REFINITIV

# DELTA REPORT

## 10-Q

PTPI - PETROS PHARMACEUTICALS, I

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

| TOTAL DELTAS | 652 |
|---|---|
| CHANGES | 280 |
| DELETIONS | 156 |
| ADDITIONS | 216 |





REFINITIV

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# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, DC 20549**

# FORM 10-Q

**(Mark One)**

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**for the quarterly period ended March 31, June 30, 2024**

**Or**

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**for the transition period from _____ to _____**

**Commission File Number: 001-39752**

# Petros Pharmaceuticals, Inc.
(Exact name of registrant as specified in its charter)

| **Delaware** | **85-1410058** |
|---|---|
| (State of Incorporation) | (I. R. S. Employer Identification No.) |
| **1185 Avenue of the Americas, 3rd Floor, New York, New York** | **10036** |
| (Address of principal executive offices) | (Zip Code) |

**(973) 242-0005**

(Registrant's telephone number, including area code)

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

| **Title of each class** | **Trading Symbol(s)** | **Name of each exchange on which registered** |
|---|---|---|
| Common stock, par value $0.0001 | PTPI | 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 (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

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

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

As of May 13, 2024 August 13, 2024, there were 7,000,195 9,606,678 shares of the registrant’s common stock, par value $0.0001 per share, outstanding.

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**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q may contain or incorporate by reference forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Such forward-looking statements are based upon management’s assumptions, expectations, projections, intentions and beliefs about future events. Except for historical information, the use of predictive, future-tense or forward-looking words such as “intend,” “plan,” “predict,” “may,” “will,” “project,” “target,” “strategy,” “estimate,” “anticipate,” “believe,” “expect,” “continue,” “potential,” “forecast,” “should” and similar expressions, whether in the negative or affirmative, that reflect our current views with respect to future events and operational, economic and financial performance are intended to identify such forward-looking statements. Such forward-looking statements are only predictions, and actual results and the timing of certain events and circumstances may differ materially from those described by the forward-looking statements as a result of risks and uncertainties, including, without limitation, Petros’ ability to execute on its business strategy, including its plans to develop and commercialize its product candidates; Petros’ ability to comply with obligations as a public reporting company; Petros’ ability to regain and maintain compliance with the Nasdaq Stock Market’s listing standards; the ability of Petros to timely and effectively implement controls and procedures required by Section 404 of the Sarbanes-Oxley Act of 2002; the risk that the financial performance of Petros may not be as anticipated by the merger transactions that resulted in the Company’s creation; risks resulting from Petros’ status as an emerging growth company and smaller reporting company, including that reduced disclosure requirements may make shares of Petros common stock less attractive to investors; Petros’ ability to continue as a going concern; risks related to Petros’ history of incurring significant losses; risks related to Petros’ dependence on the commercialization of a single product, Stendra®; risks related to Petros’ ability to obtain regulatory approvals for, or market acceptance of, any of its products or product candidates. Additional factors that could cause actual results to differ materially from the results anticipated in these forward-looking statements are described in this Quarterly Report on Form 10-Q, in “Risk Factor Summary” and in Part I, Item 1A., “Risk Factors,” in Petros’ Annual Report on Form 10-K for the year ended December 31, 2023, and in our other reports filed with the Securities and Exchange Commission (the “SEC”). We advise you to carefully review the reports and documents we file from time to time with the SEC, particularly our annual reports on Form 10-K, our quarterly reports on Form 10-Q and our current reports on Form 8-K. Petros cautions readers that the forward-looking statements included in, or incorporated by reference into, this Quarterly Report on Form 10-Q represent our beliefs, expectations, estimates and assumptions only as of the date hereof and are not intended to give any assurance as to future results. New factors emerge from time to time, and it is not possible for us to predict all of these factors. Further, Petros cannot assess the effect of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement.

Readers are cautioned not to place undue reliance on forward-looking statements because of the risks and uncertainties related to them and to the risk factors. We disclaim any obligation to update the forward-looking statements contained in, or incorporated by reference into, this Quarterly Report on Form 10-Q to reflect any new information or future events or circumstances or otherwise, except as required by the federal securities laws.

**OTHER INFORMATION**

All references to “Petros,” the “Company,” “we,” “us” and “our” in this Quarterly Report on Form 10-Q refer to Petros Pharmaceuticals, Inc. and its subsidiaries.

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**PART I—FINANCIAL INFORMATION**

**ITEM 1. UNAUDITED FINANCIAL STATEMENTS.**

**PETROS PHARMACEUTICALS, INC.**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

| | March 31, 2024 (Unaudited) | December 31, 2023 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash | $ 11,080,716 | $ 13,336,975 |
| Accounts receivable, net | 1,957,005 | 2,226,151 |
| Inventories | 1,557,018 | 1,610,391 |
| Prepaid inventory | 1,182,899 | 1,182,899 |
| Prepaid expenses and other current assets | 2,124,817 | 2,033,980 |
| Total current assets | 17,902,455 | 20,390,396 |
| | | |
| Fixed assets, net | 26,402 | 28,957 |
| Intangible assets, net | 8,256,453 | 8,971,737 |
| API purchase commitment | 3,936,454 | 4,178,446 |
| Right of use assets | 190,571 | 226,259 |
| Total assets | $ 30,312,335 | $ 33,795,795 |
| | | |
| **Liabilities, Convertible Redeemable Preferred Stock and Stockholders' Equity** | | |
| Current liabilities: | | |
| Current portion of promissory note | $ 1,553,689 | $ 1,156,550 |
| Accounts payable | 2,137,255 | 1,713,253 |
| Accrued expenses | 6,326,001 | 5,360,077 |
| Accrued Series A Convertible Preferred payments payable | 840,353 | 2,047,583 |
| Other current liabilities | 362,233 | 493,288 |
| Total current liabilities | 11,219,531 | 10,770,751 |
| | | |
| Promissory note, net of current portion | 6,460,225 | 6,857,364 |
| Derivative Liability | 1,816,000 | 3,550,000 |
| Other long-term liabilities | 123,021 | 137,657 |
| Total liabilities | 19,618,777 | 21,315,772 |
| | | |
| Commitments and contingencies (see note 14) | | |
| Series A convertible redeemable preferred stock (par value $0.0001 per share and $1,000 stated value), 15,000 and 15,000 shares authorized at March 31, 2024, and December 31, 2023, respectively; 5,663 and 10,022 shares issued and outstanding at March 31, 2024, and December 31, 2023, respectively; Liquidation preference of $6,387,083 and $11,271,365, as of March 31, 2024, and December 31, 2023, respectively. | 906,979 | 408,982 |
| | | |
| Stockholders' Equity: | | |

| | | |
|---|---|---|
| Common stock (par value $0.0001 per share, 250,000,000 and 250,000,000 shares authorized at March 31, 2024, and December 31, 2023, respectively; 6,881,864 and 2,991,377 shares issued and outstanding as of March 31, 2024, and December 31, 2023, respectively) | 688 | 298 |
| Additional paid-in capital | 110,838,135 | 110,960,324 |
| Accumulated deficit | (101,052,244) | (98,889,581) |
| Total Stockholders' Equity | 9,786,579 | 12,071,041 |
| Total Liabilities, Convertible Redeemable Preferred Stock and Stockholders' Equity | $ 30,312,335 | $ 33,795,795 |

