicant would. Thus approval of a Section 505(b)(2) NDA can be stalled until all the listed patents claiming the referenced product have expired; until any non-patent exclusivity, such as exclusivity for obtaining approval of a New Chemical Entity, listed in its publication "Approved Drug Products with Therapeutic Equivalence Evaluations," also referred to as the "Orange Book," for the referenced product has expired; and, in the case of a Paragraph IV certification and subsequent patent infringement suit, until the earlier of 30 months, settlement of the lawsuit or a decision in the infringement case that is favorable to the Section 505(b)(2) applicant. In the interim period, the FDA may grant tentative approval. Tentative approval indicates that the FDA has determined that the applicant meets the standards for approval as of the date that the tentative approval is granted. Final regulatory approval can only be granted if the FDA is assured that there is no new information that would affect final regulatory/ approval.

The FDA may request a REMS, as part of an NDA, ANDA, 510(K) or BLA. The REMS typically contains some combination of post-marketing obligations of the sponsor to train prescribing physicians, monitor drug use, including off-label use, and conduct sufficient Phase 4 follow-up studies and registries to ensure the continued safe use of the drug.

As part of the approval process, the FDA must inspect and approve each manufacturing facility. Among the conditions of approval is the requirement that a manufacturer's quality control and manufacturing procedures conform to cGMP. Manufacturers must expend significant time, money and effort to ensure continued compliance, and the FDA conducts periodic inspections to certify compliance. It may be difficult for our manufacturers or us to comply with the applicable cGMPs, as interpreted by the FDA, and other FDA regulatory requirements. If we, or our contract manufacturers, fail to comply, then the FDA may not allow us to market products that have been affected by the failure.

If the FDA grants approval, the approval will be limited to those conditions and patient populations for which the product is safe and effective, as demonstrated through clinical studies. Further, a product may be marketed only in those dosage forms and for those indications approved in the NDA, ANDA, 510(K), or BLA. Certain changes to an approved BLA, including, with certain exceptions, any significant changes to labeling, require approval of a supplemental application before the drug may be marketed as changed. Any products that we manufacture or distribute pursuant to FDA approvals are subject to continuing monitoring and regulation by the FDA, including compliance with cGMP and the reporting of adverse experiences with the drugs. The nature of marketing claims that the FDA will permit us to make in the labeling and advertising of our products will generally be limited to those specified in FDA approved labeling, and the advertising of our products will be subject to comprehensive monitoring and regulation by the FDA. Drugs whose review was accelerated may carry additional restrictions on marketing activities, including the requirement that all promotional materials are pre-submitted to the FDA. Claims not consistent with approved labeling will constitute a violation of the FDCA. Violations of the FDCA or regulatory requirements at any time during the product development process, approval process, or marketing and sale following approval may result in agency enforcement actions, including withdrawal of approval, recall, seizure of products, warning letters, untitled letters, Form 483s, injunctions, fines and/or civil or criminal penalties. Any agency enforcement action could have a material adverse effect on our business.

*Pharmaceutical Coverage, Pricing and Reimbursement*

The ability to successfully commercialize any product candidate that receives marketing authorization depends in part on the extent to which coverage and reimbursement for these products and related treatments will be available from government health administration authorities, private health insurers and other organizations. Government authorities and other third-party payors, such as private health insurers and health maintenance organizations, decide which medications they will pay for and establish reimbursement levels. A primary trend in the healthcare industry in the United States and elsewhere is cost containment.

The United States and many foreign jurisdictions have enacted or proposed legislative and regulatory changes affecting the healthcare system, including implementing cost-containment programs to limit the growth of government-paid healthcare costs, including price controls, restrictions on reimbursement and requirements for substitution of generic products for branded prescription drugs. In the United States, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (the "Affordable Care Act") was intended to broaden access to health insurance, reduce or constrain the growth of healthcare spending, enhance remedies against fraud and abuse, add transparency requirements for the healthcare and health insurance industries, impose new taxes and fees on the health industry and impose additional health policy reforms. There have been significant ongoing judicial, administrative, executive and legislative efforts to modify or eliminate the Affordable Care Act.

Changes to and under the Affordable Care Act remain possible but it is unknown what form any such changes or any law proposed to replace or revise the Affordable Care Act would take, and how or whether it may affect our business in the future. We expect that changes to the Affordable Care Act, the Medicare and Medicaid programs, changes allowing the federal government to directly negotiate drug prices and changes stemming from other healthcare reform measures, especially with regard to healthcare access, financing or other legislation in individual states, could have a material adverse effect on the healthcare industry. We also expect that the Affordable Care Act, as well as other healthcare reform measures that have and may be adopted in the future, may result in more rigorous coverage criteria and in additional downward pressure on the price that can be charged for drug products. Any reduction in reimbursement from Medicare, Medicaid, or other government programs may result in a similar reduction in payments from private payers.

The Inflation Reduction Act of 2022 (the "IRA") contains substantial drug pricing reforms, including the establishment of a drug price negotiation program within the U.S. Department of Health and Human Services ("HHS") that would require manufacturers to charge a negotiated "maximum fair price" for certain selected drugs or pay an excise tax for noncompliance, the establishment of rebate payment requirements on manufacturers of certain drugs payable under Medicare Parts B and D to penalize price increases that outpace inflation, and requires manufacturers to provide discounts on Part D drugs. Orphan drugs that treat only one rare disease are exempt from the IRA's drug negotiation program. Substantial penalties can be assessed for noncompliance with the drug pricing provisions in the IRA.

In May 2025, President Trump issued an executive order implementing the concept of most-favored nation pricing. Under this order, the HHS, in coordination with other federal agencies, is directed to take actions to ensure that the price of prescription drugs paid by federal health insurers, including Medicare and Medicaid, is in line with the prices paid in comparably developed nations.

As an alternative to the Affordable Care Act, President Trump recently announced the Great Healthcare Plan. As presented, the plan is intended to lower drug prices by increasing competition and benchmarking U.S. drug prices to other countries, reduce insurance premiums by redirecting subsidies from insurers to individuals, increase accountability and transparency from insurers, and promote consumer choice by giving individuals more direct control over how healthcare dollars are spent. Legislative and regulatory action will be required to fully implement the plan. It is unclear how these proposed changes will impact our business and the pharmaceutical industry in general.

At the state level, legislatures have increasingly passed legislation and implemented regulations designed to control pharmaceutical product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. Additional federal, state and foreign healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in limited coverage and reimbursement and reduced demand or additional pricing pressures.

These and other healthcare reform measures that may be adopted in the future may result in more rigorous coverage criteria and in additional downward pressure on the price that we receive for any current product or future product candidate. Any reduction in reimbursement from Medicare or other government healthcare programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability or commercialize our products. Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for drugs. It is uncertain whether additional legislative changes will be enacted, or whether the FDA regulations, guidance or interpretations will be changed, or what the impact of such may be. In addition, increased Congressional scrutiny of the FDA's approval process may significantly delay or prevent marketing approval, as well as subject the industry to more stringent product labeling and post-marketing testing and other requirements. It is also unclear what impact any changes made by the new presidential administration will have on the industry. Such actions may impact the development and commercialization of drug products.

*International Regulations*

In addition to regulations in the United States, there are a variety of foreign regulations governing clinical trials and commercial sales and distribution of any product candidates. The approval process varies from country to country, and the time may be longer or shorter than that required for FDA approval.

Failure to comply with applicable federal, state and foreign laws and regulations would likely have a material adverse effect on our business. In addition, federal, state and foreign laws and regulations regarding the manufacture and sale of new drugs are subject to future changes.

*PHRMA Code and April 3, 2003 Department of Health and Human Services Office of Inspector General, OIG Compliance Program for Pharmaceutical Manufacturers*

We have established and implemented a corporate compliance program designed to prevent, detect and correct violations of state and federal healthcare laws, including laws related to advertising and promotion of our products that are in compliance with the PHRMA Code and the Health and Human Services Office of Inspector General ("OIG") Compliance Program requirements for Pharmaceutical Manufacturers.

*Healthcare Fraud, Waste and Abuse*

We are subject to various federal, state and local laws targeting fraud and abuse in the healthcare industry, violations of which can lead to civil and criminal penalties, including fines, imprisonment and exclusion from participation in federal healthcare programs.

These laws are applicable to us as both a manufacturer and a supplier of products reimbursed by federal healthcare programs, and they also apply to physicians and other potential purchasers of our products.

The federal Anti-Kickback Statute (42 U.S.C. § 1320a-7b) prohibits persons from knowingly and willfully soliciting, receiving, offering or providing remuneration, directly or indirectly, to induce either the referral of an individual, or the furnishing, recommending or arranging for a good or service, for which payment may be made under a federal healthcare program such as the Medicare and Medicaid programs. Remuneration is not defined in the federal Anti-Kickback Statute and has been broadly interpreted to include anything of value, including for example, gifts, discounts, coupons, the furnishing of supplies or equipment, credit arrangements, payments of cash, waivers of payments, ownership interests and providing anything at less than its fair market value. Under the federal Anti-Kickback Statute and the applicable criminal healthcare fraud statutes contained within 42 U.S.C. § 1320a-7b, a person or entity need not have actual knowledge of this statute or specific intent to violate it in order to have committed a violation. In addition, the government may assert that a claim, including items or services resulting from a violation of 42 U.S.C. § 1320a-7b, constitutes a false or fraudulent claim for purposes of the civil False Claims Act (discussed below) or the civil monetary penalties statute, which imposes fines against any person who is determined to have presented or caused to be presented claims to a federal healthcare program that the person knows or should know is for an item or service that was not provided as claimed or is false or fraudulent. The federal Anti-Kickback Statute and implementing regulations provide for certain exceptions for "safe harbors" for certain discounting, rebating or personal services arrangements, among other things. However, the lack of uniform court interpretation of the Anti-Kickback Statute, coupled with novel enforcement theories by government authorities, make compliance with the law difficult. Violations of the federal Anti-Kickback Statute can result in significant criminal fines, exclusion from participation in Medicare and Medicaid and follow-on civil litigation, among other things, for both entities and individuals.

The civil False Claims Act and similar state laws impose liability on any person or entity who, among other things, knowingly presents, or causes to be presented, a false or fraudulent claim for payment by a federal healthcare program. The qui tam provisions of the False Claims Act and similar state laws allow a private individual to bring civil actions on behalf of the federal or state government and to share in any monetary recovery. The Federal Physician Payments Sunshine Act and similar state laws impose reporting requirements for various types of payments to physicians and teaching hospitals. Failure to comply with reporting requirements under these laws could subject manufacturers and others to substantial civil money penalties.

The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") imposes criminal liability and amends provisions on the reporting, investigation, enforcement, and penalizing of civil liability for, among other things, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, or knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statement in connection with the delivery of, or payment for healthcare benefits, items or services by a healthcare benefit program, which includes both government and privately funded benefits programs; similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.

*Other Healthcare Laws and Compliance Requirements*

In the United States, our activities are potentially subject to regulation by various federal, state and local authorities in addition to the FDA, including the Centers for Medicare and Medicaid Services (formerly the Health Care Financing Administration), other divisions of the HHS, the U.S. Department of Justice and individual U.S. Attorney offices within the Department of Justice, and state and local governments.

*Drug Quality and Security Act ("DQSA")*

DQSA was enacted by Congress on November 27, 2013. Title II of DQSA, the Drug Supply Chain Security Act ("DSCSA"), outlines steps to build an electronic, interoperable system to identify and trace certain prescription drugs as they are distributed in the United States. This is intended to enhance the FDA's ability to help protect consumers from exposure to drugs that may be counterfeit, stolen, contaminated, or otherwise harmful. The system is also intended to improve detection and removal of potentially dangerous drugs from the drug supply chain to protect U.S. consumers.

Additionally, the DSCSA directs FDA to establish national licensure standards for wholesale distributors and third-party logistics providers, and requires these entities report licensure and other information to FDA annually. The implementation and enforcement of complete unit level traceability of verifiable return serialization, including aggregation throughout the whole supply chain is also required. Although the rule regarding wholesale distributor verification of saleable returned products does not directly apply to our Company, we are required to assist our wholesale distributor customers by setting in place mechanics that would allow for traceability of returns in the supply chain. If we are not able to come into compliance of this rule, our wholesale distributor customers may not accept our returns on our behalf.

We are subject to, and required to be in compliance with, the DQSA. Our Company remains in compliance with the requirements promogulated by the DSCSA and intends on remaining vigilant with regards to any potential modifications to the act. For purposes of our business, we are considered both manufacturers and re-packagers under the act. Currently, we are in compliance with the DSCSA as it relates to our business and operations.

**Item 1A. Risk Factors**

*The following information sets forth risk factors that could cause our actual results to differ materially from those contained in forward-looking statements we have made in this report and those we may make from time to time. You should carefully consider the risks described below, in addition to the other information contained in this report and our other public filings, before making an investment decision. Our business, financial condition or results of operations could be harmed by any of these risks. The risks and uncertainties described below are not the only ones we face. Additional risks not presently known to us or other factors not perceived by us to present significant risks to our business at this time also may impair our business operations.*

**Risks Related to Our Business, Industry and Existing Operating Revenue Stream**

***Future revenue from sales of our dermatology products may be lower than expected or lower than in previous periods.***

The vast majority of our operating income for the foreseeable future is expected to come from the sale of our dermatology products. Any setback that may occur with respect to such products could significantly impair our operating results and/or reduce our revenue and the value of our securities. Setbacks for such products could include, but are not limited to, issues related to: supply chain, shipping; distribution; demand; manufacturing; product safety; product quality; marketing; government regulation; pricing; reimbursement; licensing and approval; intellectual property rights; competition with existing or new products; product acceptance by physicians, other licensed medical professionals and patients; and higher than expected total rebates, returns or recalls.

Also, a substantial portion of our sales derive from products that may become subject to third-party generic competition because their period of exclusivity has ended or they are without patent protection, subjecting them to the potential introduction of new competitor products and/or an increased market share of existing competitor products, either of which could have a significant adverse effect on our operating income.

***We face challenges as our products face generic competition and/or losses of exclusivity.***

Our products do and may compete with well-established products, both branded and generic, with similar or the same indications. We face increased competition from manufacturers of generic pharmaceutical products, who may submit applications to the FDA seeking to market generic versions of our products. In connection with these applications, the generic drug companies may seek to challenge the validity and enforceability of our patents through litigation. When patents covering certain of our products expire or are successfully challenged through litigation or in USPTO proceedings, if a generic company launches a competing product "at risk," or when the regulatory or licensed exclusivity for our products expires or is otherwise lost, we may face generic competition as a result.

A substantial portion of our sales derive from products that may become subject to third-party generic competition because their period of exclusivity has ended or they are without patent protection, subjecting them to the potential introduction of new competitor products and/or an increase in market share of existing competitor products, either of which could have a significant adverse impact on our operating income. Three of our marketed products, Qbrexza, Amzeeq, and Zilxi as well as Emrosi which was approved by the FDA on November 1, 2024, currently have patent protection. Four of our marketed products, Accutane, Targadox, Exelderm and Luxamend, do not have patent protection or otherwise are not eligible for patent protection. Accutane currently competes in the Isotretinoin market with five other therapeutic equivalent ("AB rated") products. Targadox faces AB rated generic competition. Exelderm may face AB rated generic competition in the future.

Generic versions are generally significantly less expensive than branded versions, and, where available, may be required to be utilized before or in preference to the branded version under third-party reimbursement programs, or substituted by pharmacies. Accordingly, when a branded product loses its market exclusivity, it normally faces intense price competition from generic forms of the product. To successfully compete for business with managed care and pharmacy benefits management organizations, we must often demonstrate that our products offer not only medical benefits, but also cost advantages as compared with other forms of care. If we fail to do so, our results of operations, financial condition or cash flows may be materially adversely affected.

***Any disruptions to the capabilities, composition, size or existence of our field sales force may have a significant adverse impact on our existing revenue stream. Further, our ability to effectively market and sell any future products that we may develop will depend on our ability to establish and maintain sales and marketing capabilities or to enter into agreements with third parties to market, distribute and sell any such products.***

Our field sales force has been and is expected to continue to be an important contributor to our commercial success. Any disruptions to our relationship with our field sales force could materially adversely affect our product sales. We may rely on professional employer organizations and staffing organizations for the employment of our field sales force in the future.

The establishment, development, and/or expansion of a field sales force, either by us or certain of our partners or vendors, or the establishment of a field sales force to market any products for which we may have or receive marketing approval, is expensive and time-consuming and could delay any such product launch or compromise the successful commercialization of such products. If we are unable to establish and maintain sales and marketing capabilities or any other non-technical capabilities necessary to commercialize any products that may be successfully developed, we will need to contract with third parties to market and sell such products. We may not be able to establish or maintain arrangements with third parties on commercially reasonable terms, or at all, which would have a material adverse effect on our business, prospects, results of operations, financial condition or cash flows.

***Regulatory approval for any approved product is limited by the FDA to those specific indications and conditions for which clinical safety and efficacy have been demonstrated.***

Any regulatory approval is limited to those specific diseases and indications for which a product is deemed to be safe and effective. If the FDA or any regulatory authority limits the scope of our indication, or if we are unable to obtain FDA approval for any desired future indications for our products, our ability to effectively market and sell our products may be reduced and our business may be adversely affected. Further, we are only permitted to promote our products for those indications specifically approved by the FDA and there are restrictions around making communications regarding uses not approved and described in the product's labeling. If our promotional activities fail to comply with these regulations or guidelines, we may be subject to advisory or enforcement action by these authorities. In addition, our failure to follow FDA

requirements or guidelines relating to promotion and advertising may cause the FDA to suspend or withdraw an approved product from the market, require a recall or institute fines, or could result in disgorgement of money, operating restrictions, injunctions or criminal prosecution, any of which could harm our business.

***If the FDA does not conclude that a product candidate satisfies the requirements for the Section 505(b)(2) regulatory approval pathway, or if the requirements for such product candidate under Section 505(b)(2) are not as we expect, the approval pathway for the product candidate will likely take significantly longer, cost significantly more and entail significantly greater complications and risks than anticipated, and in either case may not be successful.***

The Drug Price Competition and Patent Term Restoration Act of 1984, also known as the Hatch-Waxman Act, added Section 505(b)(2) to the FDCA. Section 505(b)(2) permits the filing of an NDA where at least some of the information required for approval comes from studies that were not conducted by or for the applicant and for which the applicant has not obtained a right of reference. Section 505(b)(2), if applicable to us under the FDCA, would allow an NDA we submit to FDA to rely in part on data in the public domain or the FDA's prior conclusions regarding the safety and effectiveness of approved compounds, which could expedite the development program for future product candidates by potentially decreasing the amount of clinical data that we would need to generate in order to obtain FDA approval. If the FDA does not allow us to pursue the Section 505(b)(2) regulatory pathway as anticipated, we may need to conduct additional clinical trials, provide additional data and information, and meet additional standards for regulatory approval. If this were to occur, the time and financial resources required to obtain FDA approval for these product candidates, and complications and risks associated with these product candidates, would likely substantially increase. We could need to obtain more additional funding, which could result in significant dilution to the ownership interests of our then existing stockholders to the extent we issue equity securities or convertible debt. We cannot assure you that we would be able to obtain such additional financing on terms acceptable to us, if at all. Moreover, inability to pursue the Section 505(b)(2) regulatory pathway would likely result in new competitive products reaching the market more quickly than our product candidates, which would likely materially adversely impact our competitive position and prospects. Even if we are allowed to pursue the Section 505(b)(2) regulatory pathway, we cannot assure you that our product candidates will receive the requisite approvals for commercialization.

In addition, notwithstanding the approval of a number of products by the FDA under Section 505(b)(2) over the last few years, certain brand-name pharmaceutical companies and others have objected to the FDA's interpretation of Section 505(b)(2). If the FDA's interpretation of Section 505(b)(2) is successfully challenged, the FDA may change its Section 505(b)(2) policies and practices, which could delay or even prevent the FDA from approving any NDA that we submit under Section 505(b)(2). In addition, the pharmaceutical industry is highly competitive, and Section 505(b)(2) NDAs are subject to special requirements designed to protect the patent rights of sponsors of previously approved drugs that are referenced in a Section 505(b)(2) NDA. These requirements may give rise to patent litigation and mandatory delays in approval of our NDAs for up to 30 months or longer depending on the outcome of any litigation. It is not uncommon for a manufacturer of an approved product to file a citizen petition with the FDA seeking to delay approval of, or impose additional approval requirements for, pending competing products. If successful, such petitions can significantly delay, or even prevent, the approval of the new product. However, even if the FDA ultimately denies such a petition, the FDA may substantially delay approval while it considers and responds to the petition. In addition, even if we are able to utilize the Section 505(b)(2) regulatory pathway, there is no guarantee this would ultimately lead to faster product development or earlier approval.

Moreover, even if our product candidates are approved under Section 505(b)(2), the approval may be subject to limitations on the indicated uses for which the products may be marketed or to other conditions of approval, or may contain requirements for costly post-marketing testing and surveillance to monitor the safety or efficacy of the products.

***If any of our contract manufacturers fails to produce our products in the volumes that we require on a timely basis, or to comply with stringent regulations applicable to pharmaceutical drug manufacturers, we may face delays in the commercialization of our products or development and commercialization of any future product candidate, if approved, or be unable to meet market demand, and may lose potential revenues.***

The manufacture of pharmaceutical products requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls, and the use of specialized processing equipment. Any termination or disruption of any current or future relationships relating to product development may materially harm our business and financial condition and frustrate any development and commercialization efforts for affected current or future products or future product candidates.

Any current or future contract manufacturers we engage must comply with strictly enforced federal, state and foreign regulations, including cGMP requirements enforced by the FDA through its establishment inspection program. Despite the existence of contract manufacturing agreements and shared cGMP responsibilities, our contract manufacturers' may ignore these contractual provisions, or otherwise fail to meet the minimum standards set forth in the cGMP regulations, resulting in manufacturing non-compliance. This may go unnoticed or uncorrected despite our best efforts to regulatory audit or confirm the CMOs regulatory responsibilities. Any failure to comply with applicable regulations may result in fines and civil penalties, suspension of production, suspension or delay in product approval, product seizure or recall, or withdrawal of product approval, and would limit the availability of our product. Any manufacturing defect or error discovered after products have been produced and distributed could result in even more significant consequences, including costly recalls, re-stocking costs, damage to our reputation and potential for product liability claims.

If the CMOs upon which we rely to manufacture any current products, and any potential product candidates we may in-license or acquire, fail to deliver the required commercial quantities on a timely basis at commercially reasonable prices, we would likely be unable to meet demand for our products and we would lose potential revenues.

***If serious adverse events are identified during the development of any future product candidates, we may need to abandon or limit our development of these product candidates.***

If any future product candidates are associated with undesirable adverse events, toxicities, or other negative characteristics, we may need to abandon such product candidates' development or limit development to more narrow uses or subpopulations. Such adverse events may affect patient recruitment or the ability of enrolled patients to complete the trial and could result in potential product liability claims. Many compounds that show initial promise in early-stage testing are later found to be associated with adverse events that prevent further development. If our clinical trials reveal severe or prevalent adverse events, our trials could be suspended or terminated, we may be unable to recruit patients and enrolled patients may be unable to complete the trials, and the FDA or comparable foreign regulatory authorities could issue a clinical hold, or order us to cease further development or deny approval of the product candidate. The FDA may also request additional data, which it has done with increased prevalence in recent years, which has resulted in substantial delays in new drug approvals. Undesirable adverse events associated with any future product candidates could also result in the inclusion of unfavorable information in our product labeling, if approved, denial of regulatory approval by the FDA or other regulatory authorities for any or all targeted indications, and in turn prevent us from commercializing and generating revenues from the sale of such product candidate.

If one or more of our current products or any future product candidate receives marketing approval and we or others later identify undesirable adverse events associated with this product or any future product candidate, or we fail to comply with post-market regulatory requirements, a number of potentially significant negative consequences could result, including:

- regulatory authorities may require the addition of unfavorable labeling statements, specific warnings or a contraindication;
- regulatory authorities may suspend or withdraw their approval of the product, or require it to be removed from the market;
- we may be required to change the way the product is administered, conduct additional clinical trials or change the labeling of the product; or
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of any future product candidate or could substantially increase our development and commercialization costs and expenses, which could delay or prevent us from generating significant revenues.

***All of our current and future products will remain subject to substantial regulatory scrutiny even after receiving regulatory approval.***

Any products or future product candidates we may license or acquire will be subject to ongoing regulatory and compliance requirements and oversight by the FDA and other regulatory authorities. These requirements include labeling, packaging, storage, advertising, promotion, record-keeping and submission of safety and other post-market information and reports, registration and listing requirements, cGMP requirements relating to manufacturing, quality control, quality assurance and corresponding maintenance of records and documents, requirements regarding the distribution of samples to physicians and other licensed medical professionals and recordkeeping of the drug. The Food and Drug Administration Amendments Act of 2007 granted significant expanded authority to the FDA, much of which was aimed at improving the safety of drug products before and after approval. The FDA may also impose requirements for costly post-marketing studies or clinical trials and surveillance to monitor the safety or efficacy of the product. The FDA closely regulates the post-approval marketing and promotion of drugs to ensure drugs are marketed only for the approved indications and in accordance with the provisions of the approved labeling. The FDA imposes stringent restrictions on manufacturers' communications regarding off-label use and if we do not market our products for only their approved indications, we may be subject to enforcement action for off-label marketing. While physicians and other healthcare providers may choose to prescribe drugs for uses that are not described in the product's labeling and for uses that differ from those tested in clinical studies and approved by the regulatory authorities, our ability to promote the products is limited to those indications that are specifically approved by the FDA. These "off-label" uses are common across medical specialties and may constitute an appropriate treatment for some patients in varied circumstances. Regulatory authorities in the U.S. generally do not regulate the practice of medicine, including the clinical behavior of physicians and other healthcare providers in their choice of treatments. Regulatory authorities do; however, restrict communications by pharmaceutical companies on the subject of off-label use.

Violations of the FDCA relating to the promotion of prescription drugs may lead to investigations alleging violations of federal and state health care fraud and abuse laws, as well as state consumer protection laws.

In addition, later discovery of previously unknown adverse events or other problems with our products, manufacturers or manufacturing processes, or failure to comply with regulatory requirements, may yield various results, including:

- restrictions on such products or their manufacturers or manufacturing processes;
- restrictions on the labeling or marketing of a product;
- restrictions on product distribution or use;
- requirements to conduct post-marketing studies or clinical trials;
- warning letters, untitled letters, or Form 483s;
- withdrawal of the products from the market;
- refusal to approve pending applications or supplements to approved applications that we submit;
- recall of products;
- fines, restitution or disgorgement of profits;
- suspension or withdrawal of marketing or regulatory approvals;
- suspension of any ongoing clinical trials;
- denial of permits to import or export our products;
- product seizure; or
- injunctions or the imposition of civil or criminal penalties.

The FDA's policies may change, and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our future product candidates. There is added uncertainty with the new presidential administration that began in 2025. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any marketing approval that we may have obtained.

