UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2024

OR

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

For the transition period from _____ to

Commission File Number: 001-38529

Verrica Pharmaceuticals Inc.

(Exact Name of Registrant as Specified in its Charter)

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

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

N/A

(Former address of principal executive offices)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.0001 par value	VRCA	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

As of May 7, 2024, the registrant had 42,420,053 shares of common stock, $0.0001 par value per share, outstanding.

VERRICA PHARMACEUTICALS INC.
QUARTERLY REPORT ON FORM 10-Q
TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. Unaudited Financial Statements

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

	March 31, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 48,939	$ 69,547
Accounts receivable	7,002	4,248
Unbilled collaboration revenue	592	168
Inventory	2,499	1,022
Prepaid expenses and other current assets	2,344	2,545
Total current assets	61,376	77,530
Property and equipment, net	937	1,052
Operating lease right-of-use asset	1,082	1,158
Finance lease right-of-use asset	2,460	1,405
Other non-current assets	452	452
Total assets	**$ 66,307**	**$ 81,597**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,527	$ 2,464
Accrued expenses and other current liabilities	15,828	13,860
Operating lease liability	331	324
Finance lease liability	679	376
Total current liabilities	19,365	17,024
Operating lease liability	825	910
Finance lease liability	1,761	1,026
Long term debt	42,848	42,874
Total liabilities	**64,799**	**61,834**
Commitments and Contingencies (Note 6)		
Stockholders' equity:		
Preferred stock, $0.0001 par value; 10,000,000 shares authorized; no shares issued and outstanding as of March 31, 2024 and December 31, 2023	—	—
Common stock, $0.0001 par value; 200,000,000 authorized; 42,525,197 shares issued and 42,420,053 shares outstanding as of March 31, 2024 and 42,518,697 shares issued and 42,413,553 shares outstanding as of December 31, 2023	4	4
Treasury stock, at cost, 105,144 shares as of March 31, 2024 and December 31, 2023	—	—
Additional paid-in capital	252,287	250,207
Subscription receivable	(4)	—
Accumulated deficit	(250,779)	(230,448)
Total stockholders' equity	**1,508**	**19,763**
Total liabilities and stockholders' equity	**$ 66,307**	**$ 81,597**

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

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

	For the Three Months Ended March 31,	
	2024	**2023**
Revenue:		
Product revenue, net	$ 3,232	$ —
Collaboration revenue	594	37
Total revenue	3,826	37
Operating expenses:		
Selling, general and administrative	16,339	4,319
Research and development	4,948	2,739
Cost of product revenue	546	—
Cost of collaboration revenue	592	68
Total operating expenses	22,425	7,126
Loss from operations	(18,599)	(7,089)
Other (expense) income:		
Interest income	598	500
Interest expense	(2,319)	—
Other expense	(11)	—
Total other (expense) income, net	(1,732)	500
Net loss	**$ (20,331)**	**$ (6,589)**
Net loss per share, basic and diluted	$ (0.44)	$ (0.15)
Weighted-average common shares outstanding, basic and diluted	46,483,669	43,023,379

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

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

	Common Stock		Additional	Subscription	Accumulated	Treasury Stock		Total Stockholders'
	Shares Issued	Amount	Paid-in Capital	Receivable	Deficit	Shares	Cost	Equity
January 1, 2024	**42,518,697**	**$ 4**	**$ 250,207**	**$ —**	**$ (230,448)**	**105,144**	**$ —**	**$ 19,763**
Stock-based compensation	—	—	2,072	—	—	—	—	2,072
Exercise of stock options	6,500	—	8	(4)	—	—	—	4
Net loss	—	—	—	—	(20,331)	—	—	(20,331)
March 31, 2024	**42,525,197**	**$ 4**	**$ 252,287**	**$ (4)**	**$ (250,779)**	**105,144**	**$ —**	**$ 1,508**
January 1, 2023	**41,199,197**	**$ 4**	**$ 203,482**	**$ —**	**$ (163,453)**	**105,144**	**$ —**	**$ 40,033**
Stock-based compensation	—	—	1,094	—	—	—	—	1,094
Issuance of common stock and pre-funded warrants, for the purchase of common stock, net of issuance costs	750,000	—	30,301	—	—	—	—	30,301
Exercise of stock options	8,000	—	7	—	—	—	—	7
Net loss	—	—	—	—	(6,589)	—	—	(6,589)
March 31, 2023	**41,957,197**	**$ 4**	**$ 234,884**	**$ —**	**$ (170,042)**	**105,144**	**$ —**	**$ 64,846**

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

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

	For the Three Months Ended March 31,	
	2024	**2023**
Cash flows from operating activities		
Net loss	$ (20,331)	$ (6,589)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	2,072	1,094
Depreciation expense	126	131
Non cash interest expense	483	—
Amortization of operating lease right-of-use asset	76	71
Amortization of finance lease right-of-use asset	138	—
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(1,275)	1,266
Collaboration revenue receivable, billed and unbilled	(424)	431
Accounts payable	52	14
Accounts receivable	(2,753)	—
Accrued expenses and other current liabilities	1,968	(934)
Operating lease liability	(79)	(74)
Net cash used in operating activities	(19,947)	(4,590)
Cash flows from investing activities		
Purchases of property and equipment	—	(11)
Net cash used in investing activities	—	(11)
Cash flows from financing activities		
Proceeds from exercise of stock options	4	7
Payment of debt amendment fees	(509)	—
Proceeds from issuance of common stock and pre-funded warrants, net of issuance costs	—	30,301
Equity issuance costs	—	(28)
Repayment of finance lease	(156)	—
Net cash (used in) provided by financing activities	(661)	30,280
Net (decrease) increase in cash and cash equivalents	(20,608)	25,679
Cash and cash equivalents at the beginning of the period	69,547	34,273
Cash and cash equivalents at the end of the period	**$ 48,939**	**$ 59,952**
Supplemental disclosures		
Cash paid for interest	$ 1,836	$ —
Supplemental disclosure of noncash investing and financing activities:		
Property and equipment purchases in accounts payable or accrued expenses and other current liabilities at period end	$ 11	$ 34
Right-of-use asset obtained in exchange for lease obligation	$ 1,193	$ —

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

VERRICA PHARMACEUTICALS INC.
Notes to Financial Statements
(Unaudited)

Note 1—Organization and Description of Business Operations

Verrica Pharmaceuticals Inc. (the "Company") was formed on July 3, 2013 and is incorporated in the State of Delaware. The Company is a dermatology therapeutics company developing and selling medications for skin diseases requiring medical intervention. On July 21, 2023, the U.S. Food and Drug Administration ("FDA") approved YCANTH (VP-102) topical solution for the treatment of molluscum contagiosum in adult and pediatric patients two years of age and older. The Company launched commercial operations in August 2023.

