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 September 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 October 28, 2024, the registrant had 45,600,795 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)

	September 30, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 22,959	$ 69,547
Accounts receivable	—	4,248
Unbilled collaboration revenue	84	168
Inventory	2,584	1,022
Prepaid expenses and other current assets	2,560	2,545
Total current assets	28,187	77,530
Property and equipment, net	651	1,052
Operating lease right-of-use asset	912	1,158
Finance lease right-of-use asset	2,639	1,405
Other non-current assets	538	452
Total assets	**$ 32,927**	**$ 81,597**
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current liabilities:		
Accounts payable	$ 966	$ 2,464
Accrued expenses and other current liabilities	18,899	13,860
Operating lease liability	315	324
Finance lease liability	846	376
Total current liabilities	21,026	17,024
Operating lease liability	665	910
Finance lease liability	1,982	1,026
Long-term debt	43,305	42,874
Total liabilities	**66,978**	**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 September 30, 2024 and December 31, 2023	—	—
Common stock, $0.0001 par value; 200,000,000 authorized; 45,705,939 shares issued and 45,600,795 shares outstanding as of September 30, 2024 and 42,518,697 shares issued and 42,413,553 shares outstanding as of December 31, 2023	5	4
Treasury stock, at cost, 105,144 shares as of September 30, 2024 and December 31, 2023	—	—
Additional paid-in capital	256,769	250,207
Accumulated deficit	(290,825)	(230,448)
Total stockholders' (deficit) equity	**(34,051)**	**19,763**
Total liabilities and stockholders' (deficit) equity	**$ 32,927**	**$ 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 September 30,		For the Nine Months Ended September 30,	
	2024	**2023**	**2024**	**2023**
Revenue:				
Product revenue, net	$ (1,865)	$ 2,792	$ 6,259	$ 2,792
Collaboration revenue	84	125	963	344
Total revenue	(1,781)	2,917	7,222	3,136
Operating expenses:				
Selling, general and administrative	16,083	20,054	48,943	30,310
Research and development	2,405	6,510	10,673	14,975
Cost of product revenue	351	145	1,257	145
Cost of collaboration revenue	84	125	858	329
Total operating expenses	18,923	26,834	61,731	45,759
Loss from operations	(20,704)	(23,917)	(54,509)	(42,623)
Other (expense) income:				
Interest income	221	822	1,212	1,948
Interest expense	(2,376)	(1,657)	(7,063)	(1,657)
Other expense	(1)	(50)	(17)	(49)
Total other (expense) income, net	(2,156)	(885)	(5,868)	242
Net loss	**$ (22,860)**	**$ (24,802)**	**$ (60,377)**	**$ (42,381)**
Net loss per share, basic and diluted	$ (0.49)	$ (0.54)	$ (1.30)	$ (0.94)
Weighted-average common shares outstanding, basic and diluted	46,805,427	46,073,932	46,597,883	45,015,900

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 Shares Issued	Common Stock Amount	Additional Paid-in Capital	Subscription Receivable	Accumulated Deficit	Treasury Stock Shares	Total Stockholders' (Deficit) 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)**
Stock-based compensation	—	—	2,108	—	—	—	2,108
Vesting of restricted stock units	561,500	—	—	—	—	—	—
Exercise of pre-funded warrants	2,583,242	1	—	—	—	—	1
Net loss	—	—	—	—	(22,860)	—	(22,860)
September 30, 2024	**45,705,939**	**$ 5**	**$ 256,769**	**$ —**	**$ (290,825)**	**105,144**	**$ (34,051)**
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**
Stock-based compensation	—	—	9,663	—	—	—	9,663
Common stock warrants issued with debt	—	—	2,041	—	—	—	2,041
Vesting of restricted stock units	212,500	—	—	—	—	—	—
Net loss	—	—	—	—	(24,802)	—	(24,802)
September 30, 2023	**42,169,697**	**$ 4**	**$ 248,133**	**$ —**	**$ (205,834)**	**105,144**	**$ 42,303**

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

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

	For the Nine Months Ended September 30,	
	2024	**2023**
Cash flows from operating activities		
Net loss	$ (60,377)	$ (42,381)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	6,408	12,301
Depreciation expense	288	399
Non-cash interest expense	1,571	338
Loss on disposal of fixed assets	141	61
Amortization of operating lease right-of-use asset	246	220
Amortization of finance lease right-of-use asset	482	—
Impairment of right-of-use asset	260	—
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(1,499)	1,007
Collaboration revenue receivable, billed and unbilled	84	361
Accounts receivable	4,401	(3,946)
Accounts payable	(1,499)	1,623
Accrued expenses and other current liabilities	4,886	6,171
Operating lease liability	(255)	(224)
Net cash used in operating activities	(44,863)	(24,070)
Cash flows from investing activities		
Purchases of property and equipment	(27)	(135)
Net cash used in investing activities	(27)	(135)
Cash flows from financing activities		
Proceeds from exercise of stock options	154	7
Repayment of financing lease	(550)	—
Payment of debt amendment fees	(1,139)	—
Proceeds from issuance of debt, net of issuance costs	—	44,105
Proceeds from issuance of common stock and pre-funded warrants, net of issuance costs	—	30,301
Payment of equity issuance costs	(163)	(173)
Net cash (used in) provided by financing activities	(1,698)	74,240
Net (decrease) increase in cash and cash equivalents	(46,588)	50,035
Cash and cash equivalents at the beginning of the period	69,547	34,273
Cash and cash equivalents at the end of the period	**$ 22,959**	**$ 84,308**
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	$ —	$ 93
Cash paid for interest	$ 5,492	$ 1,319
Right-of-use asset obtained in exchange for lease obligation	$ 1,976	$ 116
Common stock warrants issued with debt	$ —	$ 2,041

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 September 30, 2024, the Company had an accumulated deficit of $290.8 million. The Company believes its cash, and cash equivalents of $23.0 million as of September 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, pursuant to which the Company borrowed $50.0 million under the Loan Facility (as defined in Note 10) on July 26, 2023, resulting in net proceeds of approximately $44.1 million after payment of certain fees and transaction related expenses. 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 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. The Company does not anticipate meeting the Revenue Test as of December 31, 2024.

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. The qualification of a "going concern" was waived for the quarterly financial statements ended September 30, 2024. If the qualification of a "going concern" is not waived for additional future periods or if additional financing is not raised to meet the liquidity test, the Company may be in default of the debt agreement in the near-term. 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 September 30, 2024, the Company was in compliance with all covenants under the Credit Agreement as amended.

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 September 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

As of September 30, 2024, the Company's financial instruments included cash equivalents, accounts payable, and notes payable. The carrying amount of cash equivalents 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

The Company had no accounts receivable as of September 30, 2024. 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 recognized obsolete inventory costs as cost of goods sold in the amount of $0.2 million and $0.6 million for the three and nine months ended September 30, 2024, respectively, due to expiration of Product and label correction on the Product.

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 six months as previously expensed inventory is utilized for commercial production and sold to customers. On a pro forma basis, 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 nine months ended September 30, 2024 would have been $0.4 million and $1.8 million, respectively.

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. The Company has additionally recorded discrete reserves if Product held by distributors, forecasted sales and expiration of Product warrant a reserve. 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. During the three months ended September 30, 2024, the Company increased its returns reserve by $1.7 million on previously sold Product to its wholesalers as a result of lower than forecasted sell-through and anticipation of expiration of Product prior to complete sell-through.

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 for the nine months ended September 30, 2024 in the amount of $0.5 million. 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 nine months ended September 30, 2024, advertising expense was approximately $1.1 million and $3.7 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:

	September 30,	
	2024	2023
Shares issuable upon exercise of stock options	6,389,611	5,497,015
Non-vested shares under restricted stock grants	272,500	561,500
Shares issuable upon exercise of warrants pursuant to debt financing	518,551	518,551
Shares issuable upon exercise of warrants pursuant to Torii amendment	500,000	—
Total	7,680,662	6,058,515

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):

	September 30, 2024	December 31, 2023
Raw materials	$ 1,208	$ 420
Work in process	750	487
Finished goods	626	115
Total inventory	$ 2,584	$ 1,022

Note 4—Property and Equipment

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

	September 30, 2024	December 31, 2023
Machinery and equipment	$ 1,233	$ 1,543
Office equipment	326	326
Office furniture and fixtures	303	303
Leasehold improvements	54	54
	1,916	2,226
Accumulated depreciation	(1,265)	(1,174)
Total property and equipment, net	$ 651	$ 1,052

Depreciation expense for both the three months ended September 30, 2024 and 2023 was $0.1 million. Depreciation expense for the nine months ended September 30, 2024 and 2023 was $0.3 and $0.4 million, respectively.

Note 5—Accrued Expenses and Other Current Liabilities

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

	September 30, 2024	December 31, 2023
Gross to net reserves	$ 12,320	$ 5,357
Compensation and related costs	2,663	3,438
Professional fees	2,083	1,423
Clinical trials and drug development	966	2,767
Other current liabilities	428	244
Commercial-related costs	346	538
Machinery and equipment	93	93
Total accrued expenses and other current liabilities	$ 18,899	$ 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. On September 3, 2024, the Court granted in part and denied in part Defendants’ motion to dismiss the second amended complaint. The Court dismissed Plaintiff’s claims related to one of the two individual defendants but held that Plaintiff’s claims against the Company and the other individual defendant were sufficiently pled.

