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 June 30, 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 August 8, 2024, the registrant had 42,668,553 shares of common stock, $0.0001 par value per share, outstanding.

VERRICA PHARMACEUTICALS INC.
QUARTERLY REPORT ON FORM 10-Q
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PART I. FINANCIAL INFORMATION

Item 1. Unaudited Financial Statements

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

	June 30, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 31,930	$ 69,547
Accounts receivable	10,026	4,248
Unbilled collaboration revenue	182	168
Inventory	2,704	1,022
Prepaid expenses and other current assets	2,476	2,545
Total current assets	47,318	77,530
Property and equipment, net	710	1,052
Operating lease right-of-use asset	1,005	1,158
Finance lease right-of-use asset	2,524	1,405
Other non-current assets	453	452
Total assets	**$ 52,010**	**$ 81,597**
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current liabilities:		
Accounts payable	$ 1,150	$ 2,464
Accrued expenses and other current liabilities	17,850	13,860
Operating lease liability	332	324
Finance lease liability	719	376
Total current liabilities	20,051	17,024
Operating lease liability	744	910
Finance lease liability	1,764	1,026
Long-term debt	42,751	42,874
Total liabilities	**65,310**	**61,834**
Commitments and Contingencies (Note 6)		
Stockholders' (deficit) equity:		
Preferred stock, $0.0001 par value; 10,000,000 shares authorized; no shares issued and outstanding as of June 30, 2024 and December 31, 2023	—	—
Common stock, $0.0001 par value; 200,000,000 authorized; 42,561,197 shares issued and 42,456,053 shares outstanding as of June 30, 2024 and 42,518,697 shares issued and 42,413,553 shares outstanding as of December 31, 2023	4	4
Treasury stock, at cost, 105,144 shares as of June 30, 2024 and December 31, 2023	—	—
Additional paid-in capital	254,661	250,207
Accumulated deficit	(267,965)	(230,448)
Total stockholders' (deficit) equity	**(13,300)**	**19,763**
Total liabilities and stockholders' (deficit) equity	**$ 52,010**	**$ 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 June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
Revenue:				
Product revenue, net	$ 4,892	$ —	$ 8,124	$ —
Collaboration revenue	285	182	879	219
Total revenue	5,177	182	9,003	219
Operating expenses:				
Selling, general and administrative	16,522	5,937	32,861	10,256
Research and development	3,319	5,725	8,267	8,464
Cost of product revenue	360	—	906	—
Cost of collaboration revenue	182	136	774	204
Total operating expenses	20,383	11,798	42,808	18,924
Loss from operations	(15,206)	(11,616)	(33,805)	(18,705)
Other (expense) income:				
Interest income	393	626	991	1,126
Interest expense	(2,368)	—	(4,687)	—
Other expense	(5)	—	(16)	—
Total other (expense) income, net	(1,980)	626	(3,712)	1,126
Net loss	**$ (17,186)**	**$ (10,990)**	**$ (37,517)**	**$ (17,579)**
Net loss per share, basic and diluted	$ (0.37)	$ (0.24)	$ (0.81)	$ (0.40)
Weighted-average common shares outstanding, basic and diluted	46,502,274	45,916,867	46,492,971	44,478,116

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

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

	Common Stock		Additional	Subscription	Accumulated	Treasury Stock		Total Stockholders' (Deficit)
	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**
Stock-based compensation	—	—	2,228	—	—	—	—	2,228
Exercise of stock options	36,000	—	146	4	—	—	—	150
Net loss	—	—	—	—	(17,186)	—	—	(17,186)
June 30, 2024	**42,561,197**	**$ 4**	**$ 254,661**	**$ —**	**$ (267,965)**	**105,144**	**$ —**	**$ (13,300)**
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**
Stock-based compensation	—	—	1,544	—	—	—	—	1,544
Net loss	—	—	—	—	(10,990)	—	—	(10,990)
June 30, 2023	**41,957,197**	**$ 4**	**$ 236,428**	**$ —**	**$ (181,032)**	**105,144**	**$ —**	**$ 55,400**

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

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

	For the Six Months Ended June 30,	
	2024	**2023**
Cash flows from operating activities		
Net loss	$ (37,517)	$ (17,579)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	4,300	2,638
Depreciation expense	227	266
Non-cash interest expense	999	—
Loss on disposal of fixed assets	141	—
Amortization of operating lease right-of-use asset	153	143
Amortization of finance lease right-of-use asset	294	—
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(1,612)	2,891
Collaboration revenue receivable, billed and unbilled	(15)	314
Accounts receivable	(5,777)	—
Accounts payable	(1,330)	1,502
Accrued expenses and other current liabilities	3,990	713
Operating lease liability	(158)	(147)
Net cash used in operating activities	(36,305)	(9,259)
Cash flows from investing activities		
Purchases of property and equipment	(11)	(70)
Net cash used in investing activities	(11)	(70)
Cash flows from financing activities		
Proceeds from exercise of stock options	154	7
Payment of debt amendment fees	(1,122)	—
Repayment of finance lease	(333)	—
Proceeds from issuance of common stock and pre-funded warrants, net of issuance costs	—	30,301
Payment of equity issuance costs	—	(112)
Net cash (used in) provided by financing activities	(1,301)	30,196
Net (decrease) increase in cash and cash equivalents	(37,617)	20,867
Cash and cash equivalents at the beginning of the period	69,547	34,273
Cash and cash equivalents at the end of the period	**$ 31,930**	**$ 55,140**
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	$ 14	$ —
Cash paid for interest	$ 3,688	$ —
Right-of-use asset obtained in exchange for lease obligation	$ 1,413	$ —

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 June 30, 2024, the Company had an accumulated deficit of $268.0 million. The Company believes its cash, and cash equivalents of $31.9 million as of June 30, 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 continued 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 could have been made available on or prior to June 30, 2024, up to $30.0 million would be made available on or prior to December 31, 2024, up to $10.0 million would be made available on or prior to March 31, 2025, and up to $10.0 million would be made available on or prior to June 30, 2025. The Company did not achieve the revenue target as of June 30, 2024 and was not able to borrow the first additional tranche of $25.0 million. In addition, the Company does not believe it will be able to borrow, and does not intend to borrow, additional tranches under the Credit Agreement. 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 June 30, 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 June 30, 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), to several pharmaceutical wholesalers/distributors.

Accounts Receivable

Accounts receivable, related to YCANTH (VP-102) sales, was $10.0 million at June 30, 2024. As of June 30, 2024, the Company had no allowance for credit losses. An allowance for credit losses is determined based on the Company's assessment of the creditworthiness and financial condition of its customers, aging of receivables, as well as the general economic environment. Any allowance would reduce the net receivables to the amount that is expected to be collected. Current payment terms for YCANTH (VP-102) range from 30 to 90 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 June 30, 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 ten 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 and six months ended June 30, 2024 would have been $0.7 million and $1.4 million, respectively, including $0.2 million of obsolete inventory costs for each period.

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 to several customers, who are pharmaceutical wholesalers/distributors (the "Customers") who in turn sell the Product directly to clinics, hospitals, and federal healthcare programs. Revenue is recognized as the Product is physically delivered to the Customers.

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

with management's informed judgments. Due to the inherent uncertainty of these estimates, the actual amount of product returns, government chargebacks, prompt pay discounts, commercial rebates, Medicaid rebates, co-pay assistance and distribution, data, and group purchasing organizations ("GPO") administrative fees may be materially above or below the amount estimated. Variance between actual amounts and estimated amounts may result in prospective adjustments to reported net product revenue.

Each of the GTN estimate categories are discussed below:

Product Returns Allowances: The Customers are contractually permitted to return purchased Product in certain circumstances. The Company 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 Customers at their applicable qualifying discounted price. The chargeback amount the Company incurs represents the difference between the Company's contractual sales price to the Customers and the end-user's applicable discounted purchase price under the government program.

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

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

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

Cost of Product Revenue

Cost of product revenue includes the cost of inventory sold, which includes direct manufacturing, production and packaging materials for YCANTH (VP-102) sales. Prior to FDA approval of YCANTH (VP-102) in July 2023, the Company expensed costs associated with manufacturing of YCANTH (VP-102) as a component of research and development expense that would have been included in cost of goods sold in the amount of $0.4 and $0.5 million for the three and six month period ending June 30, 2024, respectively, including $0.2 million of obsolete inventory costs for each period. 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 and six months ended June 30, 2024, advertising expense was approximately $1.1 million and $2.6 million, respectively.

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, unvested shares of restricted stock and warrants that the Company has issued to OrbiMed and Torii Pharmaceutical Co., Ltd. ("Torii") 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:

	June 30,	
	2024	2023
Shares issuable upon exercise of stock options	6,656,521	5,100,315
Non-vested shares under restricted stock grants	834,000	1,123,000
Shares issuable upon exercise of warrants pursuant to debt financing	518,551	—
Shares issuable upon exercise of warrants pursuant to Torii amendment	500,000	—
Total	8,509,072	6,223,315

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):

	June 30, 2024	December 31, 2023
Raw materials	$ 1,149	$ 420
Work in process	683	487
Finished goods	872	115
Total inventory	$ 2,704	$ 1,022

Note 4—Property and Equipment

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

	June 30, 2024	December 31, 2023
Machinery and equipment	$ 1,231	$ 1,543
Office equipment	326	326
Office furniture and fixtures	303	303
Leasehold improvements	54	54
	1,914	2,226
Accumulated depreciation	(1,204)	(1,174)
Total property and equipment, net	$ 710	$ 1,052

Depreciation expense for both of the three months ended June 30, 2024 and 2023 was $0.1 million. Depreciation expense for the six months ended June 30, 2024 and 2023 was $0.2 and $0.3 million, respectively.

Note 5—Accrued Expenses and Other Current Liabilities

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

	June 30, 2024	December 31, 2023
Gross to net reserves	$ 12,530	$ 5,357
Compensation and related costs	2,337	3,438
Professional fees	1,454	1,423
Clinical trials and drug development	796	2,767
Commercial-related costs	339	538
Other current liabilities	301	244
Machinery and equipment	93	93
Total accrued expenses and other current liabilities	$ 17,850	$ 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.

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

In June 2024, the Company and Dormer Labs announced the settlement of litigation. As part of the settlement, Dormer Labs discontinued the sale of all cantharidin-containing products in the United States and also, provided the Company with Dormer's customer list in exchange for $0.8 million, of which $0.4 million was due upfront and the remaining $0.4 million is due in December 2024. The Company expensed the $0.8 million for the three and six months ended June 30, 2024 in the statement of operations as a settlement of litigation. The Company also recorded a liability for the remaining $0.4 million due in December 2024, as the Company is contractually obligated to pay this amount solely based on the passage of time. The $0.4 million is included in accrued expenses and other liabilities on the balance sheet as of June 30, 2024.

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

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 2023, the Company executed a purchase order pursuant to which the Company agreed to purchase $0.7 million of crude cantharidin material and made a prepayment of $0.7 million against the purchase order. The Company received the shipment for the 2023 purchase during the first quarter of 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 June 30, 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:

	June 30, 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
Warrants issued in connection with Torii amendment	500,000	$ 9.5600	5/14/2034

Note 8—Stock-Based Compensation

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
Selling, general and administrative	$ 1,715	$ 950	$ 3,337	$ 1,785
Research and development	513	594	963	853
Total stock-based compensation	$ 2,228	$ 1,544	$ 4,300	$ 2,638

Stock Options

The following table summarizes the Company's stock option activity for the six months ended June 30, 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	1,228,700	$ 5.40		
Exercised	(42,500)	$ 3.62		$ 207,665
Forfeited	(95,294)	$ 6.12		
Outstanding as of June 30, 2024	6,656,521	$ 7.74	7.1	$ 6,260,166
Options vested and exercisable as of June 30, 2024	3,650,897	$ 8.99	5.6	$ 1,849,369

As of June 30, 2024, the total unrecognized compensation related to unvested stock option awards granted was $13.7 million, which the Company expects to recognize over a weighted-average period of 2.77 years.

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 vested on July 21, 2024.