Liquidity

The Company has incurred substantial operating losses since inception and expects to continue to incur significant losses for the foreseeable future and may never become profitable. As of March 31, 2024, the Company had an accumulated deficit of $250.8 million. The Company believes its cash, and cash equivalents of $48.9 million as of March 31, 2024 will be sufficient to support the Company's planned operations only into the first quarter of 2025. These factors cause substantial doubt to exist about the Company's ability to continue as a going concern within one year after the date these financial statements are issued. The Company's financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result should the Company be unable to continue as a going concern.

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

On July 26, 2023, the Company entered into a Credit Agreement which provides for up to $125.0 million in debt under a Loan Facility (as defined in Note 10). The Company borrowed $50.0 million under the Loan Facility on July 26, 2023, resulting in net proceeds of approximately $44.1 million after payment of certain fees and transaction related expenses. In addition, subject to the Company's achievement of certain revenue targets, up to $25.0 million will be made available on or prior to June 30, 2024, up to $30.0 million will be made available on or prior to December 31, 2024, up to $10.0 million will be made available on or prior to March 31, 2025, and up to $10.0 million will be made available on or prior to June 30, 2025. Amounts borrowed under the Loan Facility will mature on July 26, 2028.

Note 2—Significant Accounting Policies

Basis of Presentation

The accompanying unaudited interim financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the unaudited interim financial statements reflect all adjustments, which include only normal recurring adjustments necessary for the fair statement of the balances and results for the periods presented. They may not include all of the information and footnotes required by GAAP for complete financial statements. Therefore, these financial statements should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended December 31, 2023 included in its Form 10-K, filed with the Securities and Exchange Commission (the "SEC") on February 29, 2024. The results of operations for any interim periods are not necessarily indicative of the results that may be expected for the entire fiscal year or any other interim period.

Use of Estimates

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

Collateral Cash

Cash and cash equivalents as of March 31, 2024 includes a cash deposit of $0.5 million with Bank of America as required under the Commercial Credit Card Program with a balance equal to the outstanding credit limit on commercial credit cards.

Fair Value of Financial Instruments and Credit Risk

As of March 31, 2024, the Company's financial instruments included cash equivalents, accounts receivable, accounts payable, and notes payable. The carrying amount of cash equivalents, accounts receivable and accounts payable approximated fair value, given their short-term nature. The carrying value of the notes payable approximates fair value as the interest rate is reflective of current market rates on debt with similar terms and conditions.

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

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

Accounts Receivable

Accounts receivable, related to YCANTH (VP-102) sales, was $7.0 million at March 31, 2024. As of March 31, 2024, the Company had no allowance for doubtful accounts. An allowance for doubtful accounts is determined based on the Company's assessment of the creditworthiness and financial condition of its customers, aging of receivables, as well as the general economic environment. Any allowance would reduce the net receivables to the amount that is expected to be collected. Current payment terms for YCANTH (VP-102) are approximately 60 days from the shipment date.

Inventory

The Company values inventory at the lower of cost or net realizable value. Inventory cost is determined using the specific identification method. The Company regularly reviews its inventory quantities and, when appropriate, records a provision for obsolete and excess inventory to derive the new cost basis, which takes into account the Company's sales forecast and corresponding expiry dates. The Company has not recognized a provision for obsolete and excess inventory as of March 31, 2024.

On July 21, 2023, the Company received FDA approval for YCANTH (VP-102) for the treatment of molluscum contagiosum and began capitalizing inventory purchases of saleable product from certain suppliers. Prior to FDA approval, all product purchased from such suppliers was included as a component of research and development expense, as the Company was unable to assert that the inventory had future economic benefit until YCANTH received FDA approval. Pursuant to the supply agreement (Note 6), the Company purchased and included in research and development expenses approximately $4.5 million of raw cantharidin and processed active pharmaceutical ingredient ("API"). The raw cantharidin and processed API is sufficient to produce approximately 14.0 million finished drug product applicators to be used for commercially saleable product and other product candidates. In addition, the Company purchased other components and services related to YCANTH for commercially saleable product and included approximately $1.2 million in research and development expenses prior to FDA approval. As a result, cost of product revenue related to YCANTH will initially reflect a lower average per unit cost of materials over approximately the next nine months as previously expensed inventory is utilized for commercial production and sold to customers. If the Company were to have included those costs previously expensed as a component of cost of product revenue, the Company's cost of product revenue for the three months ended March 31, 2024 would have been $0.7 million including $0.3 million of obsolete inventory costs.

Product Revenue, Net

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

Gross product sales are reduced by corresponding gross-to-net ("GTN") estimates using the expected value method, resulting in the Company's reported "Product revenue, net" in the accompanying statements of operations. Product revenue, net reflects the amount the Company ultimately expects to realize in net cash proceeds, taking into account the current period gross sales and related cash receipts and the subsequent cash disbursements on these sales that the Company estimates for the various GTN categories discussed below. The GTN estimates are based upon information received from external sources, such as written or oral information obtained from our customers with respect to their period-end inventory levels and sales to end-users during the period, in combination with management's informed judgments. Due to the inherent uncertainty of these estimates, the actual amount of product returns,

government chargebacks, prompt pay discounts, commercial rebates, Medicaid rebates, co-pay assistance and distribution, data, and group purchasing organizations ("GPO") administrative fees may be materially above or below the amount estimated. Variance between actual amounts and estimated amounts may result in prospective adjustments to reported net product revenue.

Each of the GTN estimate categories are discussed below:

Product Returns Allowances: The Customer is contractually permitted to return purchased Product in certain circumstances. The Company estimates expected returns based on the Company's review of similar products in the industry. As historical data for returns of the Product becomes available over time, the Company will utilize historical return rates of the Product in making its estimates. Returned Product is typically destroyed, since substantially all returns are due to expiry and cannot be resold.

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

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

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

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

Cost of Product Revenue

Cost of product revenue includes the cost of inventory sold, which includes direct manufacturing, production and packaging materials for YCANTH (VP-102) sales. Prior to FDA approval of YCANTH (VP-102) in July 2023, the Company expensed approximately $0.1 million in costs associated with the manufacturing of YCANTH (VP-102) as a component of research and development expense. Therefore, these costs are not included in cost of product revenue.