In addition, on October 21, 2024, plaintiff Ivan S. Cohen filed a putative stockholder derivative lawsuit in the U.S. District Court for the Eastern District of Pennsylvania. The complaint names the company as a nominal defendant and purports to bring claims on behalf of the company against certain of our current and former directors and officers for alleged violations of the federal securities laws and breaches of their fiduciary duties in relation to substantially the same factual allegations as the above-described putative class action lawsuit. The complaint primarily seeks to recover for the company compensatory damages for losses allegedly sustained related to the facts alleged, restitution, and punitive damages.

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 up front and the remaining $0.4 million is due in December 2024. For the three and nine months ended September 30, 2024 the Company expensed $0.0 million and $0.8 million in the statement of operations as a settlement of litigation including 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 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.

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 September 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, of which 2,583,333 were exercised resulting in net shares issued of 2,583,242 during the three-month period ended September 30, 2024. The shares of common stock were sold in the underwritten offering 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:

	September 30, 2024			
	Number of warrants		Exercise Price	Expiration Date
Pre-funded warrants issued pursuant to 2023 underwritten public offering	1,481,481	$	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 September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Selling, general and administrative	$ 1,503	$ 8,438	$ 4,841	$ 10,223
Research and development	605	1,225	1,567	2,078
Total stock-based compensation	$ 2,108	$ 9,663	$ 6,408	$ 12,301

Stock Options

The following table summarizes the Company's stock option activity for the nine months ended September 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	1,336,300	$ 5.27		
Exercised	(42,500)	$ 3.62		$ 177,895
Forfeited	(365,204)	$ 6.37		
Expired	(104,600)	$ 6.51		
Outstanding as of September 30, 2024	6,389,611	$ 7.74	6.6	$ 16,673
Options vested and exercisable as of September 30, 2024	3,825,889	$ 8.96	5.1	$ 16,673

As of September 30, 2024, the total unrecognized compensation related to unvested stock option awards granted was $11.2 million, which the Company expects to recognize over a weighted-average period of 2.51 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 vested on August 24, 2024.

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 September 30, 2024, the remaining unrecognized compensation expense related to the RSUs was $1.1 million, which the Company expects to recognize over a weighted average service period of 1.9 years.

The following is a summary of changes in the status of non-vested RSUs for the nine months ended September 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
Vested	(561,500)	9.13
Nonvested as of September 30, 2024	272,500	$ 4.80

Note 9—Leases

The Company leases 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. In September 2024, the Company terminated the agreement effective November 30, 2024. No termination fees were incurred. The right-of-use asset and lease liability was reduced by $12,000 as of September 30, 2024 as a component of selling, general and administrative expense in the statement of operations for the three months ended September 30, 2024.

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. As of September 30, 2024, the Company recognized both a right-of-use asset and a lease liability of $2.0 million related to these finance leases. As a result of the restructuring discussed in Note 12 the Company is terminating the leases on all vehicles held by terminated employees and the lessor is selling the vehicles at auction which is expected to be completed by December 31, 2024. The Company recognized a restructuring charge of $0.3 million related to impairment of the right-of-use asset based on estimated fair value of the vehicles during the three months ended September 30, 2024.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Finance lease cost:				
Amortization ROU assets	$ 187	$ 1	$ 482	$ 1
Interest on lease liabilities	52	—	143	—
Total finance lease costs	$ 239	$ 1	$ 625	$ 1
Operating lease:				
Operating lease costs	$ 98	$ 93	$ 292	$ 278
Total operating lease expense	$ 98	$ 93	$ 292	$ 278

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

	Operating	Finance
2024 (remaining 3 months)	$ 96	$ 279
2025	360	988
2026	366	838
2027	247	774
Thereafter	—	329
Total lease payments	1,069	3,208
Less imputed interest	(89)	(380)
Lease liability	$ 980	$ 2,828

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

	Operating	Finance
Weighted average remaining lease term (years)	2.90	3.71
Weighted average discount rate	6.25%	7.75%

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 does not meet 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 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. The Company does not anticipate meeting the Revenue Test as of December 31, 2024.

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. The qualification of a "going concern" was waived for the quarterly financial statements ended September 30, 2024. 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 September 30, 2024, the Company was 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 September 30, 2024 and the Company does not currently intend to repay amounts borrowed under the Loan Facility, unless it is required to do so, prior to the maturity date of July 26, 2028. The Company has incurred debt discount and issuance costs of $12.8 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, debt amendment costs of $1.1 million paid in cash during the nine month period ended September 30, 2024, the final payment fee of $3.8 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 nine months ended September 30, 2024, the Company recognized interest expense of $2.4 and $7.0 million, respectively, of which $1.8 and $5.4 million, respectively, was interest on the term loan and $0.6 and $1.6 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 September 30, 2024 (in thousands):

Gross proceeds from Loan Facility	$	50,000
Accrued final payment fee		3,750
Unamortized debt discount and issuance costs		(10,445)
Total long-term debt, net	$	43,305

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 $0.1 million for each of the three months ended September 30, 2024 and 2023 and $1.0 and $0.3 million for the nine months ended September 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%. Torii may recoup our share of the costs plus applicable interest against any development milestone payments in the Torii Agreement 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 nine months ended September 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

On October 1, 2024 , the Company terminated 47 employees to reduce costs and optimize the efficiency of its field force (the “Restructuring”). The Company has reduced the number of sales territories from 80 to approximately 33, with a focus on those territories that have historically shown a high prevalence of molluscum. In connection with the Restructuring, the Company expects to incur a one-time charge totaling approximately $0.6 million related to one-time employee termination costs. In addition the Company recognized an impairment charge for right-of-use assets associated with leased vehicles of $0.3 million during the three months ending September 30, 2024 in selling, general and administrative expenses. This restructuring charge will substantially be paid out by December 31, 2024.

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 (VP-102) (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 35 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. We are currently commercializing YCANTH (VP-102) for the treatment of molluscum contagiosum in the United States and in the future we intend to pursue YCANTH (VP-102) for common warts and genital warts if approved. We also will evaluate the expansion of our commercialization efforts in additional geographic regions, either alone or together with a strategic partner. Verrica is continuously reviewing and making changes to its commercialization organization designed to balance sales growth and cost controls based upon distribution and reimbursement coverage for YCANTH (VP-102).

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 and additional extensive regulatory correspondence with the FDA has resulted in gaining in-depth 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. Torii may recoup our share of the costs plus applicable interest against any development milestone payments in the Torii Agreement. We anticipate the Company and Torii will agree to a Global Study Plan during the fourth quarter of 2024 and the Trial will begin in the first half of 2025. The Company has incurred costs of $0.1 million related to the study during the three month period ended September 30, 2024.

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.

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, 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.

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.

On October 1, 2024, we reduced our workforce by terminating 47 employees, or the Restructuring, to reduce costs and optimize the efficiency of our field sales force. We will reduce the number of sales territories from 80 to approximately 33, with a focus on those territories that have historically shown a high prevalence of molluscum. The Restructuring was completed on October 1, 2024. In connection with the Restructuring, we expect to incur a one-time charge totaling approximately $0.6 million related to one-time employee termination costs In addition, we recognized an impairment charge for right-of-use assets associated with leased vehicles of $0.3 million during the three months ending September 30, 2024 in selling, general and administrative expenses for the three months ended September 30, 2024. This restructuring charge will substantially be paid out by December 31, 2024.

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, pursuant to 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. Amounts borrowed under the Loan Facility will mature on July 26, 2028. 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 we must maintain a liquidity of at least $10.0 million and that our quarterly and annual financial statements not be subject to any qualification or statement which is of a “going concern” or similar nature. The qualification of a "going concern" was waived for the quarterly financial statements ended September 30, 2024. 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 September 30, 2024, we were in compliance with all covenants under the Credit Agreement as amended. 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, of which 2.583,333 were exercised were exercised resulting in net shares issued of 2,583,242 during the three-month period ended September 30, 2024. The shares of common stock were sold in the underwritten offering 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 nine months ended September 30, 2024 and 2023, our net loss was $60.4 million and $42.4 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 September 30, 2024, we had an accumulated deficit of $290.8 million. We expect to continue to incur significant expenses and operating losses for the foreseeable future. We anticipate that our expenses may 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 as well as adjustments for any potential future product returns from distributors. 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.

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 change in the future due to the Restructuring and as we continue to evaluate our headcount to support the expected growth in our business, modify 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 six 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 nine months ended September 30, 2024 would have been $0.4 million and $1.8 million, respectively.

