UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark one)

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

For the quarterly period ended September 30, 2026

OR

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

For the transition period from _____ to _____

Commission File Number: 001-41063

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 and zip code)

(480) 434-6670
(Registrant's telephone number, including area code)

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

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, if any, 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, a smaller reporting company, or an emerging growth company. See definition 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 registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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 November 12, 2026
Common Stock Class A, $0.0001 par value	6,000,000
Common Stock, $0.0001 par value	22,230,645

JOURNEY MEDICAL CORPORATION
Quarterly Report on Form 10-Q

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (unaudited)

JOURNEY MEDICAL CORPORATION
Unaudited Condensed Consolidated Balance Sheets
(Dollars in thousands except for share and per share amounts)

	September 30, 2026	December 31, 2025
ASSETS		
Current assets		
Cash and cash equivalents	$ 22,323	$ 24,090
Accounts receivable, net of reserves	47,387	29,783
Inventory	7,772	9,624
Prepaid expenses and other current assets	1,782	3,376
Total current assets	79,264	66,873
Intangible assets, net	24,541	27,605
Operating lease right-of-use asset, net	41	111
Total assets	**$ 103,846**	**$ 94,589**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 9,396	$ 8,851
Due to related party	812	455
Accrued expenses	35,352	27,567
Accrued interest	416	398
Income taxes payable	—	70
Term loan, short-term	7,500	—
Operating lease liability, short-term	44	101
Total current liabilities	53,520	37,442
Term loan, long-term, net of discount	18,077	25,277
Operating lease liability, long-term	—	18
Total liabilities	**71,597**	**62,737**
Commitments and contingencies (Note 13)		
Stockholders' equity		
Common stock, $.0001 par value, 50,000,000 shares authorized, 22,225,645 and 21,144,655 shares issued and outstanding as of September 30, 2026 and December 31, 2025, respectively	2	2
Common stock - Class A, $.0001 par value, 50,000,000 shares authorized, 6,000,000 shares issued and outstanding as of September 30, 2026 and December 31, 2025	1	1
Additional paid-in capital	134,561	130,307
Accumulated deficit	(102,315)	(98,458)
Total stockholders' equity	32,249	31,852
Total liabilities and stockholders' equity	**$ 103,846**	**$ 94,589**

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

JOURNEY MEDICAL CORPORATION
Unaudited Condensed Consolidated Statements of Operations
(Dollars in thousands except for share and per share amounts)

	Three-Month Periods Ended September 30,		Nine-Month Periods Ended September 30,	
	2026	2025	2026	2025
Revenue:				
Product revenue, net	$ 18,925	$ 17,025	$ 52,685	$ 45,173
Other revenue	42	606	753	606
Total revenue	18,967	17,631	53,438	45,779
Operating expenses				
Cost of goods sold – (excluding amortization of acquired intangible assets)	5,884	5,755	18,245	15,484
Amortization of acquired intangible assets	969	1,064	3,064	3,193
Research and development	51	287	105	326
Selling, general and administrative	12,593	12,054	33,590	34,505
Total operating expenses	19,497	19,160	55,004	53,508
Loss from operations	(530)	(1,529)	(1,566)	(7,729)
Other expense (income)				
Interest income	(140)	(154)	(451)	(441)
Interest expense	919	937	2,717	2,765
Foreign exchange transaction losses	6	3	10	71
Total other expense	785	786	2,276	2,395
Loss before income taxes	**(1,315)**	**(2,315)**	**(3,842)**	**(10,124)**
Income tax expense	—	—	15	60
Net loss	$ **(1,315)**	$ **(2,315)**	$ **(3,857)**	$ **(10,184)**
Net loss per common share:				
Basic and diluted	$ (0.05)	$ (0.09)	$ (0.14)	$ (0.43)
Weighted average number of common shares:				
Basic and diluted	28,069,125	24,959,114	27,625,414	23,628,921

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

JOURNEY MEDICAL CORPORATION
Unaudited Condensed Consolidated Statements of Changes in Stockholders' Equity
(Dollars in thousands except for share and per share amounts)

Nine-Month Period Ended September 30, 2026

	Common Stock		Common Stock A		Additional	Accumulated	Total Shareholders'
	Shares	Amount	Shares	Amount	Paid-in Capital	Deficit	Equity
Balance as of December 31, 2025	**21,144,655**	**$ 2**	**6,000,000**	**$ 1**	**$ 130,307**	**$ (98,458)**	**$ 31,852**
Share-based compensation	—	—	—	—	3,759	—	3,759
Exercise of stock options for cash	102,964	—	—	—	275	—	275
Issuance of common stock for vested restricted stock units	939,838	—	—	—	—	—	—
Issuance of common stock under ESPP	38,188	—	—	—	220	—	220
Net loss	—	—	—	—	—	(3,857)	(3,857)
Balance as of September 30, 2026	**22,225,645**	**$ 2**	**6,000,000**	**$ 1**	**$ 134,561**	**$ (102,315)**	**$ 32,249**

Three-Month Period Ended September 30, 2026

	Common Stock		Common Stock A		Additional	Accumulated	Total Shareholders'
	Shares	Amount	Shares	Amount	Paid-in Capital	Deficit	Equity
Balance as of June 30, 2026	**21,657,055**	**$ 2**	**6,000,000**	**$ 1**	**$ 133,111**	**$ (101,000)**	**$ 32,114**
Share-based compensation	—	—	—	—	1,333	—	1,333
Exercise of stock options for cash	9,820	—	—	—	45	—	45
Issuance of common stock for vested restricted stock units	545,456	—	—	—	—	—	—
Issuance of common stock under ESPP	13,314	—	—	—	72	—	72
Net loss	—	—	—	—	—	(1,315)	(1,315)
Balance as of September 30, 2026	**22,225,645**	**$ 2**	**6,000,000**	**$ 1**	**$ 134,561**	**$ (102,315)**	**$ 32,249**