In March 2023, the Company granted 698,000 RSUs, half of which vested upon the first commercial sale of YCANTH (VP-102) on August 24, 2023 and half of which 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 was recognized in the Company's statements of operations related to the vested RSUs based on the fair market value at the date of grant. As of June 30, 2024, the remaining unrecognized compensation expense related to the RSUs was $1.6 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 six months ended June 30, 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
Nonvested as of June 30, 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 six months ended June 30, 2024, the Company recognized both a right-of-use asset and a lease liability of $1.4 million related to these finance leases.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
Finance lease cost:				
Amortization ROU assets	$ 156	$ —	$ 294	$ —
Interest on lease liabilities	46	—	90	—
Total finance lease costs	$ 202	$ —	$ 384	$ —
Operating lease:				
Operating lease costs	$ 97	$ 35	$ 194	$ 71
Total operating lease expense	$ 97	$ 35	$ 194	$ 71

Maturities of the Company's operating and finance leases, excluding short-term leases, as of June 30, 2024 are as follows (in thousands):

	Operating	Finance
2024 (remaining 6 months)	$ 196	$ 468
2025	372	812
2026	366	688
2027	247	643
Thereafter	—	217
Total lease payments	1,181	2,828
Less imputed interest	(105)	(345)
Lease liability	$ 1,076	$ 2,483

The weighted average remaining lease term and discount rates for the Company's leases as of June 30, 2024 are as follows:

	Operating	Finance
Weighted average remaining lease term (years)	3.11	3.86
Weighted average discount rate	6.25%	7.76%

Note 10—Debt

On July 26, 2023 (the "Closing Date"), the Company entered into a Credit Agreement (the "Credit Agreement"), by and between the Company, as borrower, and OrbiMed Royalty & Credit Opportunities IV, LP, a Delaware limited partnership (the "Initial Lender"), as a lender, and each other lender that may from time to time become a party thereto (each, including the Initial Lender, and together with their affiliates, successors, transferees and assignees, the "Lenders"), and OrbiMed Royalty & Credit Opportunities IV, LP, as administrative agent for the Lenders (in such capacity, the "Administrative Agent"). The Credit Agreement provides for a five-year senior secured credit facility in an aggregate principal amount of up to $125.0 million (the "Loan Facility"). The Company borrowed $50.0 million under the Credit Agreement on July 26, 2023, resulting in net proceeds of approximately $44.1 million after

payment of certain fees and transaction related expenses. The additional borrowings would potentially be available to the Company subject to achievement of certain revenue targets. Up to $25.0 million could have been available on or prior to June 30, 2024, up to $30.0 million would be made available on or prior to December 31, 2024, up to $10.0 million would be made available on or prior to March 31, 2025, and up to $10.0 million would be made available on or prior to June 30, 2025. The Company did not achieve the revenue target as of June 30, 2024 and was not able to borrow the first additional tranche of $25.0 million. In addition, the Company does not believe it will be able to borrow, and does not intend to borrow, additional tranches under the Credit Agreement.

Amounts borrowed under the Loan Facility will mature on July 26, 2028 (the “Maturity Date”). Payments of the principal amount of borrowings under the Credit Agreement, together with a repayment premium and other fees, are not required under the Credit Agreement unless the Company’s net revenue attributable to YCANTH on a trailing 12-month basis does not equal or exceed specified amounts for specified test periods as set forth in the Credit Agreement (as amended by the Fifth Amendment described below) (the "Revenue Test") beginning on December 31, 2024. If, on a test date, the Company does not achieve the specified amount of revenue on a trailing 12-month basis, then, beginning on the last day of the next full month immediately following the such test date, the Company would be required to repay the outstanding principal amount of the loans on the last day of each month in equal monthly installments through the Maturity Date, together with the applicable repayment premium and the exit fee.

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

The Credit Agreement contains customary events of default, including, but not limited to, nonpayment of principal, interest, fees or other amounts; material inaccuracy of a representation or warranty; failure to perform or observe covenants; cross-defaults with certain other indebtedness; bankruptcy and insolvency events; material monetary judgment defaults; impairment of any material definitive loan documentation; other material adverse effects; key permit and other regulatory events; key person events; and change of control. In addition, the Credit Agreement contains a financial covenant that the Company must maintain a liquidity of at least $10.0 million and that the Company’s quarterly and annual financial statements not be subject to any qualification or statement which is of a “going concern” or similar nature. 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 June 30, 2024, the Company is in compliance with all covenants under the Credit Agreement as amended.

On the Closing Date, the Company also issued the Initial Lender warrants to purchase up to 518,551 shares of the Company’s common stock, at an exercise price of $6.0264 per share, which have a term of 10 years from the issuance date. The 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 amendments (the "First and Second Amendments") 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 the First and Second 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.

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

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

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

The Loan Facility is classified as non-current debt as no event of default has occurred that would result in an acceleration of the repayment of the Loan Facility at June 30, 2024 and the Company does not currently intend to repay amounts borrowed under the Loan Facility prior to the maturity date of July 26, 2028. 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 and six months ended June 30, 2024, the Company recognized interest expense of $2.3 and $4.6 million, respectively, of which $1.8 and $3.6 million, respectively, was interest on the term loan and $0.5 and $1.0 million, respectively, 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 June 30, 2024 (in thousands):

Gross proceeds from Loan Facility	$	50,000
Accrued final payment fee		2,500
Unamortized debt discount and issuance costs		(9,749)
Total long-term debt, net	$	42,751

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 $0.3 and $0.2 million for the three months ended June 30, 2024 and 2023, respectively, and $0.9 and $0.2 million for the six months ended June 30, 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.

On May 14, 2024, the Company entered into the First Amendment to the Torii Agreement (the "First Amendment"). Pursuant to the First Amendment, the Company and Torii will equally split the cost of a global Phase 3 clinical trial of YCANTH (VP-102) for the treatment of common warts (the "Trial"), with Torii paying all of the costs when due and the Company repaying Torii half of the costs (the "Company Portion"). The results of the global Phase 3 clinical trials will be utilized by the Company in the filing of its new drug application with the FDA for YCANTH (VP-102) for the treatment of common warts. The Company Portion accrues interest annually at the greater of (i) the one-month SOFR plus 2% and (ii) 6%. The Company is able to offset the Company Portion owed to Torii plus applicable interest against certain of the milestone-based payments that would otherwise be due to the Company under the terms of the Torii Agreement. In addition, if Torii has not received payment or other recoupment in full of the Company Portion plus applicable interest within 60 months after the date on which Torii made its first payment for the Trial costs, Torii may invoice the Company for the remaining Company Portion plus applicable interest. No costs were incurred during the six month period ended June 30, 2024 and the global study is expected to commence in first half of 2025.

In conjunction with the First Amendment, the Company issued Torii a warrant to purchase up to 500,000 shares of the Company's common stock at an exercise price per share of $9.56. The warrant has a term of ten years and is exercisable only with respect to the shares that have vested as of the date of exercise. The shares underlying the warrant will vest as follows: one-third on the date the first patient is dosed in the Trial, one-third on the date that the database lock with respect to the Trial occurs, and one-third on the date the Company submits a new drug application to the FDA for YCANTH (VP-102) for the treatment of common warts.

Lytix Agreement

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

Note 12 – Subsequent Event

As disclosed in Note 10 above, on August 2, 2024, the Company entered into Fifth Amendment pursuant to which the Lenders waived the going concern requirement under Section 7.1(b) of the Credit Agreement with respect to the financial statements for the quarters ended June 30, 2024 and September 30, 2024, the commencement date for the Revenue Test was changed to December 31, 2024 and the exit fee for the Initial Loans (as defined in the Credit Agreement) was increased from 5.00% to 7.50%.

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 our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 29, 2024, 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.

On May 14, 2024, we entered into the First Amendment to the Collaboration and License Agreement, or the First Amendment, with Torii Pharmaceutical Co., Ltd., or Torii. Pursuant to the First Amendment, we and Torii will equally split the cost of a global Phase 3 clinical trial of YCANTH (VP-102) for the treatment of common warts, or the Trial, with Torii paying all of the costs when due and we will repay Torii half of the costs, or the Company Portion. The Company Portion accrues interest annually at the greater of (i) the one-month SOFR plus 2% and (ii) 6%. Torii has the right to offset the Company Portion plus applicable interest against certain

of the milestone-based payments that would otherwise be due to us under the terms of the Collaboration and License Agreement. In addition, if Torii has not received payment or other recoupment in full of the Company Portion plus applicable interest within 60 months after the date on which Torii made its first payment for the Trial costs, Torii may invoice us for the remained Company Portion plus applicable interest. Payment of our share of the costs may be offset by any development milestone payments in the Torii Agreement. No costs were incurred during the six month period ended June 30, 2024. We anticipate the Trial will begin in the first half of 2025.

In conjunction with the First Amendment, we issued Torii a warrant to purchase up to 500,000 shares of our common stock at an exercise price per share of $9.56. The warrant has a term of ten years and is exercisable only with respect to the shares that have vested as of the date of exercise. The shares underlying the warrant will vest as follows: one-third on the date the first patient is dosed in the Trial, one-third on the date that the database lock with respect to the Trial occurs, and one-third on the date the Company submits a new drug application to the FDA for YCANTH (VP-102) for the treatment of common warts.

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, or BCC. BCC is the most common form of cancer in the United States, and incidence is rising worldwide. There are approximately 3.6 million diagnoses of BCCs in the United States each year, with a high unmet need for new treatment options. More than one out of every three new cancers are skin cancers, and the vast majority are BCCs. In 2021, the estimated global BCC market was $6.7 billion, which is expected to grow to $11.5 billion in 2028. Mohs micrographic surgery is considered the most effective technique for treating BCCs with over 700,000 procedures in the United States annually. We believe VP-315 has the potential to be a non-surgical alternative for the treatment of BCC.

We also intend to develop our product candidate, VP-315, for basal cell carcinoma and potentially additional 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 trial enrolled 92 adult subjects with a histological diagnosis of basal cell carcinoma in at least one eligible target lesion. The last patient in Part 2 of the trial was dosed in December 2023. We announced preliminary positive results in August 2024 based on 93 confirmed basal cell carcinoma lesions that were treated during Part 2 of the trial; however, for histologic reduction in tumor size and overall reduction in tumor size, data from three of the 93 lesions are pending. Based on the preliminary results, VP-315 was well tolerated with no reported treatment-related serious adverse events or dose-limiting toxicities (n=93). Most treatment-related adverse events were mild to moderate cutaneous reactions. The overall reduction in tumor size of 90 of the lesions treated in Part 2 of the trial was approximately 86%. Approximately 51% of all lesions treated in Part 2 of the trial achieved complete histological clearance, with no residual tumor cells (n=93), and patients with residual tumor on average achieved an approximate 71% reduction in tumor size (n=90).We expect genomic and T-cell (immune response) data from the trial in the first quarter of 2025 and plan to request an End-of-Phase 2 meeting with the FDA to determine next steps for the development of VP-315 for the treatment of BCC in the first half of 2025.

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. The additional borrowings would potentially be available to the us subject to achievement of certain revenue targets, up to $25.0 million could have been available on or prior to June 30, 2024, up to $30.0 million would be made available on or prior to December 31, 2024, up to $10.0 million would be made available on or prior to March 31, 2025, and up to $10.0 million would be made available on or prior to June 30, 2025. We did not achieve the revenue target as of June 30, 2024 and were not be able to borrow the first additional tranche of $25.0 million. In addition, we do not believe we will be able to borrow, and we do not intend to borrow, additional tranches under the Credit Agreement. 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 six months ended June 30, 2024 and 2023, our net loss was $37.5 million and $17.6 million, respectively. The increase in loss is primarily due to significant commercial expenditures to support the launch and future growth of YCANTH (VP-102) compounded by slower than expected revenue growth. As of June 30, 2024, we had an accumulated deficit of $268.0 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), VP-315 or VP-103;
- 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 statements are important to understanding and evaluating our reported financial results.

Components of Results of Operations

Product Revenue, Net

We recognize revenue from sales of YCANTH (VP-102), or the Product, in accordance with ASC Topic 606 – Revenue from Contracts with Customers. YCANTH (VP-102) became available for commercial sale and shipment for the treatment of patients by a healthcare provider in the United States in the year ended December 31, 2023. We sell the Product to several pharmaceutical

wholesaler/distributors, or the Customers, who in turn sell the Product directly to clinics, hospitals, and federal healthcare programs. Revenue is recognized as the Product is physically delivered to the Customers.

Gross product sales are reduced by corresponding gross-to-net, or GTN, estimates using the expected value method, resulting in our reported "Product revenue, net" in the accompanying statements of operations. Product revenue, net reflects the amount we ultimately expect to realize in net cash proceeds, taking into account the current period gross sales and related cash receipts and the subsequent cash disbursements on these sales that we estimate for the various GTN categories. 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.