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 September 30, 2024 and 2023

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

	For the Three Months Ended September 30,		
	2024	2023	Change
Revenue			
Product revenue, net	$ (1,865)	$ 2,792	$ (4,657)
Collaboration revenue	84	125	(41)
Total revenue	(1,781)	2,917	(4,698)
Operating expenses:			
Selling, general and administrative	16,083	20,054	(3,971)
Research and development	2,405	6,510	(4,105)
Cost of product revenue	351	145	206
Cost of collaboration revenue	84	125	(41)
Total operating expenses	18,923	26,834	(7,911)
Loss from operations	(20,704)	(23,917)	3,213
Other income (expense):			
Interest income	221	822	(601)
Interest expense	(2,376)	(1,657)	(719)
Other expense	(1)	(50)	49
Total other (expense) income, net	(2,156)	(885)	(1,271)
Net loss	**$ (22,860)**	**$ (24,802)**	**$ 1,942**

Product Revenue, Net

Product revenue, net was negative $1.9 million for the three months ended September 30, 2024 compared to $2.8 million for the three months ended September 30, 2023. Negative revenue during the three months ended September 30, 2024 was due to an increase in our returns reserve of $1.7 million for estimated returns from certain distributors. We determined it was more than probable that product held by certain distributors will be returned based on lower than forecasted sell-through and expiration of product. This increase in reserve was in addition to an adjustment of other gross to net reserves of $0.2 million mostly related to increase in co-pay reserve. We will continue to work with all of our distributors to sell through existing inventory and expand target channels of sales and distribution. Reserves will continue to be reviewed on a quarterly basis and may be adjusted based on assessment of the overall business and sales forecast by each distributor. There were no ex-factory sales for the three months ended September 30, 2024 due to lower demand pull through.

YCANTH (VP-102), our first FDA approved product, became available for commercial sale in August 2023. Revenue generated during the three months ending September 30, 2023 relates to the delivery of YCANTH (VP-102) to FFF, our sole distributor during this period.

Collaboration Revenue

Collaboration revenue was $0.1 million for each of the three months ended September 30, 2024 and 2023. During each of the three months ended September 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 $16.1 million for the three months ended September 30, 2024, compared to $20.1 million for the three months ended September 30, 2023. The decrease of $4.1 million was primarily due to a decrease in stock compensation of $7.0 million due to restricted stock units vested on FDA approval in July 2023 and a decrease in advertising costs of $1.0 million partially offset by increased compensation, and benefits and travel due to ramp-up of sales force of $1.6 million, an increase in medical affairs costs in selling, general and administrative expenses of $0.7 million, severance of $0.4 million, increased legal costs of $0.4 million and loss on disposal of assets of $0.3 million.

Research and Development Expenses

Research and development expenses were $2.4 million for the three months ended September 30, 2024, compared to $6.5 million for the three months ended September 30, 2023. The decrease of $4.1 million was primarily related to decrease in VP-315 clinical trial costs of $2.5 million, a decrease of medical affairs costs in research and development expenses of $0.7 million, decrease of stock compensation of $0.6 million related to restricted stock units vested on FDA approval in July 2023 and a reduction of costs related to YCANTH (VP-102) pre-launch activity of $0.5 million partially offset by increased headcount related costs of $0.3 million.

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

	For the Three Months Ended September 30,		
	2024	2023	Change
YCANTH (VP-102)	$ 417	$ 898	$ (481)
VP-315	310	2,847	(2,537)
Common Warts (VP-102)	211	—	211
Stock based compensation	605	1,225	(620)
Other unallocated expenses	862	1,540	(678)
Research and development expense	$ 2,405	$ 6,510	$ (4,105)

Cost of Product Revenue

Cost of product revenue of $0.4 million for the three months ended September 30, 2024 consisted of obsolete inventory write-off of $0.3 million and $0.1 million of indirect overhead labor and product testing costs. YCANTH (VP-102), our first FDA approved product, became available for commercial sale in August 2023. Cost of product revenue for the three months ended September 30, 2023 was $0.1 million related to indirect overhead labor costs. All product costs had previously been expensed prior to FDA approval of YCANTH (VP-102) for the treatment of molluscum.

Cost of Collaboration Revenue

Cost of collaboration revenue was $0.1 million for each of the three months ended September 30, 2024 and 2023. The costs were related to manufacturing supply required to support development and testing services pursuant to the Torii Clinical Supply Agreement.

Interest Income

Interest income was $0.2 million for the three months ended September 30, 2024 compared to $0.8 million for the three months ended September 30, 2023. The decrease of $0.6 million was primarily due to lower cash balance for the period ended September 30, 2024.

Interest Expense

Interest expense was $2.4 million for the three months ended September 30, 2024 compared to $1.7 million for the three months ended September 30, 2023. The higher interest expense of $0.7 million was due to the OrbiMed Credit Agreement commencement on July 26, 2023.

Results of Operations for the Nine Months Ended September 30, 2024 and 2023

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

	For the Nine Months Ended September 30, 2024	2023	Change
Revenue:			
Product revenue, net	$ 6,259	$ 2,792	$ 3,467
Collaboration revenue	963	344	619
Total revenue	7,222	3,136	4,086
Operating expenses:			
Selling, general and administrative	48,943	30,310	18,633
Research and development	10,673	14,975	(4,302)
Cost of product revenue	1,257	145	1,112
Cost of collaboration revenue	858	329	529
Total operating expenses	61,731	45,759	15,972
Loss from operations	(54,509)	(42,623)	(11,886)
Other income (expense):			
Interest income	1,212	1,948	(736)
Interest expense	(7,063)	(1,657)	(5,406)
Other expense	(17)	(49)	32
Total other (expense) income, net	(5,868)	242	(6,110)
Net loss	**$ (60,377)**	**$ (42,381)**	**$ (17,996)**

Product Revenue, Net

Product revenue, net was $6.3 million for the nine months ended September 30, 2024 compared to $2.8 million for the nine months ended September 30, 2023. YCANTH (VP-102), our first FDA approved product, became available for commercial sale in August 2023. The increase of $3.5 million relates to additional sales of YCANTH (VP-102) to FFF, our primary distributor, related to forecasted demand pull through, as well as the expansion of our specialty distribution network during the three-month period ended June 30, 2024 to bring-on an additional specialty distributor and the related impact of an initial one-time stock-in order from that distributor. Revenue during the nine months ended September 30, 2024 was partially offset by an increase in our returns reserve of $1.7 million for estimated returns from our distributors. We determined it was more than probable that product held by certain distributors will be returned based on our lower than forecasted sell-through and expiration of product. We will continue to work with all of our distributors to sell through existing inventory and expand target channels of sales and distribution. Reserves will continue to be reviewed on a quarterly basis and may be adjusted based on assessment of the overall business and sales forecast by each distributor.

Collaboration Revenue

Collaboration revenue was $1.0 million for the nine months ended September 30, 2024, compared to $0.3 million for the nine months ended September 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 $48.9 million for the nine months ended September 30, 2024, compared to $30.3 million for the nine months ended September 30, 2023. The increase of $18.6 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 $13.8 million, increased marketing and sponsorship costs of $2.5 million, increase in other commercial activity of $3.3 million, increased legal costs of $1.3 million, severance costs of $0.5 million, Dormer legal settlement of $0.8 million, an increase in medical affairs costs of $0.7 million in selling, general and administrative expenses and increased finance costs of $0.6 million partially offset by decrease in stock compensation costs of $5.0 million due to restricted stock units vested on FDA approval in July 2023.

Research and Development Expenses

Research and development expenses were $10.7 million for the nine months ended September 30, 2024 compared to $15.0 million for the nine months ended September 30, 2023. The decrease of $4.3 million was primarily due to a reduction of costs related to YCANTH (VP-102) pre-launch activity of $3.2 million, a decrease in clinical trial costs for VP-315 of $0.9 million, a decrease in medical affairs costs in research and development of $0.7 million, and decrease of stock compensation of $0.6 million related to restricted stock units vested on FDA approval in July 2023 partially offset by increased headcount related costs of $1.1 million.

The following table summarizes our research and development expense by product candidate or, for unallocated expenses, by type for the nine months ended September 30, 2024 and 2023. We did not incur any research and development expense for VP-103

during the three months ended September 30, 2024 or 2023. Unallocated expenses include compensation and other personnel related costs.

	For the Nine Months Ended September 30, 2024	2023	Change
VP-315	$ 3,162	$ 4,095	$ (933)
YCANTH (VP-102)	1,634	4,817	(3,183)
Common Warts (VP-102)	371	—	371
Stock based compensation	1,568	2,078	(510)
Other unallocated expenses	3,938	3,985	(47)
Research and development expense	$ 10,673	$ 14,975	$ (4,302)

Cost of Product Revenue

Cost of product revenue was $1.3 million for the nine months ended September 30, 2024 compared to $0.1 million for the nine months ended September 30, 2023. The increase of $1.2 million was related to additional product sales and obsolete inventory write-off of $0.6 million during the nine months ended September 30, 2024.

Cost of Collaboration Revenue

Cost of collaboration revenue was $0.9 million for the nine months ended September 30, 2024, compared to $0.3 million for the nine months ended September 30, 2023. The increase of $0.5 million was primarily due to increased manufacturing supply required to support development and testing services pursuant to the Torii Clinical Supply Agreement.

Interest Income

Interest income was $1.2 million for the nine months ended September 30, 2024 compared to $1.9 million for the nine months ended September 30, 2023. The decrease of $0.7 million was primarily due to lower cash as of September 30, 2024.