Nine-Month Period Ended September 30, 2025

	Common Stock		Common Stock A		Additional	Accumulated	Total Shareholders'
	Shares	Amount	Shares	Amount	Paid-in Capital	Deficit	Equity
Balance as of December 31, 2024	**16,153,610**	**$ 1**	**6,000,000**	**$ 1**	**$ 107,094**	**$ (87,027)**	**$ 20,069**
Share-based compensation	—	—	—	—	4,513	—	4,513
Exercise of stock options for cash, net of shares withheld	1,404,920	1	—	—	343	—	344
Issuance of common stock for vested restricted stock units	927,446	—	—	—	—	—	—
Issuance of common stock under ESPP	54,572	—	—	—	217	—	217
Issuance of common stock, ATM offering, net of issuance costs of $312	1,832,107	—	—	—	10,939	—	10,939
Net loss	—	—	—	—	—	(10,184)	(10,184)
Balance as of September 30, 2025	**20,372,655**	**$ 2**	**6,000,000**	**$ 1**	**$ 123,106**	**$ (97,211)**	**$ 25,898**

Three-Month Period Ended September 30, 2025

	Common Stock		Common Stock A		Additional	Accumulated	Total Shareholders'
	Shares	Amount	Shares	Amount	Paid-in Capital	Deficit	Equity
Balance as of June 30, 2025	**17,471,835**	**$ 1**	**6,000,000**	**$ 1**	**$ 114,140**	**$ (94,896)**	**$ 19,246**
Share-based compensation	—	—	—	—	1,854	—	1,854
Exercise of stock options for cash, net of shares withheld	1,271,217	1	—	—	103	—	104
Issuance of common stock for vested restricted stock units	603,287	—	—	—	—	—	—
Issuance of common stock under ESPP	28,931	—	—	—	118	—	118
Issuance of common stock, ATM offering, net of issuance costs of $187	997,385	—	—	—	6,891	—	6,891
Net loss	—	—	—	—	—	(2,315)	(2,315)
Balance as of September 30, 2025	**20,372,655**	**$ 2**	**6,000,000**	**$ 1**	**$ 123,106**	**$ (97,211)**	**$ 25,898**

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

JOURNEY MEDICAL CORPORATION
Unaudited Condensed Consolidated Statements of Cash Flows
(Dollars in thousands except for share and per share amounts)

	Nine-Month Periods Ended September 30,	
	2026	2025
Cash flows from operating activities		
Net loss	$ (3,857)	$ (10,184)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debt expense (recovery)	78	(170)
Amortization of debt discount	300	348
Amortization of acquired intangible assets	3,064	3,193
Amortization of operating lease right-of-use assets	70	65
Share-based compensation	3,759	4,513
Changes in operating assets and liabilities:		
Accounts receivable	(17,682)	(7,582)
Inventory	1,852	2,613
Prepaid expenses and other current assets	1,594	1,574
Accounts payable	545	(4,493)
Due to related party	357	227
Accrued expenses	7,785	3,775
Accrued interest	18	12
Income tax payable	(70)	11
Lease liabilities	(75)	(59)
Net cash used in operating activities	(2,262)	(6,157)
Cash flows from financing activities		
Proceeds from the exercise of stock options	275	343
Proceeds from issuance of common stock, ATM offering, net of issuance costs	—	10,939
Issuance of common stock under ESPP	220	218
Payment of debt issuance costs	—	(75)
Payment of license installment note payable	—	(625)
Net cash provided by financing activities	495	10,800
Net change in cash	(1,767)	4,643
Cash at the beginning of the period	24,090	20,305
Cash at the end of the period	**$ 22,323**	**$ 24,948**
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 2,399	$ 2,405
Cash paid for income taxes	$ 97	$ 49

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

JOURNEY MEDICAL CORPORATION
Notes to Unaudited Condensed Consolidated Financial Statements

NOTE 1. ORGANIZATION AND PLAN OF BUSINESS OPERATIONS

Journey Medical Corporation ("Journey" or the "Company") is 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. The Company's current product portfolio includes nine 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 September 30, 2026 and December 31, 2025, the Company is a controlled subsidiary of Fortress Biotech, Inc. ("Fortress" or "Parent").

Liquidity and Capital Resources

At September 30, 2026, the Company had $22.3 million in cash and cash equivalents as compared to $24.1 million of cash and cash equivalents at December 31, 2025. At September 30, 2026, the Company had working capital of $25.7 million as compared to $29.4 million at December 31, 2025.

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 of up to an aggregate of $150.0 million of 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.

NOTE 2. BASIS OF PRESENTATION

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 apply to private companies. The Company has previously adopted accounting standards using the effective dates applicable to non-emerging growth companies. Accordingly, the loss of emerging growth company status is not expected to result in any change to the timing of adoption of accounting standards and is not expected to have a material impact on the Company's consolidated financial statements.

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 Information

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 generic 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 Note 2 of the Notes to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2025 (the "2025 Form 10-K"). See Note 18 for segment information.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are described in Note 2 of the Notes to the Consolidated Financial Statements included in the 2025 Form 10-K.

Recent Accounting Pronouncements

Adopted

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. The Company adopted ASU 2025-05 on January 1, 2026. Upon adoption, the Company elected to apply the practical expedient to its current trade receivables arising from contracts with customers. The adoption of ASU 2025-05 did not have a material impact on the Company's unaudited condensed 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.

