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

# FORM 8-K

**CURRENT REPORT**
**Pursuant to Section 13 or 15(d)**
**of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): July 26, 2023**

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

| **Delaware** | **001-38529** | **46-3137900** |
|---|---|---|
| **(State or Other Jurisdiction of Incorporation)** | **(Commission File Number)** | **(IRS Employer Identification No.)** |

| **44 W. Gay St., Suite 400 West Chester, PA** | **19380** |
|---|---|
| **(Address of Principal Executive Offices)** | **(Zip Code)** |

**Registrant's telephone number, including area code: (484) 453-3300**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

| Title of each class | Trading symbol | Name of each exchange on which registered |
|---|---|---|
| Common Stock | VRCA | The Nasdaq Stock Market LLC |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☒

**Item 1.01 Entry into a Material Definitive Agreement.**

On July 26, 2023 (the "***Closing Date***"), Verrica Pharmaceuticals Inc., a Delaware corporation (the "***Company***") entered into a Credit Agreement (the "***Credit Agreement***"), by and between the Company, as borrower, and OrbiMed Royalty & Credit Opportunities IV, LP, a Delaware limited partnership (the "***Initial Lender***"), as a lender, and each other lender that may from time to time become a party thereto (each, including the Initial Lender, and together with their affiliates, successors, transferees and assignees, the "***Lenders***"), and OrbiMed Royalty & Credit Opportunities IV, LP, as administrative agent for the Lenders (in such capacity, the "***Administrative Agent***"). The Credit Agreement provides for a five-year senior secured credit facility in an aggregate principal amount of up to $125 million (the "***Loan Facility***"), of which $50 million was made available on the Closing Date (the "***Initial Commitment Amount***"), up to $25 million will be made available on or prior to June 30, 2024, up to $15 million will be made available on or prior to December 31, 2024, up to an additional $15 million will be made available on or prior to December 31, 2024, up to $10 million will be made available on or prior to March 31, 2025, and up to $10 million will be made available on or prior to June 30, 2025, in each case, subject to the satisfaction of certain revenue requirements (such additional commitment amounts, the "***Delayed Draw Commitment Amount***"). The term loan will mature on July 26, 2028. On July 26, 2023, the Company borrowed the Initial Commitment Amount, resulting in net proceeds to the Company of approximately $47.2 million after payment of certain fees and transaction related expenses.

Subject to certain exceptions, to the extent the Company has subsidiaries, obligations under the Credit Agreement are to be guaranteed by such subsidiaries. The obligations under the Credit Agreement are secured by all or substantially all of the assets of the Company and the subsidiary guarantors. If, until the maturity date of the Loan Facility, the Company's net revenue attributable to YCANTH™ does not equal or exceed the applicable amount for such period as set forth in the Credit Agreement, then the Company shall repay in equal monthly installments the outstanding principal amount of the Loan Facility, together with a repayment premium and other fees. The Company shall repay amounts outstanding under the Loan Facility in full immediately upon an acceleration as a result of an event of default as set forth in the Credit Agreement, together with a repayment premium and other fees.

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

The Credit Agreement contains customary events of default, including, but not limited to, nonpayment of principal, interest, fees or other amounts; material inaccuracy of a representation or warranty; failure to perform or observe covenants; cross-defaults with certain other indebtedness; bankruptcy and insolvency events; material monetary judgment defaults; impairment of any material definitive loan documentation; other material adverse effects; key permit and other regulatory events; key person events; and change of control. Upon the occurrence of an event of default (subject to notice and grace periods), obligations under the Credit Agreement could be accelerated.

Each of the Credit Agreement and a Pledge and Security Agreement entered into by the Company, any guarantors party thereto and the Administrative Agent on July 26, 2023 (the "***Pledge and Security Agreement***") also contain a number of customary representations, warranties and covenants that, among other things, will limit or restrict the ability of the Company and its subsidiaries to (subject to certain qualifications and exceptions): create liens and encumbrances; incur additional indebtedness; merge, dissolve, liquidate or consolidate; make acquisitions, investments, advances or loans; dispose of or transfer assets; pay dividends or make other payments in respect of their capital stock; amend certain material documents; redeem or repurchase certain debt; engage in certain transactions with affiliates; and enter into certain restrictive agreements. In addition, the Company will be required to maintain at least $10 million of unrestricted cash and cash equivalents at all times.

On the Closing Date, the Company agreed to issue the Initial Lender a warrant (the "***Warrant***") to purchase up to 518,551 shares of the Company's common stock, at an exercise price of $6.0264 per share, which shall have a term of 10 years from the issuance date. The Warrant contains customary share adjustment provisions.