| | June 30, 2024 (Unaudited) | December 31, 2023 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash | $ 7,460,014 | $ 13,336,975 |
| Accounts receivable, net | 1,776,531 | 2,226,151 |
| Inventories | 1,433,217 | 1,610,391 |
| Prepaid inventory | 1,414,320 | 1,182,899 |
| Prepaid expenses and other current assets | 1,894,963 | 2,033,980 |
| Total current assets | 13,979,045 | 20,390,396 |
| Fixed assets, net | 23,846 | 28,957 |
| Intangible assets, net | 7,541,171 | 8,971,737 |
| API purchase commitment | 3,471,471 | 4,178,446 |
| Right of use assets | 153,741 | 226,259 |
| Total assets | $ 25,169,274 | $ 33,795,795 |
| **Liabilities, Convertible Redeemable Preferred Stock and Stockholders' Equity** | | |
| Current liabilities: | | |
| Current portion of promissory note | $ 1,936,995 | $ 1,156,550 |
| Accounts payable | 791,091 | 1,713,253 |
| Accrued expenses | 6,673,591 | 5,360,077 |
| Accrued Series A Convertible Preferred payments payable | 224,124 | 2,047,583 |
| Other current liabilities | 350,544 | 493,288 |
| Total current liabilities | 9,976,345 | 10,770,751 |
| Promissory note, net of current portion | 5,697,128 | 6,857,364 |
| Derivative Liability | 202,000 | 3,550,000 |
| Other long-term liabilities | 107,756 | 137,657 |
| Total liabilities | 15,983,229 | 21,315,772 |
| Commitments and contingencies (see note 14) | | |
| Series A convertible redeemable preferred stock (par value $0.0001 per share and $1,000 stated value), 15,000 and 15,000 shares authorized at June 30, 2024, and December 31, 2023, respectively; 4,039 and 10,022 shares issued and outstanding at June 30, 2024, and December 31, 2023, respectively; Liquidation preference of $4,585,929 and $11,271,365, as of June 30, 2024, and December 31, 2023, respectively. | 1,115,762 | 408,982 |
| Stockholders' Equity: | | |
| Common stock (par value $0.0001 per share, 250,000,000 and 250,000,000 shares authorized at June 30, 2024, and December 31, 2023, respectively; 9,297,538 and 2,991,377 shares issued and outstanding as of June 30, 2024, and December 31, 2023, respectively) | 930 | 298 |
| Additional paid-in capital | 109,783,623 | 110,960,324 |
| Accumulated deficit | (101,714,270) | (98,889,581) |
| Total Stockholders' Equity | 8,070,283 | 12,071,041 |

| | | |
|---|---|---|
| Total Liabilities, Convertible Redeemable Preferred Stock and Stockholders' Equity | $ 25,169,274 | $ 33,795,795 |

The accompanying Notes are an integral part of the Condensed Consolidated Financial Statements.



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**PETROS PHARMACEUTICALS, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
**(Unaudited)**

| | For the Three Months Ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| Net sales | $ 1,388,806 | $ 2,517,972 |
| Cost of goods sold | 331,831 | 550,742 |
| Gross profit | 1,056,975 | 1,967,230 |
| Operating expenses: | | |
| Selling, general and administrative | 2,711,456 | 2,130,639 |
| Research and development expense | 1,555,953 | 319,093 |
| Depreciation and amortization expense | 717,839 | 826,795 |
| Total operating expenses | 4,985,248 | 3,276,527 |
| Loss from operations | (3,928,273) | (1,309,297) |
| Other income (expenses): | | |
| Change in fair value of derivative liability | 1,734,000 | — |
| Interest income | 151,819 | 66,317 |
| Interest expense, promissory note | (120,209) | (142,167) |
| Total other income (expenses) | 1,765,610 | (75,850) |
| Net loss before income taxes | $ (2,162,663) | $ (1,385,147) |
| Provision for income taxes | — | — |
| Net loss | $ (2,162,663) | $ (1,385,147) |
| Preferred Stock dividend and cash premiums | (595,505) | — |
| Preferred Stock accretion | (5,268,776) | — |
| Net loss attributable to common stockholders | (8,026,944) | (1,385,147) |
| Basic and Diluted | $ (1.69) | $ (0.66) |
| Weighted average common shares outstanding | | |
| Basic and Diluted | 4,756,952 | 2,088,698 |

| | For the Six Months Ended June 30, | | For the Three Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Net sales | $ 2,810,276 | $ 4,511,983 | $ 1,421,471 | $ 1,994,011 |
| Cost of goods sold | 660,939 | 1,064,599 | 329,110 | 513,857 |
| Gross profit | 2,149,337 | 3,447,384 | 1,092,361 | 1,480,154 |
| Operating expenses: | | | | |

| | | | | |
|---|---|---|---|---|
| Selling, general and administrative | 4,998,088 | 4,380,231 | 2,286,630 | 2,249,592 |
| Research and development expense | 1,924,750 | 1,185,668 | 368,798 | 866,575 |
| Depreciation and amortization expense | 1,435,677 | 1,653,590 | 717,838 | 826,795 |
| Total operating expenses | 8,358,515 | 7,219,489 | 3,373,266 | 3,942,962 |
| | | | | |
| Loss from operations | (6,209,178) | (3,772,105) | (2,280,905) | (2,462,808) |
| Other income (expenses): | | | | |
| Change in fair value of derivative liability | 3,348,000 | — | 1,614,000 | — |
| Interest income | 271,210 | 119,241 | 119,391 | 52,924 |
| Interest expense, promissory note | (234,721) | (278,966) | (114,512) | (136,799) |
| Total other income (expenses) | 3,384,489 | (159,725) | 1,618,879 | (83,875) |
| Net loss before income taxes | $ (2,824,689) | $ (3,931,830) | $ (662,026) | $ (2,546,683) |
| Provision for income taxes | — | — | — | — |
| Net loss | $ (2,824,689) | $ (3,931,830) | $ (662,026) | $ (2,546,683) |
| | | | | |
| Preferred Stock dividend and cash premiums | (812,303) | — | (216,798) | — |
| Preferred Stock accretion | (7,124,871) | — | (1,856,095) | — |
| | | | | |
| Net loss attributable to common stockholders | (10,761,863) | — | (2,734,919) | — |
| Basic and Diluted | $ (1.77) | $ (1.87) | $ (0.37) | $ (1.20) |
| Weighted average common shares outstanding | | | | |
| Basic and Diluted | 6,072,349 | 2,103,220 | 7,388,107 | 2,117,581 |

The accompanying Notes are an integral part of the Condensed Consolidated Financial Statements.



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**PETROS PHARMACEUTICALS, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN CONVERTIBLE REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY**
**(Unaudited)**

| | Convertible Redeemable Preferred Stock | Convertible Redeemable Preferred Stock Amount | Common Stock | Common Stock Amount | Additional Paid-in Capital | Accumulated Deficit | Total | Convertible Redeemable Preferred Stock | Convertible Redeemable Preferred Stock Amount | Common Stock | Common Stock Amount | Additional Paid-in Capital | Accumul Defici |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Three Months Ended March 31, 2024** | | | | | | | | | | | | | |
| Balance, December 31, 2023 | 10,022 | $ 408,982 | 2,991,377 | $ 298 | $110,960,324 | $ (98,889,581) | $12,071,041 | | | | | | |

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Three Months Ended June 30, 2024** | | | | | | | | | | | | | | |
| Balance, March 31, 2024 | | | | | | | | 5,663 | $ 906,979 | 6,881,864 | $ 688 | $110,838,135 | $(101,052 | |
| Stock-based compensation expense | — | — | — | — | 180,381 | — | 180,381 | — | — | — | — | 16,834 | | |
| Common Stock issued for services | — | — | 77,828 | 8 | 109,992 | — | 110,000 | — | — | 245,158 | 25 | 99,975 | | |
| Accrual of Series A Preferred Stock and dividend redemption | (709) | (840,353) | — | — | — | — | — | | | | | | | |
| Series A Preferred Stock accretion | — | 5,268,776 | — | — | (5,268,776) | — | (5,268,776) | — | 1,856,095 | — | — | (1,856,095) | | |
| Series A Preferred Stock dividends | — | 601,120 | — | — | (601,120) | — | (601,120) | — | 153,842 | — | — | (153,842) | | |
| Preferred Stock redemption including cash premium | (3,650) | (4,531,546) | 3,812,659 | 382 | 5,451,719 | — | 5,452,101 | (1,624) | (1,801,154) | 2,170,516 | 217 | 901,572 | | |
| Deemed dividends on Preferred Stock | — | — | — | — | 5,615 | — | 5,615 | — | — | — | — | (62,956) | | |
| Net loss | — | — | — | — | — | (2,162,663) | (2,162,663) | — | — | — | — | — | (662 | |
| Balance, March 31, 2024 | 5,663 | $ 906,979 | 6,881,864 | $ 688 | $110,838,135 | $(101,052,244) | $ 9,786,579 | | | | | | | |
| Balance, June 30, 2024 | | | | | | | | 4,039 | $ 1,115,762 | 9,297,538 | $ 930 | $109,783,623 | $(101,714 | |