NOTE 4. INVENTORY

The Company's inventory consists of the following for the periods ended:

($'s in thousands)	September 30, 2026	December 31, 2025
Finished goods	$ 5,966	$ 7,389
Work-in-process	540	174
Raw materials	2,307	3,057
Inventory at cost	8,813	10,620
Inventory reserves	(1,041)	(996)
Total inventories	**$ 7,772**	**$ 9,624**

NOTE 5. INTANGIBLE ASSETS

The Company's finite-lived intangible assets consist of acquired intangible assets. The Company's intangible assets as of September 30, 2026 and December 31, 2025 are summarized as follows:

($'s in thousands)	Estimated Useful Lives (Years)	September 30, 2026	December 31, 2025
Intangible assets - product licenses	3-15	$ 52,925	$ 52,925
Accumulated amortization		(25,241)	(22,177)
Accumulated impairment loss		(3,143)	(3,143)
Total intangible assets		**$ 24,541**	**$ 27,605**

The Company's amortization expense for the three-month periods ended September 30, 2026 and 2025 was $1.0 million and $1.1 million, respectively. The Company's amortization expense for the nine-month periods ended September 30, 2026 and 2025 was $3.1 million and $3.2 million, respectively.

In December 2025, the Company received FDA approval for Eurax®, formerly known as the anti-itch product, which was acquired in 2020. Prior to FDA approval, Eurax had been presented as an intangible asset not yet placed in service totaling $3.9 million. The Company began amortizing the Eurax intangible asset in January 2026.

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

For the years ended	Total Amortization
Remainder of 2026	$ 969
December 31, 2027	3,338
December 31, 2028	3,159
December 31, 2029	3,159
December 31, 2030	3,159
Thereafter	10,757
Total	**$ 24,541**

NOTE 6. LICENSES ACQUIRED

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 at the time was 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.

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, 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 30% to 40%. 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:

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 Amzeeq for Cutia's commercial use.

NOTE 7. FAIR VALUE MEASUREMENTS

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 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.

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.

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.

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

	September 30, 2026			
($'s in thousands)	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 22,323	$ —	$ —	$ 22,323
Total	**$ 22,323**	**$ —**	**$ —**	**$ 22,323**

	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**

The Company did not carry any level 2 or level 3 assets or liabilities at September 30, 2026 or December 31, 2025. No transfers occurred between level 1, level 2, and level 3 instruments during the three-month periods ended September 30, 2026 and 2025.

NOTE 8. 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 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 three-month periods ended September 30, 2026 and 2025, the Company recorded related party expenses to Fortress of approximately $10,000 and $9,000, respectively. For the nine-month periods ended September 30, 2026 and 2025, the Company recorded related party expenses to Fortress of approximately $35,000 and $31,000, respectively. The due to related party liability at September 30, 2026 and December 31, 2025 was $0.8 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 9. ACCRUED EXPENSES

Accrued expenses consisted of the following:

($'s in thousands)	September 30, 2026	December 31, 2025
Accrued coupons and rebates	$ 24,510	$ 16,547
Accrued compensation	2,984	5,589
Return reserve	3,329	2,177
Accrued royalties payable	2,210	1,805
Accrued marketing and market access	1,155	850
Accrued legal, accounting and tax	951	274
Other	213	325
Total accrued expenses	**$ 35,352**	**$ 27,567**

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 lease expense as follows:

	Three-Month Periods Ended September 30,		Nine-Month Periods Ended September 30,	
	2026	2025	2026	2025
Operating lease cost	$ 25	$ 25	$ 75	$ 75
Variable lease cost	2	2	5	5
Total lease cost	**$ 27**	**$ 27**	**$ 80**	**$ 80**

The following table summarizes quantitative information about the Company's operating leases:

	Three-Month Periods Ended September 30,		Nine-Month Periods Ended September 30,	
	2026	2025	2026	2025
Cash paid for amounts included in the measurement of lease liabilities	$ 26	$ 26	$ 79	$ 68
Weighted-average remaining lease term - operating leases	0.4	1.4	0.4	1.4
Weighted-average discount rate - operating leases	7.35 %	7.35 %	7.35 %	7.35 %

As of September 30, 2026, future minimum lease payments under lease agreements associated with the Company's operations were as follows:

($'s in thousands)	
Remainder of 2026	$ 27
2027	18
Total lease payments	45
Less: present value discount	(1)
Total operating lease liabilities	**$ 44**

NOTE 11. DEBT

The Company's debt obligations at September 30, 2026 and December 31, 2025 were as follows:

($'s in thousands)	September 30, 2026	December 31, 2025
Short-term portion of principal balance	$ 7,500	$ —
Long-term portion of principal balance	17,500	25,000
Principal balance	**$ 25,000**	**$ 25,000**
Plus: Exit fee	1,250	1,250
Less: Debt discount and fees	(673)	(973)
Net carry amount	**$ 25,577**	**$ 25,277**

SWK Credit Facility

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.

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 September 30, 2026 was 14.09%. 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 September 30, 2026, the Company was in compliance with the financial covenants under the Credit Facility.

As of September 30, 2026, 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
Remainder of 2026	$ —
2027	10,000
2028	16,250
Total	26,250
Debt discount	(673)
Total, net	25,577
Current portion	(7,500)
Term-loan (long-term)	**$ 18,077**

NOTE 12. INTEREST EXPENSE AND FINANCING FEES

Interest expense and financing fees for the three and nine-month periods ended September 30, 2026 and 2025 consisted of the following:

	Three-Month Periods Ended September 30,		Nine-Month Periods Ended September 30,	
	2026	2025	2026	2025
Cash interest expense	$ 814	$ 814	$ 2,417	$ 2,417
Amortization of debt discount	105	123	300	348
Total interest expense and financing fees	**$ 919**	**$ 937**	**$ 2,717**	**$ 2,765**

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 6.

Vendor Dispute

During the third quarter of 2026, the Company settled a dispute with a former vendor regarding certain service-related charges which arose in the ordinary course of business. Under the terms of the settlement, the Company paid the vendor $4.1 million during the third quarter of 2026, and the parties mutually released all claims related to the dispute. Prior to the settlement, the Company had accrued $2.4 million related to the matter. The $1.7 million difference between the settlement amount and the previously accrued amount was recognized during the three months ended September 30, 2026 in selling, general and administrative expense. As of September 30, 2026, the Company had no remaining liability related to this matter.