Advertising Expense

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

Net Loss Per Share

Net loss per share of common stock is computed by dividing net loss by the weighted average number of shares of common stock outstanding for the period including pre-funded warrants to purchase shares of common stock that were issued in an underwritten offering in February 2023 (Note 7). The pre-funded warrants to purchase common stock are included in the calculation of basic and diluted net loss per share as the exercise price of $0.0001 per share is non-substantive and is virtually assured. Diluted net loss per share excludes the potential impact of common stock options and unvested shares of restricted stock because their effect would be anti-dilutive due to the Company's net loss. Since the Company had a net loss in each of the periods presented, basic and diluted net loss per common share are the same.

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

	March 31,	
	2024	2023
Shares issuable upon exercise of stock options	6,613,615	4,722,082
Non-vested shares under restricted stock grants	834,000	1,123,000
Shares issuable upon exercise of warrants pursuant to debt financing	518,551	—
Total	7,966,166	5,845,082

Recently Adopted Accounting Pronouncements

In June 2022, the FASB issued Accounting Standards Update No. 2022-03, Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions. This standard clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. This standard became effective for the Company on January 1, 2024, and its adoption did not have an impact on the Company's financial statements and related disclosures.

Note 3 —Inventory

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

	March 31, 2024	December 31, 2023
Raw materials	$ 1,150	$ 420
Work in process	668	487
Finished goods	681	115
Total inventory	$ 2,499	$ 1,022

Note 4—Property and Equipment

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

	March 31, 2024	December 31, 2023
Machinery and equipment	$ 1,554	$ 1,543
Office equipment	326	326
Office furniture and fixtures	303	303
Leasehold improvements	54	54
	2,237	2,226
Accumulated depreciation	(1,300)	(1,174)
Total property and equipment, net	$ 937	$ 1,052

Depreciation expense for both of the three months ended March 31, 2024 and 2023 was $0.1 million.

Note 5—Accrued Expenses and Other Current Liabilities

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

	March 31, 2024	December 31, 2023
Gross to net reserves	$ 8,502	$ 5,357
Clinical trials and drug development	3,517	2,767
Compensation and related costs	1,393	3,438
Professional fees	1,124	1,423
Commercial-related costs	878	538
Other current liabilities	321	244
Machinery and equipment	93	93
Total accrued expenses and other current liabilities	$ 15,828	$ 13,860

Note 6—Commitments and Contingencies

Litigation

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

On January 12, 2024, the Court granted in part and denied in part Defendants' motion to dismiss the amended complaint. The Court held that Plaintiff's claims relating to statements made in May and June 2021 were sufficiently pled, but dismissed Plaintiff's claims relating to all other statements made during the Putative Class Period. On January 26, 2024, Plaintiff filed a second amended complaint in an attempt to cure certain of the deficiencies identified in the January 12, 2024 ruling. Defendants' motion to dismiss the second amended complaint was fully briefed as of April 22, 2024, and is pending before the Court.

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

Supply Agreement and Purchase Order

On July 16, 2018, the Company entered into a supply agreement with a supplier of crude cantharidin material. All executed purchase orders for crude cantharidin in the ordinary course of business are expected to be covered under the terms of the supply agreement. Pursuant to the supply agreement, the supplier has agreed that it will not supply cantharidin, any beetles or other raw material from which cantharidin is derived to any other customer in North America, subject to specified minimum annual purchase orders and forecasts by the Company. The supply agreement had an initial five-year term, and now renews for successive annual periods absent termination by either party in accordance with the terms of the supply agreement. Each party also has the right to terminate the supply agreement for other customary reasons such as material breach or bankruptcy.

In both 2023 and 2022, the Company executed respective purchase orders pursuant to which the Company agreed to purchase $0.7 million of crude cantharidin material and made prepayments of $0.7 million in each year against the purchase orders. The Company received the shipment for the 2023 purchase during the three months ended March 31, 2024, which was reflected as a prepaid expense of $0.7 million on the balance sheet as of December 31, 2023.

Note 7—Stockholders' Equity

Common Stock

The Company had authorized 200,000,000 shares of common stock, $0.0001 par value per share, as of March 31, 2024 and December 31, 2023. Each share of common stock is entitled to one vote. Common stock owners are entitled to dividends when funds are legally available and declared by the Board.

Underwritten Public Offering

In February 2023, the Company closed an underwritten offering of 750,000 shares of its common stock and pre-funded warrants to purchase 4,064,814 shares of common stock. The shares of common stock were sold at a price of $6.75 per share and the pre-funded warrants were sold at a price of $6.7499 per pre-funded warrant, resulting in net proceeds of $30.3 million after deducting underwriting discounts and commissions, and offering expense. The pre-funded warrants will not expire and are exercisable in cash or by means of a cashless exercise.

Warrants

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

	March 31, 2024		
	Number of warrants	Exercise Price	Expiration Date
Pre-funded warrants issued pursuant to 2023 underwritten public offering	4,064,814	$ 0.0001	No expiration
Warrants issued in connection with OrbiMed debt facility	518,551	$ 6.0264	7/25/2033

Note 8—Stock-Based Compensation

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

	For the Three Months Ended March 31,	
	2024	2023
Selling, general and administrative	$ 1,622	$ 836
Research and development	450	258
Total stock-based compensation	$ 2,072	$ 1,094

Stock Options

The following table summarizes the Company's stock option activity for the three months ended March 31, 2024:

	Number of shares	Weighted average exercise price	Weighted average remaining contractual term (in years)	Aggregate intrinsic value
Outstanding as of December 31, 2023	5,565,615	$ 8.25	7.2	$ 4,143,150
Granted	1,079,300	4.99		
Exercised	(6,500)	1.24		4,755
Forfeited	(24,800)	5.24		
Expired	—	—		
Outstanding as of March 31, 2024	6,613,615	$ 7.74	7.5	$ 2,688,929
Options vested and exercisable as of March 31, 2024	3,438,271	$ 9.01	5.9	$ 620,420

As of March 31, 2024, the total unrecognized compensation related to unvested stock option awards granted was $14.7 million, which the Company expects to recognize over a weighted-average period of 2.84 years.

Stock option compensation expense of $1.5 million and $1.1 million was recognized in the Company's statements of operations during the three months ended March 31, 2024 and 2023, respectively.