| | Convertible Redeemable Preferred Stock | Convertible Redeemable Preferred Stock Amount | Common Stock | Common Stock Amount | Additional Paid-in Capital | Accumulated Deficit | Total |
|---|---|---|---|---|---|---|---|
| **Three Months Ended March 31, 2023** | | | | | | | |
| Balance, December 31, 2022 | — | $ — | 2,079,387 | $ 208 | $ 107,428,652 | $ (90,726,393) | $ 16,702,467 |
| Stock-based compensation expense | — | — | — | — | 130,336 | — | 130,336 |
| Shares issued for vested RSU's | — | — | 9,311 | 1 | (1) | — | — |
| Net loss | — | — | — | — | — | (1,385,147 ) | (1,385,147) |
| Balance, March 31, 2023 | — | $ — | 2,088,698 | $ 209 | $ 107,558,987 | $ (92,111,540) | $ 15,447,656 |


| | Convertible Redeemable Preferred | Convertible Redeemable Preferred Stock | Common | Common Stock | Additional Paid-in | Accumulated |
|---|---|---|---|---|---|---|

| | Stock | Amount | Stock | Amount | Capital | Deficit | Total |
|---|---|---|---|---|---|---|---|
| **Six Months Ended June 30, 2024** | | | | | | | |
| Balance, December 31, 2023 | 10,022 | $ 408,982 | 2,991,377 | $ 298 | $ 110,960,324 | $ (98,889,581) | $ 12,071,041 |
| Stock-based compensation expense | — | — | — | — | 197,215 | — | 197,215 |
| Common Stock issued for services | — | — | 322,986 | 33 | 209,967 | — | 210,000 |
| Series A Preferred Stock accretion | — | 7,124,871 | — | — | (7,124,871) | — | (7,124,871) |
| Series A Preferred Stock dividends | — | 754,962 | — | — | (754,962) | — | (754,962) |
| Preferred Stock redemption including cash premium | (5,983) | (7,173,053) | 5,983,175 | 599 | 6,353,291 | — | 6,353,890 |
| Deemed dividends on Preferred Stock | — | — | — | — | (57,341) | — | (57,341) |
| Net loss | — | — | — | — | — | (2,824,689) | (2,824,689) |
| Balance, June 30, 2024 | 4,039 | $ 1,115,762 | 9,297,538 | $ 930 | $ 109,783,623 | $ (101,714,270) | $ 8,070,283 |

| | Preferred Stock | Preferred Stock Amount | Common Stock | Common Stock Amount | Additional Paid-in Capital | Accumulated Deficit | Total |
|---|---|---|---|---|---|---|---|
| **Three Months Ended June 30, 2023** | | | | | | | |
| Balance, March 31, 2023 | — | $ — | 2,088,698 | $ 209 | $ 107,558,987 | $ (92,111,540) | $ 15,447,656 |
| Stock-based compensation expense | — | — | — | — | 43,316 | — | 43,316 |
| Shares issued for vested RSU's | — | — | 30,922 | 2 | (2) | — | — |
| Net loss | — | — | — | — | — | (2,546,683) | (2,546,683) |
| Balance, June 30, 2023 | — | $ — | 2,119,620 | $ 211 | $ 107,602,301 | $ (94,658,223) | $ 12,944,289 |

| | Preferred Stock | Preferred Stock Amount | Common Stock | Common Stock Amount | Additional Paid-in Capital | Accumulated Deficit | Total |
|---|---|---|---|---|---|---|---|
| **Six Months Ended June 30, 2023** | | | | | | | |
| Balance, December 31, 2022 | — | $ — | 2,079,387 | $ 208 | $ 107,428,652 | $ (90,726,393) | $ 16,702,467 |
| Stock-based compensation expense | — | — | — | — | 173,652 | — | 173,652 |
| Shares issued for vested RSU's | — | — | 40,233 | 3 | (3) | — | — |
| Net loss | — | — | — | — | — | (3,931,830) | (3,931,830) |
| Balance, June 30, 2023 | — | $ — | 2,119,620 | $ 211 | $ 107,602,301 | $ (94,658,223) | $ 12,944,289 |

The accompanying Notes are an integral part of the Condensed Consolidated Financial Statements.



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**PETROS PHARMACEUTICALS, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Unaudited)**

| | For the Three Months Ended March 31, 2024 | 2023 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net loss | $ (2,162,663) | $ (1,385,147) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 717,839 | 826,795 |

| | | |
|---|---|---|
| Bad debt expense (recoveries) | (51,119) | 36,214 |
| Inventory and sample inventory reserve | 12,815 | 50,499 |
| Amortization of right of use asset | 35,688 | 31,550 |
| Change in fair value of derivative liability | (1,734,000) | — |
| Employee stock-based compensation | 180,381 | 130,336 |
| Stock issued for services | 110,000 | — |
| | | |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 320,266 | (325,614) |
| Inventories | 40,557 | (55,092) |
| Prepaid expenses and other current assets | 151,155 | 180,237 |
| Accounts payable | 424,000 | 51,954 |
| Accrued expenses | 965,924 | (25,740) |
| Deferred revenue | (117,238) | (260,361) |
| Other current liabilities | (13,817) | 35,109 |
| Other long-term liabilities | (14,636) | (39,103) |
| Net cash used in operating activities | (1,134,848) | (748,363) |
| | | |
| **Cash flows from financing activities:** | | |
| Payment of promissory note | — | (357,833) |
| Redemption of Series A Preferred Stock | (1,121,411) | — |
| Net cash (used in) provided by financing activities | (1,121,411) | (357,833) |
| | | |
| Net (decrease) increase in cash | (2,256,259) | (1,106,196) |
| | | |
| Cash, beginning of period | 13,336,975 | 9,426,264 |
| Cash, end of period | $ 11,080,716 | $ 8,320,068 |
| | | |
| **Supplemental cash flow information:** | | |
| Cash paid for interest during the period | $ — | $ 142,167 |
| | | |
| **Noncash Items:** | | |
| Noncash increase in inventory due to API reclass | $ — | $ 218,041 |
| Noncash decrease in API purchase commitment | — | 228,001 |
| Noncash decrease in other current assets: API purchase commitment | — | 9,960 |
| Noncash redemption of Series A Preferred Stock | 5,452,101 | — |
| Accrued Series A Convertible Preferred payments payable | 840,353 | — |
| Accretion of Series A convertible preferred stock to redemption value | 5,268,776 | — |
| Accrual of Series convertible preferred stock dividends | 601,120 | — |

| | For the Six Months Ended June 30, | |
|---|---|---|
| | **2024** | **2023** |
| **Cash flows from operating activities:** | | |
| Net loss | $ (2,824,689) | $ (3,931,830) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 1,435,677 | 1,653,590 |
| Bad debt expense (recoveries) | (25,352) | 4,499 |
| Inventory and sample inventory reserve | 7,999 | 41,195 |
| Amortization of right of use asset | 72,517 | 64,081 |
| Derivative liability | (3,348,000) | — |
| Employee stock-based compensation | 197,215 | 173,652 |
| Stock issued for services | 210,000 | — |
| | | |
| Changes in operating assets and liabilities: | | |