YCANTH (VP-102) may fail to achieve the degree of market acceptance by physicians, patients, third-party payors and others in the medical community necessary for commercial success. At this time, we cannot reasonably estimate or know the nature, timing and costs of the efforts that will be necessary to achieve our revenue forecasts in the near future, if ever.

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 common warts and external genital warts, VP-315, 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 basal cell carcinoma and potentially additional 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, or API. The raw cantharidin and processed API is sufficient to produce approximately 14 million finished drug product applicators to be used for commercially saleable product and other 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 ten 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 and six months ended June 30, 2024 would have been $0.7 million and $1.4 million, respectively, including $0.2 million of obsolete inventory costs for each period.

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 June 30, 2024 and 2023

The following table summarizes our results of operations for the three months ended June 30, 2024 and 2023 (in thousands):

	For the Three Months Ended June 30,		
	2024	2023	Change
Revenue			
Product revenue, net	$ 4,892	$ —	$ 4,892
Collaboration revenue	285	182	103
Total revenue	5,177	182	4,995
Operating expenses:			
Selling, general and administrative	16,522	5,937	10,585
Research and development	3,319	5,725	(2,406)
Cost of product revenue	360	—	360
Cost of collaboration revenue	182	136	46
Total operating expenses	20,383	11,798	8,585
Loss from operations	(15,206)	(11,616)	(3,590)
Other income (expense):			
Interest income	393	626	(233)
Interest expense	(2,368)	—	(2,368)
Other expense	(5)	—	(5)
Total other (expense) income, net	(1,980)	626	(2,606)
Net loss	**$ (17,186)**	**$ (10,990)**	**$ (6,196)**

Product Revenue, Net

Product revenue, net was $4.9 million for the three months ended June 30, 2024 and relates to the delivery of YCANTH (VP-102) to FFF, our primary distributor, related to demand pull through, as well as the expansion of our specialty distribution network to bring-on an additional specialty distributor and the related impact of a one-time stock-in order from that distributor, which represented approximately 54% of net revenue in the period. YCANTH (VP-102), our first FDA approved product, became available for commercial sale in August 2023.

Collaboration Revenue

Collaboration revenue was $0.3 million for the three months ended June 30, 2024, compared to $0.2 million for the three months ended June 30, 2023. During both of the three months ended June 30, 2024 and 2023, collaboration revenue consisted of supplies and development activity with Torii.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $16.5 million for the three months ended June 30, 2024, compared to $5.9 million for the three months ended June 30, 2023. The increase of $10.6 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 $7.2 million, other commercial activity of $1.7 million, increased legal costs of $1.1 million and increased marketing and sponsorship costs of $0.4 million.

Research and Development Expenses

Research and development expenses were $3.3 million for the three months ended June 30, 2024, compared to $5.7 million for the three months ended June 30, 2023. The decrease of $2.4 million was primarily related to reduction of costs related to YCANTH (VP-102) pre-launch activity of $2.3 million and decrease in VP-315 clinical trial costs of $0.5 million partially offset by increased headcount related costs of $0.5 million.

The following table summarizes our research and development expense by product candidate or, for unallocated expenses, by type, for the three months ended June 30, 2024 and 2023. We did not incur any research and development expense for VP-103 during the three months ended June 30, 2024 or 2023. Unallocated expenses include compensation and other personnel related costs.

	For the Three Months Ended June 30,		
	2024	2023	Change
YCANTH (VP-102)	$ 639	$ 2,922	$ (2,283)
VP-315	462	913	(451)
Common Warts (VP-102)	160	—	160
Stock based compensation	513	594	(81)
Other unallocated expenses	1,545	1,296	249
Research and development expense	$ 3,319	$ 5,725	$ (2,406)

Cost of Product Revenue

Cost of product revenue of $0.4 million for the three months ended June 30, 2024 consisted of product costs related to the sale of YCANTH (VP-102) of $0.3 million and other indirect costs of $0.1 million.

Cost of Collaboration Revenue

Cost of collaboration revenue was $0.2 million for the three months ended June 30, 2024, compared to $0.1 million for the three months ended June 30, 2023. The increase of $0.1 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 $0.4 million for the three months ended June 30, 2024 compared to $0.6 million for the three months ended June 30, 2023. The decrease was primarily due to lower cash balance for the period ended June 30, 2024.

Interest Expense

Interest expense of $2.4 million for the three months ended June 30, 2024 consisted of interest expense on the OrbiMed Credit Agreement as described in Note 10 to our financial statements.

Results of Operations for the Six Months Ended June 30, 2024 and 2023

The following table summarizes our results of operations for the six months ended June 30, 2024 and 2023 (in thousands):

	For the Six Months Ended June 30,		
	2024	2023	Change
Revenue:			
Product revenue, net	$ 8,124	$ —	$ 8,124
Collaboration revenue	879	219	660
Total revenue	9,003	219	8,784
Operating expenses:			
Selling, general and administrative	32,861	10,256	22,605
Research and development	8,267	8,464	(197)
Cost of product revenue	906	—	906
Cost of collaboration revenue	774	204	570
Total operating expenses	42,808	18,924	23,884
Loss from operations	(33,805)	(18,705)	(15,100)
Other income (expense):			
Interest income	991	1,126	(135)
Interest expense	(4,687)	—	(4,687)
Other expense	(16)	—	(16)
Total other (expense) income, net	(3,712)	1,126	(4,838)
Net loss	**$ (37,517)**	**$ (17,579)**	**$ (19,938)**

Product Revenue, Net

Product revenue, net was $8.1 million for the six months ended June 30, 2024 and relates to the delivery of YCANTH (VP-102) to FFF, our primary distributor, related to demand pull through, as well as the expansion of our specialty distribution network to bring-on an additional specialty distributor and the related impact of an initial one-time stock-in order from that distributor, which represented approximately 32% of net revenue in the period. YCANTH (VP-102), our first FDA approved product, became available for commercial sale in August 2023.

Collaboration Revenue

Collaboration revenue was $0.9 million for the six months ended June 30, 2024, compared to $0.2 million for the six months ended June 30, 2023 which consisted of supplies and development activity with Torii for each period.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $32.9 million for the six months ended June 30, 2024, compared to $10.3 million for the six months ended June 30, 2023. The increase of $22.6 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 $12.5 million, increased marketing and sponsorship costs of $3.4 million, other commercial activity of $3.9 million, increased legal costs of $1.6 million and finance costs of $0.6 million.

Research and Development Expenses

Research and development expenses were $8.3 million for the six months ended June 30, 2024 compared to $8.5 million for the six months ended June 30, 2023. The decrease of $0.2 million was primarily due to a reduction of costs related to YCANTH (VP-102) pre-launch activity of $2.5 million partially offset by an increase in clinical trial costs for VP-315 of $1.6 million and increased headcount related costs of $0.7 million.

The following table summarizes our research and development expense by product candidate or, for unallocated expenses, by type for the six months ended June 30, 2024 and 2023. We did not incur any research and development expense for VP-103 during the three months ended June 30, 2024 or 2023. Unallocated expenses include compensation and other personnel related costs.

	For the Six Months Ended June 30,		
	2024	2023	Change
VP-315	$ 2,850	$ 1,238	$ 1,612
YCANTH (VP-102)	1,219	3,741	(2,522)
Common Warts (VP-102)	160	—	160
Stock based compensation	963	853	110
Other unallocated expenses	3,075	2,632	443
Research and development expense	$ 8,267	$ 8,464	$ (197)

Cost of Product Revenue

Cost of product revenue of $0.9 million for the six months ended June 30, 2024 consisted of product costs related to the sale of YCANTH (VP-102) of $0.4 million, obsolete inventory write-off of $0.4 million and other indirect costs of $0.1 million.

Cost of Collaboration Revenue

Cost of collaboration revenue was $0.8 million for the six months ended June 30, 2024, compared to $0.2 million for the six months ended June 30, 2023. The increase of $0.6 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 $1.0 million for the six months ended June 30, 2024 compared to $1.1 million for the six months ended June 30, 2023 primarily due to lower cash as of June 30, 2024.

Interest Expense

Interest expense of $4.7 million for the six months ended June 30, 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.

As of June 30, 2024, we had cash and cash equivalents of $31.9 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. The additional borrowings would potentially be available to the us subject to achievement of certain revenue targets, up to $25.0 million could have been available on or prior to June 30, 2024, up to $30.0 million would be made available on or prior to December 31, 2024, up to $10.0 million would be made available on or prior to March 31, 2025, and up to $10.0 million would be made available on or prior to June 30, 2025. We did not achieve the revenue target as of June 30, 2024 and were not be able to borrow the first additional tranche of $25.0 million. In addition, we do not believe we will be able to borrow, and we do not intend to borrow, additional tranches under the Credit Agreement.

Amounts borrowed under the Loan Facility will mature on July 26, 2028. Payments of the principal amount of borrowings under the Credit Agreement, together with a repayment premium and other fees, are not required under the Credit Agreement unless our net revenue attributable to YCANTH on a trailing 12-month basis does not equal or exceed specified amounts for specified test periods as set forth in the Credit Agreement beginning on December 31, 2024. If, on a test date, we do not achieve the specified amount of revenue on a trailing 12-month basis,then, beginning on the last day of the next full month immediately following the such test date, the Company would be required to repay the outstanding principal amount of the loans on the last day of each month in equal monthly installments through the maturity date, together with the applicable repayment premium and the exit fee. If we do not achieve the specified amount of revenue on a trailing 12-month basis to meet the revenue test requirements as of December 31, 2024, we would begin making principal payments on the outstanding debt balance starting in January 2025.

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.

Cash Flows

The following table summarizes our cash flows for the six months ended June 30, 2024 and 2023 (in thousands):

	For the Six Months Ended June 30,	
	2024	2023
Net cash used in operating activities	$ (36,305)	$ (9,259)
Net cash used in investing activities	(11)	(70)
Net cash (used in) provided by financing activities	(1,301)	30,196
Net (decrease) increase in cash and cash equivalents	$ (37,617)	$ 20,867

Operating Activities

During the six months ended June 30, 2024, operating activities used $36.3 million of cash, primarily resulting from a net loss of $37.5 million partially offset by non-cash stock-based compensation of $4.3 million and non-cash interest expense of $1.0 million. Net cash used by changes in operating assets and liabilities consisted primarily of increases in accounts receivable of $5.8 million and prepaid expenses and other assets of $1.6 million partially offset by a net increase in accounts payable and accrued expenses of $2.7 million.

During the six months ended June 30, 2023, operating activities used $9.3 million of cash, primarily resulting from a net loss of $17.6 million partially offset by non-cash stock-based compensation of $2.6 million. Net cash used in changes in operating assets and liabilities consisted primarily of an decrease in prepaid and other assets of $2.9 million and an increase in accounts payable and accrued expenses of $2.2 million.

Investing Activities

During the six months ended June 30, 2024 and 2023, net cash used in investing activities of $11,000 and $70,000, respectively, was for the purchase of property and equipment.

Financing Activities

During the six months ended June 30, 2024, net cash used by financing activities of $1.3 million was primarily due to $1.1 million of debt amendment costs related to the OrbiMed Credit Agreement.

During the six months ended June 30, 2023, net cash provided by financing activities of $30.2 million was primarily related 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 continue 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 continue 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. 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 continued and future commercialization efforts.

We believe that our existing cash and cash equivalents as of June 30, 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 June 30, 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 June 30, 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 June 30, 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.

We may not be able to generate sufficient cash to service our indebtedness, we may be required to begin paying principal prior to the maturity date, and we believe we will be unable to borrow additional funds pursuant to our Loan Facility.

We have entered into a Credit Agreement with OrbiMed, pursuant to which we borrowed $50.0 million in July 2023. Our obligations under the Credit Agreement are secured by all or substantially all of our assets.

The Credit Agreement provided for up to $25.0 million could have been made available on or prior to June 30, 2024, up to $30.0 million would be made available on or prior to December 31, 2024, up to $10.0 million would be made available on or prior to March 31, 2025, and up to $10.0 million would be made available on or prior to June 30, 2025, in each case, subject to certain revenue requirements. We did not achieve the revenue target as of June 30, 2024 and were not able to borrow the first additional tranche of $25.0 million. In addition, we do not believe we will be able to borrow, and do not intend to borrow, additional tranches under the Credit Agreement.