Interest Expense

Interest expense was $7.1 million for the nine months ended September 30, 2024 compared to $1.7 million for the nine months ended September 30, 2023. The higher interest expense of $5.4 million was due to the OrbiMed Credit Agreement commencement on July 26, 2023.

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 September 30, 2024, we had cash and cash equivalents of $23.0 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, pursuant to 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. 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, 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 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. We do not anticipate meeting the revenue test as of December 31, 2024. In addition, the Credit Agreement contains a financial covenant that we must maintain a liquidity of at least $10.0 million and if we are unable to maintain compliance by either amending the debt or raising additional funds, we could be in default in the near-term. The Credit Agreement also requires that our quarterly and annual financial statements not be subject to any qualification or statement which is of a “going concern” or

similar nature. The qualification of a "going concern" was waived for the quarterly financial statements ended September 30, 2024. If the qualification of a "going concern" is not waived for additional future periods or if we don't raise additional financing, we may be in default of our debt in the near-term. 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 September 30, 2024, the Company was in compliance with all covenants under the Credit Agreement as amended.

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 nine months ended September 30, 2024 and 2023 (in thousands):

	For the Nine Months Ended September 30,	
	2024	2023
Net cash used in operating activities	$ (44,863)	$ (24,070)
Net cash used in investing activities	(27)	(135)
Net cash (used in) provided by financing activities	(1,698)	74,240
Net (decrease) increase in cash and cash equivalents	$ (46,588)	$ 50,035

Operating Activities

During the nine months ended September 30, 2024, operating activities used $44.9 million of cash, primarily resulting from a net loss of $60.4 million partially offset by non-cash stock-based compensation of $6.4 million, non-cash amortization and impairment of right-of-use assets of $0.9 and non-cash interest expense of $1.6 million. Net cash used by changes in operating assets and liabilities consisted primarily of an increase in prepaid expenses and other assets of $1.5 and a decrease in accounts payable of $1.5 million partially offset by decreases in accounts receivable of $4.4 million and a net increase in accrued expenses of $4.9 million.

During the nine months ended September 30, 2023, operating activities used $24.1 million of cash, primarily resulting from a net loss of $42.4 million partially offset by non-cash stock-based compensation of $12.3 million. Net cash provided by changes in operating assets and liabilities consisted primarily of a decrease in prepaid and other assets of $1.0 million and an increase in accounts payable and accrued expenses of $7.8 million partially offset by an increase in accounts receivable of $3.9 million.

Investing Activities

During the nine months ended September 30, 2024 and 2023, net cash used in investing activities of $27,000 and $135,000, respectively, was for the purchase of property and equipment.

Financing Activities

During the nine months ended September 30, 2024, net cash used by financing activities of $1.7 million was primarily due to $1.1 million of debt amendment costs related to the OrbiMed Credit Agreement and finance lease payments of $0.6 million.

During the nine months ended September 30, 2023, net cash provided by financing activities of $74.2 million was primarily related to net cash proceeds of $44.1 million from the OrbiMed Credit Agreement and 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 reduce operating expenses, delay, reduce or eliminate our research and development programs and/or continued and future commercialization efforts. We believe that our existing cash and cash equivalents as of September 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:

- our ability to maintain compliance with our covenants under our Credit Agreement;
- 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 September 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 Interim Principal 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 Interim Principal 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 Interim Principal Financial Officer has concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 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 September 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. On September 3, 2024, the Court granted in part and denied in part Defendants’ motion to dismiss the second amended complaint. The Court dismissed Plaintiff’s claims related to one of the two individual defendants but held that Plaintiff’s claims against us and the other individual defendant were sufficiently pled.

In addition, on October 21, 2024, plaintiff Ivan S. Cohen filed a putative stockholder derivative lawsuit in the U.S. District Court for the Eastern District of Pennsylvania. The complaint names us as a nominal defendant and purports to bring claims on or against certain of our current and former directors and officers for alleged violations of the federal securities laws and breaches of their fiduciary duties in relation to substantially the same factual allegations as the above-described putative class action lawsuit. The complaint primarily seeks to recover for us compensatory damages for losses allegedly sustained related to the facts alleged, restitution, and punitive damages.

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 balances 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.

Greater than expected returns of YCANTH (VP-102) may exceed our reserve for returns, which would adversely affect our revenue and operating results.

The pharmaceutical wholesalers and distributors to which we sell YCANTH (VP-102) are permitted to return purchased product under certain circumstances. We estimate expected returns based on our review of similar products in the industry and record discrete reserves if product held by distributors, forecasted sales and expiration of product warrant a reserve. Substantially all returns are due to expiry of the product. During the three months ended September 30, 2024, we increased our returns reserve by $1.7 million on previously sold product as a result of lower than forecasted sell-through and expiration of product. Any significant increase in returns that exceeds our reserve could adversely affect our revenue and operating results.

Item 5. Other Information

Appointment of Interim Principal Financial Officer and Interim Principal Accounting Officer

On November 1, 2024, our Board of Directors designated Ted White, our President and Chief Executive Officer and a director of the Company, as the Company's interim principal financial officer and interim principal accounting officer, effective immediately, to serve until November 5, 2024.

Information regarding Mr. White's background and business experience is set forth under the caption "Class III Director Nominees for Election for a Three-Year Term Expiring at the 2027 Annual Meeting" in our definitive proxy statement filed with the Securities and Exchange Commission on April 19, 2024 and is incorporated herein by reference. There are no arrangements or understandings between Mr. White and any other persons pursuant to which he was selected as an officer or director of ours. There are also no family relationships between Mr. White and any of our director or executive officers, and Mr. White has no direct or indirect material interest in any related party transaction required to be disclosed pursuant to Item 404(a) of Regulation S-K.

We did not enter into, or materially amend, any material plan, contract or arrangement to which Mr. White is a party or in which he participates in connection with Mr. White's designation as interim principal financial officer and interim principal accounting officer, or make or modify any grant or award to Mr. White under any such plan, contract or arrangement.

Rule 10b5-1 Trading Arrangements and Non-Rule 10b5-1 Trading Arrangements

During the three months ended September 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.
10.1 #	Fifth Amendment to Credit Agreement, dated as of August 2, 2024, by and between the Registrant and OrbiMed Royalty & Credit Opportunities IV, LP.
10.2	Release and Consulting Agreement, dated as of August 30, 2024, by and between the Registrant and Joseph Bonaccorso
31.1	Certification of Chief Executive Officer and President (Principal Executive Officer and Interim 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 Interim 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.

November 4, 2024

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

EXHIBIT 10.1

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:

i.**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.

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

1.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	$[***]

2.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.

iii.**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.

iv.**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.

v.**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.

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

1.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).

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

vii.**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.

viii.**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:

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

2.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.

3.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.

4.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.

5.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.

6.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.

ix.**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).

x.**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 10.2

Execution Version

Release Agreement

This Release Agreement ("***Release***" or "***Agreement***") is made by and between Joseph Bonaccorso ("***you***") and Verrica Pharmaceuticals Inc. (the "***Company***").

1.Separation. The Company and you agree and acknowledge that you have provided notice to the Company of your resignation from employment with the Company effective August 30, 2024. As such, your last day of work with the Company and your employment termination date will be August 30, 2024 (the "***Separation Date***").

2.Severance Payments; Other Payments

a.In consideration for your execution, return and non-revocation of this Release within the timeframe provided herein, the Company will provide you with the following "***Severance Benefits***":

i.The Company will make severance payments to you in the form of continuation of your base salary in effect on the Separation Date for the equivalent of twelve (12) months following the Separation Date, less applicable withholdings and deductions (the "***Severance Payment***"). These payments will be made on the Company's ordinary payroll dates, commencing on the Company's first regular payroll date that is more than thirty (30) days following the Separation Date (the "***Severance Pay Commencement Date***"), provided the Company has received the executed Agreement from you on or before that date and that the Agreement is no longer subject to revocation. On the Severance Pay Commencement Date, the Company will pay in a lump sum the aggregate amount of the Severance Payment under this Section 2(a)(i) that the Company would have paid you through such date had the payments commenced immediately following the Separation Date through the Severance Pay Commencement Date, with the balance paid thereafter on the applicable schedule described above.

ii.If you timely elect continued coverage under COBRA for yourself and your covered dependents under the Company's group health plans following the Separation Date, then the Company shall pay the COBRA premiums necessary to continue you and your covered dependents' health insurance coverage in effect for yourself (and your covered dependents) on the Separation Date until the earliest of (x) twelve (12) months following the Separation Date; (y) the date when you become eligible for health insurance coverage in connection with new employment or self-employment; or (iii) the date you cease to be eligible for COBRA continuation coverage for any reason, including plan termination (such period from the Separation Date through the earlier of (i)-(iii), the "***COBRA Payment Period***"). Notwithstanding the foregoing, if at any time the Company determines that its payment of COBRA premiums on your behalf would result in a violation of applicable law (including but not limited to the 2010 Patient Protection and Affordable Care Act, as amended by the 2010 Health Care and Education Reconciliation Act), then in lieu of paying COBRA premiums pursuant to this Section, the Company shall pay you on the last day of each remaining month of the COBRA Payment Period, a fully taxable cash payment equal to the COBRA premium for such month, subject to applicable tax withholding (such amount, the "***Special***

Severance

Payment"), such Special Severance Payment to be made without regard to your payment of COBRA premiums and without regard to the expiration of the COBRA period prior to the end of the COBRA Payment Period. You may, but are not obligated, to use the Special Severance Payment to pay for medical expenses. Nothing in this Agreement shall deprive you of your
rights under COBRA or ERISA for benefits under plans and policies arising under your employment by the Company.

b.In addition, regardless of whether you sign this Agreement, the Company affirms that it will pay your accrued but unpaid salary through the Separation Date on the next regularly scheduled date on which payroll is run after the Separation Date.