***Our current and future relationships with customers and third-party payors in the United States and elsewhere may be subject, directly or indirectly, to applicable anti-kickback, fraud and abuse, false claims, transparency, health information privacy and security and other healthcare laws and regulations, which could expose us to criminal sanctions, civil penalties, contractual damages, reputational harm, administrative burdens and diminished profits and future earnings.***

Healthcare providers, physicians and third-party payors in the United States and elsewhere play a primary role in the recommendation and prescription of our current products and any future product candidates for which we obtain marketing approval. Our current and future arrangements with third-party payors for the sales of our products and sales to customers may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations, including, without limitation, the federal Anti-Kickback Statute ("AKS") and the federal False Claims Act, which may constrain the business or financial arrangements and relationships through which we sell, market and distribute any current products or future product candidates for which we obtain marketing approval. In addition, we may be subject to transparency laws and patient privacy regulation by U.S. federal and state governments and by governments in foreign jurisdictions in which we conduct our business. The applicable federal, state and foreign healthcare laws and regulations that may affect our ability to operate include:

- AKS, which prohibits, among other things, persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase, order or recommendation of, any good or service, for which payment may be made under federal and state healthcare programs, such as Medicare and Medicaid. The OIG continues to make modifications to existing AKS safe harbors which may increase liability and risk as well as adversely impact sales relationships. The majority of states also have statutes or regulations similar to these federal laws, which apply to items and services reimbursed under Medicaid and other state programs, or, in several states, apply regardless of the payor;

- federal civil and criminal false claims laws and civil monetary penalty laws, including the federal False Claims Act, which impose criminal and civil penalties, including civil whistleblower or qui tam actions, against individuals or entities for knowingly presenting, or causing to be presented, to the federal government, including the Medicare and Medicaid programs, claims for payment that are false or fraudulent or making a false statement to avoid, decrease or conceal an obligation to pay money to the federal government;

- HIPAA, which imposes criminal and civil liability for executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters;

- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, and their respective implementing regulations, which impose obligations on covered healthcare providers, health plans, and healthcare clearinghouses, as well as their business associates that create, receive, maintain or transmit individually identifiable health information for or on behalf of a covered entity, with respect to safeguarding the privacy, security and transmission of individually identifiable health information;

- the federal Open Payments program, which requires manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program, with specific exceptions, to report annually to the Centers for Medicare & Medicaid Services ("CMS"), information related to "payments or other transfers of value" made to physicians, which is defined to include doctors, dentists, optometrists, podiatrists, chiropractors, physician assistants, nurse practitioners, clinical nurse specialists, certified nurse anesthetists, certified nurse-midwives and teaching hospitals and applicable manufacturers and applicable group purchasing organizations to report annually to CMS ownership and investment interests held by the physicians and their immediate family members;

- U.S. Foreign Corrupt Practices Act, or FCPA, which prohibit us and third parties working on our behalf from making payments to foreign government officials to assist in obtaining or retaining business. Specifically, the anti- bribery provisions of the FCPA prohibit the willful use of the mails or any means of instrumentality of interstate commerce corruptly in furtherance of any offer, payment, promise to pay, or authorization of the payment of money or anything of value to any person, while knowing that all or a portion of such money or thing of value will be offered, given or promised, directly or indirectly, to a foreign official to influence the foreign official in his or her official capacity, induce the foreign official to do or omit to do an act in violation of his or her lawful duty, or to secure any improper advantage in order to assist in obtaining or retaining business for or with, or directing business to, any person; enforcement actions may be brought by the Department of Justice or the SEC; legislation has expanded the SEC's power to seek disgorgement in all FCPA cases filed in federal court and extended the statute of limitations in SEC enforcement actions in intent-based claims, such as those under the FCPA, from five years to ten years;

- Increased OIG scrutiny on the sale of our products through specialty pharmacies by means of direct investigation or by issuance of unfavorable Opinion Letters which may curtail or hinder the sales of our products based on risk of enforcement upon ourselves or our buyers;

- analogous state and foreign laws and regulations, such as state anti-kickback and false claims laws, which may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third-party payors, including private insurers; state and foreign laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government or otherwise restrict payments that may be made to healthcare providers;

- state and foreign laws that require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures; and

- state and foreign laws governing the privacy and security of health information in certain circum-stances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

Efforts to ensure that our business arrangements with third parties will comply with applicable healthcare laws and regulations may involve substantial costs. It is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, including, without limitation, damages, fines, imprisonment, exclusion from participation in government healthcare programs, such as Medicare and Medicaid, and the curtailment or restructuring of our operations, which could have a material adverse effect on our business. If any of the physicians or other healthcare providers or entities with whom we expect to do business, including our collaborators, is found not to be in compliance with applicable laws, it may be subject to criminal, civil or administrative sanctions, including exclusions from participation in government healthcare programs, which could also materially affect our business.

We have established and implemented a corporate compliance program designed to prevent, detect and correct violations of state and federal healthcare laws, including laws related to advertising and promotion of our products. Nonetheless, enforcement agencies or private plaintiffs may take the position that we are not in compliance with such requirements and, if such noncompliance is proven, the Company and, in some cases, individual employees, may be subject to significant liability, including the aforementioned administrative, civil and criminal sanctions.

***Our products and future product candidates may become subject to unfavorable pricing regulations, third-party coverage and reimbursement practices or healthcare reform initiatives, which could harm our business.***

The ability to successfully commercialize any product candidate that receives marketing authorization depends in part on the extent to which coverage and reimbursement for these products and related treatments will be available from government health administration authorities, private health insurers and other organizations. Government authorities and other third-party payors, such as private health insurers and health maintenance organizations, decide which medications they will pay for and establish reimbursement levels. A primary trend in the healthcare industry in the United States and elsewhere is cost containment.

The United States and many foreign jurisdictions have enacted or proposed legislative and regulatory changes affecting the healthcare system, including implementing cost-containment programs to limit the growth of government-paid healthcare costs, including price controls, restrictions on reimbursement and requirements for substitution of generic products for branded prescription drugs. In the United States, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (the "Affordable Care Act"), was intended to broaden access to health insurance, reduce or constrain the growth of healthcare spending, enhance remedies against fraud and abuse, add transparency requirements for the healthcare and health insurance industries, impose new taxes and fees on the health industry and impose additional health policy reforms. We expect that changes to the Affordable Care Act, the Medicare and Medicaid programs, changes allowing the federal government to directly negotiate drug prices and changes stemming from other healthcare reform measures, especially with regard to healthcare access, financing or other legislation in individual states, may result in more rigorous coverage criteria and in additional downward pressure on the price that can be charged for drug products. In addition, on May 12, 2025, President Trump issued an executive order implementing the concept of most-favored nation pricing. Under this order, the Department of Health and Human Services, in coordination with other federal agencies, is directed to take actions to ensure that the price of prescription drugs paid by federal health insurers, including Medicare and Medicaid, is in line with the prices paid in comparably developed nations. Any reduction in reimbursement from Medicare, Medicaid, or other government programs may result in a similar reduction in payments from private payers.

The Inflation Reduction Act of 2022 (the "IRA") contains substantial drug pricing reforms, including the establishment of a drug price negotiation program within the U.S. Department of Health and Human Services that would require manufacturers to charge a negotiated "maximum fair price" for certain selected drugs or pay an excise tax for noncompliance, the establishment of rebate payment requirements on manufacturers of certain drugs payable under Medicare Parts B and D to penalize price increases that outpace inflation, and requires manufacturers to provide discounts on Part D drugs. Orphan drugs that treat only one rare disease are exempt from the IRA's drug negotiation program. Substantial penalties can be assessed for noncompliance with the drug pricing provisions in the IRA.

As an alternative to the Affordable Care Act, President Trump recently announced the Great Healthcare Plan. As presented, the plan is intended to lower drug prices by increasing competition and benchmarking U.S. drug prices to other countries, reduce insurance premiums by redirecting subsidies from insurers to individuals, increase accountability and transparency from insurers, and promote consumer choice by giving individuals more direct control over how healthcare dollars are spent. Legislative and regulatory action will be required to fully implement the plan. It is unclear how these proposed changes will impact our business and the pharmaceutical industry in general.

At the state level, legislatures have increasingly passed legislation and implemented regulations designed to control pharmaceutical product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. Additional federal, state and foreign healthcare reform measures will be adopted in the future.

The implementation of any of the cost containment measures or other healthcare reforms discussed above may prevent us from being able to generate revenue, attain profitability or commercialize our products.

Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for drugs. It is uncertain whether additional legislative changes will be enacted, or whether the FDA regulations, guidance or interpretations will be changed, or what the impact of such may be. In addition, increased Congressional scrutiny of the FDA's approval process, as well as staffing cuts effected at the FDA in early 2025, may significantly delay or prevent marketing approval, and the industry could become subject to more stringent product labeling and post-marketing testing and other requirements, any of which could have a material adverse impact on the development and commercialization of drug products.

Over the last several years, the U.S. government shut down several times and certain regulatory agencies, such as the FDA and the SEC, had to furlough critical employees and stop critical activities. If a prolonged government shutdown occurs, it could significantly impact the ability of the FDA to review and process any regulatory submissions we submit in a timely matter, which could have a material adverse effect on our business. Further, future government shutdowns could impact our ability to access the public markets and obtain necessary capital in order to properly capitalize and continue our operations.

***Public concern regarding the safety of any of our products and any future product candidates could delay or limit our ability to obtain regulatory approval, result in the inclusion of unfavorable information in our labeling, or require us to incur additional costs.***

In light of widely publicized events concerning the safety risk of certain drug products, the FDA, members of Congress, the Government Accountability Office, medical professionals and the general public have raised concerns about potential drug safety issues. These events have resulted in the withdrawal of drug products, revisions to drug labeling that further limit use of the drug products, and the establishment of risk management programs. The increased attention to drug safety issues may result in a more cautious approach by the FDA in its review of data from any clinical trials we may conduct. Data from clinical trials may receive greater scrutiny, particularly with respect to safety, which may make the FDA or other regulatory authorities more likely to require additional preclinical studies or clinical trials. If the FDA requires us to conduct additional preclinical studies or clinical trials prior to approving any other potential future product candidate, our ability to obtain approval of such product candidate will be delayed. If the FDA requires us to provide additional clinical or preclinical data following the approval of any potential future product candidate, the indications for which such product candidate is approved may be limited or there may be specific warnings or limitations on dosing, and our efforts to commercialize potential future product candidate, if approved, may be otherwise adversely impacted.

***Our potential future product candidates may not receive regulatory approval, or such approval may be delayed, which would have a material adverse effect on our business and financial condition. Further, even if a product candidate receives regulatory approval, such product will remain subject to substantial regulatory scrutiny.***

Although all of our current products have been approved by the FDA any potential future product candidates and the activities associated with their development and commercialization, including their design, testing, manufacture, safety, efficacy, recordkeeping, labeling, storage, approval, advertising, promotion, sale and distribution, are subject to comprehensive regulation by the FDA and other regulatory agencies in the United States and abroad. Our failure to obtain marketing approval for any future product candidates will prevent us from commercializing the product candidates. Further, any future product candidates we license or acquire will be subject to ongoing requirements and review by such regulatory authorities.

We have limited experience in filing and supporting the applications necessary to gain marketing approvals and expect to rely on third parties to assist us in this process. To secure marketing approval, we will be required to establish a product candidate's safety and efficacy by submitting extensive preclinical and clinical data and supporting information for each therapeutic indication. We will further be required to submit information about the product manufacturing and to undergo regulatory inspection of our third-party manufacturing facilities to ensure ongoing compliance with cGMP requirements.

Any of our future product candidates may not be effective, may be only moderately effective or may prove to be associated with undesirable or unintended adverse events, toxicities or other characteristics that may preclude us from obtaining marketing approval or prevent or limit commercial use. If any future product candidates receive(s) marketing approval, the accompanying label may limit the approved use of our drug in this way, which could limit sales of the product.

The marketing approval process, both in the United States and abroad, is time consuming and expensive. Approval may take many years, and if it is granted can vary substantially based upon a variety of factors, including the type, complexity and novelty of the product candidates involved. Our product candidates could be delayed in receiving, or fail to receive, regulatory approval for many reasons, including: the FDA or comparable foreign regulatory authorities may disagree with the design or implementation of our clinical trials; the FDA or comparable foreign regulatory authorities may disagree with our development strategy; we may be unable to demonstrate to the satisfaction of the FDA or comparable foreign regulatory authorities that a drug candidate is safe and effective for its proposed indication or is suitable to identify appropriate patient populations; the results of clinical trials may not meet the level of statistical significance required by the FDA or comparable foreign regulatory authorities for approval; we may be unable to demonstrate that a product candidate's clinical and other benefits outweigh its safety risks.

Changes to marketing approval policies or the regulatory landscape during the development period may cause rejection of or delays in the approval of an application. Regulatory authorities have substantial discretion in the approval process and may refuse to accept any application or decide that our data is insufficient for approval and require costly additional preclinical studies or clinical trials. In addition, varying interpretations of the data obtained from preclinical and clinical testing could delay, limit or prevent marketing approval of a product candidate. Any marketing approval we ultimately obtain may be limited or subject to restrictions or post-approval commitments that render the approved product not commercially viable. If we experience delays in obtaining or fail to obtain or maintain any necessary approvals of any future product candidates, receive approval for fewer or more limited indications than we request or without including the labeling claims we desire, our future commercial prospects may be harmed and our ability to generate revenue may be materially impaired. Even if we do receive approval, it may be contingent on the performance of costly post-marketing clinical trials to verify whether or not the drug provides the anticipated clinical benefit, in order to maintain the approval.

***If we experience delays or difficulties in the enrollment of patients in any future clinical trials, our receipt of necessary regulatory approvals could be delayed or prevented.***

We may not be able to initiate any future clinical trials for any future product candidates if we are unable to locate and enroll a sufficient number of eligible patients to participate in these trials as required by the FDA or similar regulatory authorities outside the United States. Some of our competitors may have ongoing clinical trials for product candidates that treat the same indications as our future product candidates, and patients who would otherwise be eligible for any future clinical trials may instead enroll in clinical trials of our competitors' product candidates. Patient enrollment is affected by other factors, including:

- the severity of the disease under investigation;
- the eligibility criteria for a study;
- the perceived risks and benefits of the product candidate under study;
- the efforts to facilitate timely enrollment in clinical trials;
- the patient referral practices of physicians;
- the ability to monitor patients adequately during and after treatment; and
- the proximity and availability of clinical trial sites for prospective patients.

Our inability to enroll a sufficient number of patients for any future clinical trials would result in significant delays and could require us to abandon any future clinical trials altogether. Enrollment delays in any future clinical trials may result in increased development costs for any future product candidates, which would cause the value of our company to decline and limit our ability to obtain additional financing.

***We expect intense competition for our products and any future product candidates, and new products may emerge that provide different or better therapeutic alternatives for our targeted indications.***

We face, and will continue to face, competition in the development and marketing of products from academic institutions, government agencies, research institutions and biotechnology and pharmaceutical companies, including specialty and other large pharmaceutical companies, and OTC companies and generic manufacturers. The dermatology competitive landscape is highly fragmented, with many mid-size and smaller companies competing in the prescription sector. Our competitors are pursuing the development and/or acquisition of pharmaceuticals, medical devices and OTC products targeting the same diseases, conditions, and indications as our products. There can be no assurance that our competitors' developments, including the development of other drug technologies and methods of preventing the incidence of disease, will not render our current products or future product candidates obsolete or noncompetitive.

If patents covering any of our currently marketed products expire or are successfully challenged, or when the regulatory or licensed exclusivity for our products expires or is otherwise lost, we will face increased competition from generic versions of our products. Generic versions are generally significantly less expensive than branded versions and third-party reimbursement programs may require or prefer that a generic version is used before the branded version. Accordingly, when a branded product loses market exclusivity, the product faces intense price competition from generic versions. To successfully compete for business with managed care and pharmacy benefits management organizations, we must demonstrate that our products offer medical and cost advantages when compared with other forms.

Competitive factors vary by product line and geographic area in which the products are sold. The principal methods of competition for our products include quality, efficacy, market acceptance, price, and marketing and promotional efforts. The commercial opportunity for our products and/or future product candidates could be significantly harmed if competitors are able to develop alternative formulations outside the scope of our in-licensed intellectual property. Many of our potential competitors have substantially greater capital resources, development resources, including personnel and technology, clinical trial and regulatory experience, expertise in the prosecution of intellectual property rights, and manufacturing, distribution, and sales and marketing than we do.

As a result of these factors, our competitors may obtain regulatory approval of their products more rapidly than we are able to or may obtain patent protection or other intellectual property rights that limit our ability to develop or commercialize any future product candidates. Our competitors may also develop drugs or products that are more effective, safe, useful and less costly than ours and may be more successful than us in manufacturing and marketing their drugs or products. If we are unable to compete effectively, our business, prospects, results of operations, financial condition or cash flows may be materially adversely affected.

***If our products do not achieve broad market acceptance, including by government and third-party payors, the revenues that we generate from sales will be limited.***

The commercial success of our products or any future product candidates for which we receive marketing authorization will depend upon their acceptance by the medical community and coverage and reimbursement for our products by third-party payors, including government payors. The degree of market acceptance of our products or any other potential product candidate we may develop, license or acquire will depend on a number of factors, including:

- the success of any potential clinical studies during the drug development process;
- limitations of use, contraindications, or warnings contained in the product's FDA-approved labeling;
- changes in the standard of care for the targeted indications for any future product candidates, which could reduce the marketing impact of any superiority claims that we could make following FDA approval;
- ability to be listed on formularies (lists of recommended or approved medicines and other products) and reimbursement lists by demonstrating the qualities and treatment benefits of our products within their approved indications; and
- potential advantages over, and availability of, alternative treatments.

Our ability to effectively promote and sell our current products and any future product candidates for which we receive marketing authorization, we may develop, license or acquire in the marketplace will also depend on pricing and cost effectiveness, including our ability to produce a product at a competitive price and achieve acceptance of the product onto formularies, as well as our ability to obtain sufficient third-party coverage or reimbursement. Since many insurance plans are members of group purchasing organizations, which leverage the purchasing power of a group of entities to obtain discounts based on the collective buying power of the group, our ability to attract customers in the marketplace will also depend on our ability to effectively promote any future product candidates to group purchasing organizations. We will also need to demonstrate acceptable evidence of safety and efficacy, as well as relative convenience and ease of administration. Market acceptance could be further limited depending on the prevalence and severity of any expected or unexpected adverse events associated with any future product candidates. If any future product candidates are approved but do not achieve an adequate level of acceptance by physicians, health care payors and patients, we may not generate sufficient revenue from these products, and we may not become or remain profitable. In addition, our efforts to educate the medical community and third-party payors on the benefits of any future product candidates may require significant resources and may never be successful.

Further, in both domestic and foreign markets, any future product sales will depend in part upon the availability of coverage and reimbursement from third-party payors. Such third-party payors include government health programs such as Medicare, managed care providers, private health insurers and other organizations. We may need to conduct post-marketing studies in order to demonstrate the cost-effectiveness of any future products to the satisfaction of target customers and their third-party payors. Such studies might require us to commit a significant amount of management time and financial and other resources. Our current or future products might not ultimately be considered cost-effective. Adequate third-party coverage and reimbursement might not be available to enable us to maintain price levels sufficient to realize an appropriate return on investment in product development.

**Risks Related to Our Reliance on Third Parties**

***If we are unable to maintain sales, marketing, and distribution capabilities, or to enter into agreements with third parties to market and sell our current products or any future product candidates for which we receive marketing authorization, we may not be successful in generating revenues from selling and commercializing our current products and any future product candidates for which we receive marketing authorization.***

In order to commercialize any of our current products or any future products or product candidates that have not yet received marketing approval or for which we have not yet acquired rights, we may need to build additional marketing, sales, distribution, managerial and other non-technical capabilities or make arrangements with third parties to perform these services tailored to those products, and we may not be successful in doing so. In the event of successful development and regulatory approval of any potential new product candidate, or a new product acquisition, we expect to build a targeted specialist field sales force to market or co-promote that specific product. There are risks involved with establishing our own sales, marketing and distribution capabilities. For example, recruiting and training a field sales force is expensive and time consuming and could delay any product launch. If the commercial launch of a future product candidate or acquired product for which we recruit a field sales force and establish marketing capabilities is delayed or does not occur for any reason, we would have prematurely or unnecessarily incurred these commercialization expenses. This may be costly, and our investment would be lost if we cannot retain or reposition our sales and marketing personnel.

Factors that may inhibit our efforts to maintain our current products' marketing and sales organizations and/or commercialize any future products on our own include:

- our inability to recruit, train and retain adequate numbers of effective sales and marketing personnel;
- the inability of sales personnel to obtain access to physicians and other healthcare providers or persuade adequate numbers of physicians and other healthcare providers to prescribe any future products;
- the lack of complementary or other products to be offered by sales personnel, which may put us at a competitive disadvantage from the perspective of sales efficiency relative to companies with more extensive product lines; and
- unforeseen costs and expenses associated with creating an independent sales and marketing organization.

***We are dependent on third parties to supply raw materials used in our products, to manufacture our products, and to provide services for certain core aspects of our business. Any interruption or failure by these suppliers, distributors, and collaboration partners to meet their contractual obligations to us or obligations pursuant to applicable laws and regulations may materially adversely affect our business, financial condition, results of operations and cash flows.***

We rely on third parties to supply raw materials, to manufacture, warehouse, and distribute our products, as well as to provide customer service support, medical affairs services, clinical studies, sales, and other technical and financial services. All third-party suppliers and contractors are subject to FDA requirements, as well as those of comparable regulatory authorities. Our business and financial viability are dependent on the continued supply of goods and services by these third parties, the regulatory compliance of these third parties and on the strength, validity and terms of our various contracts with these third parties. Any interruption or failure by our suppliers, distributors and collaboration partners to meet their obligations pursuant to various agreements with us on schedule or in accordance with our expectations, misappropriation of our proprietary information, including trade secrets and know-how, or any termination by these third parties of their arrangements with us, which, in each case, could be the result of one or many factors outside of our control, could delay or prevent the future development, future approval, manufacture or commercialization of our products, result in non-compliance with applicable laws and regulations, cause us to incur failure-to-supply penalties with our wholesale customers, disrupt our operations or cause reputational harm to our company, any or all of which could have a material adverse effect on our business, financial condition, results of operations and cash flows. We may also be unsuccessful in resolving any underlying issues with such suppliers, distributors and partners or replacing them within a reasonable time and on commercially reasonable terms.

We do not expect to have the resources or capacity to commercially manufacture any future approved product candidates ourselves. We will likely continue to be heavily dependent upon third-party manufacturers, over whose manufacturing practices and processes we will have oversight, but not direct control, which may adversely affect our ability to develop and commercialize products in a timely or cost-effective manner, if at all. If any of our third-party manufacturers should become unavailable to us for any reason, including as a result of capacity constraints, differing priorities, financial difficulties or insolvency, we would likely incur added costs and delays in identifying or qualifying replacements. We may be unable to establish agreements with such replacement manufacturers or to do so on terms acceptable to us, and our reputation, business, financial condition and results of operations could be negatively impacted.

The pharmaceutical manufacturing process requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls, and the use of specialized processing equipment. Further, the CMOs with which we contract must comply with strictly enforced federal, state, and foreign regulations, including the cGMP requirements enforced by the FDA. We will rely on our CMOs to comply with all such regulatory requirements, including cGMP requirements, and failure to do so may result in fines and civil penalties, suspension of production, suspension, delay, or withdrawal of product approval, product seizure or recall, and may limit the availability of our product. Any manufacturing defect or error discovered after products have been produced and distributed could result in costly recall procedures, re-stocking costs, damage to our reputation and potential for product liability claims. The FDA would likely hold us ultimately responsible for any product our CMO manufactures and regulatory enforcement for failure to meet FDA requirements would impact both the CMO and ourselves. The FDA considers the owners of drug products to be ultimately responsible for their products, even where a CMO or other third-party manufacturer fails to meet FDA requirements specific to manufacturing activities. Despite the fact that we have limited oversight, and no direct control over these manufacturing activities, any failure by a CMO to meet the requirements of the regulations would have an adverse impact on both the CMO and ourselves.

We also may rely on third-party manufacturers to purchase from third-party suppliers the materials necessary to produce any future product candidates for anticipated clinical trials. There are a small number of suppliers for certain capital equipment and raw materials that are used to manufacture those products. We do not have any control over the process or timing of the acquisition of these raw materials by our third-party manufacturers. Moreover, we currently do not have any agreements for the commercial production of these raw materials. Any significant delay in the supply of raw material components related to an ongoing clinical trial could considerably delay completion of our clinical trials, product testing and potential regulatory approval.

***We expect to rely on third parties to conduct any future preclinical studies and clinical trials, and those third parties may not perform satisfactorily, including by failing to meet deadlines for the completion of such trials or to comply with applicable regulatory requirements.***

We expect to rely on third-party contract and clinical research organizations, clinical data management organizations, and medical institutions and clinical investigators to conduct future preclinical studies and clinical trials. Any future agreements with these third parties might terminate for a variety of reasons, including a failure to perform by the third parties. If we need to enter into alternative arrangements, that could delay any future product development activities.

Our reliance on any third parties for research and development activities will reduce our own control over these activities but will not relieve us of our responsibilities. We will remain responsible for ensuring that each of any future preclinical studies and clinical trials are conducted in accordance with the general investigational plan and protocols for the trial and for ensuring that any future preclinical studies are conducted in accordance with good laboratory practice (“GLP”) as appropriate. Moreover, the FDA requires us to comply with standards, commonly referred to as good clinical practices (“GCPs”) for conducting, recording and reporting the results of clinical trials to assure that data and reported results are credible and accurate and that the rights, integrity and confidentiality of trial participants are protected. Regulatory authorities enforce these requirements through periodic inspections of trial sponsors, clinical investigators and trial sites. If we or any third party on which we rely fail to comply with applicable GCPs, the clinical data generated in our clinical trials may be deemed unreliable and the FDA or comparable foreign regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. We cannot assure you that any such regulatory authority, upon inspection of any future clinical trial, will determine that such clinical trial complies with GCP regulations. In addition, any future clinical trials must be conducted with product produced under cGMP regulations and subject to an IND. Our failure to comply with these regulations may require us to repeat clinical trials, which would delay the regulatory approval process. We also are required to register ongoing clinical trials and post the results of completed clinical trials on a government-sponsored database, ClinicalTrials.gov, within specified timeframes. Failure to do so can result in fines, adverse publicity and civil and criminal sanctions.

The third parties with whom we may contract to help perform future preclinical studies or clinical trials may also have relationships with other entities, some of which may be our competitors. If these third parties do not successfully carry out their contractual duties, meet expected deadlines or conduct our preclinical studies or clinical trials in accordance with regulatory requirements or our stated protocols, we will not be able to obtain, or may be delayed in obtaining, marketing approvals for any future product candidates and will not be able to, or may be delayed in our efforts to, successfully commercialize such product candidates, if approved.

If any of our future relationships with these third-party contract research organizations or clinical research organizations terminate, we may not be able to enter into arrangements with alternative contract research organizations or clinical research organizations or to do so on commercially reasonable terms. Switching or adding additional contract research organizations or clinical research organizations involves additional cost and requires management time and focus. In addition, there is a natural transition period when a new contract research organization or clinical research organization commences work. As a result, delays could occur, which could compromise our ability to meet our desired development timelines. Though we will carefully manage any future relationships with contract research organizations or clinical research organizations, there can be no assurance that we will not encounter similar challenges or delays in the future.

***We rely on clinical data and results obtained by third parties that could ultimately prove to be inaccurate or unreliable.***

As part of our strategy to mitigate development risk, we intend on developing product candidates with validated mechanisms of action and assess potential clinical efficacy early in the development process or otherwise acquire the rights to products for which marketing approval has already been obtained. This strategy necessarily relies upon clinical data and other results obtained by third parties that may ultimately prove to be inaccurate or unreliable. If the third-party data and results we rely upon prove to be inaccurate, unreliable or not applicable to future product candidates or acquired products, we could make inaccurate assumptions and conclusions about any future product candidates and our research and development efforts could be compromised.

***If successful product liability claims are brought against us, we may incur substantial liability, and may have to limit the commercialization of certain current or future products or product candidates.***

The use of our products and any future product candidate we may license, acquire or develop in clinical trials and the sale of any products for which we obtain marketing approval expose us to the risk of product liability claims. For example, we may be sued if any product or product candidate we develop or sell allegedly causes injury or is found to be otherwise unsuitable during clinical testing, manufacturing, marketing, or sale. Product liability claims might be brought against us by consumers, health care providers or others who use, administer, or sell our products. If we cannot successfully defend ourselves against these claims, we will incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in:

- termination of clinical trial sites or entire trial programs or withdrawal of clinical trial participants;
- regulatory investigations by governmental authorities related to regulatory issues or alleged non-compliances;
- litigation costs and potential monetary awards to patients or other claimants;
- harm to our reputation and/or decreased demand for our products and corresponding revenue loss;
- reduced resources of our management to pursue our business strategy; and
- the inability to commercialize our current products or any future product candidates for which we receive marketing authorization.

We will obtain limited product liability insurance coverage for any and all future clinical trials. However, our insurance coverage may not reimburse us or may not be sufficient to reimburse us for any expenses or losses we may suffer. Moreover, insurance coverage is becoming increasingly expensive, and, in the future, we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against losses due to liability. Our current insurance coverage includes the sale of commercial products, but we may be unable to maintain or obtain commercially reasonable product liability insurance for any products approved for marketing. On occasion, large judgments have been awarded in class action lawsuits based on drugs that had unanticipated adverse events. A successful product liability claim or series of claims brought against us could cause our stock price to fall and, if judgments exceed our insurance coverage, could decrease our cash and materially adversely affect our business, results of operations, financial condition or cash flows.

We began marketing and promoting Accutane, an isotretinoin product in the second quarter of 2021. Isotretinoin has a black box warning for use in pregnant women. Isotretinoin also has warnings for adverse events related to psychiatric disorders and inflammatory bowel disease, among others. Historically, isotretinoin has been the subject of significant product liability claims, mainly related to irritable bowel disease. Currently, there is no significant isotretinoin product liability litigation. In 2014, the federal multi-district litigation ("MDL") court ruled that the warning label for isotretinoin was adequate and dismissed all remaining federal isotretinoin cases. The MDL dissolved in 2015, effectively ending federal isotretinoin lawsuits. Isotretinoin cases continued in New Jersey state court until 2017, when the trial court judge dismissed the remaining isotretinoin product liability cases. Accordingly, we have substantial defenses should a product liability claim arise related to isotretinoin. However, we cannot predict the ultimate outcome of any litigation and the Company may be required to pay significant amounts as a result of settlement or judgments should any new product liability claim be brought.

We are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. Our operations involve the use of hazardous and flammable materials, including chemicals and biological materials. Our operations also produce hazardous waste products. We generally contract with third parties for the disposal of these materials and wastes. We cannot eliminate the risk of contamination or injury from these materials. Although we believe that the safety procedures for handling and disposing of these materials comply with the standards prescribed by these laws and regulations, we cannot eliminate the risk of accidental contamination or injury from these materials. In the event of contamination or injury resulting from our use of hazardous materials, we could be held liable for any resulting damages, and any liability could exceed our resources. If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could harm our business.