We are subject to a number of affirmative and restrictive covenants pursuant to the Credit Agreement, which limit or restrict our ability to (subject to certain qualifications and exceptions): create liens and encumbrances; incur additional indebtedness; merge, dissolve, liquidate or consolidate; make acquisitions, investments, advances or loans; dispose of or transfer assets; pay dividends or make other payments in respect of their capital stock; amend certain material documents; redeem or repurchase certain debt; engage in certain transactions with affiliates; and enter into certain restrictive agreements. In addition, the Credit Agreement contains a financial covenant that the Company must maintain a liquidity of at least $10.0 million and that the Company's quarterly and annual financial statements not be subject to any qualification or statement which is of a "going concern" or similar nature beginning with our Annual Report on Form 10-K for the year ending December 31, 2024. Our obligations under the Credit Agreement are subject to acceleration upon the occurrence of an event of default (subject to notice and grace periods). We are currently in compliance with the Credit Agreement covenants.

Payments of the principal amount of borrowings under the Credit Agreement, together with a repayment premium and other fees, are not required under the Credit Agreement unless our net revenue attributable to YCANTH on a trailing 12-month basis does not equal or exceed specified amounts for specified test periods as set forth in the Credit Agreement beginning on December 31, 2024. If, on a test date, we do not achieve the specified amount of revenue on a trailing 12-month basis, then, beginning on the last day of the next full month immediately following the such test date, we would be required to repay the outstanding principal amount of the loans on the last day of each month in equal monthly installments through the maturity date, together with the applicable repayment premium and the exit fee.

If we are unable to achieve certain milestones, generate sufficient revenue and raise additional capital through a combination of equity offerings, debt financings and license and collaboration agreements, we will no longer be in compliance with these covenants. We may also enter into other debt agreements in the future which may contain similar or more restrictive terms.

Our ability to make scheduled monthly payments or to refinance our debt obligations depends on numerous factors, including the amount of our cash reserves and our actual and projected financial and operating performance. These amounts and our performance are subject to certain financial and business factors, as well as prevailing economic and competitive conditions, some of which may be beyond our control. We cannot assure you that we will maintain a level of cash reserves or cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our existing or future indebtedness. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets or operations, seek additional capital or restructure or refinance our indebtedness. We cannot assure you that we would be able to take any of these actions, or that these actions would permit us to meet our scheduled debt service obligations. Failure to comply with the conditions of the Credit Agreement could result in an event of default, which could result in an acceleration

of amounts due under the Credit Agreement. We may not have sufficient funds or may be unable to arrange for additional financing to repay our indebtedness or to make any accelerated payments, and OrbiMed could seek to enforce security interests in the collateral securing such indebtedness, which would harm our business.

Item 5. Other Information

During the three months ended June 30, 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.
4.1	Warrant to Purchase Common Stock, dated as of May 14, 2024, by and between the Registrant and Torii Pharmaceuticals Co., Ltd.
10.1	Third Amendment to Credit Agreement, dated as of May 6, 2024, by and between the Registrant and OrbiMed Royalty & Credit Opportunities IV, LP.
10.2 #	Fourth Amendment to Credit Agreement, dated as of June 26, 2024, by and between the Registrant and OrbiMed Royalty & Credit Opportunities IV, LP.
10.3 #	Fifth Amendment to Credit Agreement, dated as of August 2, 2024, by and between the Registrant and OrbiMed Royalty & Credit Opportunities IV, LP.
10.4 #	First Amendment to Collaboration and License Agreement, dated as of May 14, 2024, by and between the Registrant and Torii Pharmaceuticals Co., Ltd.
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.

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.

* 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.

August 14, 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 4.1

THIS WARRANT AND THE SECURITIES ISSUABLE UPON THE EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "***ACT***"), OR UNDER THE SECURITIES LAWS OF ANY STATES IN THE UNITED STATES. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE TERMS OF THIS WARRANT, THE ACT AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

VERRICA PHARMACEUTICALS INC.

WARRANT TO PURCHASE COMMON STOCK

May 14, 2024

This certifies that, for value received, the undersigned holder, with a principal office at the address set forth on the signature page hereto, or such person's or entity's permitted assigns (the "***Holder***"), is entitled to subscribe for and purchase from **Verrica Pharmaceuticals Inc.**, a Delaware corporation (the "***Company***"), the Exercise Shares at the Exercise Price (each subject to adjustment as provided herein). Capitalized terms used herein shall have the meanings set forth in that certain Collaboration and License Agreement by and between the Company and Torii Pharmaceutical Co., Ltd., dated as of March 17, 2021, as amended by First Amendment to Collaboration and License Agreement, dated as of the date hereof (the "***License Agreement***").

1. Definitions. As used herein, the following terms have the following respective meanings:

(a) "***Change of Control***" means (i) any consolidation or merger of the Company with or into any other corporation or other entity or person, or any other corporate reorganization, other than any such consolidation, merger or reorganization in which the stockholders of the Company immediately prior to such consolidation, merger or reorganization, continue to hold at least a majority of the voting power of the surviving entity in substantially the same proportions (or, if the surviving entity is a wholly owned subsidiary, its parent) immediately after such consolidation, merger or reorganization, (ii) any transaction or series of related transactions to which the Company is a party in which the stockholders of the Company transfer shares in excess of 50% of the Company's then-outstanding combined voting power, *provided* that a Change of Control shall not include any transaction or series of transactions principally for bona fide equity financing purposes in which cash is received by the Company or any successor or indebtedness of the Company is cancelled or converted or a combination thereof, or (iii) a sale, lease, exclusive license or other disposition of all or substantially all of the assets of the Company.

(b) "***Exercise Period***" means the period commencing on the date hereof and ending on the 10-year anniversary of the date of this Warrant, unless sooner terminated as provided below.

(c) "***Exercise Price***" means $9.56 per Exercise Share, subject to adjustment pursuant to Section 7 below.

(d) "***Exercise Shares***" means the 500,000 shares of the Company's Common Stock, par value $0.0001 per share, issuable upon exercise of this Warrant, subject to adjustment as set forth herein.

(e) "***Securities***" means, collectively, this Warrant and the Exercise Shares.

2. Vesting. Notwithstanding anything to the contrary contained herein, this Warrant shall only be exercisable with respect to those Exercise Shares which have vested as of the date of exercise. The Exercise Shares shall vest, if at all, as set forth on Annex 1 to this Warrant. Fractional share numbers resulting from the calculations required pursuant to the foregoing sentence shall be rounded down to the nearest whole number of shares.

3. Exercise of Warrant.

3.1 Exercise. The rights represented by this Warrant may be exercised in whole or in part at any time during the Exercise Period, by delivery of the following to the Company at its address set forth on the signature page hereto (or at such other address as it may designate by notice in writing to the Holder):

(a) An executed Notice of Exercise in the form attached hereto as **Exhibit A**;

(b) Payment of the Exercise Price either (i) in cash or by check or wire transfer, or (ii) by cancellation of indebtedness, or (iii) by net exercise pursuant to Section 3.2; and

(c) This Warrant.

3.2 Net Exercise. Notwithstanding any provisions herein to the contrary, if the fair market value of one Exercise Share is greater than the Exercise Price (at the date of calculation as set forth below), in lieu of exercising this Warrant with payment of cash, check or wire transfer or by cancellation of indebtedness as provided in Section 3.1, the Holder may by surrender of this Warrant at the principal office of the Company together with the properly endorsed Notice of Exercise elect to receive the number of Exercise Shares computed using the following formula:

$$X = \frac{Y\,(A-B)}{A}$$

Where X = the number of Exercise Shares to be issued to the Holder

Y = the number of Exercise Shares purchasable under this Warrant or, if only a portion of this Warrant is being exercised, that portion of this Warrant being exercised (at the date of such calculation)

A = the fair market value of one Exercise Share (at the date of such calculation)

B = Exercise Price (as adjusted to the date of such calculation)

For purposes of the above calculation, if the Company's Common Stock is then traded or quoted on a nationally recognized securities exchange, inter-dealer quotation system or over-the-counter market (a "***Trading Market***"), the fair market value of one Exercise Share shall be the closing price or last sale price of a share of Common Stock reported for the business day immediately before the date on which Holder delivers this Warrant together with its Notice of Exercise to the Company. If the Company's Common Stock is not traded in a Trading Market, the Board of Directors of the Company shall determine the fair market value of a Share in its reasonable good faith judgment.

3.3 Mechanics of Exercise. Upon the exercise of the rights represented by this Warrant, a certificate or certificates for the Exercise Shares so purchased, registered in the name of the Holder, shall be issued and delivered to the Holder within a reasonable time after the rights represented by

this Warrant shall have been so exercised. If this Warrant is being exercised for less than all of the then- current number of Exercise Shares purchasable hereunder, the Company shall, concurrently with the issuance by the Company of the number of Exercise Shares for which this Warrant is then being exercised, issue a new Warrant exercisable for the remaining number of Exercise Shares purchasable hereunder. The Holder shall be deemed to have become the holder of record of such shares on the date on which this Warrant was surrendered and payment of the Exercise Price was made, irrespective of the date of delivery of such certificate or certificates, except that, if the date of such surrender and payment is a date when the stock transfer books of the Company are closed, the Holder shall be deemed to have become the holder of such shares at the close of business on the next succeeding date on which the stock transfer books are open.

4. Covenants of the Company.

4.1 Covenants as to Exercise Shares. The Company covenants and agrees that all Exercise Shares that may be issued upon the exercise of the rights represented by this Warrant will, upon issuance, be validly issued and outstanding, fully paid and nonassessable, and free from all taxes, liens and charges with respect to the issuance thereof. The Company further covenants and agrees that the Company will at all times during the Exercise Period have authorized and reserved a sufficient number of shares of the series of equity securities comprising the Exercise Shares to provide for the exercise of the rights represented by this Warrant. The issuance of the Exercise Shares will not be subject to any preemptive rights that have not been properly complied with or waived. If at any time during the Exercise Period the number of authorized but unissued shares of the Company's Common Stock shall not be sufficient to permit exercise of this Warrant, the Company will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of such class and/or series of the Company's equity securities to such number of shares as shall be sufficient for such purposes.

4.2 Notices of Record Date. In the event of any taking by the Company of a record of the holders of the class and/or series of equity securities constituting the Exercise Shares for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution, the Company shall give to the Holder, at least 10 days prior to the date specified herein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend or distribution.

5. Representations of Holder. The Holder hereby represents and warrants to the Company as of the date hereof as follows:

5.1 Acquisition for Own Account. The Holder is acquiring the Securities solely for the Holder's own account and beneficial interest for investment and not for sale or with a view to distribution of the Securities or any part thereof, has no present intention of selling (in connection with a distribution or otherwise), granting any participation in, or otherwise distributing the same, and does not presently have reason to anticipate a change in such intention.

5.2 Information and Sophistication. The Holder hereby (a) acknowledges that the Holder has received all the information the Holder has requested from the Company and the Holder considers necessary or appropriate for deciding whether to acquire the Securities, (b) represents that the Holder has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of the Securities and to obtain any additional information necessary to verify the accuracy of the information given the Holder, and (c) further represents that the Holder has such knowledge and experience in financial and business matters that the Holder is capable of evaluating the merits and risk of this investment.

5.3 Ability to Bear Economic Risk. The Holder acknowledges that investment in the Securities involves a high degree of risk, and represents that the Holder is able, without materially impairing

the Holder's financial condition, to hold the Securities for an indefinite period of time and to suffer a complete loss of the Holder's investment.

5.4 Further Limitations on Disposition. Without in any way limiting the representations set forth above, the Holder further agrees not to make any disposition of all or any portion of the Securities unless and until:

(a) There is then in effect a registration statement under the Act covering such proposed disposition and such disposition is made in accordance with such registration statement; or

(b) The Holder shall have notified the Company of the proposed disposition and furnished the Company with a detailed statement of the circumstances surrounding the proposed disposition, and if reasonably requested by the Company, the Holder shall have furnished the Company with an opinion of counsel, reasonably satisfactory to the Company, that such disposition will not require registration under the Act or any applicable state securities laws; *provided* that no such opinion shall be required for dispositions in compliance with Rule 144 under the Act, except in unusual circumstances.