Restricted Stock Units

In November 2019 and August 2020 the Company granted 300,000 and 250,000 restricted stock units ("RSUs"), respectively, to its executive officers, of which 125,000 were forfeited. Half of the remaining RSUs vested upon receipt of regulatory approval of the Company's new drug application for YCANTH (VP-102) for the treatment of molluscum on July 21, 2023 (the "Approval Date") and the other half will vest on July 21, 2024, subject to the holders' continuous service through each applicable date.

In March 2023, the Company granted 698,000 RSUs, half of which vested upon the first commercial sale of YCANTH (VP-102) on August 24, 2023 and half of which will vest on August 24, 2024, subject to the holders' continuous service through each applicable date.

In March 2024, the Company granted 272,500 RSUs to executive officers. These restricted stock units vest 25% annually over four years subject to the holders' continuous service through each applicable date.

Compensation expense of $0.6 million was recognized in the Company's statements of operations for the three months ended March 31, 2024 related to the vested RSUs based on the fair market value at the date of grant. As of March 31, 2024, the remaining unrecognized compensation expense related to the RSUs was $2.2 million, which the Company expects to recognize over a weighted average service period of 1.6 years now that vesting of these awards is probable.

The following is a summary of changes in the status of non-vested RSUs for the three months ended March 31, 2024:

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested as of December 31, 2023	561,500	$ 9.13
Granted	272,500	4.80
Forfeited	—	—
Vested	—	—
Nonvested as of March 31, 2024	834,000	$ 7.72

Note 9—Leases

The Company leases 11,201 square feet of office space located in West Chester, Pennsylvania that serves as the Company's headquarters. The initial term expires on September 1, 2027. Base rent over the initial term is approximately $2.4 million, and the Company is also responsible for its share of the landlord's operating expense.

The Company leases office space in Scotch Plains, New Jersey under an agreement classified as an operating lease, which commenced on May 1, 2022 and expires on April 30, 2025. Base rent over the initial term is approximately $104,000 per year.

The Company entered into a fleet program to provide vehicles for its sales force. The vehicles are leased for a term of 52 months and classified as finance leases. During the three months ended March 31, 2024, the Company recognized both a right-of-use asset and a lease liability of $1.2 million related to these finance leases.

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

	For the Three Months Ended March 31,	
	2024	2023
Finance lease cost:		
Amortization ROU assets	$ 139	$ —
Interest on lease liabilities	44	—
Total finance lease costs	$ 183	$ —
Operating lease:		
Operating lease costs	$ 94	$ 86
Short-term lease costs	—	—
Total operating lease expense	$ 94	$ 86

Maturities of the Company's operating and finance leases, excluding short-term leases, as of March 31, 2024 are as follows (in thousands):

	Operating	Finance
2024 (remaining 9 months)	$ 293	$ 648
2025	372	744
2026	366	631
2027	247	592
Thereafter	—	181
Total lease payments	1,278	2,796
Less imputed interest	(122)	(356)
Lease liability	$ 1,156	$ 2,440

The weighted average remaining lease term and discount rates for the Company's leases as of March 31, 2024 are as follows:

	Operating	Finance
Weighted average remaining lease term (years)	3.34	4.07
Weighted average discount rate	6.25%	7.72%

Note 10—Debt

On July 26, 2023 (the "Closing Date"), the Company entered into a Credit Agreement (the "Credit Agreement"), by and between the Company, as borrower, and OrbiMed Royalty & Credit Opportunities IV, LP, a Delaware limited partnership (the "Initial Lender"), as a lender, and each other lender that may from time to time become a party thereto (each, including the Initial Lender, and together with their affiliates, successors, transferees and assignees, the "Lenders"), and OrbiMed Royalty & Credit Opportunities IV, LP, as administrative agent for the Lenders (in such capacity, the "Administrative Agent"). The Credit Agreement provides for a five-year senior secured credit facility in an aggregate principal amount of up to $125.0 million (the "Loan Facility"). The Company borrowed $50.0 million under the Credit Agreement on July 26, 2023, resulting in net proceeds of approximately $44.1 million after payment of certain fees and transaction related expenses. In addition, subject to the Company's achievement of certain revenue targets, up to $25.0 million will be made available on or prior to June 30, 2024, up to $30.0 million will be made available on or prior to December 31, 2024, up to $10.0 million will be made available on or prior to March 31, 2025, and up to $10.0 million will be made available on or prior to June 30, 2025. Amounts borrowed under the Loan Facility will mature on July 26, 2028. 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 paid or will pay certain fees with respect to the Loan Facility, including an upfront fee, an unused fee on the undrawn portion of the Loan Facility, an administration fee, a prepayment premium and an exit fee, as well as certain other fees and expenses of the Administrative Agent and the Lenders.

The Credit Agreement contains customary events of default, including, but not limited to, nonpayment of principal, interest, fees or other amounts; material inaccuracy of a representation or warranty; failure to perform or observe covenants; cross-defaults with certain other indebtedness; bankruptcy and insolvency events; material monetary judgment defaults; impairment of any material definitive loan documentation; other material adverse effects; key permit and other regulatory events; key person events; and change of control. Upon the occurrence of an event of default (subject to notice and grace periods), additional interest of 4% per annum applies and obligations under the Credit Agreement could be accelerated. As of March 31, 2024, the Company is in compliance with all covenants.

On the Closing Date, the Company also issued the Initial Lender warrants to purchase up to 518,551 shares of the Company's common stock, at an exercise price of $6.0264 per share, which have a term of 10 years from the issuance date. The warrants were deemed to be classified as equity per the guidance ASC 815 Derivatives and Hedging. The proceeds from the debt transaction were allocated among the two instruments based on their relative fair values. The relative fair value of the warrants was determined to be $2.0 million and the fair value was determined to be $2.4 million based on the Black-Scholes valuation technique and the key assumptions used were as follows: (i) a contracted term of 10 years, (ii) an expected volatility of 94.86%, (iii) a risk free rate of 3.86% and (iv) no estimated dividend yield.

On each of December 20, 2023 and January 31, 2024, the Company entered into an amendment to the Credit Agreement in order to extend a deadline for a specified regulatory milestone. For each amendment, the Company paid an amendment fee of $250,000. The Company accounted for these amendments as modifications and the amendment fees were reflected in the debt discount and amortized over the life of the Credit Agreement using the effective interest method.