Although we maintain workers' compensation insurance to cover us for costs and expenses we may incur due to injuries to our employees resulting from the use of hazardous materials, this insurance may not provide adequate coverage against potential liabilities. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us in connection with our storage or disposal of biological, hazardous or radioactive materials.

In addition, we may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations, including climate-related initiatives. These current or future laws and regulations may impair our research, development or production efforts. Our failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

***The use of artificial intelligence in the healthcare industry and challenges with properly managing its use could adversely affect our business.***

We may incorporate artificial intelligence ("AI") solutions into our business, and applications of AI may become important in our operations over time. Our competitors or other third parties may incorporate AI into their businesses more quickly or more successfully than us, which could impair our ability to compete effectively and adversely affect our results of operations. There are also significant risks involved in developing and deploying AI, and there can be no assurance that the usage of AI will enhance our products or the development of any future product candidates or be beneficial to our business, including our efficiency or profitability. For example, any AI-related efforts, particularly those related to generative AI, could subject us to risks related to harmful content, inaccuracies, bias, discrimination, intellectual property infringement or misappropriation, defamation, data privacy, cybersecurity, and sanctions and export controls, among others. It is also uncertain how various laws will apply to content generated by AI. We are subject to the risks of new or enhanced governmental or regulatory scrutiny, litigation, or other legal liability, ethical concerns, negative consumer perceptions as to automation and AI, or other complications that could adversely affect our business, reputation, or financial results.

AI's rapid development is the subject of evolving review by various U.S. governmental and regulatory agencies, and other foreign jurisdictions are applying, or are considering applying, their intellectual property, cybersecurity, data protection and other laws to AI, and/or are considering general legal frameworks on AI. We may not be able to timely comply with these frameworks and, if such regulatory actions are contrary to our use of AI, would require us to expend our limited resources to adjust our use accordingly.

**Risks Related to our Growth**

***A significant part of our future growth may depend on our ability to identify and acquire or in-license products, and if we do not successfully identify and acquire or in-license related product candidates or integrate them into our operations, we may have limited growth opportunities.***

An important part of our business strategy is to continue to develop a pipeline of product candidates by acquiring or in-licensing products, product candidates, businesses or technologies that we believe are a strategic fit with our focus on the dermatological marketplace. Future in-licenses or acquisitions may entail numerous operational and financial risks, including:

- exposure to unknown liabilities;
- disruption of our business and diversion of our management's time and attention to develop acquired products or technologies;
- difficulty or inability to secure financing to fund development activities for such acquired or in-licensed technologies in the current economic environment;
- incurrence of substantial debt or dilutive issuances of securities to pay for acquisitions;
- higher than expected acquisition and integration costs;
- increased amortization expenses;
- difficulty and cost in combining the operations and personnel of any acquired businesses with our operations and personnel;
- impairment of relationships with key suppliers or customers of any acquired businesses due to changes in management and ownership; and
- inability to retain key employees of any acquired businesses.

We have limited resources to identify and execute the acquisition or in-licensing of third-party products, future product candidates, businesses, and technologies and to integrate them into our current infrastructure. As a result, we focus on research programs and product candidates that we identify for specific indications, which may cause us to forego or delay pursuit of opportunities with other product candidates or for other indications that may have greater commercial potential. Further, we may devote resources to potential acquisitions or in-licensing opportunities that are ultimately not completed or of which we do not realize the anticipated benefits. Our resource allocation decisions may cause us to fail to capitalize on viable commercial products or profitable market opportunities. Our spending on future research and development programs and product candidates for specific indications may not yield any commercially viable products. If we do not accurately evaluate the commercial potential or target market for a particular product candidate, we may relinquish valuable rights to that product candidate through collaboration, licensing or other royalty arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights to such product candidate.

Additionally, we may compete with larger pharmaceutical companies and other competitors for new collaborations and in-licensing opportunities. These competitors likely will have greater financial resources than we do and may have greater expertise in identifying and evaluating new opportunities. The realization of any of the foregoing risks related to our acquisition and in-license strategy could materially adversely affect our business, results of operations, financial condition or cash flows.

***Our growth is subject to economic and political conditions.***

Our business is affected by global and local economic and political conditions as well as the state of the financial markets, inflation, recession, financial liquidity, currency volatility, growth, and policy initiatives. There can be no assurance that global economic conditions and financial markets will not worsen and that we will not experience any adverse effects that may be material to our consolidated cash flows, results of operations, financial position or our ability to access capital, such as the adverse effects resulting from a prolonged shutdown in government operations both in the United States and internationally. Political changes, including war or other conflicts, some of which may be disruptive, could interfere with our supply chain, our customers and all of our activities in a particular location. These risks could be magnified in connection with the recent and ongoing military conflicts between the United States and Iran, Israel and Hamas and Hezbollah and Russia and Ukraine. However, as of the date of this report, we have not experienced any direct material adverse consequences as a result of these events.

Additionally, trade policies and geopolitical disputes and other international conflicts can result in tariffs, sanctions and other measures that restrict international trade, and can materially adversely affect our business, particularly if these measures occur in regions where drug products are manufactured or raw materials are sourced. Additional and higher tariffs and sanctions may be imposed on goods imported from India (from which we import products), China and other countries which could increase the cost of goods needed to commercialize our products and development of any future product candidates. Further, such actions by the U.S. could result in retaliatory action by those countries which could impact our ability to profitably commercialize our products in those jurisdictions. As a result, our business, operations, and financial condition could be materially harmed.

***Our business may be materially adversely affected by the imposition of duties and tariffs and other trade barriers and retaliatory countermeasures implemented by the U.S. and other governments.***

Recently there have been significant changes to U.S. trade policies, sanctions and tariffs, including, but not limited to, trade policies and the imposition of tariffs affecting products imported from outside of the U.S., including pharmaceutical products. This could have negative impacts on our business operations. These changes to trade policies, sanctions and tariffs have led to increased trade and political tensions between the U.S. and other countries in the international community. In response to the U.S. tariffs, other countries have implemented retaliatory tariffs on U.S. goods. Currently, we import a large portion of our finished products from countries outside of the U.S., including, most significantly, from India. These tariffs or any new or additional tariffs on goods imported to the U.S. from India, or other countries, could increase the cost of sourcing of our products and therefore reduce our margins, reduce our net sales and/or cause us to increase prices. Further, the continued threats of tariffs, trade restrictions and trade barriers could have a generally disruptive impact on the global economy and, therefore, negatively impact our sales, overall business and results of operations. The impact of any adopted, new or proposed tariffs, trade restrictions or domestic sourcing requirements on our business is subject to a number of factors that we cannot predict, including, but not limited to, the scope, nature, amount, effective date and duration of any such measures. Such tariffs, trade restrictions or domestic sourcing requirements could have a material adverse effect on our business, prospects, financial condition or results of operations.

***We may not be able to manage our business effectively if we are unable to attract and retain key personnel.***

We may not be able to attract or retain qualified management and commercial, sales, scientific and clinical personnel in the future due to the intense competition for qualified personnel among biotechnology, pharmaceutical and other businesses. If we are not able to attract and retain necessary personnel to accomplish our business objectives, we may experience constraints that will significantly impede sales growth of our branded and generic products, the achievement of our development objectives, our ability to raise additional capital and our ability to implement our business strategy.

***We may decide to sell assets, which could adversely affect our prospects and opportunities for growth.***

We may from time to time consider selling certain assets if we determine that such assets are not critical to our strategy or we believe the opportunity to monetize the asset is attractive or for various other reasons, including for the reduction of indebtedness. Although our expectation is to engage in asset sales only if they advance or otherwise support our overall strategy, we may be forced to sell assets in response to liquidation or other claims described herein, and any such sale could reduce the size or scope of our business, our market share in particular markets or our opportunities with respect to certain markets, products or therapeutic categories. As a result, any such sale could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***There is substantial doubt regarding our ability to continue as a going concern. We may need to raise additional funding (which may not be available on acceptable terms to the Company, or at all) and/or to delay, limit or terminate certain of our product development and commercialization efforts or other operations.***

Our current assumptions, projected commercial sales of our products, clinical development plans and regulatory submission timelines are uncertain and may not emerge as expected. Additionally, as a result of recurring losses from operations, we have concluded that there is substantial doubt regarding our ability to continue as a going concern for a period of at least 12 months from the date of the issuance of the financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2025. In addition to reductions in sales force and marketing expenses, we may also seek to raise capital through additional debt or equity financing, which may include sales of securities under our existing shelf registration statement on Form S-3, including under our at-the-market offering program, or under a new registration statement.

Our efforts to raise additional funding may divert our management from its day-to-day activities, which may adversely affect our ability to develop and commercialize our products. In addition, we cannot guarantee that financing will be available in sufficient amounts or on terms acceptable to us, if at all. Moreover, the terms of any financing may adversely affect the holdings or the rights of our stockholders and the issuance of additional securities, whether equity or debt, by us, or the possibility of such issuance, may cause the market price of our common stock to decline. The sale of additional equity or convertible securities would dilute all of our stockholders. Potential indebtedness in addition to our current amended and restated credit facility with SWK Funding LLC ("SWK"), if incurred, would result in increased fixed payment obligations, and we may be required to agree to further certain restrictive covenants, such as limitations on our ability to incur additional debt, limitations on our ability to acquire, sell or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. We may be required to relinquish rights to some of our technologies or products or otherwise agree to terms unfavorable to us, any of which may have a material adverse effect on our business, operating results and prospects.

If funding for our operations is not available or not available on terms acceptable to us, our strategic plans may be limited. In addition, in order to address our current funding constraints, we may be required to further revise our business plan and strategy, which may result in us (i) significantly curtailing, delaying or discontinuing the commercialization of certain of our products, (ii) selling certain of our assets and/or (iii) being unable to expand our operations or otherwise capitalize on our business opportunities. Such measures may become necessary whether or not we are able to raise additional capital. As a result, our business, financial condition, and results of operations could be materially affected.

**Risks Related to Development and Regulatory Approval of Our Future Product Candidates**

***Our business is dependent on the successful development and regulatory approval of future product candidates.***

As of December 31, 2025, our major marketed products that have been approved by the FDA for sale in the United States include Emrosi™, Qbrexza®, Accutane®, Amzeeq®, Zilxi®, Exelderm®, Targadox® and Luxamend®. However, our business remains dependent on the successful development and regulatory approval of additional product candidates.

The success of our business, including our ability to finance our company and generate additional revenue in the future, may depend on the successful development and marketing of any future product candidates that we may develop, in-license or acquire and for which we receive marketing authorization.

The clinical success of any future product candidates will depend on a number of factors, including the following:

- our ability to raise additional capital on acceptable terms, or at all;
- timely completion of any clinical trials we undertake in the future in respect of any future product candidates, which may be significantly slower or cost more than we then anticipate and will depend substantially upon the performance of third-party contractors as well as our ability to timely recruit and enroll patients in our clinical trials, which may be delayed due to numerous factors, including the prevalence of other companies' clinical trials for their product candidates for the same or similar indications;
- whether we are required by the FDA or similar foreign regulatory agencies to conduct additional clinical trials or other studies beyond those planned to support the approval and commercialization of any future product candidates;
- acceptance of our proposed indications and primary endpoint assessments relating to the proposed indications of any future product candidates by the FDA and similar foreign regulatory authorities;
- our ability to demonstrate to the satisfaction of the FDA and similar foreign regulatory authorities the safety, efficacy and acceptable risk to benefit profile of any future product candidates;
- the prevalence, duration and severity of potential adverse events experienced with any future product candidates;
- the timely receipt of necessary marketing approvals from the FDA and similar foreign regulatory authorities;

- achieving and maintaining, and, where applicable, ensuring that our third-party contractors achieve and maintain, compliance with our contractual obligations and with all regulatory requirements applicable to any future product candidates;
- our ability to successfully obtain the substances and materials used in any future product candidates from third parties and to have finished products manufactured by third parties in accordance with regulatory requirements and in sufficient quantities for preclinical and clinical testing;
- the ability of third parties with whom we contract to manufacture clinical trial supplies of any future product candidates, remain in good standing with regulatory agencies and develop, validate and maintain commercially viable manufacturing processes that are compliant with cGMP; and
- a continued acceptable safety profile during clinical development of any future product candidates.

If we do not achieve one or more of these factors, many of which are beyond our control, in a timely manner or at all, we could experience significant delays or an inability to successfully complete and obtain regulatory approvals of any future product candidates, which could materially adversely affect our business, results of operations, financial condition or cash flows.

***Clinical drug development is very expensive, time-consuming and uncertain. Our clinical trials may fail to adequately demonstrate the safety and efficacy of any future product candidates, which could prevent or delay regulatory approval and commercialization.***

Clinical drug development is very expensive, time-consuming and difficult to design and implement, and its outcome is inherently uncertain. Before obtaining regulatory approval for the commercial sale of a product candidate, we must demonstrate through clinical trials that a product candidate is both safe and effective for use in the target indication. Most product candidates that commence clinical trials are never approved by regulatory authorities for commercialization. The clinical trials for these product candidates may take significantly longer than expected to complete. In addition, we, any partner with which we currently or may in the future collaborate, the FDA, an institutional review board ("IRB") or other regulatory authorities, including state and local agencies and counterpart agencies in foreign countries, may suspend, delay, require modifications to or terminate our clinical trials at any time, for various reasons, including:

- discovery of serious or unexpected adverse events or toxicities experienced by study participants or other safety issues;
- lack of effectiveness of any product candidate during clinical trials or the failure of a product candidate to meet specified endpoints;
- slower than expected rates of subject recruitment and patient enrollment in clinical trials resulting from numerous factors, including the prevalence of other companies' clinical trials for their product candidates for the same indication, such as atopic dermatitis;
- difficulty in retaining subjects who have initiated participation in a clinical trial but may withdraw at any time due to adverse events during the therapy, insufficient efficacy, fatigue with the clinical trial process or for any other reason;
- difficulty in obtaining IRB approval for studies to be conducted at each site;
- delays in manufacturing or obtaining, or inability to manufacture or obtain, sufficient quantities of materials for use in clinical trials;
- inadequacy of or changes in our manufacturing process or the product formulation or method of delivery;
- changes in applicable laws, regulations and regulatory policies;
- delays or failure in reaching agreement on acceptable terms in clinical trial contracts or protocols with prospective CROs, clinical trial sites and other third-party contractors;
- inability to add a sufficient number of clinical trial sites;

- uncertainty regarding proper dosing;
- failure of our CROs or other third-party contractors to comply with contractual and regulatory requirements or to perform their services in a timely or acceptable manner;
- failure by us, our employees, our CROs or their employees or any partner with which we may collaborate or their employees to comply with applicable FDA or other regulatory requirements relating to the conduct of clinical trials or the handling, storage, security and recordkeeping for drug and biologic products;
- scheduling conflicts with participating clinicians and clinical institutions;
- failure to design appropriate clinical trial protocols;
- inability or unwillingness of medical investigators to follow our clinical protocols;
- difficulty in maintaining contact with subjects during or after treatment, which may result in incomplete data; or
- insufficient data to support regulatory approval.

We or any partner with which we may collaborate may suffer significant setbacks in our clinical trials similar to the experience of a number of other companies in the pharmaceutical and biotechnology industries, even after receiving promising results in earlier trials. In the event that we or our potential partners abandon or are delayed in the clinical development efforts related to any future product candidates, we may not be able to execute on our business plan effectively and our business, financial condition, operating results and prospects would be harmed.

***We expect to rely on third-party CROs and other third parties to conduct and oversee our clinical trials, other aspects of our product development and our regulatory submission process for any future product candidates. If these third parties do not meet our requirements, conduct the trials as required or otherwise provide services as anticipated, we may not be able to satisfy our contractual obligations or obtain regulatory approval for, or successfully commercialize, any future product candidates when expected or at all.***

We expect to rely on third-party CROs and other third parties to conduct and oversee our clinical trials, other aspects of our product development and our regulatory submission process. We will also rely upon various medical institutions, clinical investigators and contract laboratories to conduct our trials in accordance with our clinical protocols and all applicable regulatory requirements, including the FDA's regulations and GCPs, which are meant to protect the rights, integrity, and confidentiality of study subjects and to define the roles of clinical trial sponsors, administrators and monitors, and state regulations governing the handling, storage, security and recordkeeping for drug and biologic products. These CROs and other third parties play a significant role in the conduct of our clinical trials, the subsequent collection and analysis of data from the clinical trials, the preparation for and submission of our filings with the FDA and comparable foreign regulatory authorities and the successful commercialization of our product candidate, if approved.

We rely heavily on third parties for the execution of our clinical trials and preclinical studies, and control only certain aspects of their activities. We and our CROs and other third-party contractors are required to comply with GCP and GLP requirements, which are regulations and guidelines enforced by the FDA and comparable foreign regulatory authorities for products in clinical development. Regulatory authorities enforce these GCP and GLP requirements through periodic inspections of trial sponsors, principal investigators and trial sites. If we or any of these third parties fail to comply with applicable GCP and GLP requirements, the clinical data generated in our clinical trials may be deemed unreliable and the FDA or other regulatory authorities may not accept data, or may require us to perform additional clinical trials before approving our or our partners' marketing applications. We cannot provide assurances that upon inspection by a given regulatory authority, such regulatory authority will determine that any of our clinical trials or preclinical studies complies with applicable GCP and GLP requirements. In addition, our clinical trials must generally be conducted with products manufactured and produced under cGMP regulations. Our failure to comply with these regulations and policies may require us to repeat clinical trials, which would delay the regulatory approval process.

If any of our CROs or clinical trial sites terminate their involvement in our clinical trials for any reason, we may not be able to enter into arrangements with alternative CROs or clinical trial sites in a timely manner, or do so on commercially reasonable terms or at all. In addition, if our relationship with clinical trial sites is terminated, we may experience the loss of follow-up information on patients enrolled in our ongoing clinical trial unless we are able to transfer the care of those patients to another qualified clinical trial site. In addition, principal investigators for our clinical trials may serve as scientific advisors or consultants to us from time to time and could receive cash compensation in connection with such services. If these relationships and any related compensation result in perceived or actual conflicts of interest, the integrity of the data generated at the applicable clinical trial site may be questioned by the FDA and comparable foreign regulatory authorities.

Additionally, the regulatory submission process for a product candidate is complex. We expect to rely on a third-party service provider for the preparation and submission of filings with the FDA and comparable foreign regulatory authorities for approval of any future product candidates. Our reliance on third-party CROs may adversely affect our development timelines if the third-party CROs do not meet the requirements or satisfy the obligations required to obtain regulatory approval. Any significant delays caused by our collaboration partner or third-party CROs may have an adverse effect on our development timelines or otherwise may delay approval and commercialization of any future product candidates. If our relationship with such service provider is terminated prior to completion of our regulatory submission process, we may not be able to enter into an arrangement with an alternative service provider in a timely manner, or do so on commercially reasonable terms, and our submission may be substantially delayed.

***We are currently dependent on DRL for the manufacture and clinical supply of Emrosi drug product. Any interruption in our supply may cause serious delays in the timing of our clinical trials, increase our costs and adversely impact our financial results.***

Pursuant to the terms of our agreement with DRL for the exclusive, worldwide rights to develop and commercialize Emrosi for the evaluation of treatment, among other potential indications, inflammatory lesions of rosacea (the "Emrosi Agreement"), DRL is responsible for the manufacture and supply to us of Emrosi drug product. Although we are currently in the process of setting up a secondary manufacturer for Emrosi, we are completely reliant upon DRL to provide us with adequate supply for our use. We may experience an interruption in supply if, among other reasons, we incorrectly forecast our supply requirements, DRL allocates supply to its own development programs, DRL incorrectly plans its manufacturing production, DRL is unable to manufacture Emrosi drug product in a timely manner to match our commercial needs or if we are unable to set up a second manufacturer of Emrosi on a timely or commercially reasonable basis, or at all. Transferring technology to this new manufacturer, or any other manufacturer in the future, will require additional processes, technologies and validation studies, which are costly, may take considerable amounts of time, may not be successful and require review and approval by the FDA and applicable foreign regulatory bodies. Such manufacturer must comply with cGMP requirements enforced by the FDA and applicable foreign regulatory bodies through facilities inspection programs and review of submitted technical information.

***We may be unable to obtain regulatory approval for any of our future product candidates under applicable regulatory requirements. The FDA and foreign regulatory bodies have substantial discretion in the approval process, including the ability to delay, limit or deny approval of product candidates. The delay, limitation or denial of any regulatory approval would adversely impact our business and our operating results.***

We may never obtain regulatory approval to commercialize any future product candidates. The research, testing, manufacturing, safety surveillance, efficacy, quality control, recordkeeping, labeling, packaging, storage, approval, sale, marketing, distribution, import, export and reporting of safety and other post-market information related to any future product candidates are subject to extensive regulation by the FDA and other regulatory authorities in the United States and in foreign countries, and such regulations differ from country to country. We are not permitted to market any future product candidates in the United States until we receive approval of an NDA, BLA or other applicable regulatory filing from the FDA. We are also not permitted to market any of our products or any future product candidates in any foreign countries until we receive the requisite approval from the applicable regulatory authorities of such countries.

To gain approval to market a new drug, the FDA and foreign regulatory authorities must receive preclinical, clinical and chemistry, manufacturing and controls data that adequately demonstrate the safety, purity, potency, efficacy and compliant manufacturing of the product for the intended indication applied for in an NDA, BLA or other applicable regulatory filing. The development and approval of new drug products and biologic products involves a long, expensive and uncertain process. A delay or failure can occur at any stage in the process. A number of companies in the pharmaceutical and biopharmaceutical industry have suffered significant setbacks in clinical trials, including in Phase 3 clinical development, even after promising results in earlier preclinical studies or clinical trials. These setbacks have been caused by, among other things, findings made while clinical trials were underway and safety or efficacy observations made in clinical trials, including previously unreported adverse events. Success in preclinical testing and early clinical trials does not ensure that later clinical trials will be successful, and the results of clinical trials by other parties may not be indicative of the results in trials we or our partners may conduct.

The FDA and foreign regulatory bodies have substantial discretion in the drug approval process, including the ability to delay, limit or deny approval of product candidates for many reasons, including:

- the FDA or the applicable foreign regulatory body may disagree with the design, implementation, choice of dose, analysis plans or interpretation of the outcome of one or more clinical trials;
- the FDA or the applicable foreign regulatory body may not deem a product candidate safe and effective for its proposed indication, or may deem a product candidate's safety or other perceived risks to out-weigh its clinical or other benefits;
- the FDA or the applicable foreign regulatory body may not find the data from preclinical studies and clinical trials, including the number of subjects in the safety database, sufficient to support approval, or the results of clinical trials may not meet the level of statistical or clinical significance required by the FDA or the applicable foreign regulatory body for approval;
- the FDA or the applicable foreign regulatory body may disagree with our interpretation of data from pre-clinical studies or clinical trials performed by us or third parties, or with the interpretation of any partner with which we may collaborate;
- the data collected from clinical trials may not be sufficient to support the submission and approval of an NDA, BLA or other applicable regulatory filing;
- the FDA or the applicable foreign regulatory body may require additional preclinical studies or clinical trials;
- the FDA or the applicable foreign regulatory agency may identify deficiencies in the formulation, manufacturing, quality control, labeling or specifications of any future product candidates;
- the FDA or the applicable foreign regulatory agency may require clinical trials in pediatric patients in order to establish pharmacokinetics or safety for this more drug-sensitive population;
- the FDA or the applicable foreign regulatory agency may grant approval contingent on the performance of costly additional post-approval clinical trials;
- the FDA or the applicable foreign regulatory agency may grant approval but impose substantial and costly post-approval requirements;
- the FDA or the applicable foreign regulatory agency may approve any future product candidates for a more limited indication or a narrower patient population than we originally requested;
- the FDA or applicable foreign regulatory agency may not approve the labeling that we believe is necessary or desirable for the successful commercialization of any future product candidates;
- the FDA or the applicable foreign regulatory body may not approve of the manufacturing processes, controls or facilities of third-party manufacturers or testing labs with which we contract; or
- the FDA or the applicable foreign regulatory body may change its approval policies or adopt new regulations in a manner rendering our clinical data or regulatory filings insufficient for approval, including changes in policies and regulation in the United States as a result of the new presidential administration.

Of the large number of drugs and biologics in development, only a small percentage successfully complete the FDA or other regulatory approval processes and are commercialized. Any future product candidates may not be approved by the FDA or applicable foreign regulatory agencies even though they meet specified endpoints in our clinical trials. The FDA or applicable foreign regulatory agencies may ask us to conduct additional costly and time-consuming clinical trials in order to obtain marketing approval or approval to enter into an advanced phase of development, or may change the requirements for approval even after such agency has reviewed and commented on the design for the clinical trials. Any delay in obtaining, or inability to obtain, applicable regulatory approval for any future product candidates would delay or prevent commercialization of any future product candidates and would harm our business, financial condition, operating results and prospects.

***We may conduct clinical trials for any future product candidates, in whole or in part, outside of the United States and the FDA and applicable foreign regulatory authorities may not accept data from such trials, which would likely result in additional costs to us and delay our business plan.***

We may in the future choose to conduct, one or more of our clinical trials outside the United States. Although the FDA or applicable foreign regulatory authority may accept data from clinical trials conducted outside the United States or the applicable jurisdiction, acceptance of such study data by the FDA or applicable foreign regulatory authority may be subject to certain conditions. Where data from foreign clinical trials are intended to serve as the basis for marketing approval in the United States, the FDA will not approve the application on the basis of foreign data alone unless those data are applicable to the U.S. population and U.S. medical practice; the studies were performed by clinical investigators of recognized competence; and the data are considered valid without the need for an on-site inspection by the FDA or, if the FDA considers such an inspection to be necessary, the FDA is able to validate the data through an on-site inspection or other appropriate means. Many foreign regulatory bodies have similar requirements. In addition, such foreign studies would be subject to the applicable local laws of the foreign jurisdictions where the studies are conducted. There can be no assurance the FDA or applicable foreign regulatory authority will accept data from trials conducted outside of the United States or the applicable jurisdiction. If the FDA or applicable foreign regulatory authority does not accept such data, it would likely result in the need for additional clinical trials, which would be costly and time-consuming and delay aspects of our business plan.

***Changes in U.S. government policy, regulation, enforcement priorities, and funding decisions could adversely affect our business, financial condition and results of operations.***

The current presidential administration has signaled, and may further implement, significant shifts in policies that directly impact the life sciences industry, including policies relating to FDA regulation and enforcement, drug approval and review processes, reimbursement and pricing (including Medicare, Medicaid and other government programs), healthcare reform, intellectual property protection, trade and tariffs, and federal research and public health funding. The administration's approach, together with actions by Congress and federal agencies such as the FDA, CMS, USPTO, HHS, National Institutes of Health and the Centers for Disease Control and Prevention, is inherently uncertain and may materially differ from historical norms or from our current expectations.

Potential changes may include, among others: (i) modifications to standards, procedures or timelines for the review, clearance, approval or post-market oversight of drugs; (ii) changes to policies on real-world evidence, accelerated approval, emergency use authorizations, and clinical trial requirements; (iii) reforms or restrictions affecting drug pricing, reimbursement levels, coverage decisions and formulary placement for products paid for by federal healthcare programs; (iv) increased or decreased enforcement of laws and regulations relating to manufacturing, promotion, fraud abuse, data integrity, privacy and cybersecurity; (v) changes in federal funding priorities for biomedical research and public health programs that may impact key customers, collaborators and research partners; and (vi) trade, tariff and supply-chain measures that could affect our access to critical materials, components, contract manufacturers, or international markets.

Any such actions, or uncertainty regarding potential actions, could increase development, regulatory, compliance, and commercialization costs; delay, limit or prevent the development, approval, launch or commercial success of future product candidates or marketed products; affect pricing, reimbursement and market access; disrupt our supply chain; alter the behavior and financial condition of our customers, clinical sites, collaborators and payors; and contribute to volatility in capital markets that could affect our ability to raise additional financing on acceptable terms or at all. Because we cannot predict the timing, scope, direction, or ultimate impact of policy or regulatory changes under the current presidential administration, we may not be able to anticipate or fully mitigate their effects. Any of the foregoing could materially and adversely affect our business, financial condition, and results of operations.

**Risks Related to Intellectual Property, Generic Competition and Paragraph IV Litigation**

***If we are unable to obtain and maintain patent protection for our technology and products or if the scope of the patent protection obtained is not sufficiently broad, our competitors could develop and commercialize technology and products similar or identical to ours, and our ability to successfully commercialize our technology and products may be impaired.***

Our commercial success will depend in part on obtaining and maintaining patent protection and trade secret protection in the United States and other countries with respect to our products or any future product candidates that we may license or acquire and our manufacturing methods, as well as successfully defending these patents and trade secrets against third-party challenges, which is expensive and time-consuming. A patent is the grant of a property right which allows its holder to exclude others from, among other things, selling the subject invention in, or importing such invention into, the jurisdiction that granted the patent. We have obtained, acquired or in-licensed a number of patents and patent applications covering key aspects of certain of our principal products. In the aggregate, our patents are of material importance to our business taken as a whole. We seek to protect our proprietary position by filing or obtaining licenses under patent applications in the United States and abroad related to our products and any future product candidates. We will only be able to protect our technologies from unauthorized use by third parties to the extent that valid and enforceable patents cover them. Our success is predicated, in part, by our ability to maintain the integrity of our trade secrets.