Notwithstanding the provisions of paragraphs (a) and (b) above, no such registration statement or opinion of counsel shall be necessary for a transfer by the Holder to a partner (or retired partner) or member (or retired member) of the Holder in accordance with partnership or limited liability company interests, or transfers by gift, will or intestate succession to any spouse or lineal descendants or ancestors, if all transferees agree in writing to be subject to the terms hereof to the same extent as if the applicable party were the Holder hereunder.

5.5 Accredited Investor Status. The Holder is an "accredited investor" as such term is defined in Rule 501 under the Act.

5.6 No "Bad Actor" Disqualification. The Holder represents and warrants that neither (a) the Holder nor (b) any entity that controls the Holder or is under the control of, or under common control with, the Holder, is subject to any of the "bad actor" disqualifications described in Rule 506(d)(1)(i) through (viii), as modified by Rules 506(d)(2) and (d)(3), under the Act ("***Disqualification Events***"), except for Disqualification Events covered by Rule 506(d)(2)(ii) or (iii) or (d)(3) under the Act and disclosed in writing in reasonable detail to the Company. The Holder represents that the Holder has exercised reasonable care to determine the accuracy of the representation made by the Holder in this paragraph, and agrees to notify the Company if the Holder becomes aware of any fact that makes the representation given by the Holder hereunder inaccurate.

5.7 Foreign Holder. If the Holder is not a United States person (as defined by Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended), the Holder hereby represents that the Holder it has satisfied itself as to the full observance of the laws of the Holder's jurisdiction in connection with any invitation to subscribe for the Securities or any use of this Warrant, including (a) the legal requirements within the Holder's jurisdiction for the purchase of the Securities, (b) any foreign exchange restrictions applicable to such purchase, (c) any governmental or other consents that may need to be obtained, and (d) the income tax and other tax consequences, if any, that may be relevant to the purchase, holding, redemption, sale or transfer of the Securities. The Holder's subscription, payment for and continued beneficial ownership of the Securities will not violate any applicable securities or other laws of the Holder's jurisdiction.

5.8 Forward-Looking Statements. With respect to any forecasts, projections of results and other forward-looking statements and information provided to the Holder, the Holder acknowledges that such statements were prepared based upon assumptions deemed reasonable by the

Company at the time of preparation. There is no assurance that such statements will prove accurate, and the Company has no obligation to update such statements

6. Restrictive Legends. The Holder understands and agrees that all certificates evidencing the Exercise Shares may bear the following legend:

(a) "THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*ACT*"), OR UNDER THE SECURITIES LAWS OF ANY STATES IN THE UNITED STATES. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE ACT AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. THE ISSUER OF THESE SHARES MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS."

7. Adjustment of Exercise Price and Number of Exercise Shares; Fractional Shares.

7.1 Changes in Securities. In the event of changes in the class and/or series of equity securities of the Company comprising the Exercise Shares by reason of stock dividends, splits, recapitalizations, reclassifications, combinations or exchanges of shares, reorganizations, or other similar transactions, the number and class and/or series of Exercise Shares available under this Warrant in the aggregate and the Exercise Price shall be correspondingly adjusted to give the Holder of this Warrant, on exercise for the same aggregate Exercise Price, the total number and class and/or series of shares as the Holder would have owned had this Warrant been exercised prior to the event and had the Holder continued to hold such shares until after the event requiring adjustment; *provided, however,* that such adjustment shall not be made with respect to, and this Warrant shall terminate if not exercised prior to, the events set forth in Section 8 below. The form of this Warrant need not be changed because of any adjustment in the number of Exercise Shares subject to this Warrant.

7.2 Fractional Shares. No fractional shares shall be issued upon the exercise of this Warrant as a consequence of any adjustment pursuant hereto. All Exercise Shares (including fractions) to be issued upon exercise of this Warrant shall be aggregated for purposes of determining whether the exercise would result in the issuance of any fractional share. If, after aggregation, the exercise would result in the issuance of a fractional share, the Company shall, in lieu of issuance of any fractional share, pay the Holder otherwise entitled to such fraction a sum in cash equal to the product resulting from multiplying the then current fair market value of one Exercise Share by such fraction.

8. Early Termination. In the event of, at any time during the Exercise Period, a Change of Control, the Company shall provide to the Holder 10 days advance written notice of Change of Control, and, unless exercised, this Warrant shall terminate immediately prior to the closing date of such Change of Control.

9. No Stockholder Rights. This Warrant in and of itself shall not entitle the Holder to any voting rights or other rights as a stockholder of the Company.

10. Transfer of Warrant. In addition to any other restrictions on transfer set forth in this Warrant, neither this Warrant nor any interest therein shall be transferred or assigned, in whole or in part, directly or indirectly, without the prior written consent of the Company, and any attempted transfer or assignment without such consent shall be void. Subject to the foregoing restrictions, applicable laws and

the restriction on transfer set forth on the first page of this Warrant, in connection with any transfer of this Warrant, the Holder shall deliver this Warrant and the form of assignment attached hereto as **Exhibit B** to the Company, and the transferee shall sign an investment representation letter in form and substance satisfactory to the Company.

11. Lost, Stolen, Mutilated or Destroyed Warrant. If this Warrant is lost, stolen, mutilated or destroyed, the Company may, on such terms as to indemnity or otherwise as it may reasonably impose (which shall, in the case of a mutilated Warrant, include the surrender thereof), issue a new Warrant of like denomination and tenor as this Warrant so lost, stolen, mutilated or destroyed. Any such new Warrant shall constitute an original contractual obligation of the Company, whether or not the allegedly lost, stolen, mutilated or destroyed Warrant shall be at any time enforceable by anyone.

12. Cumulative Remedies. The rights and remedies provided in this Warrant are cumulative and are not exclusive of, and are in addition to and not in substitution for, any other rights or remedies available at law, in equity or otherwise.

13. Equitable Relief. Each of the Company and the Holder acknowledges that a breach or threatened breach by such party of any of its obligations under this Warrant would give rise to irreparable harm to the other party hereto for which monetary damages would not be an adequate remedy and hereby agrees that in the event of a breach or a threatened breach by such party of any such obligations, the other party hereto shall, in addition to any and all other rights and remedies that may be available to it in respect of such breach, be entitled to equitable relief, including a restraining order, an injunction, specific performance and any other relief that may be available from a court of competent jurisdiction.

14. Notices, etc. All notices required or permitted hereunder shall be in writing and shall be deemed effectively given (a) upon personal delivery to the party to be notified, (b) when sent by electronic transmission if sent during normal business hours of the recipient, if not, then on the next business day, (c) five days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to each of the Company and the Holder at the address listed on their respective signature pages hereto or at such other address as the Company or Holder may designate by ten days' advance written notice to the other party.

15. Successor and Assigns. Subject to compliance with the restrictions on transfer set forth in this Warrant, this Warrant and the rights evidenced hereby shall be binding upon and shall inure to the benefit of the parties hereto and the successors of the Company and the successors and permitted assigns of the Holder, and such successors and/or permitted assigns of the Holder shall be deemed to be a Holder for all purposes hereunder.

16. No Third-Party Beneficiaries. This Warrant is for the sole benefit of the Company and the Holder and their respective successors and, in the case of the Holder, permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other person any legal or equitable right, benefit or remedy of any nature whatsoever, under or by reason of this Warrant.

17. Headings. The headings in this Warrant are for reference only and shall not affect the interpretation of this Warrant.

18. Amendment and Modification; Waiver. Except as otherwise provided herein, this Warrant may only be amended, modified or supplemented by an agreement in writing signed by the Company and the Holder. No waiver by the Company or the Holder of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party

shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any rights, remedy, power or privilege arising from this Warrant shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

19. Severability. If any term or provision of this Warrant is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Warrant or invalidate or render unenforceable such term or provision in any other jurisdiction.

20. Acceptance. Receipt of this Warrant by the Holder shall constitute acceptance of and agreement to all of the terms and conditions contained herein.

21. Governing Law. This Warrant and all rights, obligations and liabilities hereunder shall be governed by and construed under the laws of the State of Delaware as applied to agreements among Delaware residents, made and to be performed entirely within the State of Delaware without giving effect to conflicts of laws principles.

22. Counterparts. This Warrant may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. Counterparts may be delivered via facsimile, electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, Uniform Electronic Transactions Act or other applicable law) or other transmission method and any counterpart so delivered will be deemed to have been duly and validly delivered and be valid and effective for all purposes.

[Signature pages follow]

The parties have caused this Warrant to be executed as of the date first written above.

COMPANY:

Verrica Pharmaceuticals Inc.

By: /s/*Ted White*

Name: Ted White
Title: President & CEO

Email: twhite@verrica.com

Address: 44 W. Gay St.
Suite 400
West Chester, Pennsylvania 19830

The parties have caused this Warrant to be executed as of the date first written above.

HOLDER:

Torii Pharmaceutical Co., Ltd.

By: /s/ *Goichi Matsuda*

Name: Goichi Matsuda
Title: Representative Director, President and Chief Executive Officer

Email: goichi.matsuda@torii.co.jp

Address: 3-4-4, Nihonbashi-Honcho,
Chuo-ku, Tokyo, 103-8439

Exhibit A

NOTICE OF EXERCISE

TO: Verrica Pharmaceuticals Inc.

☐ The undersigned hereby elects to purchase __ shares of Common Stock (the "***Exercise Shares***") of Verrica Pharmaceuticals Inc. (the "***Company***") pursuant to the terms of the attached Warrant, and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

☐ The undersigned hereby elects to purchase __ shares of Common Stock (the "***Exercise Shares***") of Verrica Pharmaceuticals Inc. (the "***Company***") pursuant to the terms of the net exercise provisions set forth in Section 3.2 of the attached Warrant, and shall tender payment of all applicable transfer taxes, if any.

(1) Please issue a certificate or certificates representing said Exercise Shares in the name of the undersigned.

(2) The undersigned represents and warrants as follows:

(a) The undersigned is acquiring the Exercise Shares solely for the undersigned's own account and beneficial interest for investment and not for sale or with a view to distribution of the Exercise Shares or any part thereof, has no present intention of selling (in connection with a distribution or otherwise), granting any participation in, or otherwise distributing the same, and does not presently have reason to anticipate a change in such intention.

(b) The undersigned hereby (i) acknowledges that the undersigned has received all the information the undersigned has requested from the Company and the undersigned considers necessary or appropriate for deciding whether to acquire the Exercise Shares, (ii) represents that the undersigned has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of the Exercise Shares and to obtain any additional information necessary to verify the accuracy of the information given the undersigned, and (iii) further represents that the undersigned has such knowledge and experience in financial and business matters that the undersigned is capable of evaluating the merits and risk of this investment.

(c) The undersigned acknowledges that investment in the Exercise Shares involves a high degree of risk, and represents that the undersigned is able, without materially impairing the undersigned's financial condition, to hold the Exercise Shares for an indefinite period of time and to suffer a complete loss of the undersigned's investment.

(d) Without in any way limiting the representations set forth above, the undersigned further agrees not to make any disposition of all or any portion of the Exercise Shares unless and until (i) there is then in effect a registration statement under the Act (as defined in the attached Warrant) covering such proposed disposition and such disposition is made in accordance with such registration statement, or (ii) the undersigned shall have notified the Company of the proposed disposition and furnished the Company with a detailed statement of the circumstances surrounding the proposed disposition, and if reasonably requested by the Company, the undersigned shall have furnished the Company with an opinion of counsel, reasonably satisfactory to the Company, that such disposition will not require registration under the Act or any applicable state securities laws; *provided* that no such opinion shall be required for dispositions in compliance with Rule 144 under the Act, except in unusual circumstances.

Notwithstanding the provisions of clauses (i) and (ii) above, no such registration statement or opinion of counsel shall be necessary for a transfer by the undersigned to a partner (or retired partner) or member (or retired member) of the undersigned in accordance with partnership or limited liability company interests, or transfers by gift, will or intestate succession to any spouse or lineal descendants or ancestors, if all transferees agree in writing to be subject to the terms hereof to the same extent as if the applicable party were the undersigned hereunder.

(e) The undersigned is an "accredited investor" as such term is defined in Rule 501 under the Act.

(f) The undersigned represents and warrants that neither (i) the undersigned nor (ii) any entity that controls the undersigned or is under the control of, or under common control with, the undersigned, is subject to any Disqualification Event (as defined in the attached Warrant), except for Disqualification Events covered by Rule 506(d)(2)(ii) or (iii) or (d)(3) under the Act and disclosed in writing in reasonable detail to the Company. The undersigned represents that the undersigned has exercised reasonable care to determine the accuracy of the representation made by the undersigned in this paragraph, and agrees to notify the Company if the undersigned becomes aware of any fact that makes the representation given by the undersigned hereunder inaccurate.