| | | |
|---|---|---|
| Accounts receivable | 474,972 | (470,984) |
| Inventories | 169,175 | 33,266 |
| Prepaid inventory | (231,421) | — |
| Prepaid expenses and other current assets | 845,992 | 326,992 |
| Accounts payable | (922,164) | (22,668) |
| Accrued expenses | 1,313,514 | 1,143,909 |
| Deferred revenue | (117,238) | (281,372) |
| Other current liabilities | (25,506) | 24,586 |
| Other long-term liabilities | (29,901) | (79,349) |
| Net cash used in operating activities | (2,797,210) | (1,320,433) |
| | | |
| **Cash flows from financing activities:** | | |
| Payment of promissory note | (379,791) | (721,034) |
| Redemption of Series A Preferred Stock | (2,699,960) | — |
| Net cash used in financing activities | (3,079,751) | (721,034) |
| | | |
| Net decrease in cash | (5,876,961) | (2,041,467) |
| | | |
| Cash, beginning of period | 13,336,975 | 9,426,264 |
| Cash, end of period | $ 7,460,014 | $ 7,384,797 |
| | | |
| **Supplemental cash flow information:** | | |
| Cash paid for interest during the period | $ 120,209 | $ 278,966 |
| | | |
| **Noncash Items:** | | |
| Noncash increase in inventory due to API reclass | $ — | $ 439,353 |
| Noncash decrease in API purchase commitment | — | 459,422 |
| Noncash decrease in other current assets: API purchase commitment | — | 20,069 |
| Noncash issuance of common stock to non-employee | — | 3 |
| Noncash redemption of Series A Preferred Stock | 6,353,890 | — |
| Accrued Series A Convertible Preferred payments payable | 224,124 | — |
| Accretion of Series A convertible preferred stock to redemption value | 7,124,871 | — |
| Accrual of Series convertible preferred stock dividends | 754,962 | — |

The accompanying Notes are an integral part of the Condensed Consolidated Financial Statements.



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**PETROS PHARMACEUTICALS, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Unaudited)**

**1) Nature of Operations, Basis of Presentation, Liquidity and Going Concern**

**Nature of Operations**

Petros Pharmaceuticals, Inc. (“Petros” or the “Company”) was incorporated in Delaware on May 14, 2020, for the purpose of effecting the transactions contemplated by that certain Agreement and Plan of Merger, dated as of May 17, 2020 (as amended, the “Merger Agreement”), by and between Petros, Neurotrope, Inc., a Nevada corporation (“Neurotrope”), Metuchen Pharmaceuticals LLC, a Delaware limited liability company (“Metuchen”), and certain subsidiaries of Petros and Neurotrope. Petros consists of wholly owned subsidiaries, Metuchen, Neurotrope, Timm Medical Technologies, Inc. (“Timm Medical”), and Pos-T-Vac, LLC (“PTV”). The Company is engaged in the commercialization and development of Stendra®, a U.S. Food and Drug Administration (“FDA”) approved PDE-5 inhibitor prescription medication for the treatment of erectile dysfunction (“ED”), which the Company have licensed from Vivus, Inc. (“Vivus”). Petros also markets its own line of ED products in the form of vacuum erection device products through its subsidiaries, Timm Medical and PTV.

Petros Pharmaceuticals is committed to the goal of becoming a leading innovator in the emerging self-care market driving expanded access to key prescription pharmaceuticals as Over-The-Counter (“OTC”) treatment options. Currently, Petros is pursuing increased access for its flagship prescription ED therapy, Stendra®, via potential OTC designation. If ultimately approved by the FDA for OTC access, Stendra® may be the first in its class to achieve this marketing status, also establishing company know how as a proven platform for other prospective prescription therapeutics.

The Company manages its operations through two segments, Prescription Medications and Medical Devices, both of which focus on the treatment of male ED. The Prescription Medications segment consists primarily of Stendra®, which is sold generally in the United States. The Medical Devices segment consists primarily of vacuum erection devices, which are sold domestically and internationally.

The Company’s priority is the ability to sell Stendra® OTC.

**Basis of Presentation and Principles of Consolidation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) for interim financial reporting and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, the unaudited condensed consolidated financial statements included herein contain all adjustments necessary to present fairly the Company’s financial position and the results of its operations and cash flows for the interim periods presented. Such adjustments are of a normal recurring nature. The results of operations for the three six months ended March 31, 2024 June 30, 2024, may not be indicative of results for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements and the notes to those statements for the year ended December 31, 2023, included in the Company’s Annual Report on Form 10-K initially filed with the SEC on April 1, 2024, as amended on May 31, 2024. All transactions between the consolidated entities have been eliminated in consolidation.

**Liquidity, and Going Concern and Other Uncertainties**

In accordance with Financial Accounting Standards Board (the “FASB”) Accounting Standards Update (“ASU”) ASU 2014-15, Presentation of Financial Statements - going Concern (Subtopic 205-40) (“ASC 205-40”), the Company has the responsibility to evaluate whether conditions and/or events raise substantial doubt about its ability to meet its future financial obligations as they become due within one year after the date that the financial statements are issued. To date, the Company’s principal sources of capital used to fund operations have been the revenues from product sales, private sales, registered offerings and private placements of equity securities. The Company has experienced net losses and negative cash flows from operations since inception. As of March 31, 2024 June 30, 2024, the Company had cash of $11.1 million $7.5 million, positive working capital of $6.7 million $4.0 million, and accumulated deficit of $101.1 million $101.7 million. The Company’s plans include, or may include, utilizing cash on hand, as well as exploring additional ways to raise capital in addition to increasing cash flows from operations. In January 2022, the Company executed a promissory note in favor of Vivus in connection with the Vivus Settlement Agreement (as defined herein) in the principal amount of $10,201,758. As of March 31, 2024 June 30, 2024, the principal balance of the note is $8.0 million. The terms $7.6



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million. The terms of this promissory note are discussed in Note 8. 8 and Note 13. The Company does not currently have sufficient available liquidity to fund its operations for at least the next 12 months. These conditions and events raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date that these interim unaudited condensed consolidated financial statements are issued. The accompanying interim unaudited condensed consolidated financial statements do not include any adjustments that might result from these uncertainties. The unaudited condensed consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern.

In response to these conditions and events, the Company is evaluating various financing strategies to obtain sufficient additional liquidity to meet its operating, debt service and capital requirements for the next twelve months following the date of this Quarterly Report. The potential sources of financing that the Company is evaluating include one or any combination of secured or unsecured debt, convertible debt and equity in both public and private offerings. The Company also plans to finance near-term operations with its cash on hand, including the gross proceeds of $15 million raised in the Private Placement (as defined herein), as well as by exploring additional ways to raise capital and increasing cash flows from operations. The Company intends to use the proceeds from the July 2023 capital raise Private Placement to funds fund its OTC progress into throughout 2024. There is no assurance the Company will manage to raise additional capital or otherwise increase cash flows, if required. The sources of financing described above that could be available to the Company and the timing and probability of obtaining sufficient capital depend, in part, on expanding the use of Stendra® and continuing to invest in research and development pursuant to the Company's Non-Prescription / OTC strategies related to Stendra®, which the Company believes has the potential to dramatically increase product sales in the future; future and future capital market conditions. If the Company's current assumptions regarding timing of these events are incorrect or if there are any other changes or differences in the Company's current assumptions that negatively impact the Company's financing strategy, the Company may have to further reduce expenditures or significantly delay, scale back or discontinue the development or commercialization of Stendra® OTC in order to extend its cash resources. The unaudited condensed consolidated financial statements do

**NASDAQ Capital Market Notice of Delisting or Failure to Satisfy a Continued Listing Rule or Standard**

On May 15, 2024, the Company received notice from the Listing Qualifications Staff of Nasdaq indicating that, based upon the closing bid price of the Company's common stock for the 30 consecutive business day period between April 3, 2024, through May 14, 2024, the Company did not include any adjustments to reflect meet the possible future effects minimum bid price of $1.00 per share required for continued listing on the recoverability and classification of assets or the amounts and classifications of liabilities Nasdaq Capital Market pursuant to Nasdaq Listing Rule 5550(a)(2). The letter also indicated that may result should the Company would be unable provided with a compliance period until November 11, 2024, in which to continue as a going concern. regain compliance pursuant to Nasdaq Listing Rule 5810(c)(3)(A).