It is possible that we or our licensors will fail to timely identify patentable aspects of our research and development output before it is too late to obtain patent protection, which may result in third parties using our proprietary information, impairing our abilities to compete in the market, to generate revenues, and to achieve profitability. Moreover, should we enter into other collaborations, we may be required to consult with or cede control to collaborators regarding the prosecution, maintenance and enforcement of our patents. Therefore, such patents and applications may not be prosecuted and enforced in a manner consistent with the best interests of our business. The patent prosecution process is expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner.

The patent position of biotechnology and pharmaceutical companies generally is highly uncertain, involves complex legal and factual questions and has in recent years been the subject of much litigation. In addition, no consistent policy regarding the breadth of claims allowed in pharmaceutical or biotechnology patents has emerged to date in the U.S. The patent situation outside the U.S. is even more uncertain. The laws of foreign countries may not protect our rights to the same extent as the laws of the United States. For example, European patent law restricts the patentability of methods of treatment of the human body more than United States law does. Publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until eighteen (18) months after a first filing, if at all. Therefore, we cannot know with certainty whether we or our licensors were the first to make the inventions claimed in our owned or licensed patents or pending patent applications, or that we were the first to file for patent protection of such inventions. In the event that a third party has also filed a U.S. patent application relating to any future product candidates or a similar invention, we may have to participate in derivation proceedings declared by the USPTO to determine proper inventorship of a claimed invention. The costs of these proceedings could be substantial, and it is possible that our efforts would be unsuccessful, resulting in a material adverse effect on our U.S. patent position. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain. Our pending and future patent applications may not result in patents being issued which protect our technology or products, in whole or in part, or which effectively prevent others from commercializing competitive technologies and products. Changes in either the patent laws or interpretation of the patent laws in the United States and other countries may diminish the value of our patents or narrow the scope of our patent protection. Accordingly, we cannot predict the breadth of claims that may be allowed or enforced in our patents or in third-party patents.

Recent patent reform legislation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents. On September 16, 2011, the Leahy-Smith America Invents Act (the "Leahy-Smith Act"), was signed into law. The Leahy-Smith Act includes a number of significant changes to United States patent law. These include provisions that affect the way patent applications are prosecuted and may also affect patent litigation. The USPTO developed new regulations and procedures to govern administration of the Leahy-Smith Act, and many of the substantive changes to patent law associated with the Leahy-Smith Act, and in particular, the first-inventor-to-file provisions, which became effective on March 16, 2013. Courts continue to consider the constitutionality of certain provisions of the Leahy-Smith Act, including the Supreme Court in a recent decision *affecting inter partes* review procedures. Accordingly, it is not clear what, if any, impact the Leahy-Smith Act will have on the operation of our business. However, the Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents, all of which could have a material adverse effect on our business and financial condition.

Moreover, we may be subject to a third-party pre-issuance submission of prior art to the USPTO, or become involved in opposition, derivation, reexamination, *inter partes* review, post-grant review or other administrative proceedings challenging our patent rights or the patent rights of others. An adverse determination in any such submission, proceeding or litigation could reduce the scope of, render unenforceable, or invalidate, our patent rights, allow third parties to commercialize our technology or products and compete directly with us, without payment to us. We may also be unable to manufacture or commercialize products without infringing third-party patent rights, under which a license might not be available. In addition, if the breadth or strength of protection provided by our patents and patent applications is threatened, it could dissuade companies from collaborating with us to license, develop, or commercialize any future product candidates.

Even if our patent applications issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors from competing with us, or otherwise provide us with any competitive advantage. Our competitors may be able to circumvent our owned or licensed patents by developing similar or alternative technologies or products in a non-infringing manner.

The issuance of a patent does not foreclose challenges to its inventorship, scope, validity or enforceability. Therefore, our owned and licensed patents may be challenged in the courts or patent offices in the United States and abroad. Such challenges may result in loss of exclusivity or in patent claims being narrowed, invalidated or held unenforceable, in whole or in part, which could limit our ability to stop others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of our technology and products. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such product candidates might expire before or shortly after such product candidates are commercialized. As a result, our owned and licensed patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours.

***Generic drug approvals and successful challenges against the validity of our patents may cause us to lose exclusivity of some of our products.***

In the U.S., the Hatch-Waxman Act provides non-patent regulatory exclusivity for five years from the date of the first FDA approval of a new drug compound in an NDA. The FDA, with one exception, is prohibited during those five years from accepting for filing a generic, or ANDA that references the NDA. In reference to the foregoing exception, if a patent is indexed in the FDA Orange Book for the new drug compound, a generic may file an ANDA four years from the NDA approval date if it also files a Paragraph IV Certification with the FDA challenging the patent. Protection under the Hatch-Waxman Act will not prevent the filing or approval of another full NDA. However, the NDA applicant would be required to conduct its own pre-clinical and adequate and well-controlled clinical trials to independently demonstrate safety and effectiveness.

Generic drug companies may submit applications seeking approval to market generic versions of our products. In connection with these applications, generic drug companies may seek to challenge the validity and enforceability of our patents through litigation and/or with the USPTO. Such challenges may subject us to costly and time-consuming litigation and/or USPTO proceedings). As a result of the loss of any patent protection from such litigation or USPTO proceedings, or the “at-risk” launch by a generic competitor of our products, our products could be sold at significantly lower prices, and we could lose a significant portion of sales of that product in a short period of time, which could adversely affect our business, financial condition, operating results and prospects.

***Enforcing our proprietary rights is difficult and costly and we may be unable to ensure their protection.***

The degree of future protection for our proprietary rights is uncertain, as legal means afford only limited protection and may not adequately protect our rights or permit us to gain or keep our competitive advantage. For example:

- our licensors might not have been the first to make the inventions covered by each of our pending patent applications and issued patents;
- our licensors might not have been the first to file patent applications for these inventions;
- others may independently develop similar or alternative technologies or duplicate our products or any future product candidates’ technologies;
- it is possible that none of the pending patent applications licensed to us will result in issued patents;

- the issued patents covering our products or any future product candidates may not provide a basis for commercially viable active products, may not provide us with any competitive advantages, or may be challenged and defeated by third parties;
- we may not develop additional proprietary technologies that are patentable; or
- patent rights of others may have an adverse effect on our business.

Furthermore, competitors may infringe our issued patents or other intellectual property (collectively, our "IP"), which may require us to file infringement claims, which is expensive and time consuming, and the outcome uncertain. Any claims we assert against perceived infringers could provoke counterclaims alleging that our IP rights are invalid, unenforceable, or not infringed or that we have infringed upon misappropriated others' intellectual property. In response, a court may decide that a patent of ours is wholly or partially invalid or unenforceable, construe the patent's claims narrowly, or refuse to stop the accused party from using the technology at issue.

Additionally, some of our products, including Accutane, Targadox, Exelderm and Luxamend, do not have patent protection because they are not eligible or qualify for such protection. This creates greater risk of competition with generic drug manufacturers and may otherwise adversely affect our business or result of operations.

Further, we rely on trade secrets, including unpatented know-how, to maintain our competitive position. We enter into non-disclosure and confidentiality agreements to protect these trade secrets but cannot guarantee that counterparties will not breach the agreements and disclose our proprietary information, including trade secrets. Enforcing a claim that a party illegally disclosed or misappropriated trade secrets is costly, difficult, and time consuming, and we may be unable to obtain adequate remedy. If any of our trade secrets were to be disclosed to or independently developed by a competitor, our competitive position would be harmed.

***If we are sued for infringing intellectual property rights of third parties, it will be costly and time consuming, and an unfavorable outcome in any litigation would harm our business.***

Our ability to develop, manufacture, market and sell our products or any future product candidates for which we receive marketing authorization depends upon our ability to avoid infringing the proprietary rights of third parties. There are many U.S. and foreign issued patents and pending patent applications owned by third parties in the dermatology field that cover numerous compounds and formulations in our targeted markets. Because of the uncertainty inherent in any patent or other litigation involving proprietary rights, we and our licensors may not be successful in defending against intellectual property claims raised by third parties, which could have a material adverse effect on our results of operations. Regardless of the outcome of any litigation, defending the litigation may be expensive, time-consuming and distracting to management. In addition, because patent applications can take many years to issue, there may be currently pending applications, unknown to us, which may later result in issued patents that our commercial activities relating to our products or future product candidates may infringe. There could also be existing patents of which we are not aware that our products or future product candidates may inadvertently infringe.

There is a substantial amount of litigation involving patent and other intellectual property rights in the biotechnology and biopharmaceutical industries generally. If a third party claims that we infringe on their products or technology, in addition to costly and time-consuming litigation, we could face a number of issues, including:

- diversion of management's attention from our core business;
- substantial damages for past infringement;
- injunctions prohibiting us from selling or licensing our product unless the patent holder licenses the patent to us, which it would not be required to do;
- requirements that we pay substantial royalties or grant cross licenses under our patents;
- redesigning our processes so they do not infringe, which may not be possible or could require substantial funds and time; and
- harm to our reputation and subsequent adverse effect on the valuation of our securities and revenue.

***Intellectual property litigation could cause us to spend substantial resources and distract our personnel from their normal responsibilities.***

Even if resolved in our favor, litigation or other legal proceedings relating to intellectual property claims may cause us to incur significant expenses and could distract our technical and management personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the valuation of our securities. Such litigation or proceedings could substantially increase our operating losses and reduce the resources available for development activities or any future sales, marketing or distribution activities. We may not have sufficient financial or other resources to conduct such litigation or proceedings adequately. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their greater financial resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could compromise our ability to compete in the marketplace. The occurrence of any of the above-described risks could materially adversely affect our business, results of operations, financial condition or cash flows.

***We may be subject to claims that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.***

As is common in the biotechnology and pharmaceutical industry, we employ individuals who were previously employed at other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Although no claims against us are currently pending, we may be subject to claims that these employees or we have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. Litigation may be necessary to defend against these claims. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management.

***We may need to license certain intellectual property from third parties, and such licenses may not be available or may not be available on commercially reasonable terms.***

A third party may hold intellectual property rights, including patent rights, that are important or necessary to the development of our products or future product candidates. It may be necessary for us to use the patented or proprietary technology of third parties to commercialize our products or future product candidates for which we receive marketing authorization, in which case we would be required to obtain a license from these third parties, if available, on commercially reasonable terms, or our business could be harmed, possibly materially. Our inability to obtain such rights on acceptable terms, or at all, could materially adversely affect our business, results of operations, financial condition or cash flows.

***If we fail to comply with our obligations in our intellectual property licenses and funding arrangements with third parties, or if we breach an agreement under which we license rights to any product or future product candidate, we could lose rights that are important to our business.***

If we fail to comply with our obligations under current or future license and funding agreements, our counterparties may have the right to terminate these agreements, in which event we might not be able to develop, manufacture, or market any product or utilize any technology that is covered by these agreements or may face other penalties under the agreements. Such an occurrence could materially and adversely affect the value of a product candidate being developed under any such agreement or could restrict our drug discovery activities. Termination of these agreements or reduction or elimination of our rights under these agreements may result in our having to negotiate new or reinstated agreements with less favorable terms or cause us to lose our rights under these agreements, including our rights to important intellectual property or technology. Further, any uncured, material breach under our license agreement with any current or future licensor could result in our loss of rights to our products or any future product candidates and may lead to a complete termination of any future product development efforts.

**Risks Related to our Platform and Data**

***Our business and operations would suffer in the event of computer system failures, cyber-attacks, or deficiencies in our or third parties' cybersecurity.***

We are increasingly dependent upon information technology systems, infrastructure, and data to operate our business. In the ordinary course of business, we collect, store, and transmit confidential information, including, but not limited to, information related to our intellectual property and proprietary business information, personal information, and other confidential information. It is critical that we maintain such confidential information in a manner that preserves its confidentiality and integrity. Furthermore, we have outsourced elements of our operations to third party vendors, who each have access to our confidential information, which increases our disclosure risk.

While we maintain internal security and business continuity measures, our internal computer systems and those of current and future third parties on which we rely may fail and are vulnerable to damage from computer viruses and unauthorized access. Our information technology and other internal infrastructure systems, including corporate firewalls, servers, data center facilities, lab equipment, and connection to the internet, face the risk of breakdown or other damage or interruption from service interruptions, system malfunctions, natural disasters, terrorism, war, and telecommunication and electrical failures, as well as security breaches from inadvertent or intentional actions by our employees, contractors, consultants, business partners, and/or other third parties, or from cyber-attacks by malicious third parties (including the deployment of harmful malware, ransomware, denial-of-service attacks, social engineering and other means to affect service reliability and threaten the confidentiality, integrity and availability of information), each of which could compromise our system infrastructure or lead to the loss, destruction, alteration, disclosure, or dissemination of, or damage or unauthorized access to, our data or data that is processed or maintained on our behalf, or other assets.

If such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our development programs and our business operations, and could result in financial, legal, business, and reputational harm to us. For example, in 2021, we were the victim of a cybersecurity incident that affected our accounts payable function and led to approximately $9.5 million in wire transfers being misdirected to fraudulent accounts. The cybersecurity incident does not appear to have compromised any personally identifiable information or protected health information. The federal government was able to trace and seize the fraudulently transferred cryptocurrency associated with the breach. On September 19, 2024, the U.S. District Court Southern District of New York through the U.S. Marshalls notified the Company that it has recovered and will be returning to the Company a portion of the misappropriated cash in connection with the previously disclosed September 2021 cybersecurity incident.

In addition, the loss or corruption of, or other damage to, clinical trial data from completed or future clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. Likewise, we rely on third parties for the manufacture of our drug candidates or any future drug candidates and to conduct clinical trials, and similar events relating to their systems and operations could also have a material adverse effect on our business and lead to regulatory agency actions. The risk of a security breach or disruption, particularly through cyber-attacks or cyber intrusion, including by computer hackers, foreign governments, and cyber terrorists, has generally increased as the number, intensity, and sophistication of attempted attacks and intrusions from around the world have increased. Sophisticated cyber attackers (including foreign adversaries engaged in industrial espionage) are skilled at adapting to existing security technology and developing new methods of gaining access to organizations' sensitive business data, which could result in the loss of proprietary information, including trade secrets. We may not be able to anticipate all types of security threats, and we may not be able to implement preventive measures effective against all such security threats. The techniques used by cyber criminals change frequently, may not be recognized until launched, and can originate from a wide variety of sources, including outside groups such as external service providers, organized crime affiliates, terrorist organizations, or hostile foreign governments or agencies.

Any security breach or other event leading to the loss or damage to, or unauthorized access, use, alteration, disclosure, or dissemination of, personal information, including personal information regarding clinical trial subjects, contractors, directors, or employees, our intellectual property, proprietary business information, or other confidential or proprietary information, could directly harm our reputation, enable competitors to compete with us more effectively, compel us to comply with federal and/or state breach notification laws and foreign law equivalents, subject us to mandatory corrective action, or otherwise subject us to liability under laws and regulations that protect the privacy and security of personal information. Each of the foregoing could result in significant legal and financial exposure and reputational damage that could adversely affect our business. Notifications and follow-up actions related to a security incident could impact our reputation or cause us to incur substantial costs, including legal and remediation costs, in connection with these measures and otherwise in connection with any actual or suspected security breach. We expect to incur significant costs in an effort to detect and prevent security incidents and otherwise implement our internal security and business continuity measures, and actual, potential, or anticipated attacks may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees, and engage third-party experts and consultants. We may face increased costs and find it necessary or appropriate to expend substantial resources in the event of an actual or perceived security breach.

The costs related to significant security breaches or disruptions could be material and our insurance policies may not be adequate to compensate us for the potential losses arising from any such disruption in, or failure or security breach of, our systems or third-party systems where information important to our business operations or commercial development is stored or processed. In addition, such insurance may not be available to us in the future on economically reasonable terms, or at all. Further, our insurance may not cover all claims made against us and could have high deductibles in any event, and defending a suit, regardless of its merit, could be costly and divert management attention. Furthermore, if the information technology systems of our third-party vendors and other contractors and consultants become subject to disruptions or security breaches, we may have insufficient recourse against such third parties and we may have to expend significant resources to mitigate the impact of such an event, and to develop and implement protections to prevent future events of this nature from occurring.

**Risks Related to Our Finances and Capital Requirements**

***We have incurred net losses in recent fiscal years, and we may incur losses for the foreseeable future and may not be able to achieve or maintain profitability.***

Even though we are a cash generating, commercial organization, we have a limited operating history. We have focused primarily on in-licensing, developing, commercializing and/or manufacturing and selling our products. Potential future losses, among other things, will have an adverse effect on our stockholders' equity and working capital. Because of the numerous risks and uncertainties associated with commercialization and/or developing pharmaceutical products, we are unable to predict the timing or amount of increased expenses or if we will be able to maintain profitability. Any future net losses may fluctuate significantly from quarter to quarter and year to year. We anticipate that our expenses will increase substantially if:

- any future product candidates are approved for commercial sale, due to our ability to establish the necessary commercial infrastructure to launch this product candidate without substantial delays, including hiring sales and marketing personnel and contracting with third parties for warehousing, distribution, cash collection and related commercial activities;
- we acquire or in-license new products for development and/or sale;
- we are required by the FDA, or foreign regulatory authorities, to perform studies in addition to those currently expected;
- there are any delays in completing our clinical trials or the development of any future product candidates;
- we execute other collaborative, licensing or similar arrangements that require us to make payments and/ or expend funds;
- there are variations in the level of expenses related to our future development programs;
- there are any product liability or intellectual property infringement lawsuits in which we may become involved;
- there are any regulatory developments affecting our products or future product candidates, or the product candidates of our competitors; or

- the level of underlying demand for our products and wholesalers' buying patterns.

Our ability to maintain profitability depends upon our ability to generate and sustain revenue. Our ability to generate and sustain revenue depends on a number of factors, including, but not limited to, our ability to:

- obtain and maintain regulatory approval for our products, or any other future product candidates that we may license or acquire;
- manufacture commercial quantities of our current products or future product candidates, if approved, at acceptable cost levels; and
- maintain and/or expand our commercial organization and the supporting infrastructure required to successfully market and sell our products or future product candidates, if approved.

Even if we do achieve sustainable profitability, we may not be able to maintain or increase profitability on a quarterly or annual basis. Our failure to remain profitable would depress our value and could impair our ability to raise capital, expand our business, maintain or initiate any research and development efforts, diversify our product offerings or even continue our operations. A decline in our value could also cause you to lose all or part of your investment.

***We may need additional funding and may be unable to raise capital when needed, which would force us to delay, reduce or eliminate any future product development programs or commercialization, manufacturing and/or sales efforts.***

Selling and developing products for dermatological use, conducting clinical trials, establishing outsourced manufacturing relationships and successfully manufacturing and marketing drugs that we may develop is expensive. We may need to raise additional capital to:

- fund our operations and continue our efforts to hire additional personnel;
- qualify and outsource the commercial-scale manufacturing of our products under cGMP; and
- acquire, in-license and/ or develop additional product candidates.

Our future funding requirements will depend on many factors, including, but not limited to:

- the potential for delays in our efforts to seek regulatory approval for any future product candidates, and any costs associated with such delays;
- the costs of maintaining and/or establishing a commercial organization to sell, market and distribute our products and/or any future product candidates for which we receive marketing authorization;
- the rate of progress and costs of our efforts to prepare for the submission of NDA or BLA for any product candidates that we may in-license or acquire in the future, and the potential that we may need to conduct additional clinical trials to support applications for regulatory approval;
- the costs of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights associated with any future product candidates, including any such costs we may be required to expend if licensors are unwilling or unable to do so;
- the cost and timing of securing sufficient supplies of our products and future product candidates from our contract manufacturers in preparation for commercialization, manufacture, and/or sale;
- the effect of competing technological and market developments;
- the terms and timing of any collaborative, licensing, co-promotion or other arrangements that we may establish;

- the potential that we may be required to file a lawsuit to defend our patent rights or regulatory exclusivities from challenges by companies seeking to market generic versions of our branded products; and

- the success of sales efforts of our current products and/or the commercialization of any future product candidates for which we receive marketing authorization.

Future capital requirements will also depend on the extent to which we acquire or invest in additional complementary businesses, products and technologies, but we currently have no commitments or agreements relating to any of these types of transactions.

We may need to finance future cash needs through public or private equity offerings, debt financings or corporate collaboration and licensing arrangements, as well as through interest income earned on cash and investment balances. We cannot be certain that additional funding will be available on acceptable terms, or at all. If adequate funds are not available, we may be required to delay, reduce the scope of or eliminate one or more of future development programs, acquisition plans or our future commercialization efforts, which could materially adversely affect our business, prospects and the trading price of our common stock.

***Raising additional capital may cause dilution to our existing stockholders, restrict our operations or require us to relinquish proprietary rights.***

To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights. Debt financing and preferred equity 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 additional funds through collaborations, strategic alliances or marketing, distribution 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 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 future product development or current or future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

If we fail to raise the additional funds needed to complete the development and commercialization of our current products or any future products or product candidates, we will be unable to execute our current business plan.

**Risks Related to Owning our Common Stock**

***If we fail to maintain or implement effective internal controls, we may not be able to report financial results accurately or on a timely basis, or to detect fraud, which could have a material adverse effect on our business and the per share price of our common stock.***

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures, and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. We are also continuing to improve our internal control over financial reporting. We have expended, and anticipate that we will continue to expend, significant resources in order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our disclosure controls or our internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls, or any difficulties encountered in their implementation or improvement, could harm our operating results or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting could also adversely affect the results of management reports and independent registered public accounting firm audits of our internal control over financial reporting that we will eventually be required to include in our periodic reports that will be filed with the SEC. Ineffective disclosure controls and procedures, and ineffective internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the market price of our common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on The Nasdaq Capital Market (“Nasdaq”).

Our independent registered public accounting firm is not required to audit the effectiveness of our internal control over financial reporting until after we are no longer an "emerging growth company" ("EGC"), as defined in the Jumpstart Our Business Startups Act of 2012 ("JOBS Act"). At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our internal control over financial reporting is documented, designed or operating.

Any failure to maintain effective disclosure controls and internal control over financial reporting could have a material and adverse effect on our business and operating results, and cause a decline in the market price of our common stock.

***Our charter documents and Delaware law could discourage takeover attempts and other corporate governance changes.***

Our Fourth Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws contain provisions that could delay or prevent a change in control of our Company. These provisions could also make it difficult for stockholders to elect directors that are not nominated by the current members of our board of directors or take other corporate actions, including effecting changes in our management. These provisions include certain provisions that:

- permit the board of directors to establish the number of directors and fill any vacancies and newly created directorships;
- provide that, after a removal for cause, vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum;
- prohibit cumulative voting in the election of directors;
- require majority voting to amend our certificate of incorporation and bylaws;
- authorize the issuance of "blank check" preferred stock that our board of directors could use to implement a stockholder rights plan;
- restrict the forum for certain litigation against us to Delaware or federal courts;
- establish advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at annual stockholder meetings; and
- bestow majority control of the stockholder vote to Fortress by virtue of their exclusive ownership of our Class A Common Stock.

In addition, as a Delaware corporation, we are subject to Section 203 of the Delaware General Corporation Law. These provisions may prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us for a period of time without the approval of our board of directors. In addition, our amended and restated credit facility includes, and other debt instruments we may enter into in the future may include, provisions entitling the lenders to demand immediate repayment of all borrowings upon the occurrence of certain change of control events relating to our company, which also could discourage, delay or prevent a business combination transaction.

***Our Fourth Amended and Restated Certificate of Incorporation provides, subject to limited exceptions, that the Court of Chancery of the State of Delaware is the sole and exclusive forum for certain stockholder litigation matters, which could limit our stockholders' ability to obtain a chosen judicial forum for disputes with us or our directors, officers, employees or stockholders.***

Our Fourth Amended and Restated Certificate of Incorporation requires to the fullest extent permitted by law, that derivative actions brought in our name, actions against directors, officers and employees for breach of fiduciary duty and other similar actions must be brought in the Court of Chancery in the State of Delaware or, if that court lacks subject matter jurisdiction, another federal or state court situated in the State of Delaware. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and consented to the forum provisions in our certificate of incorporation. In addition, our Fourth Amended and Restated Certificate of Incorporation provides that the federal district courts of the United States are the exclusive forum for the resolution of any complaint asserting a cause of action under the Securities Act and the Exchange Act.

This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum of its choosing for disputes with us or any of our directors, officers, other employees or stockholders, which may discourage lawsuits with respect to such claims. Alternatively, if a court were to find the choice of forum provision contained in our Fourth Amended and Restated Certificate of Incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, operating results and financial condition.

***The requirements of being a public company may strain our resources, divert our management's attention and affect our ability to attract and retain qualified board members.***

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, and are required to comply with the applicable requirements of the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of Nasdaq, and other applicable securities rules and regulations. Compliance with these rules and regulations increases our legal and financial compliance costs, makes some activities more difficult, time-consuming or costly and increases demand on our systems and resources. Among other things, the Exchange Act requires that we file annual, quarterly and current reports with respect to our business and operating results and maintain effective disclosure controls and procedures and internal controls over financial reporting. Significant resources and management oversight is required to maintain and, if required, improve our disclosure controls and procedures and internal controls over financial reporting to meet this standard. As a result, management's attention may be diverted from other business concerns, which could harm our business and operating results. Although we hired additional employees to comply with these requirements, we may need to hire even more employees in the future, which will increase our costs and expenses.

***Reduced reporting and disclosure requirements applicable to us as an EGC could make our common stock less attractive to investors.***

We are an EGC and, as long as we continue to be an EGC, we may continue to avail ourselves of exemptions from various reporting requirements applicable to other public companies. Consequently, we are not required to have our independent registered public accounting firm audit our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, and we are subject to reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. In addition, the JOBS Act provides that an EGC can take advantage of an extended transition period for complying with new or revised accounting standards. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of the dates such pronouncements are effective for public companies. We could be an EGC for up to five years following the completion of our November 2021 public offering. We will cease to be an EGC upon the earliest of: (i) the end of the fiscal year following the fifth anniversary of the aforementioned offering, (ii) the first fiscal year after our annual gross revenue is $1.235 billion or more, (iii) the date on which we have, during the previous three-year period, issued more than $1.0 billion in nonconvertible debt securities or (iv) the end of any fiscal year in which the market value of our common stock held by non-affiliates exceeded $700 million as of the end of the second quarter of that fiscal year. We cannot predict whether investors will find our common stock less attractive if we choose to rely on these exemptions. If some investors find our common stock less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our common stock, and the price of our common stock may be more volatile.

***Our shares of common stock are subject to potential delisting if we do not continue to maintain the listing requirements of Nasdaq.***

We list our shares of common stock on Nasdaq under the symbol "DERM." Nasdaq has rules for continued listing, including, without limitation, minimum market capitalization and other requirements. Failure to maintain our listing, or de-listing from Nasdaq, would make it more difficult for shareholders to sell our securities and more difficult to obtain accurate price quotations on our securities. This could have an adverse effect on the price of our common stock. Our ability to issue additional securities for financing or other purposes, or otherwise to arrange for any financing we may need in the future, may also be materially and adversely affected if our common stock is not traded on a national securities exchange.

***Because we do not anticipate paying any cash dividends on our common stock in the foreseeable future, capital appreciation, if any, will be your sole source of gains.***

We currently intend to retain any earnings to finance the operation and expansion of our business, and we do not anticipate paying any cash dividends in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors. In addition, the terms of our existing debt arrangements preclude us from paying dividends and our future debt agreements, if any, may contain similar restrictions. As a result, you may only receive a return on your investment in our common stock if the market price of our common stock increases.

***The trading price of the shares of our common stock is likely to be volatile, and purchasers of our common stock could incur substantial losses.***

The trading price of our common stock fluctuates substantially. These fluctuations could cause you to incur substantial losses, including all of your investment in our common stock. Factors that could cause fluctuations in the trading price of our common stock include the following:

- significant volatility in the market price and trading volume of companies in our industry;
- announcements of new solutions or technologies, commercial relationships, acquisitions, or other events by us or our competitors;
- price and volume fluctuations in the overall stock market from time to time;
- changes in how customers perceive the benefits of our products and future offerings;
- the public's reaction to our press releases, other public announcements, and filings with the SEC;
- fluctuations in the trading volume of our shares or the size of our public float;
- actual or anticipated changes or fluctuations in our results of operations or financial projections;
- changes in actual or future expectations of investors or securities analysts;
- litigation involving us, our industry, or both;
- governmental or regulatory actions or audits;
- regulatory developments applicable to our business, including those related to privacy in the United States or globally;
- general economic conditions and trends;
- major catastrophic events in our domestic and foreign markets; and
- departures of key employees.

**Risks Related to our Relationship with Fortress Biotech, Inc.**

***Fortress controls a voting majority of our common stock, which could be detrimental to our other shareholders.***

Pursuant to the terms of the Class A Common Stock held by Fortress, Fortress is entitled to cast, for each share of Class A Common Stock held by Fortress, the number of votes that is equal to 1.1 times a fraction, the numerator of which is the number of shares of our outstanding common stock and the denominator of which is the number of shares of outstanding Class A Common Stock. Thus, Fortress will at all times have voting control of Journey so long as it continues to be the sole holder of our Class A Common Stock. This concentration of voting power may delay, prevent or deter a change in control of us even when such a change may be in the best interests of all stockholders, could deprive our stockholders of an opportunity to receive a premium for their shares of common stock as part of a sale of Journey or our assets, and might affect the prevailing market price of our common stock.