3.Consulting Opportunity. In addition to the Severance Benefits set forth above, if you timely execute and return this Agreement, do not revoke it, and fully comply with your obligations under this Agreement and the Amended and Restated Employment Agreement between you and the Company dated January 10, 2020 (the "***Employment Agreement***"), the Company will, effective immediately upon the Separation Date, retain you as a nonemployee consultant to perform such services as set forth in the Consulting Agreement attached hereto as Exhibit A (the "***Consulting Agreement***"), pursuant to the terms and conditions set forth therein. You must sign and return the Consulting Agreement no later than the date you execute and return this Agreement to the Company.

4.Compliance with Section 409A. The Severance Benefits offered to you by the Company are payable in reliance on Treasury Regulation Section 1.409A-1(b)(9) and the short
term deferral exemption in Treasury Regulation Section 1.409A-1(b)(4). For purposes of Code Section 409A, your right to receive any installment payments (whether pay in lieu of notice, Severance Benefits, reimbursements or otherwise) shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment shall at all times be considered a separate and distinct payment. All payments and benefits are subject to applicable withholdings and deductions.

5.Equity Awards. You were previously granted options to purchase certain shares of the Company's common stock (the "***Options***"), pursuant to the Company's 2013 Equity Incentive
Plan or the Company's 2018 Equity Incentive Plan (the "***2018 Plan***" and together with the 2013 Equity Incentive Plan, the "***Plans***"). You were also granted restricted stock units to be issued shares of the Company's common stock pursuant to the 2018 Plan (the "***RSUs***" and together with the Options, the "***Equity Awards***"). Under the terms of the Plans and your applicable Option and/or RSU agreements (together with the Plans, the "***Equity Award Documents***"), vesting of the Options and RSUs will cease as of the date your "***Continuous Service***" (as defined in the Plans, as applicable) ends. Provided that you shall have timely executed the Consulting Agreement and satisfied the conditions for receipt of the Severance Benefits (as described in Section 2 above), your Continuous Service will be deemed to have continued following the Separation Date, and your unvested Equity Awards will remain eligible to vest through the duration of the Consulting Agreement.

6.Release. In exchange for the Severance Benefits and other consideration, including but not limited to the Consulting Agreement, to which you would not otherwise be

entitled, and

except as otherwise set forth in this Agreement, you, on behalf of yourself and, to the extent permitted by law, on behalf of your spouse, heirs, executors, administrators, assigns, insurers, attorneys and other persons or entities, acting or purporting to act on your behalf (collectively, the "***Employee Parties***"), hereby generally and completely release, acquit and forever discharge the Company, its parents and subsidiaries, and its and their officers, directors, managers, partners, agents, representatives, employees, attorneys, shareholders, predecessors, successors, assigns, insurers and affiliates (the "***Company Parties***") of and from any and all claims, liabilities, demands, contentions, actions, causes of action, suits, costs, expenses, attorneys' fees, damages, indemnities, debts, judgments, levies, executions and obligations of every kind and nature, in law, equity, or otherwise, both known and unknown, suspected and unsuspected, disclosed and undisclosed, arising out of or in any way related to your employment with the Company and separation therefrom, arising at any time prior to and including the execution date of this Agreement, including but not limited to: all such claims and demands directly or indirectly arising out of or in any way connected with your employment with the Company or the termination of that employment; claims or demands related to salary, bonuses, commissions, vacation pay, the right to receive additional grants of stock, stock options or other ownership interests in the Company, fringe benefits, expense reimbursements, severance pay, or any other form of compensation; claims or demands related to or arising from the Employment Agreement; claims pursuant to any federal, state or local law, statute, or cause of action; tort law; or contract law (individually a "***Claim***" and collectively "***Claims***"). The Claims you are releasing and waiving in this Agreement include, but are not limited to, any and all Claims that any of the Company Parties:

- has violated its personnel policies, handbooks, contracts of employment, or covenants of good faith and fair dealing;

- has discriminated against you on the basis of age, race, color, sex (including sexual harassment), national origin, ancestry, disability, religion, sexual orientation, marital status, parental status, source of income, entitlement to benefits, any union activities or other protected category in violation of any local, state or federal law, constitution, ordinance, or regulation, including but not limited to: the Age Discrimination in Employment Act, as amended ("***ADEA***"); Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; 42 U.S.C. § 1981, as amended; the Equal Pay Act; the Americans With Disabilities Act; the Genetic Information Nondiscrimination Act; the Family and Medical Leave Act; the Pennsylvania Human Relations Act; the Pennsylvania Whistleblower Law; the Pennsylvania Equal Pay Law; the New Jersey Law Against Discrimination; the New Jersey Conscientious Employee Protection Act; the New Jersey Law on Equal Pay; the New Jersey Political Activities of Employees Law; the New Jersey Genetic Testing Law; the New Jersey Family Leave Act; the Employee Retirement Income Security Act; the Employee Polygraph Protection Act; the Worker Adjustment and Retraining Notification Act; the Older Workers Benefit Protection Act; the anti-retaliation provisions of the Sarbanes-Oxley Act, or any other federal or state law regarding whistleblower retaliation; the Lilly Ledbetter Fair Pay Act;

the Uniformed Services Employment and Reemployment Rights Act; the Fair Credit Reporting Act; and the National Labor Relations Act; and

•has violated any statute, public policy or common law (including, but not limited to, Claims for retaliatory discharge; negligent hiring, retention or supervision; defamation; intentional or negligent infliction of emotional distress and/or mental anguish; intentional interference with contract; negligence; detrimental reliance; loss of consortium to you or any member of your family and/or promissory estoppel).

Notwithstanding the foregoing, other than events expressly contemplated by this Agreement you do not waive or release rights or Claims that may arise: (i) from events that occur after the date this Release is executed; (ii) that relate to a breach of this Agreement; (iii) that relate to any existing ownership interest in the Company or vested equity awards as of the date this Release is executed; (iv) that relate to your vested benefits or existing rights under any Company benefit plan or any plan or agreement related to equity ownership in the Company that arise after this Release is executed; (v) in connection with any right of indemnification you may have for any liabilities arising from your actions within the course and scope of your employment with the Company or within the course and scope of your role as an officer of the Company; and (vi) any Claims which cannot be waived by law, including, without limitation, any rights you may have under applicable workers' compensation laws. Nothing in this Agreement has prevented, currently prevents, or shall prevent you from filing, cooperating with, or participating in any proceeding or investigation before the Equal Employment Opportunity Commission, United States Department of Labor, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal government agency, or similar state or local agency ("***Government Agencies***"), or exercising any rights pursuant to Section 7 of the National Labor Relations Act. You further understand this Agreement is not intended to and does not limit your ability to voluntarily communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. While this Agreement does not limit your right to receive an award for information provided to the Securities and Exchange Commission, you understand and agree that, you are otherwise waiving, to the fullest extent permitted by law, any and all rights you may have to individual relief based on any Claims that you have released and any rights you have waived by signing this Agreement. If any Claim is not subject to release, to the extent permitted by law, you waive any right or ability to be a class or collective action representative or to otherwise participate in any putative or certified class, collective or multi-party action or proceeding based on such a Claim in which any of the Company Parties is a party.

7.Your Acknowledgments and Affirmations. You also acknowledge and agree that (i) the consideration given to you in exchange for the waiver and release in this Agreement is in addition to anything of value to which you were already entitled, and (ii) that you have been paid for all time worked, have received all the leave, leaves of absence and leave benefits and protections for which you are eligible, and have not suffered any on the-job injury for which you have not already filed a Claim. You affirm that all of the decisions of the Company Parties regarding your pay and benefits through the date of your execution of this Agreement were not discriminatory based on age, disability, race, color, sex, religion, national origin or any other

classification protected by law. You affirm that you will not voluntarily (except in response to legal compulsion or as permitted in Section 6 above) assist any person in bringing or pursuing any proposed or pending litigation arbitration, administrative claim or other formal proceeding

against any of the Company Parties. You further affirm that you have no known workplace injuries or occupational diseases. You acknowledge and affirm that you have not been retaliated against for reporting any allegation of corporate fraud or other wrongdoing by any of the Company Parties, or for exercising any rights protected by law, including any rights protected by the Fair Labor Standards Act, the Family Medical Leave Act or any related statute or state or local leave or disability accommodation laws, or any applicable state workers' compensation law. In addition, you acknowledge that you are knowingly and voluntarily waiving and releasing any rights you may have under the ADEA ("***ADEA Waiver***"). You also acknowledge that the consideration given for the ADEA Waiver is in addition to anything of value to which you were already entitled. You further acknowledge that you have been advised by this writing, as required by the ADEA, that: (a) your release and waiver herein does not apply to any rights or claims that arise after the date you sign this Agreement; (b) you should consult with an attorney prior to signing this Agreement; (c) you have twenty-one (21) days to consider this Agreement (although you may choose to voluntarily sign it sooner); (d) you have seven (7) days following the date you sign this Agreement to revoke it (by sending written revocation directly by email to Christopher G. Hayes, Chief Legal Officer for the Company at chayes@verrica.com; and (e) the Agreement will not be effective until the date upon which the revocation period has expired unexercised, which will be the eighth (8th) day after you sign this Agreement.