The Loan Facility is classified as non-current debt as the Company does not currently intend to repay amounts borrowed under the Loan Facility prior to the maturity date of July 26, 2028 and believes that the probability of any acceleration of the Loan Facility is not probable at March 31, 2024. The Company has incurred debt discount and issuance costs of $10.4 million, that are netted against the carrying value of the Loan Facility. The debt discount and issuance costs consists of $5.9 million paid in cash during the year ended December 31, 2023 and the final payment fee of $2.5 million, classified as a long-term liability and the fair value of the warrants of $2.0 million, classified as equity on the balance sheet.

For the three months ended March 31, 2024, the Company recognized interest expense of $2.3 million of which $1.8 million was interest on the term loan and $0.5 million was non-cash interest expense related to the amortization of deferred debt issuance costs and accrual of the final payment fee.

The following table summarizes the composition of debt as of March 31, 2024 (in thousands):

Gross proceeds from Loan Facility	$	50,000
Accrued final payment fee		2,500
Unamortized debt discount and issuance costs		(9,652)
Total long-term debt, net	$	42,848

Note 11—License and Collaboration Agreements

Torii Agreements

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

Pursuant to the Torii Agreement, the Company received milestone payments from Torii in prior periods totaling $20.0 million. Additionally, the Company is entitled to receive from Torii an additional $50.0 million in aggregate payments contingent on achievement of specified development, regulatory, and sales milestones, in addition to tiered transfer price payments for supply of product in the percentage range of the mid-30's to the mid-40's of net sales. The transfer payments shall be payable, on a product-by-product basis, beginning on the first commercial sale of such product and ending on the latest of (a) expiration of the last-to-expire valid claim contained in certain licensed patents in Japan that cover such product, (b) expiration of regulatory exclusivity for the first indication for such product in Japan, and, (c) (i) with respect to the first product, ten years after first commercial sale of such product,

and, (ii) with respect to any other product, the later of (x) ten years after first commercial sale of the first product and (y) five years after first commercial sale of such product.

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

On March 7, 2022, the Company executed a Clinical Supply Agreement with Torii, whereby the Company will supply product to Torii for use in clinical trials and other development activities. The Company recognized collaboration revenue of $0.6 million and $37,000 for the three months ended March 31, 2024 and 2023 respectively related to supplies and development activity pursuant to this agreement. The costs of collaboration revenue consists of expenses incurred by the Company for manufacturing supply to support development and testing services pursuant to the Torii Clinical Supply Agreement.

Lytix Agreement

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

Note 12 – Subsequent Event

Third Amendment to Credit Agreement

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

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

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with (i) our unaudited interim financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and (ii) our audited financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations for the years ended December 31, 2022 and 2023 included in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the Securities and Exchange Commission (the "SEC") on February 29, 2024. Our financial statements have been prepared in accordance with U.S. GAAP.

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

Forward-Looking Statements

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

Overview

We are a dermatology therapeutics company developing and selling medications for skin diseases requiring medical intervention. We are primarily focused on developing clinician administered therapies in areas of high unmet need. Our current product portfolio consists of one approved product with several potential follow-on indications, as well as two additional pipeline products. Our commercial product, YCANTH (VP102) (formerly referred to as VP-102), was approved by the U.S. Food and Drug Administration, or FDA, in July 2023 for the treatment of molluscum contagiosum in adult and pediatric patients two years of age and older. YCANTH (VP-102) is a proprietary drug-device combination that contains a GMP-controlled formulation of cantharidin. We are also developing YCANTH (VP-102) for potential follow-on indications for the treatment of common warts and external genital warts. Our two additional product candidates are: (i) VP-315 an oncolytic peptide-based injectable therapy for the potential treatment of dermatology oncologic conditions, including basal cell carcinoma, and (ii) VP-103, a second cantharidin based drug device combination for the potential treatment of plantar warts.

On July 21, 2023, YCANTH (cantharidin) 0.7% topical solution was the first product approved by the FDA for the treatment of molluscum contagiosum in adult and pediatric patients two years of age and older. We commercially launched YCANTH (VP-102) in August 2023 in the United States for the treatment of molluscum contagiosum. We have built a specialized sales organization consisting of 77 sales representatives in the United States focused on pediatric dermatologists, dermatologists, and select pediatricians. We also plan to advance YCANTH (VP-102) for common warts and external genital warts through a separate regulatory approval process. In the future, we also intend to pursue commercialization for YCANTH (VP-102) for the treatment of molluscum contagiosum, as well as YCANTH (VP-102) for common warts and genital warts if approved, in additional geographic regions, either alone or together with a strategic partner.

We are also developing YCANTH (VP-102) for the treatment of common warts. In June 2019, we announced positive topline results from our COVE-1 Phase 2 open label clinical trial of YCANTH (VP-102) for the treatment of common warts. COVE-1 included two cohorts that evaluated the safety and efficacy of YCANTH (VP-102) in subjects with up to six warts. We held a Type C meeting with FDA on clinical development plan for YCANTH (VP-102) common warts indication on November 6, 2023. The meeting resulted in gaining alignment on the design of a pivotal Phase 3 clinical development plan to evaluate YCANTH (VP-102) for the treatment of common warts. We continue to evaluate the timing and design of a Phase 3 trial of YCANTH (VP-102) for the treatment of common warts, and we plan to seek additional guidance from the FDA in the second quarter of this year.

In addition, we are also developing YCANTH (VP-102) for the treatment of external genital warts. We initiated a Phase 2 clinical trial evaluating the optimal dose regimen, efficacy, safety and tolerability of YCANTH (VP-102) in patients with external genital warts in June 2019. In November 2020, we announced positive topline results from our Phase 2 clinical trial of YCANTH (VP-102) for the treatment of external genital warts. An end of Phase 2 meeting was held with the FDA in May 2021. Based on

results of the Phase 2 trial, we are evaluating the timing and design of a Phase 3 trial of YCANTH (VP-102) for the treatment of external genital warts.

We also intend to develop our product candidate, VP-315, for the treatment of dermatological oncology indications. The FDA accepted our investigational new drug application in November 2021. In April 2022, we dosed the first patient in Part 1 of a three-part Phase 2, multicenter, open-label, dose-escalation proof-of-concept trial with a safety run-in designed to assess the safety, pharmacokinetics, and efficacy in subjects with biopsy proven basal cell carcinoma. In Part 1 of the trial, VP-315 demonstrated a favorable safety and tolerability profile with no reported serious adverse events. We initiated Part 2 of the trial in April 2023. In June 2023, the protocol was amended to remove Part 3 of the trial and to expand Part 2. The last patient in Part 2 of the trial was dosed in December 2023 and we expect top-line results from this trial in the second quarter of 2024.