***We are a "controlled company" within the meaning of Nasdaq listing standards and, as a result, qualify for exemptions from certain corporate governance requirements. Although we do not presently intend to take advantage of these exemptions, we may do so in the future.***

We are a "controlled company" within the meaning of Nasdaq listing standards. Under these rules, a company of which more than 50% of the voting power is held by an individual, a group or another company is a "controlled company" and may elect not to comply with certain corporate governance requirements of Nasdaq, including (i) the requirement that a majority of the Board of Directors consist of independent directors, (ii) the requirement that we have a nominating and corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities and (iii) the requirement that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities. Although we presently are not taking advantage of these exemptions, we may do so in the future. Accordingly, our stockholders may not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of Nasdaq. Investors may find our common stock less attractive as a result of our reliance on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

***We may have received better terms from unaffiliated third parties than the terms we receive in our arrangements with Fortress.***

We have arrangements with Fortress in connection with management and administration services for the Company. While we believe the terms of these arrangements are reasonable, they might not reflect terms that would have resulted from arm's-length negotiations between unaffiliated third parties. The terms of the arrangement relate to, among other things, systems, insurance, accounting, legal, finance, tax and human resources. We might have received better terms from third parties because, among other things, third parties might have competed with each other to win our business.

***The ownership by our executive officers and some of our directors of shares of equity securities of Fortress and/or rights to acquire equity securities of Fortress might create, or appear to create, conflicts of interest.***

Because of their current or former positions with Fortress, some of our executive officers and directors own shares of Fortress common stock and/or options to purchase shares of Fortress common stock. Their individual holdings of common stock and/or options to purchase common stock of Fortress may be significant compared to their total assets. Ownership by our directors and officers, after our separation, of common stock and/or options to purchase common stock of Fortress might appear to create conflicts of interest when these directors and officers are faced with decisions that could have different implications for Fortress than for us.

***Fortress' current or future financial obligations and arrangements, or an event of default thereon, may change the ownership dynamic of us by Fortress.***

Any default or breach by Fortress under any current or future credit agreement or arrangements may have an adverse effect on our business. Fortress has pledged as collateral to certain of its creditors equity in the Company. If Fortress were to default on its obligations to any such creditor, that creditor, whose interests may not align with those of our other stakeholders, could acquire a controlling interest in the Company. In addition, Fortress' current credit agreement with Oaktree Capital (the "Oaktree Credit Agreement") contains certain affirmative and negative covenants and events of default that apply in different instances to Fortress itself, its private subsidiaries, its public subsidiaries, or combinations of the foregoing. Although we are not a party to the Oaktree Credit Agreement, because Fortress controls our stockholder vote, Fortress may not permit us to effect certain actions which we feel would be in the Company's best interests, but which Fortress cannot allow so as to remain in compliance with the Oaktree Credit Agreement.

**General Risks**

***Failure to manage our growth effectively could cause our business to suffer and have an adverse effect on our business, operating results and financial condition.***

We have experienced significant growth in a short period of time. To manage our growth effectively, we must continually evaluate and evolve our organization. We must also manage our employees, operations, finances and capital investments efficiently. Our efficiency, productivity and the quality of our products may be adversely impacted if we do not train our new personnel, particularly our sales and support personnel, quickly and effectively, or if we fail to appropriately coordinate across our organization. Additionally, our rapid growth may place a strain on our resources, infrastructure and ability to maintain the quality of our products. You should not consider our revenue growth and levels of profitability in recent periods as indicative of future performance. In future periods, our revenue or profitability could decline or grow more slowly than we expect. Failure to manage our growth effectively could cause our business to suffer and have an adverse effect on our operating results and financial condition.

***If securities or industry analysts do not publish research or reports about our business, or publish inaccurate or unfavorable research reports about our business, our share price and trading volume could decline.***

The trading market for our common stock partially depends on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If one or more of the analysts who cover us should downgrade our shares or change their opinion of our business prospects, our share price would likely decline. If one or more of these analysts ceases coverage of our company or fails to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

***Our reported financial results may be adversely affected by changes in accounting principles generally accepted in the United States. If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our results of operations could be adversely affected.***

U.S. generally accepted accounting principles ("GAAP") are subject to interpretation by the Financial Accounting Standards Board ("FASB"), the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported results of operations and could affect the reporting of transactions already completed before the announcement of a change.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes appearing elsewhere in this report on Form 10-K. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as discussed in the section titled "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates*." The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Significant estimates, judgments, and assumptions used in our financial statements include, but are not limited to, those related to revenue recognition, accounts receivable and related reserves, useful lives and realizability of long-lived assets, research and development costs, assumptions used in the valuation of warrants, accounting for share-based compensation, and valuation allowances against deferred tax assets. These estimates are periodically reviewed for any changes in circumstances, facts, and experience. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the market price of our common stock.

***Global and national financial events may have an impact on our business and financial condition in ways that we currently cannot predict.***

A credit crisis, turmoil in the global or U.S. financial system, recession or similar possible events in the future could negatively impact us. A financial crisis or recession may limit our ability to raise capital through credit and equity markets. The prices for the products and services that we intend to provide may be affected by a number of factors, and it is unknown how these factors may be impacted by a global or national financial event.

***If our estimates or judgments relating to our critical accounting policies are erroneous or based on assumptions that change or prove to be incorrect, our operating results could fall below the expectations of securities analysts and investors, resulting in a decline in our stock price.***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on our best judgment, historical experience, information derived from third parties and on various other assumptions that we believe to be reasonable under the circumstances, as discussed in the section titled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. Our operating results may be adversely affected if our judgments prove to be wrong, assumptions change or actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of securities analysts and investors, resulting in a decline in our stock price. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to revenue recognition, share-based compensation and income taxes.

***Changes in tax laws or regulations that are applied adversely to us may have a material adverse effect on our business, cash flow, financial condition or results of operations.***

New income, sales, use or other tax laws, statutes, rules, regulations or ordinances could be enacted at any time, which could adversely affect our business operations and financial performance. For example, the United States Congress passed the Inflation Reduction Act in 2022, which provides for a minimum tax equal to 15% of the adjusted financial statement income of certain large corporations, as well as a 1% excise tax on certain share buybacks by public corporations that would be imposed on such corporations. In addition, it is uncertain if and to what extent various states will conform to newly enacted federal tax legislation. Changes in corporate tax rates, the realization of net deferred tax assets relating to our operations, the taxation of foreign earnings, and the deductibility of expenses could have a material impact on the value of our deferred tax assets, could result in significant one-time charges, and could increase our future U.S. tax expense.

**Item 1B. Unresolved Staff Comments**

None.

**Item 1C. Cybersecurity**

*Cybersecurity Risk Management and Strategy*

We recognize the importance of assessing, identifying, and managing material risks associated with cybersecurity threats, as such term is defined in Item 106(a) of Regulation S-K. These risks include, among other things: operational risks, intellectual property theft, fraud, extortion, harm to employees or customers and violation of data privacy or security laws as well as overall business continuation risk.

Identifying and assessing cybersecurity risk is integrated into our overall risk management systems and processes. Cybersecurity risks related to our business, operations, privacy and compliance issues are identified and addressed through a multi-faceted approach. To defend, detect and respond to cybersecurity incidents, we, among other things: conduct proactive privacy and cybersecurity reviews of systems and applications, conduct employee training, monitor emerging laws and regulations related to data protection and information security and implement appropriate changes. We also engage third-party cybersecurity consultants to help us oversee cybersecurity threats both internally and in relation to our third-party service providers, including in connection with the foregoing activities. Our third-party cybersecurity consultants work to mitigate cybersecurity risks by executing all-inclusive security procedures, including but not limited to continuous employee education and training, assessing risks, monitoring systems, implementing security controls, and responding to incidents. This is done in a variety of ways including assessing the strength of outside vendors, suppliers and business partners that may have access to the Company's data and systems, setting up strong access controls in the form of firewalls and encryption, continuous monitoring of data for suspicious activity and other threats, security audits and extensive training.

We have implemented a cybersecurity risk management program that leverages the National Institute of Standards and Technology ("NIST") framework, which organizes cybersecurity risks into five categories: identify, protect, detect, respond and recover. We regularly assess the threat landscape and take a holistic view of cybersecurity risks, with a layered cybersecurity strategy based on prevention, detection and mitigation.

Security events and data incidents are evaluated, ranked by severity and prioritized for response and remediation. Our cybersecurity team collaborates with stakeholders across our business units to further analyze the risk to the company, and form detection, mitigation and remediation strategies. Our risk management program also assesses third-party cybersecurity risks and we perform third-party risk management to identify and mitigate risks from third parties such as vendors, suppliers, and other business partners associated with our use of third-party service providers.

We describe whether and how risks from identified cybersecurity threats, including as a result of any previous cybersecurity incidents, have materially affected or are reasonably likely to materially affect us, including our business strategy, results of operations, or financial condition, under the heading "*Our business and operations would suffer in the event of computer system failures, cyber-attacks, or deficiencies in our or third parties' cybersecurity*" in our risk factor disclosures in Item 1A of this Annual Report on Form 10-K.

*Cybersecurity Governance*

Cybersecurity is an important part of our risk management processes and an area of focus for our management. Our Chief Financial Officer ("CFO") oversees the leaders from our information security, compliance and legal teams who are responsible for our cybersecurity risk management and strategy processes. Our CFO, together with these individuals, also oversee the work of our third-party consultants. These individuals have significant prior business experience in compliance and risk management. Specifically, our CFO has more than 25 years of experience in all aspects of corporate controllership including managing operating and organizational risk developing, executing and maintaining robust internal control environments, including cybersecurity risk and cash controls as part of several pharmaceutical company operations. Our CFO, as well as our management team, are informed about, and monitor the prevention, mitigation, detection and remediation of cybersecurity incidents through their management of, and participation in, the cybersecurity risk management and strategy processes described above, including the operation of our incident response plan, and report to our audit committee and overall board of directors on any appropriate items.

Our executive management is responsible for the oversight of risks from cybersecurity threats. Members of our board of directors receive periodic updates from our executive management team regarding matters of cybersecurity. This includes existing and new cybersecurity risks, status on how management is addressing and/or mitigating those risks, cybersecurity and data privacy incidents (if any) and status on key information security initiatives. Any urgent cybersecurity threats are immediately flagged and reported to the board of directors.

**Item 2. Properties**

Our executive offices are located at 9237 E Via de Ventura Blvd. Suite 105, Scottsdale, AZ 85258. The term of the lease for this space commenced on February 2025 and will expire on February 28, 2027, and we pay an average annual rent of $0.1 million. We believe that our existing facilities are adequate to meet our current requirements. We do not own any real property.

**Item 3. Legal Proceedings**

To our knowledge, there are no legal proceedings pending against us, other than routine actions, administrative proceedings, and other actions not deemed material, that are expected to have a material adverse effect on our financial condition, results of operations, or cash flows. In the ordinary course of business, the Company may be subject to both insured and uninsured litigation. Suits and claims may be brought against the Company by customers, suppliers, partners and/or third parties (including tort claims for personal injury arising from clinical trials of the Company's product candidates and property damage) alleging deficiencies in performance, breach of contract, etc., and seeking resulting alleged damages.

On February 25, 2026, the Company filed a patent infringement lawsuit in the U.S. District Court for the District of Delaware ('the Court") against Lupin Limited, Lupin Inc., and Lupin Pharmaceuticals, Inc. ("Lupin"). This lawsuit was filed following receipt of a "paragraph IV certification" notice from Lupin regarding its respective filing of an ANDA with the FDA seeking approval to engage in the commercial manufacture, use or sale of a generic version of Emrosi in the U.S. prior to the expiration of certain of the Company's U.S. patents. The notice alleged that certain of the Company's patents related to Emrosi, with expiration dates through 2039 are invalid, unenforceable and/or will not be infringed by the commercial manufacture, use or sale of the proposed generic products. The Company intends to vigorously defend its intellectual property. The filing of each lawsuit within 45 days of receipt of each of the respective notices triggered stays of FDA approval of each of the respective ANDAs for up to 30 months in accordance with the Hatch-Waxman Act.

**Item 4. Mine Safety Disclosures**

Not applicable.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

**Market information**

Our common stock is listed on the Nasdaq Capital Market and trades under the symbol "DERM." We commenced trading on the Nasdaq Capital Market on November 12, 2021. Prior to November 12, 2021 there was no public market for our common stock.

**Equity Compensation Plans**

Our board of directors has adopted an incentive plan, allowing for the grant of equity and cash-based awards to our employees and directors as well as a deferred compensation plan for non-employee members of the board of directors and select executive-level employees. We do not maintain any retirement, pension or profit-sharing plans. The additional information required by this item will be incorporated by reference from our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A.

**Sales of Unregistered Securities**

None.

**Holders**

As of March 25, 2026, there were approximately 44 holders of record for our common stock and 1 holder of record for our Class A common stock. The actual number of stockholders is greater than this number of record holders and includes stockholders who are beneficial owners and whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

**Dividends**

We have never paid cash dividends on any of our capital stock and currently intend to retain our future earnings, if any, to fund the development and growth of our business.

### Item 6. [RESERVED.]

### Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

**Forward-Looking Statements**

*You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included elsewhere in this Form 10-K. Our consolidated financial statements have been prepared in accordance with U.S. GAAP. The following discussion and analysis 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"). Please see the section titled "Special Cautionary Notice Regarding Forward-Looking Statements" elsewhere in this Annual Report on Form 10-K for more information. In evaluating our business, you should carefully consider the information set forth under the heading "Risk Factors" herein. As used below, the words "we," "us" and "our" refer to Journey Medical Corporation and its consolidated subsidiaries.*

**Overview**

We are a commercial-stage pharmaceutical company founded in October 2014 that primarily focuses on the selling and marketing of FDA approved prescription pharmaceutical products for the treatment of dermatological conditions. Our current portfolio includes eight FDA-approved prescription drugs for dermatological conditions that are marketed in the U.S. and a majority of our revenues derive from our branded, patent protected products. We are managed by experienced life science executives with a track record of creating value for their stakeholders and bringing novel medicines to the market, enabling patients to experience increased quality of life and physicians and other licensed medical professionals to provide better care for their patients. We acquire rights to products and product candidates by licensing or otherwise acquiring an ownership interest in, funding the research and development of, and eventually commercializing the products through our field sales organization. We are a controlled subsidiary of Fortress.

**Recent Corporate Highlights**

On November 1, 2024, the FDA approved Emrosi, for the treatment of inflammatory lesions of rosacea in adults. Emrosi was developed by Journey in collaboration with DRL. Our initial supply became available in March 2025. We began sales promotion of Emrosi beginning in April 2025, and we are commercializing Emrosi in the U.S. with our existing commercial team.

Effective after the close of U.S. equity markets on June 27, 2025, we joined the small cap Russell 2000® Index and the broad-market Russell 3000® Index as a result of the 2025 annual Russell Index reconstitution.

**Critical Accounting Policies and Uses of Estimates**

Our consolidated financial statements have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make difficult, subjective or complex judgments, often as a result of the need to make estimates and assumptions about the effect of matters that are inherently uncertain in the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are described in greater detail in Note 2, "Basis of Presentation and Summary of Significant Accounting Policies" in our consolidated financial statements, appearing under Part II, Item 8 and beginning at page F-1 of this Annual Report on Form 10-K, we believe that the following accounting policies and estimates are those most critical to the judgments and estimates used in the preparation of our consolidated financial statements in understanding our historical and future performance. These policies relate to the more significant areas involving management's judgments and estimates.

*Revenue Recognition*

Our gross product revenues are subject to a variety of deductions, which generally are estimated and recorded in the same period that the revenues are recognized. Such variable consideration represents chargebacks, coupons, discounts, other sales allowances and sales returns. These deductions represent estimates of the related obligations and, as such, knowledge and judgment are required when estimating the impact of these revenue deductions on gross sales for a reporting period. Historically, adjustments to these estimates to reflect actual results or updated expectations have not been material to our overall business. Coupons, however, can have a significant impact on year-over-year individual product revenue growth trends. If any of our ratios, factors, assessments, experiences, or judgments are not indicative or accurate estimates of our future experience, our results could be materially affected. The potential of our estimates to vary differs by program, product, type of customer and geographic location.

**Recent Accounting Pronouncements**

See Note 2, "Basis of Presentation and Summary of Significant Accounting Policies" in our consolidated financial statements, appearing under Part II, Item 8 and beginning at page F-1 of this Annual Report on Form 10-K for information about recent accounting pronouncements, the timing of their adoption, if applicable, and our assessment, if any, of their potential impact on our financial condition and results of operations.

**Emerging Growth Company and Smaller Reporting Company Status**

We are an emerging growth company, as defined in the JOBS Act. Under the JOBS Act, emerging growth companies can delay the adoption of new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. Other exemptions and reduced reporting requirements under the JOBS Act for emerging growth companies include presentation of only two years of audited financial statements in our annual reports on Form 10-K, an exemption from the requirement to provide an auditor's report on internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, as amended, an exemption from any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation and less extensive disclosure about our executive compensation arrangements. We have elected to use the extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that (i) we are no longer an emerging growth company or (ii) we affirmatively

and irrevocably opt out of the extended transition period provided in the JOBS Act. The Company expects to cease qualifying as an emerging growth company as of the end of its fiscal year ending December 31, 2026.

We are also a "smaller reporting company," meaning that either (i) the market value of our shares held by non-affiliates is less than $250 million or (ii) the market value of our shares held by non-affiliates is less than $700 million and our annual revenue was less than $100 million during the most recently completed fiscal year. We may continue to be a smaller reporting company if either (i) the market value of our shares held by non-affiliates is less than $250 million or (ii) our annual revenue was less than $100 million during the most recently completed fiscal year and the market value of our shares held by non-affiliates is less than $700 million. As a smaller reporting company, we may choose to present only the two most recent fiscal years of audited financial statements in our Annual Report on Form 10-K, have reduced disclosure obligations regarding executive compensation, and smaller reporting companies are permitted to delay adoption of certain recent accounting pronouncements discussed in Note 2. See Note 2, "Basis of Presentation and Summary of Significant Accounting Policies" in our consolidated financial statements, appearing under Part II, Item 8 and beginning at page F-1 of this Annual Report on Form 10-K.

**Results of Operations**

***Comparison of the Years Ended December 31, 2025 and 2024***

The following table summarizes our results of operations for the years ended December 31, 2025 and 2024:

| | Year Ended December 31, | | Change | |
|---|---|---|---|---|
| | 2025 | 2024 | $ | % |
| **Revenue:** | | | | |
| Product revenue, net | $ 61,239 | $ 55,134 | $ 6,105 | 11 % |
| Other revenue | 619 | 1,000 | (381) | (38)% |
| Total revenue | 61,858 | 56,134 | 5,724 | 10 % |
| | | | | |
| **Operating expenses** | | | | |
| Cost of goods sold – (excluding amortization of acquired intangible assets) | 20,924 | 20,879 | 45 | — % |
| Amortization of acquired intangible assets | 4,258 | 3,424 | 834 | 24 % |
| Research and development | 480 | 9,857 | (9,377) | (95)% |
| Selling, general and administrative | 44,368 | 40,204 | 4,164 | 10 % |
| Loss recovery | — | (4,553) | 4,553 | 100 % |
| Total operating expenses | 70,030 | 69,811 | 219 | — % |
| Loss from operations | (8,172) | (13,677) | 5,505 | (40)% |
| | | | | |
| **Other expense (income)** | | | | |
| Interest income | (589) | (757) | 168 | (22)% |
| Interest expense | 3,698 | 2,700 | 998 | 37 % |
| Gain on extinguishment of debt | — | (1,125) | 1,125 | 100 % |
| Foreign exchange transaction losses | 90 | 116 | (26) | (22)% |
| Total other expense | 3,199 | 934 | 2,265 | 243 % |
| **Loss before income taxes** | **(11,371)** | **(14,611)** | **3,240** | **(22)%** |
| | | | | |
| Income tax expense | 60 | 61 | (1) | (2)% |
| **Net loss** | $ **(11,431)** | $ **(14,672)** | $ **3,241** | **(22)%** |

***Revenues***

The following table reflects our revenue by product for the years ended December 31, 2025 and 2024:

| *($ in thousands)* | For the Years Ended December 31, 2025 | 2024 | Change $ | Change % |
|---|---|---|---|---|
| Emrosi™ | $ 14,745 | $ — | $ 14,745 | 100 % |
| Qbrexza® | 25,014 | 25,114 | (100) | — % |
| Accutane® | 12,882 | 19,407 | (6,525) | (34)% |
| Foam franchise products (Amzeeq® & Zilxi®) | 5,859 | 6,652 | (793) | (12)% |
| Other / legacy | 2,739 | 3,961 | (1,222) | (31)% |
| **Total net product revenue** | **$ 61,239** | **$ 55,134** | **$ 6,105** | **11 %** |

Revenues totaled $61.2 million for the year ended December 31, 2025, reflecting an 11% increase from $55.1 million for the year ended December 31, 2024. The growth was primarily driven by incremental revenue from the launch and commercialization of Emrosi, partially offset by continued competitive pressures on Accutane, for which revenue declined by $6.5 million, as well as lower sales of our legacy products.

***Other revenue***

| *($ in thousands)* | For the Years Ended December 31, 2025 | 2024 | Change $ | Change % |
|---|---|---|---|---|
| Milestone payment from Cutia | $ — | $ 1,000 | $ (1,000) | (100)% |
| Cutia supply agreement | 606 | — | 606 | 100 % |
| Royalties on sales Amzeeq by Cutia | 13 | — | 13 | 100 % |
| **Total other revenue** | **$ 619** | **$ 1,000** | **$ (381)** | **(38)%** |

Other revenue for the year ended December 31, 2025, reflects the supply to Cutia of Amzeeq for commercial use and sales-based royalties on Cutia's net sales of Amzeeq, pursuant to the Cutia Agreement. The Company began supplying Amzeeq to Cutia in August 2025 under the Cutia Agreement. Other revenue for the year ended December 31, 2024 reflects a $1.0 million milestone payment from Cutia under the Cutia Agreement that became payable to us upon Cutia receiving marketing approval for topical 4% minocycline foam in the PRC.

***Gross-to-Net Sales Accruals***

We record gross-to-net sales accruals for sales returns, coupons, managed care rebates, government rebates, and other allowances (chargebacks, distributor service fees and prompt pay discounts) customary to the pharmaceutical industry.

Gross-to-net sales accruals and the balance in the related allowance accounts for the years ended December 31, 2025, 2024 and 2023 were as follows:

| ($'s in thousands) | Returns | Coupons | Managed Care Rebates | Other | Total |
|---|---|---|---|---|---|
| **Balance as of December 31, 2023** | **$ 4,077** | **$ 3,444** | **$ 5,210** | **$ 1,386** | **$ 14,117** |
| Current provision related to sales in the current period | 1,787 | 79,451 | 23,627 | 6,312 | 111,177 |
| Checks/credits issued to third parties | (2,740) | (81,145) | (25,120) | (6,965) | (115,970) |
| **Balance as of December 31, 2024** | **$ 3,124** | **$ 1,750** | **$ 3,717** | **$ 733** | **$ 9,324** |
| Current provision related to sales in the current period | 493 | 148,587 | 24,938 | 6,178 | 180,196 |
| Checks/credits issued to third parties | (1,440) | (138,921) | (24,421) | (6,014) | (170,796) |
| **Balance as of December 31, 2025** | **$ 2,177** | **$ 11,416** | **$ 4,234** | **$ 897** | **$ 18,724** |

Gross-to-net sales accruals are primarily a function of product sales volume, mix of products sold, and contractual discounts or rebates. Our reserves for gross-to-net sales allowances were $18.7 million as of December 31, 2025, compared to $9.3 million as of December 31, 2024, an increase of $9.4 million. The increase is due to the incremental allowances recorded related to the launch and commercialization of Emrosi, due substantially to the coupon rebate allowance.

***Cost of Goods Sold – (excluding amortization of acquired intangible assets)***

Cost of goods sold – (excluding amortization of acquired intangible assets) was consistent year over year at $20.9 million for the years ended December 31, 2025 and 2024. Higher royalty expenses associated with incremental revenue from Emrosi in 2025 were offset by lower product costs resulting from a favorable product mix, primarily reflecting the increased sales of Emrosi in 2025. Emrosi carries a higher gross margin than our other products, contributing to the stable overall cost of goods sold despite the increased revenues.

***Amortization of acquired intangible assets***

Amortization of acquired intangible assets increased by $0.8 million, or 24%, to $4.3 million for the year ended December 31, 2025, from $3.4 million for the year ended December 31, 2024, driven by the addition of the Emrosi acquired intangible asset upon our payment to DRL of the milestone payment triggered by the FDA's approval of Emrosi in November 2024.

***Research and Development***

Research and development expense decreased by $9.4 million, or 95%, to $0.5 million for the year ended December 31, 2025 from $9.9 million for the year ended December 31, 2024. Research and development expenses in 2024 included pre-approval project costs related to Emrosi, which concluded following the FDA's approval of Emrosi in November 2024.

***Selling, General and Administrative Expenses ("SG&A")***

SG&A expenses increased by $4.2 million, or 10%, to $44.4 million for the year ended December 31, 2025, from $40.2 million for the year ended December 31, 2024. The increase is primarily due to the incremental operational activities related to the launch and commercialization of Emrosi.

***Loss Recovery***

We recorded a $4.6 million loss recovery benefit in connection with the recovery of funds related to the previously disclosed September 2021 cybersecurity incident. We received the $4.6 million in cash in December of 2024.

***Interest Expense, net***

Interest expense, net increased by $1.2 million to $3.1 million for the year ended December 31, 2025, from $1.9 million for the year ended December 31, 2024. The increase was primarily due to a higher principal balance outstanding under the Credit Agreement, dated as of December 27, 2023 (the "Credit Agreement") with SWK throughout 2025. We drew an additional $10.0 million under the Credit Agreement during 2024, increasing the principal balance from $15.0 million to $25.0 million.

***Gain on Extinguishment of Debt***

We recorded a gain of $1.1 million in August 2024 upon the execution of a settlement agreement (the "Settlement Agreement") to settle amounts owed by the Company to Sun pursuant to the Ximino Asset Purchase Agreement. See Note 9 to our consolidated financial statements for further details.

**Liquidity and Capital Resources**

At December 31, 2025, we had cash and cash equivalents on hand of approximately $24.1 million as compared to $20.3 million of cash and cash equivalents at December 31, 2024, and working capital of $29.4 million at December 31, 2025, compared to $13.0 million at December 31, 2024.

We rely primarily on cash on hand generated from sales of our pharmaceutical products to customers to fund our core operations. In addition, we have relied on the proceeds from our term loan Credit Facility with SWK, and our at-the-market sales program to meet additional capital and liquidity needs.

In August 2025, we executed a new At Market Issuance Sales Agreement (the "2025 Sales Agreement") with B. Riley Securities, Inc ("B. Riley") and Lake Street Capital Markets, LLC ("Lake Street") (each, an "Agent" and together, the "Agents"), replacing the previous December 30, 2022 At Market Issuance Sales Agreement with B. Riley, as described in further detail below.

On September 25, 2025, we entered into a Third Amendment to our Credit Agreement with SWK (the "Third Amendment"). The Third Amendment, among other things, modifies our existing Credit Facility as described in further detail below.

We regularly evaluate market conditions, our liquidity profile, and financing alternatives, including out-licensing arrangements for our products, to enhance our capital structure. We may seek to raise capital through debt or equity financings, which may include sales of securities under either our 2026 Shelf (as defined below) or a new registration statement, to expand our product portfolio and/or for other strategic initiatives. Additionally, as a result of recurring losses, substantial doubt exists about our ability to continue as a going concern for a period of at least twelve months from the date of issuance of these financial statements included in this Annual Report on Form 10-K.

***Sources of Liquidity***

SWK Credit Facility

On December 27, 2023, we entered into the Credit Agreement with SWK. The Credit Agreement originally provided for a term loan facility (the "Credit Facility") in the original principal amount of up to $20.0 million. On the closing date, we drew $15.0 million. On June 26, 2024, we drew the remaining $5.0 million under the Credit Facility. Loans under the Credit Facility (the "Term Loans") bear interest at a rate per annum equal to the three-month term Secured Overnight Financing Rate ("SOFR") (subject to a SOFR floor of 5%) plus 7.75%. The interest rate resets quarterly. Interest payments began in February 2024 and are paid quarterly.

On July 9, 2024, we entered into an amendment (the "First Amendment") to the Credit Agreement. The First Amendment increased the original principal amount of the Credit Facility from $20.0 million to $25.0 million. The $5.0 million of additional principal added in the First Amendment was contractually required to be drawn upon FDA approval of Emrosi, subject to us receiving approval on or before June 30, 2025. The FDA approved Emrosi on November 1, 2024, and we subsequently drew the remaining $5.0 million.