8.Return of Company Property. By the Separation Date, you agree to return to the Company all Company documents (and all copies thereof) and other Company property that you have had in your possession at any time, including, but not limited to, Company files, notes, drawings, records, business plans and forecasts, financial information, specifications, computer-recorded information, tangible property (including, but not limited to, computers), credit cards, entry cards, identification badges and keys; and, any materials of any kind that contain or embody any proprietary or confidential information of the Company (and all reproductions thereof). Please coordinate return of Company property with Nancy Markel, Office Manager/Executive Administrative Assistant of the Company, at nmarkel@verrica.com. Notwithstanding the foregoing, this duty to timely return Company property by the Separation Date does not apply to any property that the Company specifically authorizes you to retain in connection with the Consulting Agreement (which is property you must return to the Company, without retaining any reproductions, upon termination of the Consulting Agreement or earlier if requested by the Company). **Receipt of the Severance Benefits and the Consulting Opportunity described in Sections 2 and 3 of this Agreement is expressly conditioned upon return of all Company property in accordance with this Section 8.**

9.Confidential Information, Non-Competition and Non-Solicitation Obligations. Both during and after your employment you acknowledge your continuing obligations under your Employee Confidential Information, Inventions, Non-Solicitation and Non-Competition Agreement not to use or disclose any confidential or proprietary information of the Company and comply with your post-employment non-competition and nonsolicitation restrictions. The Company acknowledges that you will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (A) is made (i)

in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under

seal. In addition, in the event that you file a lawsuit for retaliation by the Company for reporting a suspected violation of law, you may disclose the trade secret to your attorney and use the trade secret information in the court proceeding, if you: (A) file any document containing the trade secret under seal; and (B) do not disclose the trade secret, except pursuant to court order.

10.Confidentiality. The provisions of this Agreement will be held in strictest confidence by you and will not be publicized or disclosed in any manner whatsoever; *provided*, *however*, that: (a) you may disclose this Agreement to your immediate family; (b) you may disclose this Agreement in confidence to your attorney, accountant, auditor, tax preparer, and financial advisor; and (c) you may disclose this Agreement insofar as such disclosure may be required by law. Notwithstanding the foregoing, nothing in this Agreement shall limit your right to discuss your employment with the Equal Employment Opportunity Commission, United States Department of Labor, the National Labor Relations Board, other federal government agency or similar state or local agency or to discuss the terms and conditions of your employment with others to the extent expressly permitted by Section 7 of the National Labor Relations Act.

11.Non-Disparagement. You and the Company agree not to disparage each other, and the other's attorneys, directors, managers, partners, employees, agents and affiliates, in any manner likely to be harmful to them or their business, business reputation or personal reputation; provided that you and the Company will respond accurately and fully to any question, inquiry or request for information when required by legal process. For purposes of this Section 11, the obligations of the Company shall apply only to the senior management team and the members of the Board of Directors. Notwithstanding the foregoing, nothing in this Agreement shall limit your right to voluntarily communicate with the Equal Employment Opportunity Commission, United States Department of Labor, the National Labor Relations Board, other federal government agency or similar state or local agency or to discuss the terms and conditions of your employment with others to the extent expressly permitted by Section 7 of the National Labor Relations Act.

12.No Admission. This Agreement does not constitute an admission by you or by the Company of any wrongful action or violation of any federal, state, or local statute, or common law rights, including those relating to the provisions of any law or statute concerning employment actions, or of any other possible or claimed violation of law or rights.

13.Breach. You agree that upon any material breach of this Agreement you will forfeit all amounts paid or owing to you under this Agreement. Further, you acknowledge that it may be impossible to assess the damages caused by your violation of the terms of Sections 8, 9, 10 and 11 of this Agreement and further agree that any threatened or actual violation or breach of those Sections of this Agreement will constitute immediate and irreparable injury to the Company. You therefore agree that, in addition to any and all other damages and remedies available to the Company upon your breach of this Agreement, the Company shall be entitled to an injunction to prevent you from violating or breaching this Agreement.

14.Miscellaneous. This Agreement is entered into without reliance on any promise or representation, written or oral, other than those expressly contained herein, and it supersedes any other such promises, warranties or representations. This Agreement may not be modified or

amended except in a writing signed by both you and a duly authorized officer of the Company. This Agreement will bind the heirs, personal representatives, successors and assigns of both you and the Company, and inure to the benefit of both you and the Company, their heirs, successors and assigns. If any provision of this Agreement is determined to be invalid or unenforceable, in whole or in part, this determination will not affect any other provision of this Agreement and the provision in question will be modified by the court so as to be rendered enforceable.
This Agreement will be deemed to have been entered into and will be construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania as applied to contracts made and to be performed entirely within the Commonwealth of Pennsylvania.

[*signatures to follow on next page*]

VERRICA PHARMACEUTICALS INC.

/s/ Ted White
Name: Ted White
Title: President & Chief Executive Officer

I UNDERSTAND THAT THIS AGREEMENT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS, EVEN THOSE UNKNOWN CLAIMS THAT IF KNOWN BY ME, WOULD AFFECT MY DECISION TO ACCEPT THIS AGREEMENT.

/s/ Joseph Bonaccorso
Joseph Bonaccorso

August 30th 2024
Date

EXHIBIT A

Consulting Agreement

This Consulting Agreement (this "***Agreement***"), effective as of August 30, 2024 (the "***Effective Date***"), is made between Verrica Pharmaceuticals Inc. (the "***Company***") and Joseph Bonaccorso ("***Consultant***"). Company and Consultant, collectively, are the "***Parties***", and each a "***Party***".

RECITALS

WHEREAS, Consultant was employed by Company as a full time employee with the title of Chief Commercial Officer until he resigned from employment with the Company effective August 30, 2024; and

WHEREAS, the Company now desires to retain Consultant, without interruption in his service to the Company, to engage as an independent contractor to perform consulting services for the Company as of the Effective Date, at the Company's sole request and direction, and Consultant is willing to perform such services, on the terms described below.

AGREEMENT

NOW THEREFORE, in consideration of the mutual promises contained herein, the Parties agree as follows:

1. Incorporation of Recitals by Reference

The above Recitals are hereby incorporated into this Agreement.

2. Engagement

A. ***Services.*** Consultant agrees to provide services to the Company on the terms and conditions hereinafter provided. Consultant shall perform such services as are reasonably requested of him from time to time and in the Company's sole discretion and direction. The services shall consist of consulting services related to Consultant's previous responsibilities with the Company's and performed only upon request of the Company's President & Chief Executive Officer or the Company's Chief Legal Officer (the "***Services***"). Consultant shall perform the Services in a professional, diligent and competent manner and will devote the necessary time, attention and skill to carry out the Services timely and in full compliance with the Company's policies and practices as well as with all applicable laws, rules, standards and regulations. Consultant will not subcontract or otherwise assign any or all of his duties, obligations, or Services under this Agreement to any individual or entity.

B. ***Reimbursements*****.** During the Term of this Agreement, upon presentation of acceptable expense statements and receipts in accordance with Company policy and procedure, Company shall reimburse Consultant for all reasonable and necessary expenses paid or incurred by Consultant in the performance of the Services; provided, all such expenses

were

necessary and reasonable and pre-approved in writing by Company.

3. Equity Awards. As set forth in the Release Agreement between Consultant and the Company dated August 30, 2024 (the "***Separation Agreement***"), and in consideration for and subject to Consultant's timely, satisfactory, and compliant performance of the Services hereunder, as shall be determined in Company's sole discretion, Consultant's Equity Awards (as defined in the Separation Agreement) will remain eligible to vest for so long as Consultant remains in Continuous Service (as defined in the Company's 2013 Equity Incentive Plan or 2018 Equity Incentive Plan, as applicable, governing each Equity Award) under this Consulting Agreement as of each such vesting date.