NOTE 14. 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 September 30, 2026, there were 909,919 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 September 30, 2026, 122,776 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 three and nine-month periods ended September 30, 2026 and 2025:

($'s in thousands)	Three-Month Periods Ended September 30, 2026	2025	Nine-Month Periods Ended September 30, 2026	2025
Research and development	$ —	$ —	$ —	$ —
Selling, general and administrative	1,333	1,854	3,759	4,513
Total non-cash share-based compensation expense	**$ 1,333**	**$ 1,854**	**$ 3,759**	**$ 4,513**

Stock Options

The following table summarizes the Company's stock option activities for the nine-month period ended September 30, 2026:

	Number of Shares	Weighted average exercise price	Aggregate intrinsic value	Weighted average remaining contractual life (years)
Outstanding options at December 31, 2025	1,509,544	$ 3.50	$ 6,359,288	6.21
Granted	528,755	5.12	—	—
Exercised	(102,964)	2.67	—	—
Forfeited	(59,567)	4.59	—	—
Expired	(2,900)	6.31	—	—
Outstanding options at September 30, 2026	**1,872,868**	**$ 3.96**	**$ 5,388,037**	**6.48**
Options vested and exercisable at September 30, 2026	**1,027,143**	**$ 2.76**	**$ 4,187,521**	**4.26**

For the three-month periods ended September 30, 2026 and 2025, approximately $0.5 million and $0.6 million, respectively, of stock option compensation expense was charged against operations. For the nine-month periods ended September 30, 2026 and 2025, approximately $1.1 million and $0.8 million, respectively, of stock option compensation expense was charged against operations. For the nine-month period ended September 30, 2026, the Company issued 102,964 of common stock upon the exercise of outstanding stock options and received proceeds of $0.3 million. At September 30, 2026, the Company had unrecognized stock-based compensation expense related to all unvested options of $2.0 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 September 30, 2026. 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 activity related to the Company's RSUs for the nine-month period ended September 30, 2026:

	Number of units	Weighted average grant date Fair value
Unvested balance at December 31, 2025	1,848,140	$ 5.03
Granted	587,804	5.75
Vested	(939,838)	4.64
Forfeited	(68,208)	4.76
Unvested balance at September 30, 2026	**1,427,898**	**$ 5.59**

For the three-month periods ended September 30, 2026 and 2025, approximately $0.8 million and $1.2 million, respectively, of stock compensation expense related to RSUs was charged against operations. For the nine-month periods ended September 30, 2026 and 2025, approximately $2.6 million and $3.6 million, respectively, of stock compensation expense related to RSUs was charged against operations. For the nine-month periods ended September 30, 2026 and 2025 the Company issued 939,838 and 927,446 shares of common stock, respectively, upon vesting of RSUs amounting to $4.4 million and $4.0 million, respectively, in total aggregate fair market value, and $6.4 million and $6.6 million, respectively, in total intrinsic value. At September 30, 2026, 1,427,898 RSUs remained unvested and there was approximately $4.5 million of unrecognized compensation cost related to restricted stock which the Company expects to recognize over a weighted-average period of approximately 2.3 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 RSUs. As of September 30, 2026, the executive participants deferred 976,134 shares of Journey Medical Inc. common stock upon the vesting of RSUs.

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 commencement date of the offering period beginning August 1, 2026 using the Black-Scholes option valuation model and the straight-line attribution approach with the following assumptions: risk-free interest rate (4.0%); expected term (0.5 years); expected volatility (77.2%); and an expected dividend yield (0%). The Company recorded $58,000 of stock-based compensation under the 2023 ESPP for the nine-month period ended September 30, 2026. As of September 30, 2026, there was unrecognized stock-based compensation expense of $28,000 related to the current ESPP offering period, which ends January 31, 2027.

NOTE 15. REVENUES FROM CONTRACTS WITH CUSTOMERS

Disaggregation of Net Revenues

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

Revenues by product are summarized as follows:

	Three-Month Periods Ended September 30,		Nine-Month Periods Ended September 30,	
($'s in thousands)	2026	2025	2026	2025
Emrosi®	$ 9,002	$ 4,883	$ 23,329	$ 9,748
Qbrexza®	5,590	7,361	15,732	19,470
Accutane®	3,023	2,769	9,694	9,818
Foam franchise products (Amzeeq® & Zilxi®)	942	1,311	2,933	3,973
Other / legacy	368	701	997	2,164
Total product revenues	**$ 18,925**	**$ 17,025**	**$ 52,685**	**$ 45,173**

The Company recognized other revenue as follows:

($'s in thousands)	Three-Month Periods Ended September 30, 2026	Three-Month Periods Ended September 30, 2025	Nine-Month Periods Ended September 30, 2026	Nine-Month Periods Ended September 30, 2025
Cutia supply agreement	$ —	$ 606	$ 635	$ 606
Royalties on sales of Amzeeq by Cutia	42	—	118	—
Total other revenue	**$ 42**	**$ 606**	**$ 753**	**$ 606**

Other revenue for the three and nine-month period ended September 30, 2026 reflects the supply of Amzeeq to Cutia as well as sales-based royalties earned on the net sales of Amzeeq by Cutia.

Significant Customers

For the three and nine-month periods ended September 30, 2026 and 2025 there were no customers that accounted for more than 10% of the Company's total gross product revenue.

At September 30, 2026 and December 31, 2025, none of the Company's customers accounted for more than 10% of its total accounts receivable balance.