**2) Summary of Significant Accounting Policies**

**Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting periods. Such estimates include the adequacy of accounts receivable reserves, return reserves, inventory reserves, assessment of long-lived assets, including intangible asset impairment, and the valuation of the derivative liability, among others. Actual results could differ from these estimates and changes in these estimates are recorded when known.

**Risks and Uncertainties**

The Company is subject to risks common to companies in the pharmaceutical industry including, but not limited to, uncertainties related to commercialization of competitor products, regulatory approvals, dependence on key products, dependence on key customers and suppliers, and protection of intellectual property rights.

**Concentration of Credit Risk**

Financial instruments that subject the Company to concentrations of credit risk includes cash. The Company maintains cash on deposit at U.S.-based banks in amounts which, at times, may be in excess of insured limits of $250,000.



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**Segment Reporting**

Operating segments are components of a Company for which separate financial information is available and evaluated regularly by the chief operating decision maker in assessing performance and deciding how to allocate resources. The Company's two segments, Prescription Medications and Medical Devices, focus on the treatment of male erectile dysfunction. The Prescription Medications segment consists primarily of operations related to Stendra®, which is sold generally in the United States. The Medical Devices segment consists primarily of operations related to vacuum erection devices, which are sold domestically and internationally. See Note 15 Segment Information.

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**Revenue Recognition**

Prescription Medication Sales

The Company's prescription medication sales consist of sales of Stendra® in the U.S. for the treatment of male erectile dysfunction. Under Accounting Standards Codification ("ASC") Topic 606, *Revenue Recognition* ("Topic 606"), the Company recognizes revenue from prescription medication sales when its performance obligations with a customer have been satisfied. In the contracts with its customers, the Company has identified a single performance obligation to provide Stendra® upon receipt of a customer order. The performance obligation is satisfied at a point in time when the Company's customers obtain control of Stendra®, which is typically upon delivery. The Company invoices its customers after Stendra® has been delivered and invoice payments are generally due within 30 to 75 days of invoice date.

In determining the transaction price, a significant financing component does not exist since the timing from when the Company delivers Stendra® to when the customers pay for the product is typically less than one year. The Company records prescription medication sales net of any variable consideration, including but not limited to discounts, rebates, returns, chargebacks, and distribution service fees ("DSA"). The Company uses the expected value method when estimating its variable consideration, unless terms are specified within contracts. The identified variable consideration is recorded as a reduction of revenue at the time revenues from sales of Stendra® are recognized. The Company recognizes revenue to the extent that it is probable that a significant revenue reversal will not occur in a future period. These estimates may differ from actual consideration received. The Company evaluates these estimates each reporting period to reflect known changes.

As of March 31, 2024 June 30, 2024, and December 31, 2023, the reserves for sales deductions were $5.0 million $5.1 million and $4.7 million, respectively. The most significant sales deductions included in this reserve relate to returns, contract rebates, and DSA fees. The Company's estimates are based on factors such as direct and indirect customers' buying patterns and the estimated resulting contractual deduction rates, historical experience, specific known market events and estimated future trends, current contractual and statutory requirements, industry data, estimated customer inventory levels, current contract sales terms with the Company's direct and indirect customers, and other competitive factors. Significant judgment and estimation is required in developing the foregoing and other relevant assumptions. The most significant sales deductions are further described below.

*Product Returns*

Consistent with industry practice, the Company maintains a return policy that generally allows its customers to return Stendra® and receive credit for product within six months prior to expiration date and up to one year after expiration date. The provision for returns is based upon the Company's estimates for future Stendra® returns and historical experience. The provision of returns is part of the variable consideration recorded at the time revenue is recognized. As of March 31, 2024 June 30, 2024, and December 31, 2023, the reserves for product returns were $4.6 million $4.9 million and $4.2 million, respectively, and are included as a component of accrued expenses. During the three six months ended March 31, 2024 June 30, 2024, and 2023, respectively, the Company recorded $0.5 million $0.8 million and $0.8 million of returns as a reduction of gross revenue. During the three months ended June 30, 2024, and 2023, respectively, the Company recorded $0.3 million and $0.4 million of returns as a reduction of gross revenue.

*Contract Rebates, Coupon Redemptions and DSA Fees*

The Company establishes contracts with wholesalers, chain stores, and indirect customers that provide for rebates, sales incentives, DSA fees and other allowances. Some customers receive rebates upon attaining established sales volumes. Direct rebates are generally rebates paid to direct purchasing customers based on a percentage applied to a direct customer's purchases from us, including fees paid to



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wholesalers under the Company's DSAs, as described below. Indirect rebates are rebates paid to indirect customers that have purchased the Company's products from a wholesaler under a contract with us.

The Company has entered into DSAs with certain significant wholesaler customers that obligate the wholesalers, in exchange for fees paid by us, to: (i) manage the variability of their purchases and inventory levels within specified limits based on product demand and (ii) provide us with specific services, including the provision of periodic retail demand information and current inventory levels for the Company's pharmaceutical products held at their warehouse locations. See Note 3 Accounts Receivable, net for further discussion of these reserves.



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Medical Device Sales

The Company's medical device sales consist of domestic and international sales of men's health products for the treatment of erectile dysfunction. The men's health products do not require a prescription and include Vacuum Erection Devices, PreBoost, VenoSeal, penile injections (Rx), and urinary tract infection tests. Under Topic 606, the Company recognizes revenue from medical device sales when its performance obligations with its customers have been satisfied. In the contracts with its customers, the Company has identified a single performance obligation to provide medical devices upon receipt of a customer order. The performance obligation is satisfied at a point in time when the Company's customers obtain control of the medical device, which is typically upon shipment. The Company invoices its customers after the medical devices have been shipped and invoice payments are generally due within 30 days of invoice date for domestic customers and 90 days for international customers.

In determining the transaction price, a significant financing component does not exist since the timing from when the Company delivers the medical devices to when the customers pay for the product is typically less than one year. The Company records medical device sales net of any variable consideration, including but not limited to returns. The Company uses the expected value method when estimating its variable consideration. The identified variable consideration is recorded as a reduction of revenue at the time revenues from the medical device sales are recognized. The Company recognizes revenue to the extent that it is probable that a significant revenue reversal will not occur in a future period. These estimates may differ from actual consideration received. The Company evaluates these estimates each reporting period to reflect known changes.

*Product Returns*

Consistent with industry practice, the Company maintains a return policy that generally allows its customers to return medical devices and receive credit for products within 90 days of the sale. The provision for returns is based upon the Company's estimates for future product returns and historical experience. The Company has not made significant changes to the judgments made in applying Topic 606. As of March 31, 2024 June 30, 2024, and December 31, 2023, the reserves for product returns for medical devices were not significant.

Contract Costs

In relation to customer contracts, the Company incurs costs to fulfill a contract but does not incur costs to obtain a contract. These costs to fulfill a contract do not meet the criteria for capitalization and are expensed as incurred. As such, the Company did not have any contract assets at March 31, 2024 June 30, 2024, and December 31, 2023.

Contract Liabilities

Under Accounting Standards Codification Topic 606, Revenue Recognition, the Company recognizes revenue when its performance obligations with a customer has been satisfied. In the event it has not been satisfied, the Company records deferred revenue as a liability on the balance sheet. As of March 31, 2024 June 30, 2024, and December 31, 2023, deferred revenue was $0 and $0 $0.1 million respectively.

**Fair Value of Financial Instruments**

Certain assets and liabilities are carried at fair value under GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the

use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs (other than Level 1 quoted prices), such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market.

Level 3 – Unobservable inputs which are supported by little or no market activity and that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.