On September 25, 2025, we entered into the Third Amendment. The Third Amendment, among other things, extends the maturity date of the facility from December 27, 2027 to June 27, 2028. The Third Amendment also modifies the Revenue-Based Payment provision, as defined in the Credit Agreement, by lowering the applicable revenue threshold, measured on a trailing twelve-month basis, from $70.0 million to $60.0 million. Upon satisfaction of the revised revenue threshold, the interest-only period under the Credit Facility will be extended by one year, with scheduled principal repayments commencing in February 2027 rather than February 2026. We satisfied the $60.0 million revenue threshold as of December 31, 2025. Accordingly, principal payments under the Credit Facility will begin in February 2027.

The Credit Agreement also includes both revenue and liquidity covenants, restrictions as to payment of dividends, and is secured by substantially all of our assets. As of December 31, 2025, we were in compliance with the financial covenants under the Credit Agreement.

At-the-Market Offering

On December 30, 2022, we filed a shelf registration statement on Form S-3 (File No. 333-269079) (the "2022 Shelf"), which was declared effective by the SEC on January 26, 2023. This shelf registration statement covers the offering, issuance and sale by us of up to an aggregate of $150.0 million of our common stock, preferred stock, debt securities, warrants, and units.

In August 2025, we entered into the 2025 Sales Agreement relating to shares of the Company's common stock with B. Riley and Lake Street. In accordance with the terms of the 2025 Sales Agreement, we may offer and sell up to 3,750,000 shares of common stock, from time to time through or to the Agents, each acting as sales agent or principal. As of December 31, 2025, we have issued 750,000 shares under the 2025 Sales Agreement.

During the year ended December 31, 2025, we issued and sold 2,582,107 shares of common stock under the 2022 Shelf, generating net proceeds of $16.4 million under the At Market Issuance Agreement with B. Riley entered into 2022 (the "2022 Sales Agreement") and the 2025 Sales Agreement.

On January 15, 2026, we filed a shelf registration statement on Form S-3 (File No. 333-292758) (the "2026 Shelf"), which was declared effective by the SEC on January 21, 2026. This shelf registration statement covers the offering, issuance and sale by us of up to an aggregate of $150.0 million of our common stock, preferred stock, debt securities, warrants, and units. The 2026 Shelf replaces the 2022 Shelf. Sales under the 2025 Sales Agreement after the effective date will occur under the 2026 Shelf.

***Cash Flows for the Years Ended December 31, 2025 and 2024***

| ($'s in thousands) | For the Years ended December 31, 2025 | 2024 | Increase (Decrease) |
|---|---|---|---|
| Net cash (used in) operating activities | $ (12,441) | $ (9,127) | $ (3,314) |
| Net cash (used in) investing activities | — | (15,000) | 15,000 |
| Net cash provided by financing activities | 16,226 | 16,993 | (767) |
| Net change in cash and cash equivalents | **$ 3,785** | **$ (7,134)** | **$ (10,919)** |

*Operating Activities*

Net cash flows used in operating activities for the year ended December 31, 2025 were $12.4 million compared to $9.1 million of net cash flows used in operating activities for the year ended December 31, 2024, reflecting a change of $3.3 million from period-to-period. Net cash used in operating activities during 2025 was primarily driven by our net loss and changes in net working capital.

*Investing Activities*

Net cash flows used in investing activities for the year ended December 31, 2025 were $0 compared to $15.0 million for the year ended December 31, 2024, reflecting a change of $15.0 million from period-to-period. The year ended December 31, 2024 reflects a $15.0 million milestone payment made to DRL, which was triggered upon our receipt of FDA approval for Emrosi in November 2024.

*Financing Activities*

Net cash flows provided by financing activities for the year ended December 31, 2025 were $16.2 million compared to $17.0 million of net cash flows provided by financing activities for the year ended December 31, 2024, reflecting a change of $0.8 million from period-to-period. Cash provided by financing activities for the year ended December 31, 2025 reflects net proceeds from the issuance of common stock under the Sales Agreement of $16.4 million. Cash provided by financing activities for the year ended December 31, 2024 reflects the draw of an additional $10.0 million under the SWK Credit Facility, as well as the net proceeds from issuances of common stock under the 2022 Sales Agreement of $7.9 million.

***Material Cash Requirements***

In the normal course of business, we enter into contractual obligations that contain cash requirements of which the most significant currently include the following:

- We are required to make regular payments under the SWK Credit Facility. Based on the amount currently outstanding under the SWK Facility and current interest rates, and assuming we do not make further draws under the SWK facility, we expect to make the following payments:

| | Payments by Period | | | |
|---|---|---|---|---|
| | Total | 2026 | 2027 | 2028 |
| | | ($'s in thousands) | | |
| Interest | $ 7,008 | $ 3,223 | $ 2,746 | $ 1,039 |
| Principal | 25,000 | — | 10,000 | 15,000 |
| Exit fee | 1,250 | — | — | 1,250 |
| Total | **$ 33,258** | **$ 3,223** | **$ 12,746** | **$ 17,289** |

- We are contractually obligated to pay certain milestone and sales-based royalty payments to the counterparties of our license and product acquisition agreements. Due to the contingent nature of these obligations, the amounts of these payments cannot be reasonably predicted.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risks**

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information otherwise required under this item.

**Item 8. Financial Statements and Supplementary Data.**

The information required by this Item is set forth in the financial statements and notes thereto beginning at page F-1 of this Annual Report on Form 10-K.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

None.

**Item 9A. Controls and Procedures.**

***Disclosure Controls and Procedures***

We maintain "disclosure controls and procedures," as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act, designed to ensure that information required to be disclosed in our reports filed pursuant to the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

In designing and evaluating the disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and we are required to apply our judgment in evaluating the cost-benefit relationship of possible controls and procedures. We have carried out an evaluation as of the end of the period covered by this Annual Report on Form 10-K under the supervision, and with the participation, of our management, including our Chief Executive Officer (who serves as our principal executive officer) and our Chief Financial Officer (who serves as our principal financial officer), of the effectiveness of the design and operation of our disclosure controls and procedures.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Annual Report on Form 10-K in providing reasonable assurance of achieving the desired control objectives.

***Management's Report on Internal Control over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Internal control over financial reporting refers to the process designed by, or under the supervision of, our principal executive officer and principal financial officer, and effected by our Board of Directors, management and other personnel, 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, and includes those policies and procedures that:

(1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorization of our management and directors; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisitions, use or disposition of our assets that could have a material effect on the financial statements.

Internal control over financial reporting has inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2025. In making the assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013). Based on the results of this assessment, management (including our Chief Executive Officer and our Chief Financial Officer) has concluded that, as of December 31, 2025, our internal control over financial reporting was effective.

This Annual Report does not include an attestation report on internal control over financial reporting from our independent registered public accounting firm due to our status as an emerging growth company under the JOBS Act.

***Changes in Internal Control over Financial Reporting***

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our most recent fiscal quarter ended December 31, 2025 to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information**

None.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.**

Not applicable.

## PART III

**Item 10. Directors, Executive Officers and Corporate Governance**

The information required by this Item is incorporated herein by reference from our Proxy Statement for our 2026 Annual Meeting of Stockholders.

**Item 11. Executive Compensation**

The information required by this Item is incorporated herein by reference from our Proxy Statement for our 2026 Annual Meeting of Stockholders.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required by this Item is incorporated herein by reference from our Proxy Statement for our 2026 Annual Meeting of Stockholders.

**Item 13. Certain Relationships and Related Transactions, and Director Independence.**

The information required by this Item is incorporated herein by reference from our Proxy Statement for our 2026 Annual Meeting of Stockholders.

**Item 14. Principal Accounting Fees and Services**

The information required by this Item is incorporated by reference from our Proxy Statement for our 2026 Annual Meeting of Stockholders.

## PART IV

### Item 15. Exhibits and Financial Statement Schedules

**(a) Financial Statements.**

The following financial statements are filed as part of this report:

**(b) Exhibits.**

| Exhibit Number | Description |
|---|---|
| 3.1 | Fourth Amended and Restated Certificate of Incorporation of Journey Medical Corporation, filed as Exhibit 3.1 to Form 8-K, filed on June 26, 2025 and incorporated herein by reference. |
| 3.2 | Bylaws of Journey Medical Corporation, filed as Exhibit 3.2 to Form 10-K, filed on March 28, 2022 and incorporated herein by reference. |
| 4.1 | Form of Common Stock Certificate, filed as Exhibit 4.1 to Form S-1, filed on October 22, 2021 and incorporated herein by reference. |
| 4.2 | Description of Securities of Journey Medical Corporation, filed as Exhibit 4.2 to Form 10-K, filed on March 28, 2022 and incorporated herein by reference. |
| 10.1 | Journey Medical Corporation 2015 Stock Plan, filed as Exhibit 10.1 to Form S-1, filed on October 22, 2021 and incorporated herein by reference.# |
| 10.2 | Amendment to Journey Medical Corporation 2015 Stock Plan, filed as Exhibit 10.1 to Form 8-K filed on June 21, 2022 and incorporated herein by reference.# |
| 10.3 | Amendment to the Journey Medical Corporation 2015 Stock Incentive Plan, filed as Exhibit 10.1 to Form 8-K, filed on June 25, 2024 and incorporated herein by reference.# |
| 10.4 | Executive Employment Agreement with Claude Maraoui, dated September 22, 2014, filed as Exhibit 10.2 to Form S-1, filed on October 22, 2021 and incorporated herein by reference.# |
| 10.5 | Amended and Restated Employment Agreement with Ramsey Alloush, dated March 31, 2025, filed as Exhibit 10.1 to Form 10-Q, filed on May 15, 2025 and incorporated herein by reference.# |
| 10.6 | Second Amended and Restated Employment Agreement with Joseph Benesch, dated May 15, 2025, filed as Exhibit 10.2 to Form 10-Q, filed on May 15, 2025 and incorporated herein by reference.# |
| 10.7 | Non-Employee Director Compensation Plan, filed as Exhibit 10.4 to Form S-1, filed on October 22, 2021 and incorporated herein by reference.# |
| 10.8 | Journey Medical Corporation 2023 Employee Stock Purchase Plan, filed as Exhibit 10.1 to Form 8-K filed on June 23, 2023 and incorporated herein by reference.# |
| 10.9 | Asset Purchase Agreement for Qbrexza, entered into by and between Journey Medical Corporation and Dermira, Inc., a subsidiary of Eli Lilly and Company, dated as of March 31, 2021, filed as Exhibit 10.6 to Form S-1, filed on October 22, 2021 and incorporated herein by reference.** |
| 10.10 | Asset Purchase Agreement between VYNE Therapeutics Inc. and Journey Medical Corporation, dated as of January 12, 2022, filed as Exhibit 10.1 to Form 8-K filed on January 13, 2022 and incorporated herein by reference.** |
| 10.11 | License and Supply Agreement for Accutane, entered into by and between Journey Medical Corporation and Dr. Reddy's Laboratories Ltd., dated as of July 29, 2020, filed as Exhibit 10.7 to Form S-1, filed on October 22, 2021 and incorporated herein by reference.** |
| 10.12 | License and Supply Agreement for Targadox, entered into by and between Journey Medical Corporation and Blu Caribe Inc., dated as of March 10, 2015, filed as Exhibit 10.8 to Form S-1, filed on October 22, 2021 and incorporated herein by reference.** |
| 10.13 | First Amendment to the License and Supply Agreement for Targadox, entered into by and between Journey Medical Corporation and Blu Caribe Inc., dated as of August 26, 2015, filed as Exhibit 10.9 to Form S-1, filed on October 22, 2021 and incorporated herein by reference.** |
| 10.14 | Asset Purchase Agreement for Exelderm, entered into by and between Journey Medical Corporation and Sun Pharmaceutical Industries, Inc., dated as of August 31, 2018, filed as Exhibit 10.10 to Form S-1, filed on October 22, 2021 and incorporated herein by reference.** |
| 10.15 | Amendment 1 to the Asset Purchase Agreement for Exelderm, entered into by and between Journey Medical Corporation and Sun Pharmaceutical Industries, Inc., dated as of September 5, 2018, filed as Exhibit 10.11 to Form S-1, filed on October 22, 2021 and incorporated herein by reference. ** |
| 10.16 | Asset Purchase Agreement for Ximino, entered into by and between Journey Medical Corporation and Sun Pharmaceutical Industries, Inc., dated as of July 22, 2019, filed as Exhibit 10.12 to Form S-1, filed on October 22, 2021 and incorporated herein by reference.** |
| 10.17 | Asset Purchase Agreement for the Anti-itch Product, entered into by and between Journey Medical Corporation and Sun Pharmaceutical Industries, Inc., dated as of December 18, 2020, filed as Exhibit 10.13 to Form S-1, filed on October 22, 2021 and incorporated herein by reference.** |

| | |
|---|---|
| 10.18 | License, Collaboration, and Assignment Agreement for DFD-29, entered into by and between Journey Medical Corporation and Dr. Reddy's Laboratories Ltd., dated as of June 29, 2021, filed as Exhibit 10.14 to Form S-1, filed on October 22, 2021 and incorporated herein by reference.** |
| 10.19 | At Market Issuance Sales Agreement, dated as of December 30, 2022, by and between Journey Medical Corporation and B. Riley Securities, Inc., filed as Exhibit 1.2 to Form S-3, filed on December 30, 2022 and incorporated herein by reference. |
| 10.20 | At Market Issuance Sales Agreement, dated as of August 28, 2025, by and among Journey Medical Corporation, B. Riley Securities, Inc. and Lake Street Capital Markets, LLC, filed as Exhibit 10.1 to Form 8-K, filed on August 28, 2025 and incorporated herein by reference. |
| 10.21 | License Agreement, dated as of August 31, 2023, between Journey Medical Corporation and Maruho Co., Ltd. filed as Exhibit 10.1 to Form 10 - Q filed on November 13, 2023.** |
| 10.22 | Second Amended and Restated License Agreement, dated as of August 31, 2023, between Journey Medical Corporation and Maruho Co., Ltd. filed as Exhibit 10.2 to Form 10 - Q filed on November 13, 2023.** |
| 10.23 | Credit Agreement, dated as of December 27, 2023, between Journey Medical Corporation with SWK Funding LLC, filed as Exhibit 10.21 to Form 10-K filed on March 29, 2024. *** |
| 10.24 | First Amendment to the Credit Agreement, dated July 9, 2024, by and among Journey Medical Corporation, SWK Funding LLC, and the other financial institutions party thereto, filed as Exhibit 10.1 to Form 10-Q filed on November 12, 2024.** |
| 10.25 | Second Amendment to the Credit Agreement, dated October 21, 2024, by and among Journey Medical Corporation, SWK Funding LLC, and the other financial institutions party thereto, filed as Exhibit 10.2 to Form 10-Q filed on November 12, 2024.** |
| 10.26 | Third Amendment to the Credit Agreement, dated September 25, 2025, by and among Journey Medical Corporation, SWK Funding LLC, and the other financial institutions party thereto, filed as Exhibit 10.1 to Form 10-Q filed November 12, 2025.** |
| 10.27 | Journey Medical Corporation Deferred Compensation Plan, adopted July 9, 2024, filed as Exhibit 10.23 to Form 10-K filed on March 26, 2025.#* |
| 19.1 | Fortress Biotech, Inc. and Subsidiaries Insider Trading Policy, filed as Exhibit 19.1 to Form 10-K filed on March 26, 2025.* |
| 21.1 | List of Subsidiaries of Journey Medical Corporation.* |
| 23.1 | Consent of KPMG LLP.* |
| 31.1 | Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. * |
| 31.2 | Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. * |
| 32.1 | Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *** |
| 32.2 | Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *** |
| 97.1 | Clawback Policy of Journey Medical Corporation, filed as Exhibit 97.1 to Form 10-K filed on March 29, 2024 and incorporated herein by reference. |
| 101 | The following financial information from the Company's Quarterly Report on Form 10-K for the period ended December 31, 2025, formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statement of Stockholders' Equity, (iv) the Consolidated Statements of Cash Flows, and (v) Notes to the Consolidated Financial Statements. |
| 104 | Cover page from the Company's Annual Report on Form 10-K for the year ended December 31, 2025, formatted in Inline XBRL. |

* Filed herewith.
** Certain portions of this exhibit have been omitted pursuant to Item 601(b)(10) of Regulation S-K.
*** Furnished herewith.
# Management Compensation Arrangement.

**Item 16. Form 10-K Summary**

The Company has elected not to provide summary information.

**INDEX TO FINANCIAL STATEMENTS**

**Report of Independent Registered Public Accounting Firm**

To the Stockholders and Board of Directors

Journey Medical Corporation:

***Opinion on the Consolidated Financial Statements***

We have audited the accompanying consolidated balance sheets of Journey Medical Corporation and subsidiary (the Company) as of December 31, 2025 and 2024, the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years then ended, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

***Going Concern***

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

***Basis for Opinion***

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2021.

Short Hills, New Jersey

March 25, 2026

**JOURNEY MEDICAL CORPORATION**
**CONSOLIDATED BALANCE SHEETS**
**(in thousands, except share and per share data)**

| | December 31, 2025 | December 31, 2024 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and cash equivalents | $ 24,090 | $ 20,305 |
| Accounts receivable, net of reserves | 29,783 | 10,231 |
| Inventory | 9,624 | 14,431 |
| Prepaid expenses and other current assets | 3,376 | 3,212 |
| Total current assets | 66,873 | 48,179 |
| | | |
| Intangible assets, net | 27,605 | 31,863 |
| Operating lease right-of-use asset, net | 111 | 199 |
| **Total assets** | **$ 94,589** | **$ 80,241** |
| | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities | | |
| Accounts payable | $ 8,851 | $ 16,050 |
| Due to related party | 455 | 528 |
| Accrued expenses | 27,567 | 17,425 |
| Accrued interest | 398 | 404 |
| Income taxes payable | 70 | 60 |
| Installment payments – licenses, short-term | — | 625 |
| Operating lease liability, short-term | 101 | 83 |
| Total current liabilities | 37,442 | 35,175 |
| | | |
| Term loan, net of discount | 25,277 | 24,879 |
| Operating lease liability, long-term | 18 | 118 |
| **Total liabilities** | **62,737** | **60,172** |
| | | |
| **Commitments and contingencies (Note 13)** | | |
| | | |
| **Stockholders' equity** | | |
| Common stock, $.0001 par value, 50,000,000 shares authorized, 21,144,655 and 16,153,610 shares issued and outstanding as of December 31, 2025 and December 31, 2024, respectively | 2 | 1 |
| Common stock - Class A, $.0001 par value, 50,000,000 shares authorized, 6,000,000 shares issued and outstanding as of December 31, 2025 and December 31, 2024 | 1 | 1 |
| Additional paid-in capital | 130,307 | 107,094 |
| Accumulated deficit | (98,458) | (87,027) |
| Total stockholders' equity | 31,852 | 20,069 |
| **Total liabilities and stockholders' equity** | **$ 94,589** | **$ 80,241** |

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

**JOURNEY MEDICAL CORPORATION**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
**(in thousands, except share and per share data)**

| | Year Ended December 31, | |
|---|---|---|
| | 2025 | 2024 |
| **Revenue:** | | |
| Product revenue, net | $ 61,239 | $ 55,134 |
| Other revenue | 619 | 1,000 |
| Total revenue | 61,858 | 56,134 |
| | | |
| **Operating expenses** | | |
| Cost of goods sold – (excluding amortization of acquired intangible assets) | 20,924 | 20,879 |
| Amortization of acquired intangible assets | 4,258 | 3,424 |
| Research and development | 480 | 9,857 |
| Selling, general and administrative | 44,368 | 40,204 |
| Loss recovery | — | (4,553) |
| Total operating expenses | 70,030 | 69,811 |
| Loss from operations | (8,172) | (13,677) |
| | | |
| **Other expense (income)** | | |
| Interest income | (589) | (757) |
| Interest expense | 3,698 | 2,700 |
| Gain on extinguishment of debt | — | (1,125) |
| Foreign exchange transaction losses | 90 | 116 |
| Total other expense | 3,199 | 934 |
| **Loss before income taxes** | **(11,371)** | **(14,611)** |
| | | |
| Income tax expense | 60 | 61 |
| **Net loss** | $ **(11,431)** | $ **(14,672)** |
| | | |
| Net loss per common share: | | |
| Basic and diluted | $ (0.47) | $ (0.72) |
| | | |
| Weighted average number of common shares: | | |
| Basic and diluted | 24,497,973 | 20,431,400 |

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

**JOURNEY MEDICAL CORPORATION**
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**
**(in thousands, except share data)**

| | Common Stock | | Common Stock A | | Additional Paid-in Capital | (Accumulated Deficit) | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | |
| **Balance as of December 31, 2023** | **13,323,952** | **$ 1** | **6,000,000** | **$ 1** | **$ 92,703** | **$ (72,355)** | **$ 20,350** |
| Share-based compensation | — | — | — | — | 6,098 | — | 6,098 |
| Exercise of stock options for cash | 122,510 | — | — | — | 207 | — | 207 |
| Issuance of common stock for vested restricted stock units | 1,058,374 | — | — | — | — | — | — |
| Issuance of common stock under ESPP | 84,464 | — | — | — | 209 | — | 209 |
| Issuance of common stock, ATM offering, net of issuance costs of $245 | 1,564,310 | — | — | — | 7,877 | — | 7,877 |
| Net loss | — | — | — | — | — | (14,672) | (14,672) |
| **Balance as of December 31, 2024** | **16,153,610** | **$ 1** | **6,000,000** | **$ 1** | **$ 107,094** | **$ (87,027)** | **$ 20,069** |
| Share-based compensation | — | — | — | — | 6,288 | — | 6,288 |
| Exercise of stock options for cash, net of shares withheld | 1,409,420 | 1 | — | — | 349 | — | 350 |
| Issuance of common stock for vested restricted stock units | 944,946 | — | — | — | — | — | — |
| Issuance of common stock under ESPP | 54,572 | — | — | — | 217 | — | 217 |
| Issuance of common stock, ATM offering, net of issuance costs of $507 | 2,582,107 | — | — | — | 16,359 | — | 16,359 |
| Net loss | — | — | — | — | — | (11,431) | (11,431) |
| **Balance as of December 31, 2025** | **21,144,655** | **$ 2** | **6,000,000** | **$ 1** | **$ 130,307** | **$ (98,458)** | **$ 31,852** |

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

**JOURNEY MEDICAL CORPORATION**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(in thousands)**

| | Year Ended December 31, | |
|---|---|---|
| | **2025** | **2024** |
| **Cash flows from operating activities** | | |
| Net loss | $ (11,431) | $ (14,672) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Bad debt (recovery) expense | (211) | 516 |
| Gain on extinguishment of debt | — | (1,125) |
| Amortization of debt discount | 466 | 307 |
| Amortization of acquired intangible assets | 4,258 | 3,424 |
| Amortization of operating lease right-of-use assets | 88 | 91 |
| Share-based compensation | 6,288 | 6,098 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (19,341) | 4,475 |
| Inventory | 4,807 | (4,225) |
| Prepaid expenses and other current assets | (164) | 376 |
| Other assets | — | 6 |
| Accounts payable | (7,199) | (2,099) |
| Related party expenses | (73) | 333 |
| Accrued expenses | 10,149 | (2,925) |
| Accrued interest | (6) | 382 |
| Income tax payable | 10 | 7 |
| Lease liabilities | (82) | (96) |
| Net cash (used in) operating activities | (12,441) | (9,127) |
| | | |
| **Cash flows from investing activities** | | |
| Acquired intangible assets | — | (15,000) |
| Net cash (used in) investing activities | — | (15,000) |
| | | |
| **Cash flows from financing activities** | | |
| Proceeds from the exercise of stock options | 350 | 207 |
| Proceeds from issuance of common stock, ATM offering, net of issuance costs | 16,359 | 7,877 |
| Issuance of common stock under ESPP | 217 | 209 |
| Proceeds from term-loan | — | 10,000 |
| Payment of debt issuance costs | (75) | (50) |
| Payment of license installment note payable | (625) | (1,250) |
| Net cash provided by financing activities | 16,226 | 16,993 |
| | | |
| Net change in cash | 3,785 | (7,134) |
| Cash at the beginning of the period | 20,305 | 27,439 |
| **Cash at the end of the period** | **$ 24,090** | **$ 20,305** |
| | | |
| **Supplemental disclosure of cash flow information:** | | |
| Cash paid for interest | $ 3,238 | $ 2,011 |
| Cash paid for income taxes | $ 50 | $ 125 |
| | | |
| **Supplemental disclosure of non-cash financing and investing activities:** | | |
| ROU assets obtained in exchange for lease liabilities | $ — | $ 188 |

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

**JOURNEY MEDICAL CORPORATION**

**Notes to Financial Statements**

## NOTE 1. ORGANIZATION AND PLAN OF BUSINESS OPERATIONS

Journey Medical Corporation (collectively "Journey" or the "Company") is a commercial-stage pharmaceutical company that focuses on the selling and marketing of U.S. Food and Drug Administration ("FDA") approved prescription pharmaceutical products for the treatment of dermatological conditions. The Company's current product portfolio includes eight FDA-approved prescription drugs for dermatological conditions that are marketed in the U.S. The Company acquires rights to products and product candidates by licensing or otherwise acquiring an ownership interest in, funding the research and development of, and eventually commercializing the products through its field sales organization.

As of December 31, 2025 and 2024, the Company is a controlled subsidiary of Fortress Biotech, Inc. ("Fortress" or "Parent").

***Liquidity and Capital Resources***

At December 31, 2025, the Company had $24.1 million in cash and cash equivalents as compared to $20.3 million at December 31, 2024, and working capital of $29.4 million at December 31, 2025, as compared to $13.0 million at December 31, 2024.

The Company relies primarily on cash on hand generated from sales of its pharmaceutical products to customers to fund its core operations. In addition, the Company has relied on the proceeds from its term loan ("Credit Facility") with SWK Funding LLC ("SWK"), and its at-the-market sales program to meet additional capital and liquidity needs, specifically to fund the research and development and commercialization of Emrosi.

In August 2025, the Company executed a new At Market Issuance Sales Agreement (the "2025 Sales Agreement") with B. Riley Securities, Inc ("B. Riley") and Lake Street Capital Markets, LLC ("Lake Street") (each, an "Agent" and together, the "Agents"), replacing the previous December 30, 2022 At Market Issuance Sales Agreement with B. Riley (collectively with the 2025 Sales Agreement, the "ATM"). Pursuant to the terms of the 2025 Sales Agreement, the Company may offer and sell up to 3,750,000 shares of common stock, from time to time through or to the Agents, each acting as sales agent or principal.

On September 25, 2025, the Company entered into a Third Amendment to its Credit Agreement (the "Credit Agreement") with SWK (the "Third Amendment"). The Third Amendment, among other things, extends the maturity date of the Company's existing Credit Facility from December 27, 2027 to June 27, 2028. The Third Amendment also modifies the Revenue-Based Payment provision, as defined in the Credit Agreement, by lowering the applicable revenue threshold, measured on a trailing twelve-month basis, from $70.0 million to $60.0 million. Upon satisfaction of the revised revenue threshold, the interest-only period under the Credit Facility will be extended by one year, with scheduled principal repayments commencing in February 2027 rather than February 2026. The Company satisfied the $60.0 million revenue threshold as of December 31, 2025. Accordingly, principal payments under the Credit Facility will begin in February 2027.

On January 15, 2026, the Company filed a shelf registration statement on Form S-3 (File No. 333-292758) (the "2026 Shelf"), which was declared effective by the Securities and Exchange Commission on January 21, 2026. This shelf registration statement covers the offering, issuance and sale by us of up to an aggregate of $150.0 million of our common stock, preferred stock, debt securities, warrants, and units. The 2026 Shelf replaces the Company's previous registration statement on Form S-3 filed in December 2022.

The Company regularly evaluates market conditions, its liquidity profile, and financing alternatives, including out-licensing arrangements for its products, to enhance its capital structure. The Company may seek to raise capital through debt or equity financings to expand its product portfolio and for other strategic initiatives, which may include sales of securities under either the Company's 2026 Shelf, or a new registration statement, or in an unregistered, exempt transaction.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the ordinary course of business. However, as a result of recurring and historical losses, substantial doubt exists about the Company's ability to continue as a going concern for a period of at least twelve months from the date of issuance of these financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that may be necessary if the Company is unable to continue as a going concern.

**JOURNEY MEDICAL CORPORATION**

**Notes to Financial Statements**

## NOTE 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Basis of Presentation and Principles of Consolidation***

The Company's consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Company's consolidated financial statements include the accounts of the Company and the accounts of the Company's wholly-owned subsidiary, JG Pharma, Inc. ("JG" or "JG Pharma"). All intercompany balances and transactions have been eliminated.

***Emerging Growth Company***

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") or other standard-setting bodies and adopted by the Company as of the specified effective date. Unless otherwise discussed, the impact of recently issued standards that are not yet effective will not have a material impact on the Company's audited consolidated financial statements upon adoption. Under the Jumpstart Our Business Startups Act of 2012, as amended, the Company meets the definition of an emerging growth company and elected the extended transition period for complying with new or revised accounting standards, which delays the adoption of these accounting standards until they would apply to private companies.