NOTE 16. INCOME TAXES

$ in thousands	Three-Month Periods Ended September 30, 2026	Three-Month Periods Ended September 30, 2025	Nine-Month Periods Ended September 30, 2026	Nine-Month Periods Ended September 30, 2025
Net income (loss) before income taxes	$ (1,315)	$ (2,315)	$ (3,842)	$ (10,124)
Provision (benefit) for income taxes	—	—	15	60
Effective tax rate	0.0 %	0.0 %	(0.4)%	(0.6)%

The Company's provision for income taxes for the three months ended September 30, 2026 was $0, resulting in an effective tax rate of 0.0%, compared with 0.0% for the same period in the prior year. Additionally, the Company's provision for income taxes for the nine months ended September 30, 2026 was $15,000, resulting in an effective tax rate of (0.4)%, compared with (0.6)% for the same period in the prior year. The small change in the effective tax rate was primarily driven by state taxes. The effective tax rate for the three and nine months ended September 30, 2026 was lower than the U.S. statutory rate primarily due to the Company's full valuation allowance position.

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 management believes it is more likely than not that the deferred tax assets will not be recovered based on an evaluation of objective verifiable evidence. Management has considered the Company's history of book and tax income and losses incurred since inception, and the other positive and negative evidence, and has concluded that it is more likely than not that the Company will not realize the benefits of the net deferred tax assets as of September 30, 2026.

As of September 30, 2026, the Company had no unrecognized tax benefits and does not anticipate any significant change to the unrecognized tax benefit balance.

NOTE 17. NET LOSS PER COMMON SHARE

The Company accounts for and discloses net earnings (loss) per share using the treasury stock method. Net earnings (loss) per share, or basic earnings (loss) per share, is computed by dividing net earnings (loss) by the weighted-average number of shares of common stock outstanding. Net earnings (loss) per 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 the issuance of non-vested restricted stock units.

The Company's basic and diluted weighted-average number of common shares outstanding for the three and nine-month periods ended September 30, 2026 and 2025 were as follows:

	Three-Month Periods Ended September 30,		Nine-Month Periods Ended September 30,	
	2026	2025	2026	2025
Basic and diluted	28,069,125	24,959,114	27,625,414	23,628,921
Potentially dilutive securities:				
Unvested restricted stock units	1,427,898	1,897,437	1,427,898	1,897,437
Stock options	626,423	1,423,702	634,863	1,762,911
Total potentially dilutive securities	**2,054,321**	**3,321,139**	**2,062,761**	**3,660,348**

The Company's potentially dilutive securities, including unvested restricted stock and options have been excluded from the computation of diluted loss per share for the three and nine-month periods ended September 30, 2026, and 2025, 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 three and nine-month periods ended September 30, 2026 and 2025.

NOTE 18. SEGMENT INFORMATION

The Company's reportable segment net loss for the three and nine-month periods ending September 30, 2026 and 2025 consisted of the following:

($ in thousands)	Three-Month Periods Ended September 30,		Nine-Month Periods Ended September 30,	
	2026	2025	2026	2025
Revenue	$ 18,967	$ 17,631	$ 53,438	$ 45,779
Less: Segment expenses[1]				
Cost of goods sold – (excluding amortization of acquired intangible assets)	5,884	5,755	18,245	15,484
Research and development	51	287	105	326
Selling, general and administrative				
Employee related	4,694	4,228	13,979	12,957
Sales, operations, outside services and consulting	4,378	2,583	8,978	7,506
Marketing related	774	1,631	2,560	5,393
Stock compensation	1,333	1,854	3,759	4,513
Legal and administrative	755	940	2,258	1,930
Product compliance expense	256	290	789	883
Office and administrative	196	247	736	749
Other	207	281	531	574
Other segment items[2]	1,754	1,850	5,355	5,648
Segment expenses	20,282	19,946	57,295	55,963
Segment loss from operations	$ (1,315)	$ (2,315)	$ (3,857)	$ (10,184)
Reconciliation to net loss:				
Adjustments and reconciling items	—	—	—	—
Net loss	$ (1,315)	$ (2,315)	$ (3,857)	$ (10,184)

(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, interest income (expense), foreign exchange transaction losses and income tax expense.

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

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 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 Modified Release Capsules, 40 mg), formerly referred to as DFD-29 ("Emrosi"), and the successful development, regulatory approval and commercialization of 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" or "Parent") controls a voting majority of our common stock, which could be detrimental to our other shareholders; and*

- *the risks described under the section titled "Risk Factors" in Item 1A below and in our Annual Report on Form 10-K for the year ended December 31, 2025 (the "2025 Form 10-K").*

The forward-looking statements contained in this report reflect our views and assumptions as of the 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.

Overview

We are a commercial-stage pharmaceutical company founded in October 2014 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 portfolio includes nine 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.

Critical Accounting Policies and Use of Estimates

Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which we have prepared in accordance with accounting principles generally accepted in the United States. Applying these principles requires our judgment in determining the appropriateness of acceptable accounting principles and methods of application in diverse and complex economic activities. The preparation of the accompanying financial statements requires us to make estimates and judgments that affect the reported amounts of revenues, expenses, assets and liabilities, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and other assumptions that we believe are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

For a discussion of our critical accounting estimates, see the section of the 2025 Form 10-K titled "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Use of Estimates." There were no material changes to our critical accounting estimates or accounting policies from December 31, 2025.

Accounting Pronouncements

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. We adopted ASU 2025-05 on January 1, 2026. Upon adoption, we elected to apply the practical expedient to our current trade receivables arising from contracts with customers. The adoption of ASU 2025-05 did not have a material impact on our unaudited condensed consolidated financial statements.

Emerging Growth Company and Smaller Reporting Company Status

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 ("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, we 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 to our consolidated financial statements in this report on Form 10-Q.