Financial instruments recognized at historical amounts in the consolidated balance sheets consist of cash, accounts receivable, other current assets, accounts payable, accrued expenses, and other current liabilities. The Company believes that the carrying values of cash, accounts receivable, other current assets, accounts payable, accrued expenses, note payable, and other current liabilities approximate their fair values due to the short-term nature of these instruments.

In connection with the Private Placement, the Company incurred liabilities related to derivatives arising from embedded features that were not clearly and closely related to the host instruments. The Company estimated the fair value of derivative liability utilizing Monte Carlo Simulation approach. These fair value measurements are based on significant inputs not observable in the market and thus represent Level 3 measurements within the fair value hierarchy. See Notes 16 and 17.

**Intangible Assets**

The Company accounts for recognized intangible assets at cost. Intangible assets with finite useful lives are amortized over the useful life that the assets are expected to contribute directly or indirectly to future cash flows. Intangible assets are amortized using an accelerated method based on the pattern in which the economic benefits of the assets are consumed. The Company reviews the carrying value and useful lives of its intangible assets with definite lives whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable or the period over which they should be amortized has changed. When indicators of impairment exist, the Company determines whether the estimated undiscounted sum of the future cash flows of such assets is less than their carrying amounts. If less, an impairment loss is recognized in the amount, if any, by which the carrying amount of such assets exceeds their respective fair values. The Company evaluates the remaining useful life of each intangible asset that is being amortized during each reporting period to determine whether events and circumstances warrant a revision to the remaining period of amortization. If the estimate of the intangible asset's remaining useful life has changed, the remaining carrying amount of the intangible asset is amortized prospectively over that revised remaining useful life.

The Company's prepared projections including the undiscounted cash flows of the remaining estimated useful lives through December 2031 for the medical device products. Management continued to analyze the Company's intangible assets during 2024. Management noted that the Company's financial results were consistent with previous projections. Based on its analysis, Management concluded that there were no triggering events noted that would indicate a potential impairment for long-lived assets for any of the two asset groups, Metuchen Pharmaceuticals and TIMM/PTV.

***Derivative Financial Instruments***

The Company evaluates all its financial instruments to determine if such instruments contain features that qualify as embedded derivatives per ASC 815, *Derivatives and Hedging* ("ASC 815"). Embedded derivatives must be separately measured from the host contract if all the requirements for bifurcation are met. The assessment of the conditions surrounding the bifurcation of embedded derivatives depends on the nature of the host contract. Bifurcated embedded derivatives are recognized at fair value, with changes in fair value recognized in the statement of operations each period. Bifurcated embedded derivatives are classified with the related host contract in the Company's balance sheet.

***Preferred Stock***

The Company records shares of convertible preferred stock at their respective fair values on the dates of issuance, net of issuance costs. The Company concluded that the Series A Preferred Stock is more akin to a debt-type instrument than an equity-type instrument,



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therefore certain conversion features associated with the convertible preferred stock were deemed to not be clearly and closely related to the host instrument and were bifurcated as a derivative under ASC 815. The Company has applied the guidance in ASC 480-10-S99-3A, *SEC Staff Announcement: Classification and Measurement of Redeemable Securities* and has therefore classified the Series A convertible preferred stock as mezzanine equity as it redeemable in monthly installments. The Company adjusts the carrying values of the convertible preferred stock by accreting the discount and accruing dividends to the state the convertible preferred stock at redemption value each reporting period.



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**Recent Accounting Pronouncements**

***Accounting Pronouncements Not Yet Adopted***

In November 2023, the Financial Accounting Standards Board (FASB) issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures (ASU 2023-07), which requires an enhanced disclosure of significant segment expenses on an annual and interim basis. This guidance will be effective for the annual periods beginning the year ended December 31, 2024, and for interim periods beginning January 1, 2025. Early adoption is permitted. Upon adoption, the guidance should be applied retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating segment disclosures related to its annual report for fiscal year 2024.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (ASU 2023-09), which improves the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the effective tax rate reconciliation and income taxes paid disaggregated by jurisdiction. It also includes certain other amendments to improve the effectiveness of income tax disclosures. This guidance will be effective for the annual periods beginning the year ended December 31, 2025. Early adoption is permitted. Upon adoption, the guidance can be applied prospectively or retrospectively. The Company is currently evaluating income tax disclosures related to its annual report for fiscal year 2025.

**3) Accounts Receivable, net**

Accounts receivable, net is comprised of the following:

| | March 31, 2024 | December 31, 2023 | June 30, 2024 | December 31, 2023 |
|---|---|---|---|---|
| Gross accounts receivables | $ 2,494,076 | $ 2,887,317 | $2,099,868 | $2,887,317 |
| Distribution service fees | (355,301) | (398,968) | (117,049) | (398,968) |
| Chargebacks accrual | (3,934) | (2,462) | (5,983) | (2,462) |
| Cash discount allowances | (24,795) | (24,639) | (22,979) | (24,639) |
| Allowance for credit losses | (153,041) | (235,097) | (177,326) | (235,097) |
| Total accounts receivable, net | $ 1,957,005 | $ 2,226,151 | $1,776,531 | $2,226,151 |

For the three six months ended March 31, 2024 June 30, 2024, gross billings to customers representing 10% or more of the Company's total gross billings included three customers which represented approximately 26% 27%, 24% 25%, and 16% 14% of total gross billings, respectively. For the three six months ended March 31, 2023 June 30, 2023, gross billings from to customers representing 10% or more of the Company's total gross billings included four customers

which represented approximately 23%, 18%, 17% and 10% of total gross billings, respectively. For the three months ended June 30, 2024, gross billings to customers representing 10% or more of the Company's total gross billings included three customers which represented approximately 28%, 25%, and 12% of total gross billings, respectively. For the three months ended June 30, 2023, gross billings to customers representing 10% or more of the Company's total gross billings included three customers which represented approximately 24%, 19%, 15% and 13% 16% of total gross billings, respectively.

Receivables from customers representing 10% or more of the Company's gross accounts receivable included three customers at March 31, 2024 June 30, 2024, equal to 39% 28%, 22% 25%, and 20% 22%, respectively. Receivables from customers representing 10% or more of the Company's gross accounts receivable included three customers at December 31, 2023, equal to 36% 35%, 24% 22% and 16% 18%, respectively.



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**4) Inventories**

Inventory is comprised of the following:

| | March 31, 2024 | December 31, 2023 | June 30, 2024 | December 31, 2023 |
|---|---|---|---|---|
| Raw Materials | $ 1,413,616 | $ 1,430,139 | $1,321,107 | $ 1,430,139 |
| Finished goods | 143,402 | 180,252 | 112,110 | 180,252 |
| Total inventory | $ 1,557,018 | $ 1,610,391 | $1,433,217 | $ 1,610,391 |

Finished goods are net of valuation reserves of $308,227 $303,410 and $295,411 as of March 31, 2024 June 30, 2024, and December 31, 2023, respectively.