***Use of Estimates***

The preparation of consolidated 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 expenses during the reporting period. Significant estimates made by management include provisions for coupons, chargebacks, wholesaler fees, specialty pharmacy discounts, managed care rebates, product returns, and other allowances customary to the pharmaceutical industry. Significant estimates made by management also include inventory realization, valuation of intangible assets, useful lives of amortizable intangible assets and share-based compensation. 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.

***Segment Reporting***

Operating segments are defined as components of an enterprise about which separate discrete information is available for evaluation by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company views its operations and manages its business in one segment, which reflects products for the treatment of dermatological conditions. The dermatological segment derives revenues from the sale of branded and authorized general prescription products that treat certain dermatological conditions. The Company's chief operating decision maker ("CODM") is its Chief Executive Officer.

The CODM assesses performance for the dermatological segment and allocates resources based on consolidated net loss. The CODM uses net loss to monitor budget vs. actual results, which are presented quarterly, as well as to evaluate performance and income generated in deciding how to reinvest profits. The accounting policies of the segment are the same as those described in this Note 2. See Note 20 for segment information**.**

***Concentrations of Credit Risk***

Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash. Periodically, the Company may maintain deposits in financial institutions in excess of government insured limits. Management believes that the Company is not exposed to significant credit risk as the Company's deposits are held at financial institutions that management believes to be of high credit quality. The Company has not experienced any losses on these deposits.

**JOURNEY MEDICAL CORPORATION**

**Notes to Financial Statements**

The Company's accounts receivable primarily represent amounts due from drug wholesalers and specialty pharmacies in the United States. The Company performs periodic credit evaluations of customers and does not require collateral. An allowance for doubtful accounts is maintained for potential credit losses based on the aging of accounts receivable, historical bad debts experience, and the customer's current ability to pay its obligations to the Company. Accounts receivables balances are written off against the allowance when it is probable that the receivable will not be collected. See Note 16 for significant customers.

***Cash and Cash Equivalents***

The Company considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at December 31, 2025 and 2024 consisted entirely of cash and cash equivalents in institutions within the United States. Balances at certain institutions have exceeded Federal Deposit Insurance Corporation insured limits.

***Accounts Receivable, Net***

The Company's accounts receivable consists of amounts due from customers related to product sales and have payment terms, that range from 30 to 75 days. For certain customers, the accounts receivable for the customer are net of prompt payment or specialty pharmacy discounts. The Company monitors the financial performance and creditworthiness of its customers so that it can properly assess and respond to changes in their credit profile. The Company reserves against accounts receivable for estimated losses that may arise from a customer's inability to pay, and any amounts determined to be uncollectible are written off against the reserve when it is probable that the receivable will not be collected. The Company has historically not experienced significant credit losses. The allowance for doubtful accounts was $0.2 million and $0.6 million at December 31, 2025 and 2024, respectively.

***Inventories***

Inventories are recorded at the lower of cost or net realizable value, with cost determined on a first-in, first-out basis. The Company periodically reviews the composition of inventory in order to identify excess, obsolete, slow-moving or otherwise non-saleable items taking into account anticipated future sales compared with quantities on hand, and the remaining shelf life of goods on hand. If non-saleable items are observed and there are no alternative uses for the inventory, the Company records a write-down to net realizable value in the period that the decline in value is first recognized. The Company's inventory reserves were $1.0 million and $0.5 million at December 31, 2025 and 2024, respectively.

***Leases***

Arrangements meeting the definition of a lease are classified as operating or financing leases and are recorded on the consolidated balance sheet as both a right-of-use asset and lease liability, calculated by discounting fixed lease payments over the lease term at the rate implicit in the lease or the Company's incremental borrowing rate. Lease liabilities are increased by interest and reduced by payments each period, and the right-of-use asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the right-of-use asset result in straight-line rent expense over the lease term. Variable lease expenses are recorded when incurred.

In calculating the right-of-use asset and lease liability, the Company elects to combine lease and non-lease components.

***Research and Development Costs***

Research and development costs are expensed as incurred. Research and development costs primarily consist of personnel related expenses, payments made to third parties for license and milestone costs related to in-licensed products and technology, and payments made to third party contract research organizations.

**JOURNEY MEDICAL CORPORATION**

**Notes to Financial Statements**

The Company's research and development expense in 2024 includes costs associated with the research and development of the Company's Emrosi™ product prior to regulatory approval. Prior to the regulatory approval of Emrosi, manufacturing costs associated with third-party contractors for validation and commercial batch production, process technology transfer, quality control and stability testing, raw material purchases, overhead expenses and facilities costs were recorded as research and development and expensed as incurred as future use could not be determined, and there is uncertainty surrounding regulatory approval. Following regulatory approval of Emrosi by the FDA, the Company capitalizes certain manufacturing costs as inventory.

Clinical trial costs for Emrosi have been a significant component of research and development expenses for the Company in 2024. The Company's clinical studies were performed by third-party contract research organizations ("CROs"). These expenses are based on patient enrollment and include costs relating to the administration of the clinical trials including s CRO services, clinical sites, investigators, testing facilities and patients for participating in the Company's clinical trials.

***Contingencies***

The Company records accruals for contingencies and legal proceedings expected to be incurred in connection with a loss contingency when it is probable that a liability has been incurred and the amount can be reasonably estimated.

If a loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

***Fair Value Measurement***

The Company follows accounting guidance on fair value measurements for financial assets and liabilities measured at fair value on a recurring basis. Under the 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 requires fair value measurements to be classified and disclosed in one of the following three categories:

*Level 1*: Quoted prices in active markets for identical assets or liabilities.
*Level 2*: Observable 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 that are financial instruments whose values are 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.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires management to make judgments and consider factors specific to the asset or liability.

Certain of the Company's financial instruments are not measured at fair value on a recurring basis but are recorded at amounts that approximate their fair value due to their liquid or short-term nature, such as accounts payable, accrued expenses and other current liabilities.

***Intangible Assets***

Intangible assets are reported at cost, less accumulated amortization and impairments. Intangible assets with finite lives are amortized over their estimated useful lives, which represents the estimated life of the product. Amortization is calculated using the straight-line method.

**JOURNEY MEDICAL CORPORATION**

**Notes to Financial Statements**

During the ordinary course of business, the Company has entered into certain licenses and asset purchase agreements. Potential milestone payments for achieving sales targets or regulatory development milestones are recorded when it is probable of achievement. Upon a milestone payment being achieved, the milestone payment will be capitalized and amortized over the remaining useful life for approved products and expensed for milestones prior to FDA approval. Royalty payments for approved products are recorded as cost of goods sold as sales are recognized.

***Impairment of Long-Lived Assets***

The Company reviews long-lived assets, including intangible assets with finite useful lives, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable (a "triggering event"). Factors that the Company considers in deciding when to perform an impairment review include significant underperformance of the long-lived asset in relation to expectations, significant negative industry or economic trends, and significant changes or planned changes in the use of the assets. If an impairment review is performed to evaluate a long-lived asset group for recoverability, the Company compares forecasts of undiscounted cash flows expected to result from the use and eventual disposition of the long-lived asset group to its carrying value. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of an asset group are less than its carrying amount. The impairment loss would be based on the excess of the carrying value of the impaired asset group over its fair value, determined based on discounted cash flows.

***Share-based Compensation***

The Company has a share-based compensation plan in place and records the associated share-based compensation expense over the requisite service period. The share-based compensation plan and related compensation expense are discussed more fully in Note 15 to the Company's consolidated financial statements.

Compensation expense for service-based stock options is charged against operations on a straight-line basis over the vesting period, which is generally three or four years. Forfeitures are recorded as they occur. Share-based compensation costs are recorded in both research and development and selling, general and administrative expenses in the Company's consolidated statements of operations. Options granted have a term of 10 years from the grant date.

The Company estimates the fair value of all service-based stock option awards as of the grant date by applying the Black-Scholes option pricing valuation model. The application of this valuation model involves assumptions, including the fair value of the common stock, expected volatility, risk-free interest rate, expected dividends and the expected term of the option. The assumptions used in calculating the fair value of share-based awards represent management's best estimates and involve inherent uncertainties and the application of management's judgment. The following inputs are used in the Black-Scholes calculation.

Expected term—The Company has elected to use the "simplified method" for estimating the expected term of options, whereby the expected term equals the arithmetic average of the vesting term and the original contractual term of the option (generally 10 years).

Expected volatility—The Company calculated the volatility of the closing market price of its common stock as the expected volatility over a term equal to the expected life of the option being valued in the current year. In the prior year, expected volatility was computed based on the implied volatility of comparable companies.

Risk-free interest rate— The risk-free interest rate is selected based upon yields of United States Treasury issues with a term equal to the expected life of the option being valued.

Expected dividend yield—The Company has not issued any dividends in its history and does not expect to issue dividends over the life of the options; therefore, the Company has estimated the dividend yield to be zero.

Restricted stock units ("RSU's") that are service based are amortized into compensation expense on a straight-line basis over the vesting period, which ranges from three to four years in duration. Compensation cost for service based RSU's is based on the grant date fair value of the award, which is the closing market price of the Company's common stock on the grant date multiplied by the number of shares awarded.

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**Notes to Financial Statements**

***Net (Loss) Income Per Share***

Basic net (loss) income per share of common stock is calculated by dividing net (loss) income by the weighted-average number of shares of common stock outstanding during the reporting period. Diluted earnings per share is calculated by dividing net income by the weighted-average number of shares of common stock outstanding during the reporting period after giving effect to dilutive potential common shares for stock options and restricted stock units, determined using the treasury stock method. The Company has two classes of stock (Common Stock and Class A Common Stock); however, the terms of each class are substantially similar, and therefore the application of the two-class method does not impact the computation of the reported net (loss) income per share. See Note 19 below.

***Revenue Recognition***

The Company records and recognizes revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The Company's revenues primarily result from contracts with customers, which are generally short-term and have a single performance obligation – the delivery of product. The Company's performance obligation to deliver products is satisfied at the point in time that the goods are received by the customer, which is when the customer obtains title to and has the risks and rewards of ownership of the products. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods to a customer. The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both.

Many of the Company's products sold are subject to a variety of deductions. Revenues are recorded net of provisions for variable consideration, including coupons, chargebacks, wholesaler fees, specialty pharmacy discounts, managed care rebates, product returns, and other deductions customary to the pharmaceutical industry. Accruals for these provisions are presented in the consolidated financial statements as reductions to gross sales in determining net sales and as a contra asset within accounts receivable, net (if settled via credit) and other current liabilities (if paid in cash). Amounts recorded for revenue deductions can result from a series of judgements about future events and uncertainties and can rely on estimates and assumptions. The following section briefly describes the nature of the Company's provisions for variable consideration and how such provisions are estimated:

*Coupons* — The Company offers coupons on products for qualified commercially-insured parties with prescription drug co-payments. Such product sales flow through both traditional wholesaler and specialty pharmacy channels. Coupons are processed and redeemed at the time of prescription fulfilment by the pharmacy. The majority of the coupon reserve accrual at the end of the period reflects expected redemptions for product in the distribution channel. The expected accrual reserve requires us to estimate the distribution channel inventory at period end, the expected redemption rates, and the cost per coupon claim that the Company expects to receive. The estimate of product remaining in the distribution channel is comprised of estimated inventory at the wholesaler as well as an estimate at the specialty pharmacies, which the Company estimates based upon historical ordering patterns. The estimated redemption rate is based on historical redemptions as a percentage of units sold. The cost per coupon is based on the coupon rate.

*Chargebacks and Government Chargebacks* — The Company sells a portion of its products indirectly through wholesaler distributors to contracted indirect customers and qualified government healthcare providers. The Company enters into specific agreements with or provides discounts to these indirect customers and entities to establish pricing for the Company's products, and in-turn, the indirect customers and entities independently purchase these products. The Company's provision for chargebacks is based on expected sell-through levels by the Company's wholesale customers to the indirect customers and estimated wholesaler inventory levels as well as historical chargeback rates. The Company continually monitors its reserve for chargebacks and adjusts the reserve accordingly when expected chargebacks differ from actual experience.

*Wholesaler fees* — The Company provides allowances to its wholesale customers for sales order management, data, and distribution services. The Company also pays administrative and other fees to certain wholesale customers consistent with pharmaceutical industry practices. The Company records a provision for these fees based on contracted rates. Assumptions used to establish the provision include contract sales volumes and average contract pricing. The Company regularly reviews the information related to these estimates and adjusts the provision accordingly.

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*Specialty Pharmacy Discounts* — The Company has in place contractual arrangements with specialty pharmacies and provides for contractually agreed upon discounts. These discounts are recorded at the time of sale based on the customer's contracted rate and recorded as a reduction of revenue.

*Managed Care Rebates* — The Company is subject to rebates in connection with its agreements with certain contracted commercial payers. The Company estimates its managed care rebates based on the Company's estimated payer mix and the applicable contractual rebate rate. The Company's accrual for managed care rebates is based on an estimate of future claims that the Company expects to receive, which considers an estimate for inventory in the distribution channel. The accrual is recognized at the time of sale, resulting in a reduction of gross product revenue.

*Product Returns* — Consistent with industry practice, the Company offers customers a right to return any unused product. The customer's right of return commences six months prior to product expiration date and ends one year after product expiration date. Products returned for expiration are reimbursed at current wholesale acquisition cost or indirect contract price. The Company estimates the amount of its product sales that may be returned by the Company's customers and accrues this estimate as a reduction of revenue in the period the related product revenue is recognized. The Company estimates product returns as a percentage of sales to its customers.

***Income Taxes***

The Company records income taxes using the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax effects attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases, and operating loss and tax credit carryforwards. The Company establishes a valuation allowance if it believes it is more likely than not that the deferred tax assets will not be recovered based on an evaluation of objective verifiable evidence. The Company has considered its history of cumulative tax and book income/loss incurred since inception, and the other positive and negative evidence, and has concluded that it is not more likely than not that it will realize the benefits of the net deferred tax assets as of December 31, 2025 and 2024 and therefore a full valuation allowance on all of the deferred tax assets is required.

For tax positions that are more likely than not of being sustained upon audit, the Company recognizes the largest amount of the benefit that is greater than 50% likely of being realized. For tax positions that are not more likely than not of being sustained upon audit, the Company does not recognize any portion of the benefit. For the years ended December 31, 2025 and 2024, the Company had no unrecognized tax benefits and does not anticipate any significant change to the unrecognized tax benefit balance. The Company classifies interest and penalties related to uncertain tax positions as income tax expense, if applicable. There was no interest expense or penalties related to unrecognized tax benefits recorded through December 31, 2025 and 2024.

***Comprehensive Income***

The Company has no components of other comprehensive income, and therefore, comprehensive income equals net income.

***Recently Issued Accounting Pronouncements***

*Adopted*

In December 2023, the FASB issued Accounting Standards Update ("ASU") 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires enhanced disclosures related to the rate reconciliation and income taxes paid, including greater disaggregation by jurisdiction and by significant categories of reconciling items. The objective of the amendments is to provide financial statement users with more decision-useful information about the nature and magnitude of factors that cause the effective tax rate to differ from the applicable statutory tax rate and about the amount and timing of income tax payments.

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The Company adopted ASU 2023-09 on January 1, 2025, the beginning of its fiscal year ending December 31, 2025, on a prospective basis for annual periods, as permitted by the standard. Adoption of ASU 2023-09 resulted in expanded income tax disclosures, including a more disaggregated reconciliation of the statutory U.S. federal income tax rate to the Company's effective tax rate. The Company's enhanced income tax disclosures required by ASU 2023-09 are presented in Note 18 to the consolidated financial statements.

*Not yet adopted*

In November 2024, the FASB issued ASU No. 2024-03, *Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*, which is intended to improve the disclosures about specified categories of expenses including purchases of inventory, employee compensation, depreciation and amortization, included in certain expense captions presented in the consolidated statement of operations. This update will be effective for annual periods beginning after December 15, 2026. Early adoption is permitted. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements and disclosures.

In July 2025, the FASB issued ASU No. 2025-05, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. The guidance provides a practical expedient that can be elected to be applied to accounts receivable and contract assets, which would allow entities to assume that current conditions as of the balance sheet date do not change for the remaining life of the assets when estimating expected credit losses for such assets. Entities are required to apply the guidance on a prospective basis. This update will be effective for the interim and annual periods beginning after December 15, 2025. Early adoption is permitted. The Company is currently evaluating the update to determine the impact the adoption will have on its consolidated financial statements.

**NOTE 3. INVENTORY**

The Company's inventory consisted of the following at December 31, 2025 and 2024:

| *($'s in thousands)* | December 31, 2025 | December 31, 2024 |
|---|---|---|
| Finished goods | $ 7,389 | $ 11,381 |
| Work-in-process | 174 | 367 |
| Raw materials | 3,057 | 3,196 |
| Inventory at cost | 10,620 | 14,944 |
| Inventory reserves | (996) | (513) |
| **Total inventories** | **$ 9,624** | **$ 14,431** |

**NOTE 4. INTANGIBLES**

The table below provides a summary of the Company's intangible assets at December 31, 2025 and 2024, respectively:

| *($'s in thousands)* | Estimated Useful Lives (Years) | December 31, 2025 | December 31, 2024 |
|---|---|---|---|
| Intangible assets - product licenses | 3-15 | $ 52,925 | $ 52,925 |
| Accumulated amortization | | (22,177) | (17,919) |
| Accumulated impairment loss | | (3,143) | (3,143) |
| **Total intangible assets** | | **$ 27,605** | **$ 31,863** |

The Company's amortization expense for the years ended December 31, 2025 and 2024 was approximately $4.3 million and $3.4 million, respectively. Amortization expense is recorded as a component of cost of goods sold in the Company's consolidated statements of operations.

The Company's finite-lived intangible assets consist of acquired intangible assets. On November 1, 2024, the FDA approved the Company's drug candidate for the treatment of inflammatory lesions of rosacea in adults, Emrosi. The approval triggered a $15.0 million milestone payment, which the Company capitalized as an acquired intangible asset.

Future amortization of the Company's intangible assets is as follows:

| *For the years ended* | Total Amortization |
|---|---|
| December 31, 2026 | $ 3,470 |
| December 31, 2027 | 2,775 |
| December 31, 2028 | 2,596 |
| December 31, 2029 | 2,596 |
| December 31, 2030 | 2,596 |
| Thereafter | 9,631 |
| Subtotal | 23,664 |
| Asset not yet placed in service | 3,941 |
| **Total** | **$ 27,605** |

**NOTE 5. LICENSES**

***Assets and Licenses Acquired:***

*Emrosi*

On June 29, 2021, the Company entered a license, collaboration, and assignment agreement with Dr. Reddy's Laboratories, Ltd. ("DRL") to obtain the global rights for the development and commercialization of Emrosi ("Emrosi"), formerly known as DFD-29, a late-stage development modified release oral minocycline that is being evaluated for the treatment of inflammatory lesions of rosacea (the "Emrosi Agreement"). The Company acquired global rights to Emrosi, including in the U.S. and Europe, except that DRL has retained certain rights to the program in select markets, namely in Armenia, Azerbaijan, Belarus, Brazil, Georgia, India, Kazakhstan, Kyrgyzstan, Moldova, the People's Republic of China, Russia, Taiwan, Tajikistan, Turkmenistan, Ukraine and Uzbekistan. Pursuant to the Emrosi Agreement, the Company made an upfront payment of $10.0 million. In April 2024, the Company made a $3.0 million milestone payment to DRL, based on FDA acceptance of the Company's new drug application ("NDA") for Emrosi, and in December of 2024, the Company made a $15.0 million milestone payment to DRL, which was triggered by the November 1, 2024 FDA marketing approval of Emrosi. Upon the $15.0 million milestone payment, all assets related to Emrosi, including the NDA, regulatory documentation and intellectual property, transferred to the Company. Pursuant to the Emrosi Agreement, the Company may be required to make additional contingent regulatory and commercial milestone payments to DRL, totaling up to $150.0 million. Royalties ranging from ten percent to fourteen percent are payable on net sales of the product. Royalties are subject to a 50% reduction in the event that a generic competitor launches in an applicable country where the Company markets and sells the product.

*Amzeeq and Zilxi*

In January 2022, the Company entered into an asset purchase agreement with VYNE Therapeutics, Inc. ("VYNE") to acquire two FDA approved products, Amzeeq® (minocycline) topical foam, 4%, and Zilxi® (minocycline) topical foam, 1.5%, for an upfront payment of $20.0 million and an additional $5.0 million payment on the one year anniversary of the closing (the "VYNE APA"). The VYNE APA also provides for contingent net sales milestone payments. In the first calendar year in which annual sales reach each of $100 million, $200 million, $300 million, $400 million and $500 million, a one-time payment of $10 million, $20 million, $30 million, $40 million and $50 million, respectively, will be paid in that year only, per product, totaling up to $450 million.

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**Notes to Financial Statements**

*Qbrexza*

In March 2021, the Company executed an Asset Purchase Agreement (the "Qbrexza APA") with Dermira, Inc., a subsidiary of Eli Lilly and Company ("Dermira"). Pursuant to the terms of the Qbrexza APA, the Company acquired the rights to Qbrexza® (glycopyrronium), a prescription cloth towelette to treat primary axillary hyperhidrosis in patients nine years of age or older. The Company paid an upfront fee of $12.5 million to Dermira. In addition, the Company is obligated to pay Dermira up to $144.0 million in the aggregate and are contingent upon the achievement of certain net sales milestones. The royalty structure for the Qbrexza APA is tiered with royalties for the first two years ranging from approximately 40% to 30%. Thereafter, royalties are approximately 12.0% to 19.0%. Royalty amounts are subject to certain reductions in the event there is a loss of exclusivity.

*Accutane*

In July 2020, the Company entered into an exclusive license and supply agreement for Accutane (the "Accutane Agreement") with DRL. Pursuant to the Accutane Agreement, the Company paid $5.0 million. Three additional milestone payments totaling $17.0 million are contingent upon the achievement of certain net sales milestones. The Company is required to pay royalties in an amount equal to a low-double digit percentage of net sales. The term of the Accutane Agreement is ten years and renewable upon mutual agreement. Each party may terminate the Accutane Agreement for an uncured material breach by the other party or for certain bankruptcy or insolvency related events. The Company may also terminate the Accutane Agreement without cause upon 180 days written notice to DRL.

***Other License Agreements:***

*Maruho License Agreement*

On August 31, 2023, the Company entered into a license agreement (the "New License Agreement") with Maruho Co., Ltd., the Company's exclusive licensing partner in Japan ("Maruho"). Under the terms of the New License Agreement, the Company granted an exclusive license to develop and commercialize Qbrexza for the treatment of primary axillary hyperhidrosis in Korea and certain other Asian countries in exchange for an upfront payment of $19 million. Prior to the date of the New License Agreement, the Company and Maruho were party to an existing exclusive amended and restated license agreement (the "First A&R License Agreement"), under which Maruho acquired exclusive license rights to Qbrexza in Japan.

Simultaneously, Journey and Maruho also entered into the Second Amended and Restated Exclusive License Agreement (the "Second A&R License Agreement"), which supersedes the First A&R License Agreement. The Second A&R License Agreement contains modifications that remove Maruho's obligation to pay Journey royalties on its net sales of Rapifort (the Japanese equivalent of Qbrexza) in Japan for sales occurring after October 1, 2023 and removes Maruho's obligation to pay $10.0 million to Journey in the event that Maruho achieves net sales of at least ¥4 billion (yen) of Rapifort during a single fiscal year. All other remaining potential milestone payment obligations, which aggregate to $45.0 million, remain in full force and effect.

*Cutia License Agreement*

In January 2022, as a part of the Vyne APA, the Company assumed a license agreement with Cutia Therapeutics (HK) Limited ("Cutia"), a Hong Kong biopharmaceutical company with experience in developing pharmaceutical products in the greater China region (the "Cutia Agreement"). Pursuant to the agreement, Cutia was granted an exclusive license to obtain regulatory approval of and commercialize Amzeeq (topical 4% minocycline foam) and Zilxi (topical 1.5% minocycline foam) in mainland China, Taiwan, Hong Kong and Macau. The Company has agreed to supply the finished licensed products to Cutia for clinical and commercial use at an agreed price. Additionally, the Company will earn a royalty in the low single digit percentages on net sales of the licensed products by Cutia.

On November 11, 2024, Cutia received marketing approval for Amzeeq from the National Medical Products Administration (the "NMPA") of the People's Republic of China (the "PRC"). The approval triggered a $1.0 million milestone payment to the Company. The $1.0 million milestone payment was recorded as a component of other revenue on the approval date of November 11, 2024. In August 2025, the Company began supplying Cutia with finished licensed products for Cutia's commercial use. The Company recognized $0.6 million in Other revenue associated with royalties and the supply of Amzeeq to Cutia.

**JOURNEY MEDICAL CORPORATION**

**Notes to Financial Statements**

## NOTE 6: FAIR VALUE MEASUREMENTS

Financial assets and liabilities measured at fair value on a recurring basis are summarized below:

| | December 31, 2025 | | | |
|---|---|---|---|---|
| *($'s in thousands)* | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | |
| Cash and cash equivalents | $ 24,090 | $ — | $ — | $ 24,090 |
| **Total** | **$ 24,090** | **$ —** | **$ —** | **$ 24,090** |

| | December 31, 2024 | | | |
|---|---|---|---|---|
| *($'s in thousands)* | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | |
| Cash and cash equivalents | $ 20,305 | $ — | $ — | $ 20,305 |
| **Total** | **$ 20,305** | **$ —** | **$ —** | **$ 20,305** |

The Company did not carry any level 2 or level 3 assets or liabilities at December 31, 2025 or December 31, 2024. No transfers occurred between level 1, level 2, and level 3 instruments during December 31, 2025 and 2024.

## NOTE 7. RELATED PARTY AGREEMENTS

***Shared Services Agreement with Fortress***

On November 12, 2021, the Company and Fortress entered into an arrangement to share the cost of certain legal, finance, regulatory, and research and development employees (the "Shared Services Agreement"). Fortress' Executive Chairman and Chief Executive Officer is the Executive Chairman of the Company. Under the terms of the Shared Services Agreement, the Company will reimburse Fortress for the salary and benefit costs associated with these employees based upon actual hours worked on Journey-related projects following the completion of the Company's initial public offering, which occurred in November 2021. In addition, the Company reimburses Fortress for various payroll-related costs and selling, general and administrative costs incurred by Fortress for the benefit of the Company.

For the year ended December 31, 2025 and 2024, the Company recorded related party expenses to Fortress of less than $0.1 million and $0.1 million, respectively. The due to related party liability at December 31, 2025 and 2024, was $0.5 million and $0.5 million, respectively, and primarily relate to reimbursable expenses incurred by Fortress on behalf of the Company. The Company would have incurred these costs irrespective of the relationship with Fortress.

## NOTE 8. ACCRUED EXPENSES

Accrued expenses for the years ended December 31, 2025 and 2024 consisted of the following:

| | December 31, | |
|---|---|---|
| *($'s in thousands)* | 2025 | 2024 |
| Accrued coupons and rebates | $ 16,547 | $ 6,200 |
| Accrued compensation | 5,589 | 3,378 |
| Return reserve | 2,177 | 3,124 |
| Accrued royalties payable | 1,805 | 1,374 |
| Accrued inventory | — | 1,303 |
| Accrued marketing and market access | 850 | 1,185 |
| Accrued legal, accounting and tax | 274 | 413 |
| Other | 325 | 448 |
| **Total accrued expenses** | **$ 27,567** | **$ 17,425** |

**JOURNEY MEDICAL CORPORATION**

**Notes to Financial Statements**

## NOTE 9. INSTALLMENT PAYMENTS

***Ximino Settlement***

In August 2024, the Company executed a settlement agreement (the "Settlement Agreement") to settle amounts owed by the Company to Sun Pharmaceutical Industries, Inc. ("Sun") pursuant to the Ximino Asset Purchase Agreement. The Company owed $3.0 million of license installment payments to Sun associated with the license of Ximino. Pursuant to the Settlement Agreement, the Company agreed to settle the total outstanding obligation owed to Sun for a total of $1.9 million, payable in three installments: 1) $625.0 thousand upon execution of the Settlement Agreement, 2) $625.0 thousand on December 1, 2024, and 3) $625.0 thousand on January 15, 2025. The Company accounted for the settlement of the license installment payment as a gain of $1.1 million for the difference between the carrying value of the license installment payments of $3.0 million and the settlement amount of $1.9 million. The Company recorded the difference of $1.1 million as a Gain on extinguishment of debt in the Condensed Consolidated Statements of Operations.

## NOTE 10. OPERATING LEASE OBLIGATIONS

The Company leases 3,801 square feet of office space in Scottsdale, Arizona. In July 2024, the Company amended the lease to extend the lease term for an additional 25 months at an annual rate of approximately $0.1 million. The amended lease commenced on February 1, 2025 and expires on February 28, 2027.