The foregoing description of the terms of the Credit Agreement, the Pledge and Security Agreement and the Warrant are not intended to be complete and are qualified in their entirety by reference to the Credit Agreement, the Pledge and Security Agreement and the Warrant, which the Company expects to file as exhibits to the Company's Quarterly Report on Form 10-Q for the quarter ending September 30, 2023.

**Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.**

The information set forth in Item 1.01 is incorporated by reference into this Item 2.03.

**Item 3.02 Unregistered Sales of Equity Securities.**

The information set forth in Item 1.01 above regarding the Warrant is incorporated by reference into this Item 3.02. The issuance of shares of the Company's common stock underlying the Warrant will be made in reliance upon the exemption from registration contained in Section 4(a)(2) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D thereunder.

**Item 7.01 Regulation FD Disclosure.**

On July 26, 2023, the Company issued a press release announcing the borrowing under the Credit Agreement. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

**Item 9.01 Financial Statements and Exhibits.**

**(d) Exhibits**

| Exhibit Number | Exhibit Description |
|---|---|
| 99.1 | Press Release of Verrica Pharmaceuticals Inc., dated July 26, 2023 |
| 104 | Cover Page Interactive Data File (formatted as inline XBRL). |

**SIGNATURES**

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

**Verrica Pharmaceuticals Inc.**

Date: July 26, 2023

/s/ P. Terence Kohler Jr.

P. Terence Kohler Jr.
Chief Financial Officer

**Exhibit 99.1**

**Verrica Pharmaceuticals Announces Closing of $125 Million Debt Financing with OrbiMed**

*– Verrica received $50M upon the close of the transaction; $75M of additional capital available in tranches based on the achievement of certain revenue milestones –*

*– Proceeds from the transaction to support the commercialization of YCANTH™, which was approved by the FDA on July 21, 2023, for treatment of molluscum contagiosum –*

WEST CHESTER, PA –Jul 26, 2023 (GLOBE NEWSWIRE) – Verrica Pharmaceuticals Inc. ("Verrica" or "the Company") (Nasdaq: VRCA), a dermatology therapeutics company developing medications for skin diseases requiring medical interventions, today announced the closing of the previously announced $125 million debt financing with OrbiMed ("the Agreement"), a leading healthcare investment firm.

Under the terms of the Agreement, Verrica borrowed $50 million at the close of the transaction. In addition, if specified revenue thresholds are achieved, the Company will be able to borrow an aggregate of an additional $75 million available in five tranches, which the Company believes will be sufficient to fund ongoing operations without requiring additional equity financing. The facility is a five-year term loan that matures in July 2028. The term loan will bear interest at a rate based upon the one-month secured overnight financing rate (SOFR), subject to a SOFR floor of 4% per annum, in addition to a margin of 8% per annum. Verrica also issued to OrbiMed a warrant to purchase 518,551 shares of the Company's common stock, with an exercise price of $6.0264. Including the $50 million the Company received in connection with the closing of the Agreement, plus the Company's $60 million in cash and cash equivalents on-hand as of March 31, 2023, the Company expects its cash runway will be extended into the first quarter of 2025.

TD Cowen served as exclusive financial advisor to Verrica on this transaction.

**About Molluscum Contagiosum (Molluscum)**

Molluscum is a highly contagious viral skin disease that affects approximately six million people — primarily children — in the United States. Molluscum is caused by a pox virus that produces distinctive raised, skin-toned-to-pink-colored lesions that can cause pain, inflammation, itching and bacterial infection. It is easily transmitted through direct skin-to-skin contact or through fomites (objects that carry the disease like toys, towels or wet surfaces) and can spread to other parts of the body or to other people, including siblings. The lesions can be found on most areas of the body and may carry substantial social stigma. Without treatment, molluscum can last for an average of 13 months, and in some cases, up to several years.

**About YCANTH™**

YCANTH™ (cantharidin) topical solution is a proprietary drug-device combination product that contains a GMP-controlled formulation of cantharidin (0.7% w/v) delivered via a single-use applicator. YCANTH™ is the first and only U.S. FDA-approved treatment for molluscum contagiosum, which is primarily a pediatric disease. The use of YCANTH™ is supported by results from adequate and well-controlled trials in pediatric patients 2 years of age and older. The safety and efficacy in pediatric patients below the age of 2 years have not been established.

YCANTH™ should only be administered by a trained healthcare professional. YCANTH™ is not for home use.

**Indication**

YCANTH (cantharidin) topical solution, 0.7% is indicated for the topical treatment of molluscum contagiosum in adult and pediatric patients 2 years of age and older.

**Important Safety Information**

**CONTRAINDICATIONS:**

None.