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**5) Prepaid Expenses and Other Current Assets**

Prepaid expenses and other current assets are comprised of the following:

| | March 31, 2024 | December 31, 2023 | June 30, 2024 | December 31, 2023 |
|---|---|---|---|---|
| Prepaid insurance | $ 129,926 | $ 45,664 | $ 128,319 | $ 45,664 |
| Prepaid FDA fees | 625,101 | 937,652 | 312,551 | 937,652 |
| API purchase commitment asset (see Note 13) | 946,721 | 704,729 | 1,180,283 | 704,729 |
| Other prepaid expenses | 341,990 | 234,459 | 187,263 | 234,459 |
| Other current assets | 81,079 | 111,476 | 86,547 | 111,476 |
| Total prepaid expenses and other current assets | $ 2,124,817 | $ 2,033,980 | $1,894,963 | $ 2,033,980 |

**6) Intangible Assets**

| | | |
|---|---|---|
| Balance at December 31, 2022 | $ 12,244,484 | $12,244,484 |
| Amortization expense | (3,272,747) | (3,272,747) |
| Balance at December 31, 2023 | 8,971,737 | 8,971,737 |

| | | |
|---|---|---|
| Amortization expense | (715,284) | (1,430,566) |
| Balance at March 31, 2024 | $ 8,256,453 | |
| Balance at June 30, 2024 | | $ 7,541,171 |

The future annual amortization related to the Company's intangible assets is as follows as of March 31, 2024 June 30, 2024:

| | | |
|---|---|---|
| 2024 (remaining 9 months) | $ 2,085,339 | |
| 2024 (remaining 6 months) | | $1,370,058 |
| 2025 | 1,754,329 | 1,754,329 |
| 2026 | 1,442,186 | 1,442,186 |
| 2027 | 1,212,871 | 1,212,871 |
| 2028 | 996,637 | 996,636 |
| Thereafter | 765,091 | 765,091 |
| Total | $ 8,256,453 | $7,541,171 |

The intangible assets held by the Company are the Stendra® product, Timm Medical product, and PTV product and are being amortized over their estimated useful lives of 10 years, 12 years, and 12 years, respectively. The carrying value of the Stendra® product, Timm Medical product, and PTV product as of March 31, 2024 June 30, 2024, are $4.4 million $3.9 million, $3.0 million $2.8 million and $0.8 million, respectively. The carrying value of the Stendra® product, Timm Medical product, and PTV product as of December 31, 2023, were $4.9 million, $3.2 million and $0.9 million, respectively. During the six months ended June 30, 2024, and 2023, respectively, the Company recorded $1.4 million and $1.6 million of amortization expense. During the three months ended June 30, 2024, and 2023, respectively, the Company recorded $0.7 million and $0.8 million of amortization expense.



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**7) Accrued Expenses**

Accrued expenses are comprised of the following:

| | March 31, 2024 | December 31, 2023 | June 30, 2024 | December 31, 2023 |
|---|---|---|---|---|
| Accrued product returns | $ 4,570,172 | $ 4,178,176 | $4,944,502 | $ 4,178,176 |
| Accrued contract rebates | 56,182 | 128,562 | 48,552 | 128,562 |
| Due to 3PL/Wholesalers | 62,284 | 75,727 | 62,284 | 75,727 |
| Accrued bonuses | 831,297 | 665,184 | 964,418 | 665,184 |
| Accrued professional fees | 52,742 | 15,000 | — | 15,000 |
| Accrued R&D fees | 528,214 | 100,668 | 601,952 | 100,668 |
| Other accrued expenses | 225,110 | 196,760 | 51,883 | 196,760 |
| Total accrued expenses | $ 6,326,001 | $ 5,360,077 | $6,673,591 | $ 5,360,077 |



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**8) Debt**

**Promissory Note**

In connection with the Settlement Agreement entered into with Vivus (see Note 13), Petros executed an interest-bearing promissory note (the "Note") in favor of Vivus in the principal amount of $10,201,758. The parties also entered into a Security Agreement to secure Petros' obligations under the Note.

Under the terms of the Note, the original principal amount of $10,201,758 is payable in consecutive quarterly installments of principal and interest beginning on April 1, 2022, through January 1, 2027. Interest on the principal amount will accrue at a rate of 6% per year. The Company may prepay the Note, in whole or in part, at any time, with no premium or penalty. In the event that the Company defaults under the Security Agreement, all principal outstanding under the Note at the time of the default will bear interest at a rate of 9% per year until the full and final payment of all principal and interest under the Note (regardless of whether any default is waived or cured). Pursuant to the Security Agreement, dated January 18, 2022, the Company granted to Vivus a continuing security interest in all of its Stendra® API and products and its rights under the License Agreement. For the three six months ended March 31, 2024 June 30, 2024, and 2023, the Company paid Vivus $0 million $0.5 million and $0.5 million $1.0 million, respectively. As of March 31, 2024 June 30, 2024, and December 31, 2023, the principal balance on the Note is $8.0 million $7.6 million and $8.0 million, respectively.

Future minimum principal payments of the promissory note are as follows:

| | | |
|---|---|---|
| 2024 (remaining 9 months) | $ 1,156,550 | |
| 2024 (remaining 6 months) | | $ 776,759 |
| 2025 | 2,720,940 | 2,720,940 |
| 2026 | 3,264,351 | 3,264,351 |
| 2027 | 872,073 | 872,073 |
| Total | $ 8,013,914 | $ 7,634,123 |
| Less: current portion | (1,553,689) | (1,936,995) |
| Promissory note, net of current portion | $ 6,460,225 | $ 5,697,128 |

**9) Stockholders' Equity**

On December 21, 2023, the Company approved and accrued for the issuance of $200,000 of common stock, payable in two equal installments, with the first installment to be paid upon approval by the Board and the second installment six months after the first installment, to CorProminence, LLC ("CoreIR") for services rendered pursuant to a Marketing and Consulting Agreement. The first installment of 70,922 shares was issued on February 29, 2024. As The second installment of March 31, 2024, the remaining accrual 245,158 shares was $100,000. issued on June 21, 2024.

On January 5, 2024, the Company executed an advisory agreement with Maxim Group LLC ("Maxim") that included the issuance of $10,000 worth of the Company's restricted common stock per month and issued every six months starting upon the execution of the agreement. The first installment of 6,906 shares was issued on January 5, 2024. The Company accrued for the issuance of $20,000 worth $50,000 of restricted common stock during the three six months ended March 31, 2024 June 30, 2024.



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**10) Stock Options**

The following is a summary of stock options for the three six months ended March 31, 2024 June 30, 2024:

| | Number of Shares | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value ($ in thousands) | Number of Shares | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value ($ in thousands) |
|---|---|---|---|---|---|---|---|---|
| Options outstanding at December 31, 2023 | 509,133 | $ 4.75 | 9.46 | $ 66 | 509,133 | $ 4.75 | 9.46 | $ 66 |
| Options granted | — | — | — | — | — | — | — | — |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Less: options forfeited | — | — | — | — | — | — | — | — |
| Less: options expired/cancelled | — | — | — | — | — | — | — | — |
| Less: options exercised | — | — | — | — | — | — | — | — |
| Options outstanding at March 31, 2024 | 509,133 | $ 4.75 | 9.46 | $ 97 | | | | |
| Options exercisable at March 31, 2024 | 138,600 | $ 14.15 | 8.65 | $ 6 | | | | |
| Options outstanding at June 30, 2024 | | | | | 509,133 | $ 4.75 | 9.23 | $ — |
| Options exercisable at June 30, 2024 | | | | | 454,600 | $ 5.15 | 8.90 | $ — |

Stock-based compensation expense recognized for the three six months ended March 31, 2024 June 30, 2024, and 2023 was $180,381 $197,215 and $130,336, $173,652, respectively, and is recorded in general and administrative expenses in the consolidated statements of operations. As of March 31, 2024 June 30, 2024, there is no unrecognized stock-based compensation expense (excluding performance awards) is approximately $16,835 to be. Stock-based compensation expense recognized over a term of 0.03 years. for the three months ended June 30, 2024, and 2023 was $16,834 and $43,316, respectively

**11) Common Stock Warrants**

The following is a summary of warrants for the three six months ended March 31, 2024 June 30, 2024:

| | Number of Warrants | Weighted-Average Exercise Price | Remaining Contractual Term | Aggregate Intrinsic Value ($ in thousands) | Number of Warrants | Weighted-Average Exercise Price | Remaining Contractual Term | Aggregate Intrinsic Value ($ in thousands) |
|---|---|---|---|---|---|---|---|---|
| Warrants outstanding - December 31, 2023 | 8,203,839 | $ 14.93 | 4.3 | $ — | 8,203,839 | $ 14.93 | 4.3 | $ — |
| Warrants issued in 2024 | — | — | — | — | | | | |
| Warrants exercised 2024 | — | — | — | — | | | | |
| Warrants expired in 2024 | — | — | — | — | | | | |
| Warrants outstanding and exercisable- March 31, 2024 | 8,203,839 | $ 14.93 | 4.0 | $ — | | | | |
| Warrants issued | | | | | — | — | — | — |
| Warrants exercised | | | | | — | — | — | — |
| Warrants expired | | | | | (11,768) | 261.18 | — | — |
| Warrants outstanding and exercisable- June 30, 2024 | | | | | 8,192,071 | $ 14.57 | 3.8 | $ — |