The Company recorded rent expense as follows (dollars in thousands):

| | For the Years Ended December 31, | |
|---|---|---|
| | 2025 | 2024 |
| Operating lease cost | $ 99 | $ 98 |
| Variable lease cost | 7 | 5 |
| **Total lease cost** | **$ 106** | **$ 103** |

The following table summarizes quantitative information about the Company's operating leases (dollars in thousands):

| | For the Years Ended December 31, | |
|---|---|---|
| | 2025 | 2024 |
| Cash paid for amounts included in the measurement of lease liabilities | $ 94 | $ 102 |
| Weighted-average remaining lease term - operating leases | 1.2 | 2.2 |
| Weighted-average discount rate - operating leases | 7.35 % | 7.35 % |

As of December 31, 2025, future payments of operating lease liabilities are as follows:

| **For the year ended December 31,** | *($'s in thousands)* |
|---|---|
| 2026 | $ 105 |
| 2027 | 18 |
| Total lease payments | 123 |
| Less: present value discount | (4) |
| **Total operating lease liabilities** | **$ 119** |

**JOURNEY MEDICAL CORPORATION**

**Notes to Financial Statements**

## NOTE 11. DEBT

The Company's Debt obligations at December 31, 2025 and 2024 were as follows:

| *($'s in thousands)* | December 31, 2025 | December 31, 2024 |
|---|---|---|
| Short-term portion of principal balance | $ — | $ — |
| Long-term portion of principal balance | 25,000 | 25,000 |
| **Principal balance** | **$ 25,000** | **$ 25,000** |
| Plus: Exit fee | 1,250 | 1,250 |
| Less: Debt discount and fees | (973) | (1,371) |
| **Net carry amount** | **$ 25,277** | **$ 24,879** |

***SWK Long-Term Debt***

On December 27, 2023, the Company entered into a Credit Agreement (the "Credit Agreement") with SWK. The Credit Agreement provides for a term loan facility (the "Credit Facility") in the original principal amount of up to $20.0 million. On the closing date of the facility, the Company drew $15.0 million. On June 26, 2024, the Company drew the remaining $5.0 million under the Credit Facility. On July 9, 2024, the Company entered into an amendment (the "First Amendment") to the Credit Agreement with SWK. The First Amendment increased the original principal amount of the Credit Facility from $20.0 million to $25.0 million. The $5.0 million of additional principal added in the First Amendment was contractually required to be drawn upon FDA approval of Emrosi, subject to the Company receiving approval on or before June 30, 2025. The Company received FDA approval for Emrosi on November 1, 2024 and the Company drew on the remaining $5.0 million on November 25, 2024.

Pursuant to the terms under the Credit Facility, repayments of principal commence in February 2026 in an amount equal to $1.9 million per quarter, or 7.5%, of the principal amount of funded Term Loans, with any remaining principal balance due on the maturity date. Term loans under the Credit Facility ("Term Loans") accrue interest, which is payable quarterly in arrears, and bear interest at a rate per annum equal to the three-month term SOFR (subject to a SOFR floor of 5%) plus 7.75%. The interest rate resets quarterly.

On September 25, 2025, the Company entered into the third amendment ("Third Amendment"). The Third Amendment, among other things, extends the maturity date of the Company's existing Credit Facility from December 27, 2027 to June 27, 2028. The Third Amendment also modifies the Revenue-Based Payment provision, as defined in the Credit Agreement, by lowering the applicable revenue threshold, measured based on the twelve months ended December 31, 2025, from $70.0 million to $60.0 million. The Company satisfied the $60.0 million Revenue-Based Payment provision as of December 31, 2025. Accordingly, the interest-only period under the Credit Facility was extended by one year, with scheduled principal repayments commencing in February 2027 rather than February 2026. Thereafter, the Company will make quarterly principal payments equal to $2.5 million per quarter, or 10.0%, of the outstanding principal amount of the funded Term Loan, with any remaining principal balance due on the maturity date.

The Company may at any time prepay the outstanding principal balance of the Term Loans in whole or in part. Upon repayment in full of the Term Loans, the Company will pay an exit fee equal to 5% of the original principal amount of the Term Loans. Additionally, the Company paid an origination fee of $0.2 million on the closing date of the Credit Facility and incurred issuance costs of $0.2 million, both of which have been recorded as a debt discount. The Company is accreting the carrying value of the Term Loans to the original principal balance plus the exit fee over the term of the loan using the effective interest method. The amortization of the discount is accounted for as interest expense. The effective interest rate on the Term Loans as of December 31, 2025 was 14.1%. The fair value of the debt approximates its carrying value.

The Credit Facility also includes both revenue and liquidity covenants, restrictions as to payment of dividends, and is secured by substantially all assets of the Company. As of December 31, 2025, the Company was in compliance with the financial covenants under the Credit Facility.

**JOURNEY MEDICAL CORPORATION**

**Notes to Financial Statements**

As of December 31, 2025, the contractual maturities of the long-term debt, including the payment of the exit fee, are as follows (dollars in thousands):

| Years ending December 31, | Term Loan |
|---|---|
| 2026 | $ — |
| 2027 | 10,000 |
| 2028 | 16,250 |
| Total | 26,250 |
| Debt discount | (973) |
| Total, net | 25,277 |
| Current portion | — |
| **Term-loan (long-term)** | **$ 25,277** |

**NOTE 12. INTEREST EXPENSE AND FINANCING FEES**

Interest expense and financing fees for the years ended December 31, 2025 and 2024 consisted of the following:

| | Year Ended December 31, | |
|---|---|---|
| | 2025 | 2024 |
| Cash interest expense | $ 3,232 | $ 2,393 |
| Amortization of debt discount | 466 | 307 |
| **Total interest expense and financing fees** | **$ 3,698** | **$ 2,700** |

**NOTE 13. COMMITMENTS AND CONTINGENCIES**

***License Agreements***

The Company has undertaken to make contingent milestone payments to the licensors of its portfolio of drug products and candidates. In addition, the Company is required to pay royalties to such licensors based on a percentage of net sales of each drug candidate following regulatory marketing approval. For additional information on future milestone payments and royalties, see Note 5.

**NOTE 14. STOCKHOLDERS' EQUITY**

***Common Stock***

The Company's Certificate of Incorporation, as amended, authorizes the Company to issue 50,000,000 shares of $0.0001 par value Common Stock of which 6,000,000 shares are designated and authorized as Class A Common Stock.

*Voting Rights*

Each holder of Common Stock is entitled to one vote per share of Common Stock held on all matters submitted to a vote of the stockholders, including the election of directors. The Company's Certificate of Incorporation and bylaws do not provide for cumulative voting rights.

Each holder of Class A Common Stock is entitled to a number of votes that is equal to 1.1 times a fraction, the numerator of which is the sum of the shares of outstanding Common Stock, including the Class A Common Stock, and the denominator of which is the number of outstanding shares of Class A Common Stock. Thus, the holders of the Class A Common Stock will at all times constitute a voting majority.

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**Notes to Financial Statements**

*Dividends*

The holders of the Company's outstanding shares of Common Stock and Class A Common Stock are entitled to receive dividends, if any, as may be declared from time to time by the Company's Board of Directors out of legally available funds.

*Liquidation*

In the event of the Company's liquidation, dissolution or winding up, holders of Common Stock and Class A Common Stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of the Company's debts and other liabilities, subject to the satisfaction of any liquidation preference granted to the holders of any outstanding shares of Preferred Stock.

*Rights and Preference*

Holders of the Company's Common Stock and Class A Common Stock have no preemptive, conversion or subscription rights, and there is no redemption or sinking fund provisions applicable to either the Common Stock or the Class A Common Stock. The rights, preferences and privileges of the holders of Common Stock and Class A Common Stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of the Company's Preferred Stock that are or may be issued.

**NOTE 15. SHARE-BASED COMPENSATION**

In 2015, the Company's Board of Directors adopted, and stockholders approved, the Journey Medical 2015 Stock Plan (the "Plan") authorizing the Company to grant shares of common stock to eligible employees, directors, and consultants in the form of restricted stock, restricted stock units ("RSUs"), stock options and other types of grants. The amount, terms, and exercisability provisions of grants are determined by the Board of Directors. At the Company's 2024 Annual Meeting of Stockholders, held on June 24, 2024, the Company's stockholders approved, among other matters, an amendment to the Plan (the "Amended Plan") to increase the number of shares of Common Stock issuable under the Plan by 3,000,000 to 10,642,857. At December 31, 2025 there were 1,895,803 shares available for issuance under the Amended Plan.

The Company grants stock options to employees, non-employees and Directors with exercise prices equal to the closing price of the underlying shares of the Company's common stock on the Nasdaq Capital Market on the date that the options are granted. Options granted have a term of ten years from the grant date. Options granted generally vest over a three or four-year period. Compensation cost for stock options is charged against operations on a straight-line basis over the vesting period. The Company estimates the fair value of stock options on the grant date by applying the Black-Scholes option pricing valuation model.

In 2023, the Company's Board of Directors adopted, and stockholders approved, the Journey Medical Corporation 2023 Employee Stock Purchase Plan (the "2023 ESPP"). The Company initially reserved 300,000 shares of common stock for future issuance under the 2023 ESPP. As of December 31, 2025, 160,964 shares were available for issuance under the 2023 ESPP.

The following table summarizes the components of share-based compensation expense in the consolidated statements of operations for the years ended December 31, 2025 and 2024:

| *($'s in thousands)* | Year Ended December 31, 2025 | 2024 |
|---|---|---|
| Research and development | $ — | $ 508 |
| Selling, general and administrative | 6,288 | 5,590 |
| **Total non-cash share-based compensation expense** | **$ 6,288** | **$ 6,098** |

**JOURNEY MEDICAL CORPORATION**

**Notes to Financial Statements**

***Stock Options***

The weighted-average key assumptions used in determining the fair value of options granted for the year ended December 31, 2025 are as follows:

| | 2025 |
|---|---|
| Risk-free interest rate | 4.06% |
| Expected volatility | 94.69% |
| Expected term (years) | 5.77 |
| Expected dividend yield | 0% |

The weighted average grant-date fair value of stock options issued during the year ended December 31, 2025 was $4.88 per share. The weighted average grant-date fair value of stock options issued during the year ended December 31, 2024 was $3.82 per share.

The following table summarizes the Company's stock option activity for the year ended December 31, 2025:

| | Number of Shares | Weighted average exercise price | Aggregate intrinsic value | Weighted average remaining contractual life (years) |
|---|---|---|---|---|
| Outstanding options at December 31, 2024 | 2,471,945 | $ 1.41 | $ 6,191,995 | 3.20 |
| Granted | 491,585 | 6.31 | — | — |
| Exercised | (1,420,297) | 0.30 | — | — |
| Forfeited | (31,189) | 4.47 | — | — |
| Expired | (2,500) | 4.57 | — | — |
| **Outstanding options at December 31, 2025** | **1,509,544** | **$ 3.50** | **$ 6,359,288** | **6.21** |
| **Options vested and exercisable at December 31, 2025** | **819,580** | **$ 1.98** | **$ 4,693,725** | **4.13** |

For the years ended December 31, 2025 and 2024, the Company issued 1,420,297 and 122,510 shares, respectively, of Common Stock upon the exercise of outstanding stock options and received proceeds of $0.4 million and $0.2 million, respectively. For the years ended December 31, 2025 and 2024, approximately $1.4 million and $0.3 million, respectively, of stock option compensation cost was charged against operations. At December 31, 2025, the Company had unrecognized share-based compensation expense related to all unvested options of $1.2 million, which the Company expects to recognize over a weighted-average period of approximately 1.5 years.

The aggregate intrinsic value in the previous table reflects the total pre-tax intrinsic value (the difference between the Company's closing stock price on the last trading day of the period and the exercise price of the options, multiplied by the number of in-the-money stock options) that would have been received by the option holders had all option holders exercised their options on December 31, 2025. The intrinsic value of the Company's stock options changes based on the closing price of the Company's common stock.

***Restricted Stock Units***

The following table summarizes the Company's RSU activity for the year ended December 31, 2025:

| | Number of units | Weighted average grant date Fair value |
|---|---|---|
| Unvested balance at December 31, 2024 | 2,339,961 | $ 4.33 |
| Granted | 561,589 | 6.66 |
| Vested | (944,946) | 4.32 |
| Forfeited | (108,464) | 4.72 |
| **Unvested balance at December 31, 2025** | **1,848,140** | **$ 5.03** |

**JOURNEY MEDICAL CORPORATION**

**Notes to Financial Statements**

For the years ended December 31, 2025 and 2024 the Company issued 944,946 and 1,058,374 shares of Common Stock, respectively, upon the vesting of RSU's amounting to $4.1 million and $4.5 million, respectively, in total aggregate fair market value, and $6.7 million and $5.4 million, respectively, in total intrinsic value. For the years ended December 31, 2025 and 2024, approximately $4.8 million and $5.6 million, respectively, of RSU compensation cost was charged against operations. At December 31, 2025, 1,848,140 RSU's remained unvested and there was approximately $4.0 million of unrecognized compensation cost related to RSUs, which the Company expects to recognize over a weighted-average period of approximately 1.8 years.

On July 9, 2024, the Board approved and adopted the Journey Medical Corporation Deferred Compensation Plan (the "Deferred Compensation Plan"), which is considered a non-qualified deferred compensation plan. As part of the Deferred Compensation Plan, the Company offers certain non-employee members of the Board ("Director Participants") and select executive-level employees (the "Executive Participants") the ability to defer up to 100% of the payment for services and annual bonuses, respectively, in the form of RSU's. As of December 31, 2025, the executive participants deferred 485,629 shares of Journey Medical Inc. common stock upon the vesting of RSU's.

***Employee Stock Purchase Plan***

The 2023 ESPP provides that eligible employees may contribute up to 10% of their eligible earnings toward a semi-annual purchase of the Company's common stock. The 2023 ESPP is qualified under Section 423 of the Internal Revenue Code. The employee's purchase price is derived from a formula based on the closing price of the common stock on the first day of the offering period versus the closing price on the last date of purchase (or, if not a trading day, on the immediately preceding trading day). The offering period under the 2023 ESPP has a duration of six months, and the purchase price with respect to each offering period beginning on or after such date is, until otherwise amended, equal to 85% of the lesser of (i) the fair market value of the Company's common stock at the commencement of the applicable six-month offering period or (ii) the fair market value of the Company's common stock on the purchase date. The Company estimates the fair value of the common stock under the 2023 ESPP using a Black-Scholes valuation model. The fair value was estimated on the date of grant for the offering period beginning August 1, 2025 using the Black-Scholes option valuation model and the straight-line attribution approach with the following assumptions: risk-free interest rate (4.2%); expected term (0.5 years); expected volatility (73.8%); and an expected dividend yield (0%). The Company recorded $0.1 million of stock-based compensation under the 2023 ESPP for the year ended December 31, 2025. As of December 31, 2025, there was unrecognized stock-based compensation expense of $11,000 related to the current ESPP offering period, which ends January 31, 2026.

**NOTE 16. REVENUES FROM CONTRACTS WITH CUSTOMERS**

***Disaggregation of Net Revenues***

The Company has the following actively marketed products, Emrosi™, Qbrexza®, Amzeeq®, Zilxi®, Accutane®, Exelderm®, Targadox®, and Luxamend®. All of the Company's product revenues are recorded in the U.S.

Revenues by product are summarized as follows:

| *($ in thousands)* | Year Ended December 31, 2025 | 2024 |
|---|---|---|
| Emrosi™ | $ 14,745 | $ — |
| Qbrexza® | 25,014 | 25,114 |
| Accutane® | 12,882 | 19,407 |
| Foam franchise products (Amzeeq® & Zilxi®) | 5,859 | 6,652 |
| Other / legacy | 2,739 | 3,961 |
| **Total product revenues** | **$ 61,239** | **$ 55,134** |

**JOURNEY MEDICAL CORPORATION**

**Notes to Financial Statements**

The Company recognized other revenue as follows:

| *($ in thousands)* | Year Ended December 31, 2025 | 2024 |
|---|---|---|
| Milestone payment from Cutia | $ — | $ 1,000 |
| Cutia supply agreement | 606 | — |
| Royalties on sales of Amzeeq by Cutia | 13 | — |
| **Total other revenue** | **$ 619** | **$ 1,000** |

Other revenue for the year ended December 31, 2025 reflects the supply of Amzeeq to Cutia and sales-based royalties earned on the net sales of Amzeeq by Cutia. In August 2025, the Company began supplying Cutia with Amzeeq for Cutia's commercial use. See Note 5 to the Consolidated financial statements for further details on the Cutia Agreement. Other revenue for the year ended December 31, 2024 reflects a $1.0 million milestone payment from Cutia triggered by the November 11, 2024 marketing approval Cutia received for topical 4% minocycline foam from the NMPA of the PRC.

***Significant Customers***

As of December 31, 2025, none of the Company's customers accounted for more than 10.0% of its total accounts receivable balance. As of December 31, 2024, one of the Company's customers accounted for more than 10.0% of its total accounts receivable balance at 10.3%.

For the year ended December 31, 2025 and 2024, none of the Company's customers accounted for more than 10.0% of its total gross product revenue.

**NOTE 17. LOSS RECOVERY**

In September 2021, the Company was the victim of a business email compromise cybersecurity incident that affected its accounts payable function and led to approximately $9.5 million in wire transfers being misdirected to fraudulent accounts. Upon discovery of the fraud, the Company retained third-party cybersecurity experts and reported the matter to the Federal Bureau of Investigation (the "FBI"). The Company recorded the loss as a separate component of operating expenses in its 2021 consolidated financial statements. After a series of investigations, the FBI was able to trace and seize a portion of the misappropriated funds. The Company received recovered funds of $4.6 million on December 4, 2024. The proceeds from the recovery were recorded and classified within the Company's Consolidated Statements of Operations as a separate component of operating expenses, consistent with the initial recognition of the loss in 2021.

**NOTE 18. INCOME TAXES**

The components of the income tax provision are as follows:

| *($'s in thousands)* | Years Ended December 31, 2025 | 2024 |
|---|---|---|
| **Current:** | | |
| Federal | $ — | $ 2 |
| State | 60 | 58 |
| Total current | 60 | 60 |
| | | |
| **Deferred:** | | |
| Federal | (2,223) | (2,704) |
| State | (44) | (1,184) |
| Total deferred | (2,267) | (3,888) |
| Valuation allowance | 2,267 | 3,889 |
| **Total income tax expense** | **$ 60** | **$ 61** |

**JOURNEY MEDICAL CORPORATION**

**Notes to Financial Statements**

Deferred income taxes reflect the net tax effects of (a) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and (b) operating losses and tax credit carryforwards.

The significant components of the Company's deferred tax assets consisted of the following:

| *($'s in thousands)* | December 31, 2025 | December 31, 2024 |
|---|---|---|
| **Deferred tax assets:** | | |
| Net operating loss carryforwards | $ 8,036 | $ 6,814 |
| Amortization of license fees | 5,480 | 5,670 |
| R&D capitalization | 2,711 | 4,714 |
| Stock compensation | 2,077 | 1,647 |
| Lease liability | 29 | 51 |
| Reserve on sales return, discount and bad debt | 4,636 | 2,471 |
| Accruals and reserves | 1,445 | 850 |
| Tax credits | 1,493 | 1,493 |
| Business interest expense deduction limit | 321 | 373 |
| State taxes | 18 | 10 |
| Other | 91 | — |
| Total deferred tax assets | 26,337 | 24,093 |
| Less: valuation allowance | (26,310) | (24,043) |
| **Deferred tax assets, net** | **$ 27** | **$ 50** |
| | | |
| **Deferred tax liability:** | | |
| Right-of-use asset | (27) | (50) |
| **Deferred tax assets, net** | **$ —** | **$ —** |

The Company adopted ASU 2023-09 on a prospective basis. As a result, the 2025 rate reconciliation is presented in accordance with the new disclosure requirements, while the 2024 reconciliation continues to be presented under the disclosure requirements in effect for that period.

A reconciliation of income tax computed at the federal statutory rate to the provision for income taxes pursuant to the disclosure requirements of ASU 2023-09 for the year ended December 31, 2025, was as follows:

| *($'s in thousands)* | Years Ended December 31, 2025 Amount | Percent |
|---|---|---|
| U.S. federal statutory tax rate | $ (2,388) | 21.0 % |
| State and local income taxes, net of federal income tax effect[1] | 42 | -0.4% |
| Change in valuation allowance | 2,223 | -19.5% |
| Non-deductible items: | | |
| Share-based compensation | (277) | 2.4 % |
| Non-deductible compensation | 406 | -3.6% |
| Other | 85 | -0.7% |
| Other adjustments | (31) | -0.3% |
| Provision for income taxes and effective income tax rate | $ 60 | -0.5% |

(1) During the year ended December 31, 2025, state taxes in Arizona, California, New York, New Jersey, Florida, and Texas comprised greater than 50% of the tax effect in this category.

**JOURNEY MEDICAL CORPORATION**

**Notes to Financial Statements**

A reconciliation of the statutory tax rates and the effective tax rates for the year ended December 31, 2024, was as follows:

| | Years Ended December 31, 2024 |
|---|---|
| **Percentage of pre-tax income:** | |
| U.S. federal statutory income tax rate | 21 % |
| State taxes, net of federal benefit | 3 % |
| Non-deductible items | -2% |
| State tax adjustments | 3 % |
| Change in valuation allowance | -28% |
| Share-based compensation | 2 % |
| Effective income tax rate | -1% |

As required by ASC 740, the Company has evaluated the evidence bearing upon the realizability of its deferred tax assets. Based on the weight of available evidence, both positive and negative, the Company has determined that it is more likely than not that it will not realize the benefits of these assets. Accordingly, the Company recorded a valuation allowance of $26.0 million at December 31, 2025, representing an increase of $2.2 million.

As of December 31, 2025, the Company had federal and state NOL carryforwards of approximately $30.9 million and $32.3 million, respectively. The Federal NOL carryforwards do not expire, but $27.1 million of the state NOL carryforwards expire if not utilized prior to 2045.

Utilization of the U.S. federal and state NOL carryforwards may be subject to a substantial annual limitation under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, and corresponding provisions of state law, due to ownership changes that have occurred previously or that could occur in the future. These ownership changes may limit the amount of NOL carryforwards that can be utilized annually to offset future taxable income and tax liabilities, respectively. The Company has performed calculations through December 31, 2023, to support that its NOL carryovers are subject to limitations under section 382 (“382 Limitations”). Based on the analysis of the NOL carryovers subject to the 382 Limitations, the Company concluded that the 382 Limitations would not prevent the Company from utilizing all of its NOL carryovers in 2023.

The Company’s ability to use its remaining net operating loss and tax credit carryforwards may be further limited if the Company experiences another Section 382 ownership change due to future changes in its stock ownership. Because of the valuation allowance, future changes in the Company’s unrecognized tax benefits will not have an impact on the Company’s effective tax rate.

At December 31, 2025 and December 31, 2024, the Company did not have any significant uncertain tax positions. The Company will recognize interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2025 and 2024, the Company had no accrued interest or penalties related to uncertain tax positions and no amounts have been recognized in the Company’s statement of operations.

The Company is subject to U.S. federal and state taxes. Because of net operating losses, all federal tax years since inception remain open for the assessment of income taxes. The expiration of the statute of limitations related to the various state income and franchise tax returns varies by state.

Income taxes paid (net of refunds received) by jurisdiction, pursuant to the disclosure requirements of ASU 2023-09, were as follows:

| *($’s in thousands)* | Years Ended December 31, 2025 |
|---|---|
| Federal | $ 1 |
| State | |
| Texas | $ 45 |
| Other | 4 |
| Total net payments (refunds) | $ 50 |

**JOURNEY MEDICAL CORPORATION**

**Notes to Financial Statements**

## NOTE 19. NET (LOSS) INCOME PER COMMON SHARE

The Company accounts for and discloses net earnings (loss) per share using the treasury stock method. Net earnings (loss) per common share, or basic earnings (loss) per share, is computed by dividing net earnings (loss) by the weighted-average number of common shares outstanding. Net earnings (loss) per common share assuming dilutions, or diluted earnings (loss) per share, is computed by reflecting the potential dilution from the exercise of in-the-money stock options, and non-vested restricted stock units.

The Company's basic and diluted weighted-average number of common shares outstanding for years ended December 31, 2025 and 2024 were as follows:

| | Year ended December 31, | |
|---|---|---|
| | 2025 | 2024 |
| **Basic and diluted** | 24,497,973 | 20,431,400 |
| Potentially dilutive securities: | | |
| Unvested restricted stock units | 1,848,140 | 2,339,961 |
| Stock options | 1,507,607 | 1,686,089 |
| **Total potentially dilutive securities** | **27,853,720** | **24,457,450** |

The Company's Common Stock equivalents, including unvested restricted stock and options have been excluded from the computation of diluted loss per share for the years ended December 31, 2025 and 2024, as the effect would be to reduce the loss per share. Therefore, the weighted average common stock outstanding used to calculate both basic and diluted income loss per share is the same for the years ended December 31, 2025 and 2024.

**JOURNEY MEDICAL CORPORATION**

**Notes to Financial Statements**

## NOTE 20. SEGMENT INFORMATION

The Company's reportable segment net loss for the years ending December 31, 2025 and 2024 consisted of the following:

| *($ in thousands)* | Year Ended December 31, 2025 | 2024 |
|---|---|---|
| Revenue | $ 61,858 | $ 56,134 |
| Less: Segment expenses[1] | | |
| Cost of goods sold – (excluding amortization of acquired intangible assets) | 20,924 | 20,879 |
| Research and development | 480 | 9,857 |
| Selling, general and administrative | | |
| Employee related | 16,969 | 14,765 |
| Sales, operations, outside services and consulting | 9,522 | 9,417 |
| Marketing related | 6,279 | 5,258 |
| Stock compensation | 6,288 | 5,590 |
| Legal and administrative | 2,428 | 2,230 |
| Product compliance expense | 1,187 | 1,632 |
| Office and administrative | 946 | 739 |
| Other | 749 | 573 |
| Other segment items[2] | 7,517 | (134) |
| Segment expenses | 73,289 | 70,806 |
| Segment loss from operations | $ (11,431) | $ (14,672) |
| | | |
| Reconciliation to net loss: | | |
| Adjustments and reconciling items | — | — |
| Net loss | $ (11,431) | $ (14,672) |

(1) The significant expense amounts align with the expenses that the CODM is regularly provided with to assess performance and allocate resources.

(2) Other segment items for the reportable segment include amortization of intangible assets, loss on impairment of intangible assets, loss recovery, interest income (expense), gain on extinguishment of debt, foreign exchange transaction losses and income tax expense.

## NOTE 21. SUBSEQUENT EVENTS

The Company evaluates events that occur after the period's end date through the date the financial statements are available to be issued. Accordingly, management has evaluated subsequent events through the date these financial statements are issued and has determined that no subsequent events require disclosure in these financial statements.

**SIGNATURES**

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

**Journey Medical Corporation**
**(Registrant)**

Date: March 25, 2026

By: /s/ Claude Maraoui
Claude Maraoui
President and Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ Claude Maraoui<br>Claude Maraoui | President, Chief Executive Officer and Director<br>(Principal Executive Officer) | March 25, 2026 |
| /s/ Lindsay A. Rosenwald, M.D.<br>Lindsay A. Rosenwald, M.D. | Executive Chairman | March 25, 2026 |
| /s/ Joseph Benesch<br>Joseph Benesch | Chief Financial Officer<br>(Principal Financial Officer and Principal Accounting Officer) | March 25, 2026 |
| /s/ Neil Herskowitz<br>Neil Herskowitz | Director | March 25, 2026 |
| /s/ Justin Smith<br>Justin Smith | Director | March 25, 2026 |
| /s/ Miranda Toledano<br>Miranda Toledano | Director | March 25, 2026 |
| /s/ Michael Pearce<br>Michael Pearce | Director | March 25, 2026 |

**EXHIBIT 21.1**

**JOURNEY MEDICAL CORPORATION**

**List of Subsidiaries**

Subsidiaries of Journey Medical Corporation at December 31, 2024, with jurisdiction of incorporation or formation:

- JG Pharma Inc. (Delaware)

**Exhibit 23.1**

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the registration statements (No. 333-263888, No. 333-266125, No. 333-276080, and No. 333-280888) on Form S-3 and (No. 333-292758) on Form S-3 of our report dated March 25, 2026, with respect to the consolidated financial statements of Journey Medical Corporation.

/s/ KPMG LLP

Short Hills, New Jersey
March 25, 2026

**EXHIBIT 31.1**

**CERTIFICATION PURSUANT TO**

**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Claude Maraoui, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2025 of Journey Medical Corporation (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 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 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.

Dated: March 25, 2026

By: /s/ Claude Maraoui
Claude Maraoui
President, Chief Executive Officer and Director
Principal Executive Officer

**EXHIBIT 31.2**

**CERTIFICATION PURSUANT TO**

**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Joseph Benesch, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2025 of Journey Medical Corporation (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 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 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.

Dated: March 25, 2026

By: /s/ Joseph Benesch
Joseph Benesch
Chief Financial Officer
Principal Financial Officer

**EXHIBIT 32.1**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO**

**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Journey Medical Corporation (the "Company") for the period ended December 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Claude Maraoui, President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Report.

Dated: March 25, 2026

By: /s/ Claude Maraoui
Claude Maraoui
President, Chief Executive Officer and Director
Principal Executive Officer

**EXHIBIT 32.2**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO**

**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Journey Medical Corporation (the "Company") for the period ended December 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph Benesch, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company, as of, and for, the periods presented in the Report.

Dated: March 25, 2026

By: /s/ Joseph Benesch
Joseph Benesch
Chief Financial Officer
Principal Financial Officer