Results of Operations

The following table summarizes our results of operations for the three-month periods ended September 30, 2026 and 2025:

Comparison of the Three-Month Periods Ended September 30, 2026 and 2025

($'s in thousands)	Three-Month Periods Ended September 30, 2026	2025	Change $	Change %
Revenue:				
Product revenue, net	$ 18,925	$ 17,025	$ 1,900	11 %
Other revenue	42	606	(564)	(93)%
Total revenue	18,967	17,631	1,336	8 %
Operating expenses				
Cost of goods sold – (excluding amortization of acquired intangible assets)	5,884	5,755	129	2 %
Amortization of acquired intangible assets	969	1,064	(95)	(9)%
Research and development	51	287	(236)	(82)%
Selling, general and administrative	12,593	12,054	539	4 %
Total operating expenses	19,497	19,160	337	2 %
Loss from operations	(530)	(1,529)	999	(65)%
Other expense (income)				
Interest income	(140)	(154)	14	(9)%
Interest expense	919	937	(18)	(2)%
Foreign exchange transaction losses	6	3	3	100 %
Total other expense	785	786	(1)	— %
Loss before income taxes	**(1,315)**	**(2,315)**	**1,000**	(43)%
Income tax expense	—	—	—	— %
Net loss	**$ (1,315)**	**$ (2,315)**	**$ 1,000**	(43)%

Revenues

The following table reflects our net product revenue for the three-month periods ended September 30, 2026 and 2025:

($'s in thousands)	Three-Month Periods Ended September 30, 2026	2025	Change $	Change %
Emrosi®	$ 9,002	$ 4,883	$ 4,119	84 %
Qbrexza®	5,590	7,361	(1,771)	(24)%
Accutane®	3,023	2,769	254	9 %
Foam franchise products (Amzeeq® & Zilxi®)	942	1,311	(369)	(28)%
Other / legacy	368	701	(333)	(48)%
Total net product revenue	**$ 18,925**	**$ 17,025**	**$ 1,900**	**11 %**

Net product revenue increased $1.9 million, or 11%, to $18.9 million for the three-month period ended September 30, 2026 compared to the three-month period ended September 30, 2025. The increase is primarily driven by sales of Emrosi in the third quarter of 2026 of $9.0 million compared to $4.9 million in the third quarter of 2025. We launched Emrosi in the first quarter of 2025. This is partially offset by a decrease in Qbrexza of $1.8 million primarily due to coverage mix and a decrease in our legacy products of $0.3 million due to continued generic competition.

Other Revenue

($'s in thousands)	Three-Month Periods Ended September 30, 2026	2025	Change $	Change %
Cutia supply agreement	$ —	$ 606	$ (606)	(100)%
Royalties on sales of Amzeeq by Cutia	42	—	42	100 %
Total other revenue	**$ 42**	**$ 606**	**$ (564)**	**(93)%**

Other revenue for the three-month period ended September 30, 2026 reflects sales-based royalties payable to us on Cutia's net sales of Amzeeq, pursuant to the Cutia Agreement. In August 2025, we began supplying Cutia with Amzeeq for Cutia's commercial use.

Gross-to-Net Sales Accruals

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

Gross-to-net sales accruals and the balance in the related allowance accounts for the three-month periods ended September 30, 2026 and 2025, were as follows:

($'s in thousands)	Returns	Coupons	Managed Care Rebates	Other	Total
Balance as of June 30, 2026	**$ 2,930**	**$ 13,438**	**$ 4,804**	**$ 1,456**	**$ 22,628**
Current provision related to sales in the current period	1,050	56,764	8,704	1,829	68,347
Checks/credits issued to third parties	(651)	(51,781)	(8,647)	(2,061)	(63,140)
Balance as of September 30, 2026	**$ 3,329**	**$ 18,421**	**$ 4,861**	**$ 1,224**	**$ 27,835**

($'s in thousands)	Returns	Coupons	Managed Care Rebates	Other	Total
Balance as of June 30, 2025	**$ 2,499**	**$ 6,780**	**$ 3,794**	**$ 819**	**$ 13,892**
Current provision related to sales in the current period	474	38,002	6,412	1,702	46,590
Checks/credits issued to third parties	(565)	(39,749)	(6,377)	(1,619)	(48,310)
Balance as of September 30, 2025	**$ 2,408**	**$ 5,033**	**$ 3,829**	**$ 902**	**$ 12,172**

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 $27.8 million at September 30, 2026, compared to $22.6 million at June 30, 2026, an increase of $5.2 million. The increase is due primarily to Emrosi coupon rebates related to the continued growth of the product and the timing of sales throughout the quarter.

Cost of Goods Sold - (excluding amortization of acquired intangible assets)

Cost of goods sold - (excluding amortization of acquired intangible assets) increased by $0.1 million, or 2%, to $5.9 million for the three-month period ended September 30, 2026, from $5.8 million for the three-month period ended September 30, 2025, driven primarily by an increase in product royalties payable driven by the incremental net revenue recognized for Emrosi during the third quarter of 2026 as compared to the third quarter of 2025.

Amortization of acquired intangible assets

Amortization of acquired intangible assets decreased by less than $0.1 million, or 9%, to $1.0 million for the three-month period ended September 30, 2026, from $1.1 million for the three-month period ended September 30, 2025, driven by the start of amortization on the Eurax acquired intangible asset during the first quarter of 2026, offset by the completion of amortization on the Accutane intangible asset during the first quarter of 2026.

Selling, General and Administrative

Selling, general and administrative expenses increased by $0.5 million, or 4%, to $12.6 million for the three-month period ended September 30, 2026, from $12.1 million for the three-month period ended September 30, 2025. The increase is primarily due to the incremental expense of $1.7 million recognized upon settlement of a dispute with a vendor, offset by a reduction in Emrosi launch costs from the prior year quarter.