(g) If the undersigned is not a United States person (as defined by Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended), the undersigned hereby represents that the undersigned it has satisfied itself as to the full observance of the laws of the undersigned's jurisdiction in connection with any invitation to subscribe for the Exercise Shares or any use of the attached Warrant, including (i) the legal requirements within the undersigned's jurisdiction for the purchase of the Exercise Shares, (ii) any foreign exchange restrictions applicable to such purchase, (iii) any governmental or other consents that may need to be obtained, and (iv) the income tax and other tax consequences, if any, that may be relevant to the purchase, holding, redemption, sale or transfer of the Exercise Shares. The undersigned's subscription, payment for and continued beneficial ownership of the Exercise Shares will not violate any applicable securities or other laws of the undersigned's jurisdiction.

(h) With respect to any forecasts, projections of results and other forward-looking statements and information provided to the undersigned, the undersigned acknowledges that such statements were prepared based upon assumptions deemed reasonable by the Company at the time of preparation. There is no assurance that such statements will prove accurate, and the Company has no obligation to update such statements.

HOLDER:

Torii Pharmaceutical Co., Ltd.

By: _____

Name:
Title:

Email: _____

Address:

Dated: _____

Exhibit B

ASSIGNMENT FORM

(To assign the foregoing Warrant, execute this form and supply required information.
Do not use this form to purchase shares.)

For Value Received, the foregoing Warrant and all rights evidenced thereby are hereby assigned to

Name:

(Please Print)

HOLDER:

Torii Pharmaceutical Co., Ltd.

By: _____

Name:
Title:

Email: _____

Address:

Dated: _____

Acknowledged and Agreed: Assignee

(if an individual)

Signature: _____

(if a trust)

Signature: _____

_____, as [co-]trustee of the _____

(if an entity)

By:
Name:
Title:_____

Address: _____

Email: _____

NOTE: The Holder's signature to this Assignment Form must correspond with the name as it appears on the face of the foregoing Warrant, without alteration or enlargement or any change whatever. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant.

NOTE: The assignee of the foregoing Warrant agrees to be bound by all the terms and obligations of the foregoing Warrant as if assignee were the original Holder party thereto.

Any terms that are capitalized but not defined in this Exhibit B have the meanings ascribed to them in the foregoing Warrant.

Annex 1

Vesting Provisions

1. 166,666 of the Exercise Shares will vest in full, if ever, on the date during the Term that the first patient is dosed in the CW Study (as defined in the License Agreement).

2. 166,666 of the Exercise Shares will vest in full, if ever, on the date during the Term that the Database Lock (as defined below) with respect to the CW Study occurs.

3. 166,668 of the Exercise Shares will vest in full, if ever, on the date during the Term that the Company submits a New Drug Application (as more fully defined in 21 CFR 314.5, et seq.) with the U.S. Food and Drug Administration for YCANTH (formerly referred to as VP-102) for the treatment of Common Warts.

Definitions:

"**Database Lock**" means, with respect to the CW Study, that such study has been completed per its protocol and all clinical data generated in the course of performing such study has been collected, verified, cleaned and preserved so as to prevent any additional changes being made thereto.

EXHIBIT 10.1

Execution Version

THIRD AMENDMENT AND WAIVER TO CREDIT AGREEMENT

This **THIRD AMENDMENT AND WAIVER TO CREDIT AGREEMENT** (this "Amendment") is made and entered into as of May 6, 2024 by and among **VERRICA PHARMACEUTICALS INC.**, a Delaware corporation (the "Borrower"), the Lenders party hereto (the "Lenders"), and **ORBIMED ROYALTY & CREDIT OPPORTUNITIES IV, LP**, as administrative agent for the Lenders (together with its Affiliates, successors, transferees and assignees, the "Administrative Agent").

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

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

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

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

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

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

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

2. **Amendments to Existing Credit Agreement**. Subject to satisfaction of the conditions set forth in Section 4 of this Amendment:

(a) Section 1.1 of the Existing Credit Agreement is hereby amended by inserting the following definitions in alphabetical order:

"Third Amendment" is that certain Third Amendment and Waiver to Credit Agreement, dated as of May 6, 2024, by and among the Borrower, the Lenders party thereto and the Administrative Agent.

"Third Amendment Fee" is defined in the Third Amendment.

(b) Section 4.4(e) of the Existing Credit Agreement is hereby amended by inserting the phrase ", Third Amendment Fee" after each reference to "Second Amendment Fee".

3. **Waiver**. Subject to the effectiveness of this Amendment and the terms and conditions set forth herein, and solely with respect to the Specified Quarterly Financials required to be delivered pursuant to the Section 7.1(b) of the Credit Agreement, the Lenders agree to waive the Going Concern Requirement.

4. **Conditions to Effectiveness of Amendment**. This Amendment shall be deemed to be effective as of May 6, 2024 upon the satisfaction of the following conditions:

(a) Receipt by the Lenders, the Administrative Agent and the Borrower of a counterpart signature of the others to this Amendment duly executed and delivered by each of the Lenders, the Administrative Agent and the Borrower; and

(b) Receipt by the Administrative Agent, for the account of each Lender on a pro rata basis, an amendment fee in an aggregate amount equal to $100,000 (the "Third Amendment Fee"), which shall be fully earned upon the execution of this Amendment and due and payable by the Borrower on or before May 7, 2024.

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

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

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

(b) No Default or Event of Default under the Credit Agreement has occurred and is continuing or would result from the effectiveness of this Amendment.

7. **No Implied Amendment or Waiver**. Except as expressly set forth in this Amendment, this Amendment shall not, by implication or otherwise, limit, impair, constitute a waiver of or otherwise affect any rights or remedies of the Administrative Agent and the Lenders

under the Credit Agreement or the other Loan Documents, or alter, modify, amend or in any way affect any of the terms, obligations or covenants contained in the Credit Agreement or the other Loan Documents, all of which shall continue in full force and effect. Nothing in this Amendment shall be construed to imply any willingness on the part of the Administrative Agent or any Lender to agree to or grant any similar or future amendment, consent or waiver of any of the terms and conditions of the Credit Agreement or the other Loan Documents.

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

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

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

(c) IN CONNECTION WITH THE RELEASE CONTAINED HEREIN, ACKNOWLEDGE THAT THEY ARE AWARE THAT THEY MAY HEREAFTER DISCOVER CLAIMS PRESENTLY UNKNOWN OR UNSUSPECTED, OR FACTS IN ADDITION TO OR DIFFERENT FROM THOSE WHICH THEY KNOW OR BELIEVE TO BE TRUE, WITH RESPECT TO THE MATTERS RELEASED HEREIN. NEVERTHELESS, IT IS THE INTENTION OF THE RELEASING PARTIES, THROUGH THIS AMENDMENT AND WITH ADVICE OF COUNSEL, FULLY,

FINALLY, AND FOREVER TO RELEASE ALL SUCH MATTERS, AND ALL CLAIMS RELATED THERETO, WHICH DO NOW EXIST, OR HERETOFORE HAVE EXISTED. IN FURTHERANCE OF SUCH INTENTION, THE RELEASES HEREIN GIVEN SHALL BE AND REMAIN IN EFFECT AS A FULL AND COMPLETE RELEASE OR WITHDRAWAL OF SUCH MATTERS NOTWITHSTANDING THE DISCOVERY OR EXISTENCE OF ANY SUCH ADDITIONAL OR DIFFERENT CLAIMS OR FACTS RELATED THERETO.

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

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

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

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

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

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

[Remainder of Page Intentionally Left Blank]

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

VERRICA PHARMACEUTICALS INC.
as the Borrower

By: */s/ Terry Kohler*
Name: Terry Kohler
Title: Chief Financial Officer

[Signature Page to Third Amendment and Waiver to Credit Agreement]

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

By: OrbiMed ROF IV LLC,
its General Partner

By: OrbiMed Advisors LLC,
its Managing Member

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

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

By: OrbiMed ROF IV LLC,
its General Partner

By: OrbiMed Advisors LLC,
its Managing Member

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

ACKNOWLEDGED BY:

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

By: OrbiMed ROF IV LLC,
its General Partner

By: OrbiMed Advisors LLC,
its Managing Member

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

[Signature Page to Third Amendment and Waiver to Credit Agreement]

EXHIBIT 10.2

CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) IS THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL. OMISSIONS ARE DESIGNATED [***].

Execution Version

FOURTH AMENDMENT TO CREDIT AGREEMENT

This **FOURTH AMENDMENT TO CREDIT AGREEMENT** (this "Amendment") is made and entered into as of June 26, 2024 by and among **VERRICA PHARMACEUTICALS INC.**, a Delaware corporation (the "Borrower"), the Lenders party hereto (the "Lenders"), and **ORBIMED ROYALTY & CREDIT OPPORTUNITIES IV, LP**, as administrative agent for the Lenders (together with its Affiliates, successors, transferees and assignees, the "Administrative Agent").

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

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

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

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

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

2. **Amendments to Existing Credit Agreement**. Subject to satisfaction of the conditions set forth in Section 3 of this Amendment:

(a) Section 1.1 of the Existing Credit Agreement is hereby amended by inserting the following definitions in alphabetical order:

"Fourth Amendment" is that certain Fourth Amendment to Credit Agreement, dated as of June 26, 2024, by and among the Borrower, the Lenders party thereto and the Administrative Agent.

"Fourth Amendment Fee" is defined in the Fourth Amendment.

(b) Section 3.2 of the Existing Credit Agreement is hereby amended, replacing the chart therein with the following:

Test Dates	**Ycanth Revenue Base for the 12-month period ending on such Test Date**
September 30, 2024	$[***]
December 31, 2024	$[***]
March 31, 2025	$[***]
June 30, 2025	$[***]
September 30, 2025	$[***]
December 31, 2025	$[***]
March 31, 2026 and each Fiscal Quarter ending thereafter	$[***]

(c) Section 4.4(e) of the Existing Credit Agreement is hereby amended by inserting the phrase ", Fourth Amendment Fee" after each reference to "Third Amendment Fee".

3. **Conditions to Effectiveness of Amendment**. This Amendment shall be deemed to be effective as of June 26, 2024 upon the satisfaction of the following conditions:

(a) Receipt by the Lenders, the Administrative Agent and the Borrower of a counterpart signature of the others to this Amendment duly executed and delivered by each of the Lenders, the Administrative Agent and the Borrower; and

(b) Receipt by the Administrative Agent, for the account of each Lender on a pro rata basis, an amendment fee in an aggregate amount equal to $500,000 (the "Fourth Amendment Fee"), which shall be fully earned, due and payable by the Borrower upon the execution of this Amendment.

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

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

(a) The representations and warranties of the Borrower and the Subsidiaries contained in the Credit Agreement or any other Loan Document are true and correct in all material

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

(b) No Default or Event of Default under the Credit Agreement has occurred and is continuing or would result from the effectiveness of this Amendment.

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

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

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

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

AGAINST THE RELEASED PARTIES ARISING UNDER OR RELATED TO ANY OF THE LOAN DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREBY.

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

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

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

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

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

8. **Counterparts; Governing Law**. This Amendment may be executed by the parties hereto in several counterparts, each of which shall be an original and all of which shall constitute together but one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by email (e.g., "pdf" or "tiff") or telecopy shall be effective as delivery of a manually executed counterpart of this Amendment. THIS AMENDMENT SHALL

BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (INCLUDING FOR SUCH PURPOSE SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK).

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

[Remainder of Page Intentionally Left Blank]

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

VERRICA PHARMACEUTICALS INC.
as the Borrower

By: */s/ Terry Kohler*
Name: Terry Kohler
Title: Chief Financial Officer

[Signature Page to Fourth Amendment to Credit Agreement]

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

By: OrbiMed ROF IV LLC,
its General Partner

By: OrbiMed Advisors LLC,
its Managing Member

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

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

By: OrbiMed ROF IV LLC,
its General Partner

By: OrbiMed Advisors LLC,
its Managing Member

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

ACKNOWLEDGED BY:

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

By: OrbiMed ROF IV LLC,
its General Partner

By: OrbiMed Advisors LLC,
its Managing Member

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

[Signature Page to Fourth Amendment to Credit Agreement]

EXHIBIT 10.3

CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) IS THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL. OMISSIONS ARE DESIGNATED [***].