In addition, we have conducted necessary drug development activities for VP-103, our second cantharidin-based product candidate, and are evaluating when to initiate a Phase 2 clinical trial for the treatment of plantar warts.

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

On July 26, 2023, we entered into a Credit Agreement with OrbiMed, or the Initial Lender, and each other lender that may from time to time become a party thereto, or the Lenders. The Credit Agreement provides for a five-year senior secured credit facility in an aggregate principal amount of up to $125.0 million, or the Loan Facility, of which we borrowed $50.0 million on July 26, 2023, resulting in net proceeds to us of approximately $44.1 million after payment of certain fees and transaction related expenses. In addition, subject to our achievement of certain revenue targets, up to $25.0 million will be made available on or prior to June 30, 2024, up to $30.0 million will be made available on or prior to December 31, 2024, up to $10.0 million will be made available on or prior to March 31, 2025, and up to $10.0 million will be made available on or prior to June 30, 2025. Amounts borrowed under the Loan Facility will mature on July 26, 2028. As part of the Loan Facility, we issued the Initial Lender a warrant to purchase up to 518,551 shares of our common stock, at an exercise price of $6.0264 per share, which have a term of 10 years from the issuance date.

In February 2023, we closed an underwritten offering of 750,000 shares of our common stock and pre-funded warrants to purchase 4,064,814 shares of common stock. The shares of common stock were sold at a price of $6.75 per share and the pre-funded warrants were sold at a price of $6.7499 per pre-funded warrant, resulting in total net proceeds of $30.3 million, after deducting underwriting discounts and commissions, and offering expenses.

Since inception, we have incurred significant operating losses. For the three months ended March 31, 2024 and 2023, our net loss was $20.3 million and $6.6 million, respectively. As of March 31, 2024, we had an accumulated deficit of $250.8 million. We expect to continue to incur significant expenses and operating losses for the foreseeable future. We anticipate that our expenses will increase significantly in connection with our ongoing activities, as we:

- continue commercialization of YCANTH (VP-102) for the treatment of molluscum contagiosum;
- continue our ongoing clinical program evaluating VP-315 for the treatment of basal cell carcinoma and potentially additional dermatological oncology indications;
- continue our ongoing clinical programs evaluating YCANTH (VP-102) for the treatment of common warts and external genital warts, as well as initiate and complete additional clinical trials, as needed;
- initiate clinical trials evaluating VP-103 for the treatment of plantar warts;
- pursue regulatory approvals for YCANTH (VP-102) for the treatment of common warts, external genital warts, or any other indications we may pursue for YCANTH (VP-102), as well as for VP-103 or VP-315;
- seek to discover and develop additional product candidates;
- further establish a commercialization infrastructure and scale up external manufacturing and distribution capabilities to commercialize YCANTH (VP-102) for the treatment of molluscum contagiosum and any other product candidates for which we may obtain regulatory approval, including YCANTH for external genital warts and common warts,VP-315 and VP-103;
- seek to in-license or acquire additional product candidates for other dermatological conditions;
- adapt our regulatory compliance efforts to incorporate requirements applicable to marketed products;
- maintain, expand and protect our intellectual property portfolio;
- hire additional commercial, administrative, clinical, manufacturing and scientific personnel;

- add operational, financial and management information systems and personnel, including personnel to support our product development and planned commercialization efforts; and
- incur additional legal, accounting and other expenses while operating as a public company.

Critical Accounting Estimates

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

A summary of our significant accounting policies are disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. However, we believe that the additional accounting policies disclosed in Note 2 to our financial statement are important to understanding and evaluating our reported financial results.

Components of Results of Operations

Product Revenue, Net

We recognize revenue from sales of YCANTH (VP-102), or the Product, in accordance with ASC Topic 606 – Revenue from Contracts with Customers. YCANTH (VP-102) became available for commercial sale and shipment for the treatment of patients by a healthcare provider in the United States in the year ended December 31, 2023. We sell the Product primarily to one pharmaceutical wholesaler/distributor, or the Customer who in turn sells the Product directly to clinics, hospitals, and federal healthcare programs. Revenue is recognized as the Product is physically delivered to the Customer.

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

Collaboration Revenue

Collaboration revenue represents revenue from the Torii Agreement pursuant to which we granted Torii an exclusive license to develop and commercialize our product candidates that contain a topical formulation of cantharidin for the treatment of molluscum contagiosum and common warts in Japan, including YCANTH (VP-102).

Operating Expenses

Selling, General and Administrative Expenses

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

We anticipate that our selling, general and administrative expenses, including payroll and related expenses, will increase in the future as we continue to increase our headcount to support the expected growth in our business, expand our operations and organizational capabilities, and continue to commercialize YCANTH (VP-102). We also anticipate increased expenses associated with general operations, including costs related to audit, tax and legal services, director and officer insurance premiums, and investor relations costs.

Research and Development Expenses

Research and development expenses consist of expenses incurred in connection with the discovery and development of YCANTH (VP-102) for the treatment of molluscum contagiosum, potential follow-on indications for YCANTH (VP-102), including

external genital warts and common warts, and our other product candidates. We expense research and development costs as incurred. These expenses include:

- expenses incurred under agreements with contract research organizations, or CROs, as well as investigative sites and consultants that conduct our clinical trials and preclinical studies;
- manufacturing and supply scale-up expenses and the cost of acquiring and manufacturing preclinical and clinical trial supply and commercial supply, including manufacturing validation batches;
- outsourced professional scientific development services;
- employee-related expenses, which include salaries, benefits and stock-based compensation;
- expenses relating to regulatory activities; and
- laboratory materials and supplies used to support our research activities.

Research and development activities are central to our business model. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. We expect our research and development expenses to increase over the next several years as we increase personnel costs, including stock-based compensation, initiate and conduct clinical trials of YCANTH (VP-102) in patients with common warts, YCANTH (VP-102) in patients with external genital warts, VP-315 for dermatological oncology indications,VP-103 in patients with plantar warts, and conduct other clinical trials and prepare regulatory filings for our product candidates.