Comparison of the Nine-Month Periods Ended September 30, 2026 and 2025

	Nine-Month Periods Ended September 30,		Change	
($'s in thousands)	2026	2025	$	%
Revenue:				
Product revenue, net	$ 52,685	$ 45,173	$ 7,512	17 %
Other revenue	753	606	147	24 %
Total revenue	53,438	45,779	7,659	17 %
Operating expenses				
Cost of goods sold – (excluding amortization of acquired intangible assets)	18,245	15,484	2,761	18 %
Amortization of acquired intangible assets	3,064	3,193	(129)	(4)%
Research and development	105	326	(221)	(68)%
Selling, general and administrative	33,590	34,505	(915)	(3)%
Total operating expenses	55,004	53,508	1,496	3 %
Loss from operations	(1,566)	(7,729)	6,163	(80)%
Other expense (income)				
Interest income	(451)	(441)	(10)	2 %
Interest expense	2,717	2,765	(48)	(2)%
Foreign exchange transaction losses	10	71	(61)	(86)%
Total other expense	2,276	2,395	(119)	(5)%
Loss before income taxes	**(3,842)**	**(10,124)**	**6,282**	(62)%
Income tax expense	15	60	(45)	(75)%
Net loss	**$ (3,857)**	**$ (10,184)**	**$ 6,327**	(62)%

Revenues

The following table reflects our net product revenue for the nine-month periods ended September 30, 2026 and 2025:

($'s in thousands)	Nine-Month Periods Ended September 30, 2026	2025	Change $	Change %
Emrosi®	$ 23,329	$ 9,748	$ 13,581	139 %
Qbrexza®	15,732	19,470	(3,738)	(19)%
Accutane®	9,694	9,818	(124)	(1)%
Foam franchise products (Amzeeq® & Zilxi®)	2,933	3,973	(1,040)	(26)%
Other / legacy	997	2,164	(1,167)	(54)%
Total net product revenue	**$ 52,685**	**$ 45,173**	**$ 7,512**	**17 %**

Net product revenue increased $7.5 million, or 17%, to $52.7 million for the nine-month period ended September 30, 2026 compared to the nine-month period ended September 30, 2025. The increase is primarily driven by sales of Emrosi of $23.3 million for the nine months ended September 30, 2026 compared to $9.7 million for the nine months ended September 30, 2025. We launched Emrosi in the first quarter of 2025. This is partially offset by a decrease in Qbrexza of $3.7 million primarily due to coverage mix and a decrease in our legacy products of $1.2 million due to continued generic competition.

Other Revenue

($'s in thousands)	Nine-Month Periods Ended September 30, 2026	2025	Change $	Change %
Cutia supply agreement	$ 635	$ 606	$ 29	5 %
Royalties on sales of Amzeeq by Cutia	118	—	118	100 %
Total other revenue	**$ 753**	**$ 606**	**$ 147**	**24 %**

Other revenue for the nine-month period ended September 30, 2026 reflects payments to us for supplying Amzeeq to Cutia as well as sales-based royalties payable to us on Cutia's net sales of Amzeeq, pursuant to the Cutia Agreement. In August 2025, we began supplying Cutia with Amzeeq for Cutia's commercial use.

Gross-to-Net Sales Accruals

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

Gross-to-net sales accruals and the balance in the related allowance accounts for the nine-month periods ended September 30, 2026 and 2025, were as follows:

($'s in thousands)	Returns	Coupons	Managed Care Rebates	Other	Total
Balance as of December 31, 2025	**$ 2,177**	**$ 11,416**	**$ 4,234**	**$ 897**	**$ 18,724**
Current provision related to sales in the current period	2,848	160,712	23,779	5,204	192,543
Checks/credits issued to third parties	(1,696)	(153,707)	(23,152)	(4,877)	(183,432)
Balance as of September 30, 2026	**$ 3,329**	**$ 18,421**	**$ 4,861**	**$ 1,224**	**$ 27,835**

($'s in thousands)	Returns	Coupons	Managed Care Rebates	Other	Total
Balance as of December 31, 2024	**$ 3,124**	**$ 1,750**	**$ 3,717**	**$ 733**	**$ 9,324**
Current provision related to sales in the current period	447	94,153	18,082	4,511	117,193
Checks/credits issued to third parties	(1,163)	(90,870)	(17,970)	(4,342)	(114,345)
Balance as of September 30, 2025	**$ 2,408**	**$ 5,033**	**$ 3,829**	**$ 902**	**$ 12,172**

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 $27.8 million at September 30, 2026, compared to $18.7 million at December 31, 2025, an increase of $9.1 million. The increase is due primarily to Emrosi coupons related to the continued growth of the product and the timing of sales throughout the period.

Cost of Goods Sold - (excluding amortization of acquired intangible assets)

Cost of goods sold - (excluding amortization of acquired intangible assets) increased by $2.8 million, or 18%, to $18.2 million for the nine-month period ended September 30, 2026, from $15.5 million for the nine-month period ended September 30, 2025, driven primarily by a $1.3 million non-cash charge related to inventory acquired in the 2021 Qbrexza asset acquisition as well as an increase in product royalties payable driven by the incremental net revenue recognized for Emrosi.

Amortization of acquired intangible assets

Amortization of acquired intangible assets decreased by $0.1 million, or 4%, to $3.1 million for the nine-month period ended September 30, 2026, from $3.2 million for the nine-month period ended September 30, 2025, driven by the start of amortization on the Eurax acquired intangible asset during the first quarter of 2026, offset by the completion of amortization on the Accutane intangible asset during the first quarter of 2026.

Selling, General and Administrative

Selling, general and administrative expenses decreased by $0.9 million, or 3%, to $33.6 million for the nine-month period ended September 30, 2026, from $34.5 million for the nine-month period ended September 30, 2025. The decrease is primarily due to a reduction in Emrosi launch costs from the prior year period, offset by incremental expense of $1.7 million recognized upon settlement of a dispute with a vendor.

Liquidity and Capital Resources

At September 30, 2026, we had cash and cash equivalents on hand of approximately $22.3 million as compared to $24.1 million of cash and cash equivalents at December 31, 2025, and working capital of $25.7 million at September 30, 2026, compared to $29.4 million of working capital at December 31, 2025.