Execution Version

FIFTH AMENDMENT AND WAIVER TO CREDIT AGREEMENT

This **FIFTH AMENDMENT AND WAIVER TO CREDIT AGREEMENT** (this "Amendment") is made and entered into as of August 2, 2024 by and among **VERRICA PHARMACEUTICALS INC.**, a Delaware corporation (the "Borrower"), the Lenders party hereto (the "Lenders"), and **ORBIMED ROYALTY & CREDIT OPPORTUNITIES IV, LP**, as administrative agent for the Lenders (together with its Affiliates, successors, transferees and assignees, the "Administrative Agent").

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

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

WHEREAS, the Borrower has requested that the Lenders waive, solely in respect of the Borrower's quarterly unaudited financial statements for the Fiscal Quarters ended June 30, 2024 and September 30, 2024 (the "Specified Quarterly Financials"), the Going Concern Requirement, and the Lenders agree to provide such waiver on the terms and subject to the conditions set forth herein;

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

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

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

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

2. **Amendments to Existing Credit Agreement**. Subject to satisfaction of the conditions set forth in Section 4 of this Amendment:

(a) Section 3.2 of the Existing Credit Agreement is hereby amended, replacing the chart therein with the following:

Test Dates	**Ycanth Revenue Base for the 12-month period ending on such Test Date**
December 31, 2024	$[***]
March 31, 2025	$[***]
June 30, 2025	$[***]
September 30, 2025	$[***]
December 31, 2025	$[***]
March 31, 2026 and each Fiscal Quarter ending thereafter	$[***]

(b) Section 3.8 of the Existing Credit Agreement is hereby amended and restated in its entirety as follows:

SECTION 3.8 Exit Fee. Upon the prepayment or repayment of principal of all or any portion of any Loans (or upon the date any such prepayment or repayment is required to be paid), whether on the Maturity Date, or pursuant to Section 3.2, Section 9.2, Section 9.3, or otherwise, the Borrower shall pay to the Administrative Agent for the account of each Lender, in cash, on the date on which such prepayment or repayment is paid or required to be paid, as the case may be, in addition to the other Obligations (including the Repayment Premium, if any) so prepaid, repaid or required to be prepaid or repaid, a fee (the "Exit Fee") in an amount equal to (a) with respect to any prepayment or repayment of any Initial Loans, seven and a half percent (7.50%), or (b) with respect to any prepayment or repayment of any Loans other than Initial Loans, five percent (5.00%), in each case, of the principal amount of the Loans prepaid, repaid or required to be prepaid or repaid, as the case may be, on such date.

3. **Waiver**. Subject to the effectiveness of this Amendment and the terms and conditions set forth herein, and solely with respect to the Specified Quarterly Financials required to be delivered pursuant to the Section 7.1(b) of the Credit Agreement, the Lenders agree to waive the Going Concern Requirement.

4. **Conditions to Effectiveness of Amendment**. This Amendment shall be deemed to be effective as of August 2, 2024 upon the receipt by the Lenders, the Administrative Agent and the Borrower of a counterpart signature of the others to this Amendment duly executed and delivered by each of the Lenders, the Administrative Agent and the Borrower.

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

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

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

(b) No Default or Event of Default under the Credit Agreement has occurred and is continuing or would result from the effectiveness of this Amendment.

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

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

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

(b) FOREVER RELEASE, RELIEVE, AND DISCHARGE THE ADMINISTRATIVE AGENT, THE LENDERS, THEIR AFFILIATES AND THEIR RESPECTIVE OFFICERS, DIRECTORS, SHAREHOLDERS, MEMBERS, PARTNERS, PREDECESSORS, SUCCESSORS, ASSIGNS, ATTORNEYS, ACCOUNTANTS, AGENTS, EMPLOYEES, AND REPRESENTATIVES

(COLLECTIVELY, THE "**RELEASED PARTIES**"), AND EACH OF THEM, FROM ANY AND ALL CLAIMS, LIABILITIES, DEMANDS, CAUSES OF ACTION, DEBTS, OBLIGATIONS, PROMISES, ACTS, AGREEMENTS, AND DAMAGES, OF WHATEVER KIND OR NATURE, WHETHER KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, CONTINGENT OR FIXED, LIQUIDATED OR UNLIQUIDATED, MATURED OR UNMATURED, WHETHER AT LAW OR IN EQUITY, WHICH THE RELEASING PARTIES EVER HAD, NOW HAVE, OR MAY, SHALL, OR CAN HEREAFTER HAVE, DIRECTLY OR INDIRECTLY ARISING OUT OF OR IN ANY WAY BASED UPON, CONNECTED WITH, OR RELATED TO MATTERS, THINGS, ACTS, CONDUCT, AND/OR OMISSIONS AT ANY TIME FROM THE BEGINNING OF THE WORLD THROUGH AND INCLUDING THE DATE HEREOF, INCLUDING WITHOUT LIMITATION ANY AND ALL CLAIMS AGAINST THE RELEASED PARTIES ARISING UNDER OR RELATED TO ANY OF THE LOAN DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREBY.

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

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

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

(f) ACKNOWLEDGE THAT THEY HAVE HAD THE BENEFIT OF INDEPENDENT LEGAL ADVICE WITH RESPECT TO THE ADVISABILITY OF ENTERING INTO THIS RELEASE AND HEREBY KNOWINGLY, AND UPON SUCH ADVICE OF COUNSEL, WAIVE ANY AND ALL APPLICABLE RIGHTS AND BENEFITS UNDER, AND PROTECTIONS OF, CALIFORNIA CIVIL CODE

SECTION 1542, AND ANY AND ALL STATUTES AND DOCTRINES OF SIMILAR EFFECT. CALIFORNIA CIVIL CODE SECTION 1542 PROVIDES AS FOLLOWS:

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

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

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

[Remainder of Page Intentionally Left Blank]

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

VERRICA PHARMACEUTICALS INC.
as the Borrower

By: */s/ Terry Kohler*
Name: Terry Kohler
Title: Chief Financial Officer

[Signature Page to Fifth Amendment and Waiver to Credit Agreement]

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

By: OrbiMed ROF IV LLC,
its General Partner

By: OrbiMed Advisors LLC,
its Managing Member

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

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

By: OrbiMed ROF IV LLC,
its General Partner

By: OrbiMed Advisors LLC,
its Managing Member

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

ACKNOWLEDGED BY:

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

By: OrbiMed ROF IV LLC,
its General Partner

By: OrbiMed Advisors LLC,
its Managing Member

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

[Signature Page to Fifth Amendment and Waiver to Credit Agreement]

EXHIBIT 10.4

CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) IS THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL. OMISSIONS ARE DESIGNATED [***].

Execution Version

FIRST AMENDMENT TO THE COLLABORATION AND LICENSE AGREEMENT

This **First Amendment to the Collaboration and License Agreement** (the "***First Amendment***") is entered into as of May 14, 2024, by and between Verrica Pharmaceuticals Inc., a company incorporated under the laws of Delaware and having an address at 44 West Gay Street, Suite 400, West Chester, Pennsylvania, USA 19380 ("***Verrica***") and Torii Pharmaceutical Co., Ltd., a company incorporated under the laws of Japan and having its principal place of business at 4-1 Nihonbashi-Honcho 3-chome, Chuo-ku, Tokyo 103-8439, Japan ("***Licensee***"). Verrica and Licensee are sometimes referred to herein individually as a "***Party***" and collectively as the "***Parties***."

RECITALS

Whereas, Verrica and Licensee are each a party to that certain Collaboration and License Agreement, dated as of March 17, 2021 (the "***Original Agreement***");

Whereas, pursuant to Section 4.1(e) of the Original Agreement, the Parties desire to conduct a Phase 3 Global Study for the prevention and/or treatment of Common Warts in the United States and Japan pursuant to a CW Study Plan (as defined below) to be agreed upon by the Parties;

Whereas, Verrica and Licensee desire to conduct such CW Study (as defined below) under a cost sharing arrangement as further set forth in greater detail herein;

Whereas, the Parties have entered into that certain Warrant to Purchase Common Stock dated as of the date hereof (the "***Warrant***"); and

Whereas, the Parties now wish to amend the Original Agreement in accordance with Section 15.3 thereof for the limited purpose of adding certain provisions contained herein to reflect such cost sharing arrangement between the Parties with respect to conducting the CW Study.

Now, **Therefore**, in consideration of the foregoing and of the mutual covenants herein contained, the Parties hereby agree to amend the terms of the Original Agreement as provided below.

1. Definitions. Any capitalized term used but not defined in this First Amendment shall have the meaning given to such term in the Original Agreement.

2. Amendment to the Agreement.

2.1 Article 1 of the Original Agreement is hereby amended by adding the following definitions in appropriate alphabetical order:

"**CW Data**" has the meaning provided in Section 4.10(g)(ii).

"**CW Data License**" has the meaning provided in Section 4.10(g)(iii).

"**CW Study**" has the meaning provided in Section 4.10(a).

"**CW Study Costs**" has the meaning provided in Section 4.10(b).

"**CW Study Plan**" has the meaning provided in Section 4.10(a).

"**CW Territory Data**" has the meaning provided in Section 4.10(g)(i).

"**Global Study Plan**" has the meaning provided in Section 3.1(b)(i).

"**First Amendment**" has the meaning provided in the preamble.

"**Global Study Know-How**" has the meaning provided in Section 10.1(c).

"**Global Study Patents**" has the meaning provided in Section 10.1(c).

"**SOFR**" means the Secured Overnight Financing Rate as administered by the Federal Reserve Bank of New York (or a successor administrator).

"**Verrica Responsible Portion**" has the meaning provided in Section 4.10(c).

2.2 Section 3.1(b)(i) of the Original Agreement is hereby amended and restated by replacing such section with the following:

"**(i)** to review and discuss any Global Study, in accordance with Section 4.1(e), and if Verrica approves Licensee's participation in a given Global Study, to approve and amend the development plan, protocol and budget for such Global Study ("**Global Study Plan**");"

2.3 Section 3.2(a) of the Original Agreement is hereby amended and restated by replacing such section with the following:

"**(a)** Verrica's Senior Executive has the final decision-making authority with respect to (x) the amendment of any Global Study Plan, excluding the budget, provided that Verrica's Senior Executive may not exercise such final decision-making authority to materially alter such Global Study Plan or to materially increase Licensee's costs thereunder, and (y) all matters related to the development, registration, manufacturing and commercialization of Products (i) in the Verrica Territory and (ii) outside of the Field in the Territory; and"

2.4 Article 4 of the Original Agreement is hereby amended by adding the following as a new Section 4.10:

"**4.10 Phase 3 Global Common Warts Study**.

(a) The Parties shall discuss in good faith a Global Study Plan pursuant to which, if (and only if) such plan is approved in writing by both Parties (the "**CW Study Plan**"), the Parties will jointly conduct a Global Study that is a Phase 3 Clinical Trial for the prevention and/or treatment of Common Warts in the United States and Japan (the "**CW Study**"), subject to the Parties receiving the applicable approvals from Regulatory Authorities necessary to initiate such CW Study. Each Party shall perform the applicable activities set forth in the CW Study Plan, in accordance with the terms contained therein, the Agreement, and Applicable Laws. For clarity, unless otherwise agreed by the Parties and set forth in the CW Study Plan, Licensee shall be responsible for all regulatory activities in the Territory with respect to the CW Study in accordance with Article 5.

(b) "**CW Study Costs**" means all external fees, costs, and expenses incurred by either Party in the performance of and in accordance with the CW Study Plan including the tests that may be required by an applicable Regulatory Authority, provided that the CW Study Costs shall not exceed [***] percent ([***]%) of the budget set forth in the CW Study Plan without the mutual written consent of the Parties. For clarity, CW Study Costs shall not include (i) either Party's internal costs (including but not limited to, costs related to consultation with and application for approval of a Regulatory Authority, and outside advisor's consultation fees), and or (ii) any consultation fees to be paid to any Regulatory Authority.