**WARNINGS AND PRECAUTIONS:**

- YCANTH is for topical use only. YCANTH is not for oral, mucosal, or ophthalmic use. Life threatening or fatal toxicities can occur if YCANTH is administered orally. Avoid contact with the treatment area, including oral contact, after treatment. Ocular toxicity can occur if YCANTH comes in contact with eyes. If YCANTH gets in eyes, flush eyes with water for at least 15 minutes.
- Local Skin Reactions: Reactions at the application site may occur, including vesiculation, pruritus, pain, discoloration, and erythema. Avoid application near eyes and mucosal tissue, and to healthy skin. If YCANTH contacts any unintended surface, or healthy skin, immediately remove. If severe local skin reactions occur, remove prior to the recommended 24 hours after treatment.
- YCANTH is flammable, even after drying. Avoid fire, flame or smoking near lesion(s) during treatment and after application until removed.

**ADVERSE REACTIONS:**

The most common (incidence ≥1%) reactions are the following local skin reactions at the application site: vesiculation, pain, pruritus, scabbing, erythema, discoloration, application site dryness, edema, and erosion. Local skin reactions at the application site were observed in 97% of subjects treated with YCANTH during clinical trials. These local skin reactions are expected and related to the anticipated blistering response of the skin to cantharidin.

**DRUG INTERACTIONS:**

No studies evaluating the drug interaction potential of cantharidin have been conducted.

**USE IN SPECIFIC POPULATIONS:**

Pregnancy: There are no available data with use of YCANTH in pregnant women to evaluate for a drug-associated risk of major birth defects, miscarriage or adverse maternal or fetal outcomes. Given that systemic exposure to cantharidin following topical administration is low, maternal use is not expected to result in fetal exposure to the drug.

Lactation: Avoid application of YCANTH topical solution to areas with increased risk for potential ingestion by or ocular exposure to the breastfeeding child.

**OVERDOSAGE:**

Oral ingestion of cantharidin has resulted in renal failure, blistering and severe damage to the gastrointestinal tract, coagulopathy, seizures, and flaccid paralysis.

**Please see accompanying full Prescribing Information.**

**To report SUSPECTED ADVERSE REACTIONS, contact Verrica Pharmaceuticals Inc. at 1-877-VERRICA (1-877-837-7422), or FDA at 1-800-FDA-1088 or www.fda.gov/medwatch. Local skin reactions are expected and should be reported if they are severe.**

**About Verrica Pharmaceuticals Inc.**

Verrica is a dermatology therapeutics company developing medications for skin diseases requiring medical interventions. On July 21, 2023, Verrica's lead product, YCANTH™ (cantharidin) (formerly known as VP-102), became the first treatment approved by the FDA to treat pediatric and adult patients with molluscum contagiosum, a highly contagious viral skin infection affecting approximately six million people in the United States, primarily children. VP-102 is also in development to treat common warts and external genital warts, two of the largest unmet needs in medical dermatology. Verrica is developing VP-103, its second cantharidin-based product candidate, for the treatment of plantar warts. Verrica has also entered a worldwide license agreement with Lytix Biopharma AS to develop and commercialize VP-315 (formerly LTX-315 and VP-LTX-315) for dermatologic oncology conditions. For more information, visit www.verrica.com.

**Forward-Looking Statements**

Any statements contained in this press release that do not describe historical facts may constitute forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements may be identified by words such as "believe," "expect," "may," "plan," "potential," "will," and similar expressions, and are based on Verrica's current beliefs and expectations. These forward-looking statements include expectations regarding the commercial launch of YCANTH, including the timing thereof, the Company's achievement of revenue milestones under the Agreement, the availability of future financing under the Agreement, the Company's ability to fund ongoing operations without additional equity financing if the additional $75 million is borrowed, and the Company's ability to fund its operations into the first quarter of 2025. These statements involve risks and uncertainties that could cause actual results to differ materially from those reflected in such statements. Risks and uncertainties that may cause actual results to differ materially include uncertainties inherent in the drug

development process and the regulatory approval process, Verrica's reliance on third parties over which it may not always have full control and uncertainties that are described in Verrica's Annual Report on Form 10-K for the year ended December 31, 2022, and other filings Verrica makes with the U.S. Securities and Exchange Commission. Any forward-looking statements speak only as of the date of this press release and are based on information available to Verrica as of the date of this release, and Verrica assumes no obligation to, and does not intend to, update any forward-looking statements, whether as a result of new information, future events or otherwise.

**FOR MORE INFORMATION, PLEASE CONTACT:**

**Investors:**

**Terry Kohler**
Chief Financial Officer
tkohler@verrica.com

**Kevin Gardner**
LifeSci Advisors
kgardner@lifesciadvisors.com

**Chris Calabrese**
LifeSci Advisors
ccalabrese@lifesciadvisors.com