4. Confidentiality

A. ***Definition of Confidential Information.*** "***Confidential Information***" means any information (including any and all combinations of individual items of information) that relates to the actual or anticipated business and/or products, research or development of the Company, its affiliates or subsidiaries or to the Company's, its affiliates' or subsidiaries'
technical data, trade secrets, or know-how, including, but not limited to, research, product plans, or other information regarding the Company's, its affiliates' or subsidiaries' products or services and markets therefor, customer lists and customers (including, but not limited to, customers of
the Company on whom Consultant called or with whom Consultant became acquainted during
the term of this Agreement), software, developments, inventions, discoveries, ideas, processes, formulas, technology, designs, drawings, engineering, hardware configuration information, marketing, finances, and other business information that is either (A) disclosed by the Company, either directly or indirectly, in writing, orally or by drawings or inspection of premises, parts, equipment, or other property of Company, or (B) otherwise obtained by Consultant in connection with the performance of the Services. Notwithstanding the foregoing, Confidential Information shall not include any such information which Consultant can establish (i) was rightfully in the public domain prior to the time of disclosure to Consultant; (ii) becomes rightfully in the public domain after disclosure to Consultant through no wrongful action or inaction of Consultant; or
(iii) was not obtained or learned in connection with the performance of the Services and is in the rightful possession of Consultant, without confidentiality obligations, at the time of disclosure
as shown by Consultant's then-contemporaneous written records; provided that any combination of individual items of information shall not be deemed to be within any of the foregoing
exceptions merely because one or more of the individual items are within such exception. Consultant's duty of confidentiality under this Agreement does not amend or abrogate in any manner Consultant's continuing duties under any prior agreement between Consultant and the Company, including but not limited to Consultant's Employee Confidential Information, Inventions, Non-Solicitation and Non-Competition Agreement with the Company.

B. ***Nonuse and Nondisclosure.*** During and after the term of this Agreement, Consultant will hold in the strictest confidence, and take all steps to prevent any unauthorized
use or disclosure of Confidential Information. Consultant will not (i) use the Confidential Information for any purpose whatsoever other than as necessary for the performance of the Services on behalf of the Company or (ii) disclose the Confidential Information to any third

party. Consultant may disclose Confidential Information to the extent compelled by applicable law; provided however, prior to such disclosure, Consultant shall provide prior written notice to Company and seek a protective order or such similar confidential protection as may be available under applicable law. Consultant agrees that no ownership of Confidential Information is conveyed to the Consultant. Without limiting the foregoing, Consultant shall not use or disclose any Company property, intellectual property rights, trade secrets or other proprietary know-how of the Company to invent, author, make, develop, design, or otherwise enable others to invent, author, make, develop, or design identical or substantially similar designs or products for any third party. Consultant agrees that his obligations hereunder shall continue after the termination of this Agreement.

C. ***Other Client Confidential Information*.** Consultant agrees that Consultant will not improperly use, disclose, or induce the Company to use any proprietary information or trade secrets of any other person or entity with which Consultant has an obligation to keep any information in confidence. Consultant also agrees that Consultant will not bring onto the Company's premises or transfer onto the Company's technology systems any unpublished document, proprietary information, or trade secrets belonging to any third party unless disclosure to, and use by, the Company has been consented to in writing by such third party.

D. ***Third Party Confidential Information*.** Consultant recognizes that the Company has received and in the future will receive from third parties their confidential or proprietary information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. Consultant agrees that at all times during the term of this Agreement and thereafter, Consultant owes the Company and such third parties a duty to hold all such confidential or proprietary information in the strictest confidence and not to use it or to disclose it to any person, firm, corporation, or other third party except as necessary in carrying out the Services for the Company consistent with the Company's agreement with such third party.

5. Ownership

A. ***Assignment of Inventions*.** Consultant agrees that all right, title, and interest in and to any copyrightable material, notes, records, drawings, designs, inventions, improvements, developments, discoveries, ideas and trade secrets conceived, discovered, authored, invented, developed or reduced to practice by Consultant, solely or in collaboration with others, during the term of this Agreement and arising out of, or in connection with, performing the Services under this Agreement and any copyrights, patents, trade secrets, mask work rights or other intellectual property rights relating to the foregoing (collectively, "***Inventions***"), are the sole property of the Company. Consultant also agrees to promptly make full written disclosure to the Company of any Inventions and to deliver and assign (or cause to be assigned) and hereby irrevocably assigns fully to the Company all right, title and interest in and to the Inventions.

B. ***Pre-Existing Materials*.** Consultant agrees that he does not have any invention, discovery, idea, original works of authorship, development, improvements, trade secret, concept, or other proprietary information or intellectual property rights. Consultant will not incorporate any invention, discovery, idea, original works of authorship, development,

improvements, trade secret, concept, or other proprietary information or intellectual property right owned by any third party into any Invention without Company's prior written permission.

C. ***Moral Rights*.** Any assignment to the Company of Inventions includes all rights of attribution, paternity, integrity, modification, disclosure and withdrawal, and any other rights throughout the world that may be known as or referred to as "moral rights," "artist's rights," "droit moral," or the like (collectively, "***Moral Rights***"). To the extent that Moral Rights cannot be assigned, Consultant hereby waives and agrees not to enforce any and all Moral Rights, including, without limitation, any limitation on subsequent modification, to the extent permitted under applicable law.

D. ***Further Assurances*.** Consultant agrees to assist Company, or its designee, at the Company's expense, in every proper way to secure the Company's rights in Inventions in any and all countries, including the disclosure to the Company of all pertinent information and data with respect thereto, the execution of all applications, specifications, oaths, assignments and all other instruments that the Company may deem necessary in order to apply for, register, obtain, maintain, defend, and enforce such rights, and in order to deliver, assign and convey to the Company, its successors, assigns and nominees the sole and exclusive right, title, and interest in and to all Inventions and testifying in a suit or other proceeding relating to such Inventions. Consultant further agrees that Consultant's obligations under this Section 5.D shall continue after the termination of this Agreement.

E. ***Attorney-in-Fact*.** Consultant agrees that, if the Company is unable because of Consultant's unavailability, dissolution, mental or physical incapacity, or for any other reason, to secure Consultant's signature with respect to any Inventions, including, without limitation, for the purpose of applying for or pursuing any application for any United States or foreign patents or mask work or copyright registrations covering the Inventions, then Consultant hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as Consultant's agent and attorney-in-fact, to act for and on Consultant's behalf to execute and file any papers and oaths and to do all other lawfully permitted acts with respect to such Inventions to further the prosecution and issuance of patents, copyright and mask work registrations with the same legal force and effect as if executed by Consultant. This power of attorney shall be deemed coupled with an interest, and shall be irrevocable.

6. Representations and Warranties

A. Consultant represents and warrants that Consultant has no agreements, relationships, or commitments to any other person or entity that conflict with the provisions of this Agreement, Consultant's obligations to the Company under this Agreement, and/or Consultant's ability to perform the Services. Consultant will not disclose to the Company, or induce the Company to use, any proprietary information, knowledge or data belonging to any third party.

B. Consultant shall perform all Services in a professional manner, consistent with industry standards and in accordance with all applicable laws, rules, or regulations.

Consultant shall provide to the Company, upon the Company's request, any and all information to enable the Company to verify that Consultant is performing in accordance with this Agreement.

C. Consultant is experienced in the Services to be undertaken on behalf of Company and possesses the skills to complete the Services consistent with industry standards and has not been sanctioned or suspended by any governing authority from providing the Services.

D. Consultant certifies that Consultant is not aware of any information relating to Consultant that would damage the business or reputation of the Company, its products or services, or its officers, directors, employees, or shareholders. Consultant shall notify the Company immediately upon discovery of any such information.

E. During the term of this Agreement, Consultant shall not accept work, enter into a contract, or provide services to any third party that provides products or services which compete with the products or services, currently or in development, provided by the Company nor may Consultant enter into any agreement or perform any services which would conflict or interfere with the Services provided pursuant to or the obligations under this Agreement.

F. Consultant represents and warrants that he is not relying on any statement or representation not contained in this Agreement.

G. Consultant represents and warrants that during the Term and for a period of two (2) years after the termination or expiration of this Agreement, he shall not, and shall cause anyone acting on its behalf, not to, directly or indirectly, (i) solicit or encourage any person to leave the employment of the Company, or (ii) contact, solicit, or divert any customer, vendor, consultant, or past or potential customer, vendor or consultant, of the Company to discontinue, reduce, or adversely alter the amount of such customer's, vendor's, or consultant's business or relationship with the Company or to otherwise interfere with the Company's relationship with such customer, vendor or consultant.

H. Consultant acknowledges and agrees that neither he nor anyone acting on his behalf shall receive any employee benefits of any kind from the Company. Consultant (and Consultant's agents, employees, and subcontractors) is excluded from participating in any fringe benefit plans or programs as a result of the performance of the Services under this Agreement, without regard to Consultant's independent contractor status. In addition, Consultant (on behalf of himself and on behalf of Consultant's agents, employees, and contractors) waives any and all rights, if any, to participation in any of the Company's fringe benefit plans or programs including, but not limited to, health, sickness, accident or dental coverage, life insurance, disability benefits, severance, accidental death and dismemberment coverage, unemployment insurance coverage, workers' compensation coverage, and pension or 401(k) benefit(s) provided by the Company to its employees. Notwithstanding the above, this Agreement does not amend or abrogate in any manner any benefit continuation or conversion rights provided by the provision of a benefit plan or by law arising out of Consultant's previous employment relationship with the Company.