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

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

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

Cost of Product Revenue

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

Cost of Collaboration Revenue

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

Results of Operations for the Three Months Ended March 31, 2024 and 2023

The following table summarizes our results of operations for the three months ended March 31, 2024 and 2023 (in thousands):

	For the Three Months Ended March 31,		
	2024	2023	Change
Total revenue			
Product revenue, net	$ 3,232	$ —	$ 3,232
Collaboration revenue	594	37	557
Total revenue	3,826	37	3,789
Operating expenses:			
Selling, general and administrative	16,339	4,319	12,020
Research and development	4,948	2,739	2,209
Cost of product revenue	546	—	546
Cost of collaboration revenue	592	68	524
Total operating expenses	22,425	7,126	15,299
Loss from operations	(18,599)	(7,089)	(11,510)
Other income (expense):			
Interest income	598	500	98
Interest expense	(2,319)	—	(2,319)
Other expense	(11)	—	(11)
Total other (expense) income, net	(1,732)	500	(2,232)
Net loss	**$ (20,331)**	**$ (6,589)**	**$ (13,742)**

Product Revenue, Net

Product revenue, net was $3.2 million for the three months ended March 31, 2024 and relates to the delivery of YCANTH (VP-102) to FFF, our distribution partner. YCANTH (VP-102), our first FDA approved product, became available for commercial sale in August 2023.

Collaboration Revenue

Collaboration revenue was $0.6 million for the three months ended March 31, 2024, compared to $37,000 for the three months ended March 31, 2023. Both of the three months ended March 31, 2024 and 2023, collaboration revenue consisted of supplies and development activity with Torii.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $16.3 million for the three months ended March 31, 2024, compared to $4.3 million for the three months ended March 31, 2023. The increase of $12.0 million was primarily due to higher expenses related to commercial activities for YCANTH (VP-102), including increased compensation, recruiting fees, benefits and travel due to ramp-up of sales force of $6.2 million, increased marketing and sponsorship costs of $2.3 million, other commercial activity of $1.9 million, and increased legal costs of $0.6 million.

Research and Development Expenses

Research and development expenses were $4.9 million for the three months ended March 31, 2024, compared to $2.7 million for the three months ended March 31, 2023. The increase of $2.2 million was primarily related to additional clinical trial costs for VP-315 of $1.5 million and increased headcount related costs of $0.6 million.

The following table summarizes our research and development expense by product candidate or, for unallocated expenses, by type for the three months ended March 31, 2024 and 2023. We did not incur any research and development expense for VP-103 during the three months ended March 31, 2024 or 2023. Unallocated expenses include compensation and other personnel related costs.

	For the Three Months Ended March 31,		
	2024	2023	Change
YCANTH (VP-102)	$ 579	$ 805	$ (226)
VP-315	2,390	352	2,038
Stock based compensation	450	258	192
Other unallocated expenses	1,529	1,324	205
Research and development expense	$ 4,948	$ 2,739	$ 2,209

Cost of Product Revenue

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

Cost of Collaboration Revenue

Cost of collaboration revenue was $0.6 million for the three months ended March 31, 2024, compared to $0.1 million for the three months ended March 31, 2023. The increase of $0.5 million was primarily due to increased manufacturing supply required to support development and testing services pursuant to the Torii Clinical Supply Agreement.

Interest Income

Interest income was $0.6 million for the three months ended March 31, 2024 compared to $0.5 million for the three months ended March 31, 2023 primarily due to higher interest rates.

Interest Expense

Interest expense of $2.3 million for the three months ended March 31, 2024 consisted of interest expense on the OrbiMed Credit Agreement as described in Note 10 to our financial statements.

Liquidity and Capital Resources

Since our inception, we have incurred net losses and negative cash flows from our operations. We have financed our operations since inception primarily through sales of our convertible preferred stock, the sale of our common stock, the issuance of debt and $20.0 million from the Torii Agreement. In February 2023, we closed an underwritten offering of 750,000 shares of our common stock and pre-funded warrants to purchase 4,064,814 shares of common stock. The shares of common stock were sold as a price of $6.75 per share and the pre-funded warrants were sold at a price of $6.7499 per pre-funded warrant, resulting in total net proceeds of $30.3 million, after deducting underwriting discounts and commissions and offering expenses.

As of March 31, 2024, we had cash and cash equivalents of $48.9 million. Cash in excess of immediate requirements is invested in accordance with our investment policy, primarily with a view to liquidity and capital preservation.

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

On July 26, 2023, we entered into the Credit Agreement which provides for a $125.0 million Loan Facility. We borrowed $50.0 million on July 26, 2023, resulting in net proceeds to us of approximately $44.1 million after payment of certain fees and transaction related expenses. In addition, subject to our achievement of certain revenue targets, up to $25.0 million will be made available on or prior to June 30, 2024, up to $30.0 million will be made available on or prior to December 31, 2024, up to $10.0 million will be made available on or prior to March 31, 2025, and up to $10.0 million will be made available on or prior to June 30, 2025. Amounts borrowed under the Loan Facility will mature on July 26, 2028.

During the term of the Loan Facility, interest payable in cash by us will 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. We 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.

C*ash Flow*s

The following table summarizes our cash flows for the three months ended March 31, 2024 and 2023 (in thousands):

	For the Three Months Ended March 31,	
	2024	2023
Net cash used in operating activities	$ (19,947)	$ (4,590)
Net cash used in investing activities	—	(11)
Net cash (used in) provided by financing activities	(661)	30,280
Net (decrease) increase in cash and cash equivalents	$ (20,608)	$ 25,679

Operating Activities

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

During the three months ended March 31, 2023, operating activities used $4.6 million of cash, primarily resulting from a net loss of $6.6 million partially offset by non-cash stock-based compensation of $1.1 million. Net cash used by changes in operating assets and liabilities consisted primarily of a decrease in prepaid expenses of $1.3 million partially offset by a decrease in accrued expenses of $0.9 million.

Investing Activities

During the three months ended March 31, 2024, no cash was used in investing activities.

During the three months ended March 31, 2023, net cash used in investing activities of $11,000 for the purchase of property and equipment.

Financing Activities

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

During the three months ended March 31, 2023, net cash provided by financing activities of $30.3 million was primarily due to the proceeds of $30.3 million, net of issuance costs from the issuance of common stock and pre-funded warrants.

Funding Requirements

Our first commercial sale of YCANTH (VP-102) occurred in August 2023 to FFF, our primary specialty pharmacy distributor. While we expect to generate revenue from the sale of YCANTH (VP-102), we expect our expenses to increase in connection with our ongoing activities, particularly as we initiate commercialization of YCANTH (VP-102) and continue the research and development of, continue or initiate clinical trials of, and seek marketing approval for, our product candidates. Following the approval of YCANTH (VP-102), for the treatment of molluscum contagiosum, we expect to incur significant commercialization expenses related to sales, marketing, manufacturing and distribution. Furthermore, we expect to incur additional costs associated with operating as a public company. We will need substantial additional financing to fund our operations. If we are unable to raise capital when needed or on attractive terms, we would be forced to delay, reduce or eliminate our research and development programs or future commercialization efforts.