(c) Subject to the Parties receiving the applicable approvals from Regulatory Authorities necessary to initiate the CW Study, Verrica and Licensee shall be equally responsible for the CW Study Costs, provided that Licensee shall pay one hundred percent (100%) of the budgeted CW Study Costs when due and then Verrica shall repay Licensee fifty percent (50%) of the CW Study Costs paid by Licensee (such amount, the "**Verrica Responsible Portion**") in accordance with clauses (d), (e), and (f) below. Licensee shall pay all invoiced CW Study Costs directly to the applicable Third Party in accordance with the payment methods and conditions that are separately provided in an agreement to be entered by and among Verrica, Licensee and a Third Party CRO, provided that Verrica (a) will use reasonable best efforts to use only one Third Party CRO and minimize the number of Third Party invoices and (b) within thirty (30) days after the end of each Calendar Quarter, will provide to Licensee a summary report of the Verrica Responsible Portion of the CW Study Costs incurred by Licensee in the preceding Calendar Quarter until the Verrica Responsible Portion as well as the accrued interest has been fully repaid by Verrica to Licensee. Such summary report shall include (i) the amount of the Verrica Responsible Portion paid by Licensee and the payment date, (ii) accrued interest, (iii) the amount of the Verrica Responsible Portion that has already been offset pursuant to Section 4.10(e), if any, and (iv) the total amount of the outstanding Verrica Responsible Portion, including the accrued interest Verrica owes to Licensee as of the end of such Calendar Quarter. With respect to the Third Party CRO agreement referenced in this Section 4.10(c), notwithstanding the above, the Parties will strive to act by consensus regarding the terms, conditions and/or provisions of such Third Party CRO agreement. However, in the event that the Parties cannot unanimously agree to any such term, condition and/or provision

other than those related to payment, Verrica's Chief Executive Officer will have all final decision-making authority with respect to any such term, condition and/or provision; provided that, in the exercise of his or her final decision-making authority, Verrica's Chief Executive Officer will give good faith consideration to, and take into account, Licensee's position on any such term, condition and/or provision.

(d) The Verrica Responsible Portion shall accrue interest at a per annum rate that is the higher of (i) the one-month SOFR plus two (2) percentage points or (ii) six percent (6%). Such interest shall accrue during the period from the date that Licensee pays the first invoice related to the applicable CW Study Costs until the date that Licensee has received, in full, the Verrica Responsible Portion of the CW Study Costs.

(e) Licensee shall have the right to recoup its payment for the Verrica Responsible Portion plus applicable interest by offsetting such amount against the following payments owed by Licensee to Verrica:

(i) any development milestone payment pursuant to Section 8.2, except for the development milestone payment of Eight Million Dollars ($8,000,000) for the Initiation of the first Registration Study for a Product in the Territory for Common Warts, which shall be due and payable in full upon the Initiation of the CW Study;

(ii) any commercial milestone payment pursuant to Section 8.3; and

(iii) any Transfer Price payments pursuant to Section 8.4, provided that in no case shall the offset by Licensee reduce the Transfer Price payments to less than [***] per unit (the final assembled product).

(f) If Licensee has not recouped all of the Verrica Responsible Portion plus applicable interest within sixty (60) months after the date on which Licensee made its first payment of CW Study Costs, then Licensee shall have the right to issue to Verrica an invoice for the remainder of the unrecouped amount of the Verrica Responsible Portion plus applicable interest. Verrica shall pay to Licensee the amount set forth in such invoice no later than [***] days after receipt thereof. Notwithstanding the foregoing, no cash payment to Licensee under this Section 4.10(f) shall be made on or before [***], which is the date that is [***] days after the expiration of the certain Credit Agreement by and between Verrica and OrbiMed Royalty & Credit Opportunities IV, LP.

(g) **CW Data**.

(i) "**CW Territory Data**" means all Data that was generated in the Territory by or on behalf of Licensee or its Affiliates in connection with the performance of Licensee's activities under the CW Study Plan.

(ii) " **CW Data**" means all Data that was generated by or on behalf of either Party or its Affiliates in connection with the performance of each Party's activities under the CW Study Plan.

(iii) "**CW Data License**" means a license to be granted to a Third Party to utilize CW Data in a territory other than Japan or the US, excluding any agreements with Third Party vendors, subcontractors or service providers.

(iv) Verrica shall give Licensee [***] days' written notice prior to executing any agreement with a Third Party under which Verrica grants such Third Party a license or other right to CW Data, excluding any agreements with Third Party vendors, subcontractors or service providers.

(v) If Verrica enters into a CW Data License, then promptly thereafter, the Parties shall negotiate in good faith and enter into an agreement whereby Verrica shall pay to Licensee at least [***] percent ([***]%) of the consideration received by Verrica under such CW Data License in the form of milestone payments and royalty payments, in each case, related to any products that utilize the CW Data (but for clarity, excluding any consideration received by Verrica in the form of an upfront payment). The Parties shall take into account relevant factors, including but not limited to [***]. Notwithstanding the foregoing, (A) for any CW Data License that does not require the Third Party licensee to make milestone payments to Verrica, Verrica shall pay to Licensee at least [***] percent ([***]%) of the consideration received by Verica under such CW Data License in the form of an upfront payment and royalty payments related to any products that utilize the CW Data, and (B) for any CW Data License that does not require the Third Party licensee to make royalty payments to Verrica, Verrica shall pay to Licensee at least [***] percent ([***]%) of the consideration received by Verrica under such CW Data License in the form of any upfront payment and milestone payments related to any products that utilize the CW Data. For clarity, royalty payments as used in this paragraph shall include any payments in the nature of a royalty to be calculated based on a certain percentage of the sales of a licensed product, no matter what such payment is called (e.g., transfer price, royalty).

(vi) If Verrica itself uses data from the CW Study in a territory outside of Japan or the US, Verrica shall pay consideration therefor to Licensee in an amount separately agreed by the Parties. Verrica and Licensee shall have a good-faith negotiation regarding the amount and form of such consideration, which will take into account relevant factors, including but not limited to [***].

(h) Notwithstanding the foregoing, if (A) the Territory is no longer permitted to participate in the CW Study due to an applicable Regulatory Authority's revocation of the approval of the CW Study in the Territory, or (B) Verrica materially breaches either the Agreement or the Warrant and Verrica fails to cure such breach within [***] days (provided, that as to (B), if the breach is such that it cannot reasonably be cured within such [***]-day period, then the commencement by Verrica of the cure within such [***]-day time period, and the diligent prosecution to complete the cure of the breach, shall be deemed to be a cure within such [***]-day period), Licensee shall no longer be required to pay any additional CW Study Costs and Verrica shall promptly repay Licensee for all CW Study Costs incurred by Licensee, provided such repayment by Verrica does not violate the last sentence of Section 4.10(f)."

2.5 Section 10.1 of the Original Agreement is hereby amended by adding the following as a new subsection (c):

"**(c) Global Study Inventions**. Notwithstanding Section 10.1(a), Verrica shall own all rights, title, and interests in and to (i) any and all Know-How or Inventions made by or on behalf of either Party or its Affiliates in connection with the performance of such Party's activities under any Global Study Plan ("**Global Study Know-How**") and (ii) any Patents claiming any Global Study Know-How ("**Global Study Patents**"). Licensee hereby assigns all of its rights, title, and interests in and to any Global Study Know-How and Global Study Patents to Verrica. All Global Study Know-How shall be deemed Verrica Know-How and all Global Study Patents shall be deemed Verrica Patents, and in each case, shall be subject to the terms of this Agreement, including for clarity the license grants in Section 2.1."

2.6 Section 11.1 of the Original Agreement is hereby amended and restated by replacing such section with the following:

"11.1 Mutual Representations and Warranties. Each Party represents and warrants to the other Party, as of the Effective Date and, solely in the case of Verrica, each date on which Licensee pays any Verrica Responsible Portion pursuant to Section 4.10 (c), that: (a) it is duly organized and validly existing under the laws of its jurisdiction of incorporation or formation, and has full corporate or other power and authority to enter into this Agreement and to carry out the provisions hereof; (b) it is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder, and the person or persons executing this Agreement on its behalf has been duly authorized to do so by all requisite corporate or partnership action; and (c) this Agreement is legally binding upon it, enforceable in accordance with its terms, and does not conflict with any agreement, instrument or understanding, oral or written, to which it is a Party or by which it may be bound, nor violate any material law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it."

2.7 Section 13.2 of the Original Agreement is hereby amended and restated by replacing such section with the following:

"**13.2 Termination by Licensee**. Licensee may terminate this Agreement in its entirety upon (a) [***] days' prior written notice to Verrica at any time prior to the Fist Commercial Sale of any Product, (b) [***] days' prior written notice to Verrica at any time after the First Commercial Sale of any Product. Notwithstanding the foregoing, Licensee shall not have the right to terminate this Agreement pursuant to this Section 13.2 during the period starting on the date hereof and ending on the earlier of (i) date of database lock for the CW Study or (ii) termination of the CW Study."

2.8 Section 13.7 of the Original Agreement is hereby amended and restated by replacing such section with the following:

"**13.7 Accrued Obligations; Survival**. Neither expiration nor termination of this Agreement relieves either Party of any obligation or liability accruing prior to such expiration or termination, nor does expiration or termination of this Agreement preclude either Party from pursuing all rights and remedies it may have under this Agreement, at law or in equity, with respect to breach of this Agreement. Without limiting the foregoing, the following provisions of this Agreement will survive the expiration or termination of this Agreement: Article 1 (Definitions), Section 2.2 (Effectiveness of Manufacturing License) (solely with respect to the Manufacturing License after expiration of the Transfer Price Payment Term), Section 2.7 (Non-Compete), Section 2.8 (Grant-Back Licenses to Verrica), Section 4.9 (Records), Section 4.10(f) (Phase 3 Global Common Warts Study), Section 7.9 (Technology Transfer after the Transfer Price Payment Term), Sections 8.4 (Transfer Price Payments), 8.5 (Royalty in Lieu of Transfer Price), 8.7 (Exchange Rate; Manner and Place of Payment), 8.8 (Late Payments), 8.9 (Audits), and 8.10 (Taxes; Cooperation) (each solely to the extent pertaining to amounts becoming due or to sales made during the Term), Article 9 (Confidentiality), Section 10.1(a) (Inventions), Sections 10.2(b) (Joint Patents), 10.2(d) (Cooperation of the Parties), 10.3(a) (Notice; Procedures), 10.3(b)(ii) (Joint Patents), 10.3(c) (Cooperation), 10.3(d) (Recovery) (each solely with respect to Joint Patents), Section 11.6 (Disclaimer), Article 12 (Indemnification; Insurance; Liability Limitations), Section 13.1 (Term), Section 13.6 (Effect of Expiration or Termination), this Section 13.7 (Accrued Obligations; Survival), Article 14 (Dispute Resolution) and Article 15 (Miscellaneous)."

3. Miscellaneous.

3.1 Representations and Warranties Bringdown. Verrica hereby represents and warrants to Licensee, as of the date hereof, that each of the representations and warranties in Sections 11.1 and 11.2 of the Original Agreement are true and correct in all respects. Verrica further represents and warrants to the Licensee that entry into this First

Amendment and the Warrant does not and will not constitute a breach or event of default under any credit facility or other financing agreement to which Verrica is a party, including without limitation, that certain Credit Agreement, dated July 26, 2023, by and between Verrica and OrbiMed Royalty & Credit Opportunities IV, LP. Licensee hereby represents and warrants to Verrica, as of the date hereof, that each of the representations and warranties in Sections 11.1 and 11.3 of the Original Agreement are true and correct in all respects.

3.2 Full Force and Effect. Except as herein expressly amended, the Original Agreement shall remain in full force and effect and enforceable against each Party in accordance with its terms. Unless the context otherwise requires, the term "Agreement" as used in the Original Agreement shall be deemed to refer to the Original Agreement as amended hereby.

3.3 Counterparts. This First Amendment may be executed in two or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. The Parties agree that execution of this First Amendment by exchanging executed signature pages in .pdf format shall have the same legal force and effect as the exchange of original signatures.

[*Remainder of page intentionally blank.*]

In Witness Whereof, the Parties have caused their duly authorized officers to execute and deliver this First Amendment to the Collaboration and License Agreement as of the date first written above.

VERRICA PHARMACEUTICALS INC.

By: */s/ Ted White*

Name: Ted White

Title: President & CEO

TORII PHARMACEUTICAL CO., LTD.

By: */s/ Goichi Matsuda*

Name: Goichi Matsuda

Title: Representative Director, President and Chief Executive 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 June 30, 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: August 14, 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 June 30, 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: August 14, 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 June 30, 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 14th day of August, 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.