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.

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.

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 a Third Amendment to the Credit Agreement (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 September 30, 2026, 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 covered 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 executed a new At Market Issuance Sales Agreement (the "2025 Sales Agreement") relating to shares of the Company's common stock 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. 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.

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 since the effective date are under the 2026 Shelf.

Cash Flows for the Nine-Month Periods Ended September 30, 2026 and 2025

($'s in thousands)	Nine-Month Periods Ended September 30, 2026	2025	Increase (Decrease)
Net cash used in operating activities	$ (2,262)	$ (6,157)	$ 3,895
Net cash provided by investing activities	—	—	—
Net cash provided by financing activities	495	10,800	(10,305)
Net change in cash and cash equivalents	**$ (1,767)**	**$ 4,643**	**$ (6,410)**

Operating Activities

Net cash flows used in operating activities for the nine-month period ended September 30, 2026 decreased by $3.9 million, to $2.3 million, from net cash flows used in operating activities of $6.2 million for the nine-month period ended September 30, 2025. The decrease in cash used in operating activities was driven primarily by the decrease in our net loss period-to-period as well as changes in net working capital, offset by the vendor dispute settlement payment of $4.1 million during the third quarter of 2026.

Financing Activities

Net cash flows provided by financing activities for the nine-month period ended September 30, 2026 decreased by $10.3 million, to $0.5 million, from $10.8 million of cash flows provided by financing activities for the nine-month period ended September 30, 2025. The Company received proceeds from the exercise of stock options and the issuance of common stock under the employee stock purchase plan of $0.5 million during the nine-month period ended September 30, 2026. The Company received proceeds from the sale of common stock under the ATM program of $10.9 million, offset by a payment of $0.6 million for a license installment note payable, during the nine-month period ended September 30, 2025.

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	Remainder of 2026	2027	2028
	($'s in thousands)			
Interest	$ 4,600	$ 815	$ 2,746	$ 1,039
Principal	25,000	—	10,000	15,000
Exit fee	1,250	—	—	1,250
Total	**$ 30,850**	**$ 815**	**$ 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 3. Quantitative and Qualitative Disclosures about Market Risk

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 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness, as of September 30, 2026, of the design and operation of our disclosure controls and procedures, as such term is defined in Exchange Act Rules 13a-15(e) and 15d-15(e). Based on this evaluation, our principal executive officer and principal financial officer have concluded that, as of such date, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in our Exchange Act reports 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 principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

No change in internal control over financial reporting occurred during the most recent quarter with respect to our operations that materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

Part II. Other Information

Item 1. 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, however, 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.

Item 1A. Risk Factors.

We have disclosed under the heading "Risk Factors" in the 2025 Form 10-K a number of risks which may materially affect our business, financial condition or results of operations. You should carefully consider these Risk Factors and other information set forth elsewhere in this Quarterly Report on Form 10-Q. You should be aware that these risk factors and other information may not describe every risk facing our Company. Additional risks and uncertainties not currently known to us may also materially adversely affect our business, financial condition and/or results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During the period covered by this report, we have not sold any equity securities in transactions that were not registered under the Securities Act, and neither we nor our affiliates have purchased any equity securities issued by us.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

Rule 10b5-1 Trading Plans

During the three months ended September 30, 2026, none of our directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934, as amended) adopted, modified or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K of the Securities Act of 1933).

Item 6. Exhibits

Exhibit No.	Description
3.1	Fourth Amended and Restated Certificate of Incorporation, filed as Exhibit 3.1 to Form 8-K, filed on June 26, 2025 and incorporated herein by reference.
3.2	Amended and Restated 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.
31.1	Certification of Chief Executive Officer of Journey Medical Corporation pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated November 12, 2026.**
31.2	Certification of Principal Financial Officer of Journey Medical Corporation pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated November 12, 2026.**
32.1	Certification of Chief Executive Officer of Journey Medical Corporation pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated November 12, 2026.***
32.2	Certification of Principal Financial Officer of Journey Medical Corporation pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated November 12, 2026.***
101	The following financial information from the Company's quarterly report on Form 10-Q for the period ended September 30, 2026, formatted in Inline Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Stockholders' Equity, (iv) the Condensed Consolidated Statements of Cash Flows, and (v) Notes to the Condensed Consolidated Financial Statements (filed herewith).**
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).**

** Filed herewith.
*** Furnished herewith.

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: November 12, 2026

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

Date: November 12, 2026

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

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULES 13A-14(A) AND 15D-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Claude Maraoui, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Journey Medical Corporation;

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.

/s/ Claude Maraoui
Claude Maraoui
President and Chief Executive Officer
(Principal Executive Officer)
November 12, 2026

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULES 13A-14(A) AND 15D-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Joseph Benesch certify that:

1. I have reviewed this quarterly report on Form 10-Q of Journey Medical Corporation;

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 principle;

   (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.

/s/ Joseph Benesch
Joseph Benesch
Chief Financial Officer
(Principal Financial Officer)
November 12, 2026

Exhibit 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Claude Maraoui, President and Chief Executive Officer of Journey Medical Corporation (the "Company"), in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that, to the best of my knowledge, the Company's quarterly report on Form 10-Q for the period ended September 30, 2026 (the "Report") filed with the Securities and Exchange Commission:

- Fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Claude Maraoui
Claude Maraoui
President and Chief Executive Officer
(Principal Executive Officer)
November 12, 2026

Exhibit 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Joseph Benesch, Chief Financial Officer of Journey Medical Corporation (the "Company"), in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that, to the best of my knowledge, the Company's quarterly report on Form 10-Q for the period ended September 30, 2026 (the "Report") filed with the Securities and Exchange Commission:

- Fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joseph Benesch
Joseph Benesch
Chief Financial Officer
(Principal Financial Officer)
November 12, 2026