We believe that our existing cash and cash equivalents as of March 31, 2024 will be sufficient to support our planned operations only into the first quarter of 2025. These factors cause substantial doubt to exist about the Company's ability to continue as a going concern within one year after the date these financial statements are issued. The Company’s financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result should the Company be unable to continue as a going concern.

We have based this estimate on assumptions that may prove to be wrong, and we could exhaust our capital resources sooner than we expect. Our future capital requirements will depend on many factors, including:

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

- the costs to scale up and secure manufacturing arrangements for commercial production of YCANTH (VP 102) for the treatment of molluscum contagiosum and any product candidate we successfully commercialize; and
- the costs of establishing and maintaining sales and marketing capabilities for YCANTH (VP 102) for the treatment of molluscum contagiosum and any product candidate that obtains regulatory approval.

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

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

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

Contractual Obligations and Commitments

As of March 31, 2024, there have been no material changes to our contractual obligations and commitments as previously discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Item 3. Quantitative and Qualitative Disclosures About Market Risks

There have been no material changes to our quantitative and qualitative disclosures about market risk as previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q to ensure that the information required to be disclosed by us in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that information required to be disclosed in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost benefit relationship of possible controls and procedures. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of March 31, 2024.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(b) and 15d-15(b) of the Exchange Act that occurred during the quarter ended March 31, 2024, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item. 1 Legal Proceedings

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

On January 12, 2024, the Court granted in part and denied in part Defendants' motion to dismiss the amended complaint. The Court held that Plaintiff's claims relating to statements made in May and June 2021 were sufficiently pled, but dismissed Plaintiff's claims relating to all other statements made during the Putative Class Period. On January 26, 2024, Plaintiff filed a second amended complaint in an attempt to cure certain of the deficiencies identified in the January 12, 2024 ruling. Defendants' motion to dismiss the second amended complaint was fully briefed as of April 22, 2024, and is pending before the Court.

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

Item 1A. Risk Factors

Our business is subject to risks and events that, if they occur, could adversely affect our financial condition and results of operations and the trading price of our securities. In addition to the other information set forth in this quarterly report on Form 10-Q, you should carefully consider the factors described in Part I, Item 1A. "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, filed with the Securities and Exchange Commission on February 29, 2024. Except as set forth below, there have been no material changes to the risk factors described in that report.

Our financial statements have been prepared assuming that we will continue as a going concern.

We have incurred recurring losses from operations since inception and we believe our existing cash and cash equivalents will be sufficient to support our planned operations only into the first quarter of 2025. These factors cause substantial doubt to exist about our ability to continue as a going concern. If we are unable to obtain sufficient funding, our business, prospects, financial condition and results of operations will be materially and adversely affected, and we may be unable to continue as a going concern. If we are unable to continue as a going concern, we may have to liquidate our assets and may receive less than the value at which those assets are carried on our financial statements, and it is likely that investors will lose all or a part of their investment. In addition, if there remains substantial doubt about our ability to continue as a going concern, investors or other financing sources may be unwilling to provide additional funding to us on commercially reasonable terms, or at all.

Item 5. Other Information

During the quarter ended March 31, 2024, none of our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" (as each term is defined in Item 408 of Regulation S-K).

Item 6. Exhibits

EXHIBIT INDEX

Exhibit No.	Description
3.1 [1]	Amended and Restated Certificate of Incorporation.
3.2 [2]	Amended and Restated Bylaws.
10.1 [3]#	Second Amendment to Credit Agreement, dated as of January 31, 2024, by and between the Registrant and Orbimed Royalty & Credit Opportunities IV, LP.
10.2 [4]+	Second Amended and Restated Non-Employee Director Compensation Policy, adopted by the Board as of February 27, 2024.
31.1	Certification of Chief Executive Officer and President (Principal Executive Officer), pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Chief Financial Officer (Principal Financial Officer), pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1*	Certifications of Chief Executive Officer and President (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

(1) Previously filed as Exhibit 3.3 to the Company's Registration Statement on Form S-1 (File No. 333-225104), filed with the Securities and Exchange Commission on May 22, 2018.

(2) Previously filed as Exhibit 3.4 to the Company's Registration Statement on Form S-1 (File No. 333-225104), filed with the Securities and Exchange Commission on May 22, 2018.

(3) Previously filed as Exhibit 10.28 to the Company's Annual Report on Form 10-K (File No. 001-38529), filed with the Securities and Exchange Commission on February 29, 2024.

(4) Previously filed as Exhibit 10.21 to the Company's Annual Report on Form 10-K (File No. 001-38529), filed with the Securities and Exchange Commission on February 29, 2024.

Certain portions of this exhibit, indicated by asterisks, have been omitted pursuant to Item 601(b)(10) of Regulation S-K because they are not material and would likely cause competitive harm to the registrant if publicly disclosed.

+ Indicates management contract or compensatory plan.

* These certifications are being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing

Signatures

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

VERRICA PHARMACEUTICALS INC.

May 13, 2024

By: /s/ Ted White
Ted White
Chief Executive Officer and President
(Principal Executive Officer)

By: /s/ P. Terence Kohler Jr.
P. Terence Kohler Jr.
Chief Financial Officer
(Principal Financial Officer)

Exhibit 31.1

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

I, Ted White, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2024 of Verrica Pharmaceuticals Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

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

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

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

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

Date: May 13, 2024

/s/ Ted White
Ted White
President and Chief Executive Officer
(principal executive officer)

Exhibit 31.2

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

I, P. Terence Kohler Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2024 of Verrica Pharmaceuticals Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

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

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

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

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

Date: May 13, 2024

/s/ P. Terence Kohler Jr.
P. Terence Kohler Jr.
Chief Financial Officer
(principal financial officer)

Exhibit 32.1

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

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

1. The Company's Quarterly Report on Form 10-Q for the period ended March 31, 2024, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

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

IN WITNESS WHEREOF , the undersigned have set their hands hereto as of the 13th day of May, 2024.

/s/ Ted White	/s/ P. Terence Kohler Jr.
Ted White	P. Terence Kohler Jr.
President and Chief Executive Officer	Chief Financial Officer
(principal executive officer)	(principal financial officer)

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