7. Record-Keeping; Return of Company Materials

A. Consultant shall keep records of all Services performed for the Company. Such records shall include, but not be limited to, all documentation pertaining to the Services,

records relevant to any costs, expenses, or payments incurred or made by Consultant on behalf of or reimbursable by the Company, financial records, notes, written communications, and all other documentation or materials pertaining to Consultant's performance of Services. The Company shall have the right to inspect, copy and audit those records identified herein during regular business hours, including, but not be limited to, any records that may pertain to Consultant's representations and warranties in Section 6.

B. Upon the termination of this Agreement, or upon Company's earlier request, Consultant will immediately deliver to the Company, and will not keep in Consultant's possession, custody, or control, recreate, or deliver to anyone else, any Company property, including, but not limited to, Company Confidential Information, tangible embodiments of the Inventions, all devices and equipment belonging to the Company, all electronically-stored information and passwords to access such property and any copies or reproductions of any of the foregoing items.

8. Term and Termination

A. ***Term*****.** The term of this Agreement will begin on the Effective Date and continue for a period of one (1) year, unless earlier terminated as provided in Section 8.B. below.

B. ***Termination*****.**

(1) ***Automatic Termination***. If Consultant fails to timely execute the Separation Agreement according to its terms, then this Agreement will automatically terminate effective at the end of the date by which Consultant is required to execute the Separation Agreement. If Consultant revokes his acceptance of the Separation Agreement within seven (7) days after executing the Separation Agreement, then this Agreement will automatically terminate on the day of such revocation.

(2) ***For Cause***. The Company may terminate this Agreement immediately if Consultant refuses to or is unable to satisfactorily perform, as determined in the Company's sole discretion, the Services or is in actual or threatened breach of any provision of this Agreement.

(3) ***For Convenience***. Either party may terminate this Agreement upon thirty (30) days written notice to the other Party.

The date on which Consultant's engagement is terminated in accordance with this Section 8.B. is herein referred to as the "***Termination Date***".

9. Independent Contractor Relationship

It is the express intention of the Company and Consultant that Consultant perform the Services as an independent contractor to the Company. Nothing in this Agreement shall in any way be construed to constitute, designate, and/or appoint Consultant as an agent, employee or representative of the Company or entitle Consultant to any Company-sponsored benefits from the Company. Further, Consultant is not authorized to bind the Company to any liability or obligation or to represent to anyone that Consultant has any such authority to do so on behalf of the Company. Consultant acknowledges and agrees that Consultant is obligated to report as income all

compensation received by Consultant pursuant to this Agreement and that Company has no tax, financial, or other obligations to Consultant except those expressly set forth in Section 3 of this Agreement.

10. Indemnification

Consultant agrees to indemnify and hold harmless the Company and its directors, officers and employees from and against all taxes, losses, damages, liabilities, costs and expenses, including attorneys' fees and other legal expenses, arising directly or indirectly from or in connection with (i) any negligent, reckless or wrongful act of Consultant, (ii) any actual or threatened breach of this Agreement by the Consultant, or (iii) any failure of Consultant to perform the Services in accordance with the Agreement or any applicable laws, standards, rules or regulations, as determined in Company's sole discretion.

11. Publicity

The Consultant shall not disclose to any third-party the Services performed hereunder without the Company's prior written consent. Consultant shall not use the name of the Company in any publicity, advertising or announcement without the Company's prior written approval.

12. Miscellaneous

A. ***Governing Law; Consent to Personal Jurisdiction*.** This Agreement shall be governed by the laws of the Commonwealth of Pennsylvania. To the extent that any lawsuit is permitted under this Agreement, the Parties hereby expressly consent to the personal and exclusive jurisdiction and venue of the state courts located in Chester County, Pennsylvania and the federal court for the Eastern District of Pennsylvania.

B. ***Assignability*.** This Agreement will be binding upon Consultant's assigns, administrators, and other legal representatives, and will be for the benefit of the Company, its successors, and its assigns. There are no intended third-party beneficiaries to this Agreement. Consultant may not sell, assign, subcontract or delegate any rights or obligations under this Agreement, by operation of law or otherwise (including by merger, consolidation, reorganization, reincorporation, sale of assets or stock or change of control), and any such attempted assignment, delegation, subcontract or transfer shall be null and void. Notwithstanding anything to the contrary herein, Company may assign this Agreement and its rights and obligations under this Agreement to any successor to all or substantially all of Company's relevant assets, whether by merger, consolidation, reorganization, reincorporation, sale of assets or stock, change of control or otherwise.

C. ***Entire Agreement*.** This Agreement constitutes the entire agreement and understanding between the Parties with respect to the subject matter herein and supersedes all prior written and oral agreements, discussions, or representations between the Parties. Consultant represents and warrants that he is not relying on any statement or representation not contained in this Agreement. The Parties have entered into separate agreements related to Consultant's previous employment relationship with the Company, and these separate agreements govern the previous employment relationship between Consultant and Company. Consultant agrees that that these separate agreements have or may have provisions that survive termination of Consultant's relationship with the Company under this Agreement, may be amended or superseded without regard to this Agreement, and are enforceable according to their terms without regard to the enforcement provision of this Agreement. The Parties also agree that the

rights and obligations contained in Sections 4, 5, 6, 7 and 10 of this Agreement will survive any termination or expiration of this Agreement.

D. ***Headings*****.** Headings are used in this Agreement for reference only and shall not be considered when interpreting this Agreement.

E. ***Severability*****.** If a court or other body of competent jurisdiction finds, or the Parties mutually believe, any provision of this Agreement, or portion thereof, to be invalid or unenforceable, such provision will be enforced to the maximum extent permissible so as to carry out the intent of the Parties, and the remainder of this Agreement will continue in full force and effect.

F. ***Modification, Waiver*****.** No modification of or amendment to this Agreement, nor any rights under this Agreement, will be effective unless in a writing signed by the Parties. Waiver by the Company of a breach of any provision of this Agreement will not
operate as a waiver of any other or subsequent breach. No payments made by the Company shall constitute an acceptance of satisfactory performance of Consultant's obligations under this Agreement.

G. ***Notices*****.** Any notice or other communication required or permitted by this Agreement to be given to a Party shall be in writing and shall be deemed given (i) if delivered personally or by commercial messenger or courier service, (ii) when sent by confirmed e-mail,
or (iii) if mailed by U.S. registered or certified mail (return receipt requested), to the Party at the Party's address written below or at such other address as the Party may have previously specified by like notice. If by mail, delivery shall be deemed effective three business days after mailing in accordance with this Section 12.G.

(1) If to the Company, to:

Christopher G. Hayes, Esquire
Verrica Pharmaceuticals Inc.
44 W Gay St, Suite 400
West Chester, PA 19380

(2) If to the Consultant, to:

Joseph Bonaccorso
[***]

H. ***Attorneys' Fees*****.** In any court action at law or equity that is brought by one of the Parties to this Agreement to enforce or interpret the provisions of this Agreement, the prevailing Party will be entitled to reasonable attorneys' fees, in addition to any other relief to which that Party may be entitled.

I. ***Signatures*****.** This Agreement may be signed in two counterparts, each of

which shall be deemed an original, with the same force and effectiveness as though executed in a single document.

J. ***Injunctive Relief*****.** Consultant understands and agrees that the Company will suffer irreparable harm in the event that Consultant breaches any of Consultant's obligations hereunder and that monetary damages will be inadequate to compensate Company for such breach. Accordingly, Consultant agrees that, in the event of a breach or threatened breach by Consultant of any of the provisions hereof, as determined by the Company in its sole discretion, the Company, in addition to and not in limitation of any other rights, remedies or damages available to the Company at law or in equity, shall be entitled to a temporary restraining order, preliminary injunction and/or permanent injunction in order to prevent or to restrain any such breach by Consultant, or by any or all of Consultant's partners, co-venturers, employers, employees, servants, agents, representatives and any and all persons directly or indirectly acting for, on behalf of or with Consultant.

K. ***Errors*****.** In the event that Company discovers at any time that this Agreement contains an error that was caused by a mistake, calculation error, or similar error that misconstrues the spirit and intent of the Company in entering this Agreement, Consultant agrees, upon notice from Company, to re-execute any documents that are necessary to correct any such error(s). Consultant further agrees that Company will not be liable to Consultant for any damages incurred by Consultant that are directly or indirectly caused by any such error(s).

IN WITNESS WHEREOF, the Parties hereto have executed this Consulting Agreement as of the Effective Date first written above.

CONSULTANT:	COMPANY:
	VERRICA PHARMACEUTICALS INC.
/s/ Joseph Bonaccorso Joseph Bonaccorso	/s/ Ted White Ted White President and Chief Executive Officer

Exhibit 31.1

VERRICA PHARMACEUTICALS INC.
CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND INTERIM PRINCIPAL FINANCIAL 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 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: November 4, 2024

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

Exhibit 32.1

VERRICA PHARMACEUTICALS INC.
PRINCIPAL EXECUTIVE OFFICER AND INTERIM 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"), hereby certifies that, to the best of his knowledge:

1.The Company's Quarterly Report on Form 10-Q for the period ended September 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 4th day of November, 2024.

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