**12) Dilutive convertible securities**

The following table summarizes the potentially dilutive securities convertible into common shares that were excluded from the calculation of diluted net income (loss) per share because their inclusion would have been antidilutive:

| | For the Three Months Ended March 31, | | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Stock options | 509,133 | 54,067 | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| RSUs | — | 30,927 | | | | |
| Stock Options | | | 509,133 | 210,067 | 509,133 | 210,067 |
| Series A Convertible Preferred stock | 2,838,704 | — | 2,038,191 | — | 2,038,191 | — |
| Warrants | 8,203,839 | 1,004,115 | 8,192,071 | 1,004,115 | 8,192,071 | 1,004,115 |
| **Total** | 11,551,676 | 1,089,109 | 10,739,395 | 1,214,182 | 10,739,395 | 1,214,182 |

**13) Marketing, Licensing and Distribution Agreements**

***(a) Vivus***

On September 30, 2016, the Company entered into a License and Commercialization Agreement (the "License Agreement") with Vivus, Inc ("Vivus") to purchase and receive the license for the commercialization and exploitation of Stendra® for a one-time fee of $70 million. The License Agreement gives the Company the right to sell Stendra® in the U.S and its territories, Canada, South America,



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and India. In December 2000, Vivus originally was granted the license from Mitsubishi Tanabe Pharma Corporation ("MTPC") to



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develop, market, and manufacture Stendra®. Stendra® was approved by the Food and Drug Administration ("FDA") in April 2012 to treat male erectile dysfunction.

Under the License Agreement, the Company will pay MTPC a royalty of 5% on the first $500 million of net sales and 6% of net sales thereafter. In consideration for the trademark assignment and the use of the trademarks associated with the product and the Vivus technology, the Company shall (a) during the first, second, and third years following the expiration of the Royalty Period in a particular country in the Company's territory, pay to Vivus a royalty equal to 2% of the net sales of products in such territory; and (b) following the fourth and fifth years following the end of the Royalty Period in such territory, pay to Vivus a royalty equal to 1% of the net sales of products in such territory. Thereafter, no further royalties shall be owed with respect to net sales of Stendra® in such territory.

In addition, the Company will be responsible for a pro-rata portion of a $6 million milestone payment to be paid once $250 million in sales has been reached on the separate revenue stream of Stendra®. Should the $250 million of sales threshold be reached, the Company will be responsible for $3.2 million of the milestone payment.

On January 18, 2022, Petros and Vivus entered into a Settlement Agreement (the "Vivus Settlement Agreement") related to the minimum purchase requirements under the Vivus Supply Agreement in 2018, 2019 and 2020 and certain reimbursement rights asserted by a third-party retailer in connection with quantities of the Company's Stendra® product that were delivered to the third-party retailer and later returned. In connection with the Vivus Settlement Agreement, Petros retained approximately $7.3 million of Active Pharmaceutical Ingredient ("API") inventory under the Vivus Supply Agreement. In exchange for the API and reduction of current liabilities after prepayment of $900,000, Petros executed an interest-bearing promissory note (the "Note") in favor of Vivus in the original principal amount of $10,201,758, which the Company believes approximates fair value (See Note 8).

In addition to the payments to be made in accordance with the Note, the Company further agreed in the Vivus Settlement Agreement to (i) grant to Vivus a right of first refusal to provide certain types of debt and convertible equity (but not preferred equity) until the Note is paid in full, and (ii) undertake to make certain regulatory submissions to effectuate Vivus' ability to exercise its rights under the License Agreement. On January 18, 2022, the Company made a prepayment of the obligations under the Note in the amount of $900,000, and a payment of $1,542,904 with respect to a purchase order made in 2021 to Vivus. In

consideration of these payments and upon the Company's satisfaction of certain regulatory submissions, Vivus released 100% of the quantity of bulk Stendra® tablets by the end of the first quarter 2022.

As a result of entering into the Vivus Settlement Agreement, the Company decreased accrued expenses by $6.5 million and decreased accrued inventory purchases by $14.2 million; which were partially offset by a decrease in API purchase commitments of $6.2 million and an increase to liabilities for the Note of $10.2 million (which is net of the $0.9 million prepayment on the Note). As a result, the Company recorded a $3.4 million gain on settlement for the year ended December 31, 2022.

API inventory is not a finished good. The additional API inventory that the Company does not have title to is classified as API Inventory in either other current assets or other assets, depending on whether the Company expects to take title to the product within one year from the date of the financial statements. As of March 31, 2024 June 30, 2024, and December 31, 2023, there was $0.9 million $1.2 million and $0.7 million respectively included in other current assets (see Note 5 Prepaid Expenses and Other Current Assets). As of March 31, 2024 June 30, 2024, and December 31, 2023, there was $3.9 million $3.5 million and $4.2 million included as other assets on the accompanying consolidated balance sheets, respectively. The Company reviews its inventory levels and purchase commitments for excess amounts that it is required to purchase but projects it will not be able to sell prior to product expiry. The Company did not record any reserve for the three and six months ended March 31, 2024 June 30, 2024, and 2023.

During the three six months ended March 31, 2024 June 30, 2024, and 2023, the Company incurred royalties to MTPC for Stendra® of $30,655 $61,406 and $75,314, $124,534, respectively. During the three months ended June 30, 2024, and 2023, the Company incurred royalties to MTPC for Stendra® of $30,751 and $49,220, respectively. Royalties incurred were included in cost of goods sold in the consolidated statements of operations. As of March 31, 2024 June 30, 2024, and the Company had a payable for royalties of $4,903, which is included in accrued expenses in the accompanying consolidated balance sheets. As of December 31, 2023, the Company had a receivable for royalties of $25,849 and $56,503, which are is included in other current assets. (see Note 7 Accrued Expenses and Note 5 Prepaid Expenses and other Current Assets).

The license agreement between MTPC and Vivus ("MTPC License") contains certain termination rights that would allow MTPC to terminate the agreement if Vivus were to breach any of the terms of the MTPC License or become insolvent or bankrupt. In the event that MTPC terminates the MTPC License with Vivus because of any contractual breach the Company has step-in rights with MTPC, which would allow the Company to continue to sell Stendra®.



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***(b) Patheon***

Following the termination of the Vivus Supply Agreement, Petros, through its subsidiary Metuchen, entered into a Technology Transfer Service Agreement on January 20, 2022, with Patheon Pharmaceuticals Inc., part of Thermo Fisher Scientific ("Patheon"), pursuant to which the Company and Patheon agreed to collaborate as strategic partners for commercial production of Stendra® tablets at Patheon's facilities in Cincinnati, Ohio. Under the Agreement, Patheon or one of its affiliates will provide pharmaceutical development and technology transfer services in order to establish and validate its ability to manufacture supply of the Company's Stendra® product. Any commercial sale of product manufactured during the performance of the Agreement must be subject to a subsequent commercial manufacturing services agreement (with associated quality agreement) between the parties before it can be offered for commercial sale.

**14) Commitments and Contingencies**

***(a) Legal Proceedings***

On July 14, 2020, Greg Ford, the former Chief Executive Officer of the Company, was terminated. On July 14, 2020, Mr. Ford, through his attorney, claimed that he was entitled to severance pay pursuant to an employment agreement following the termination of his employment on that same date. This claim is currently at an early stage where the Company is unable to determine the likelihood of any unfavorable outcome.

From time to time, the Company is involved in various legal matters arising in the normal course of business. The Company does not expect the outcome of such proceedings, either individually or in the aggregate, to have a material effect on the Company's financial position, cash flows or results of operations.

***(b) Contract Research***

The Company is currently conducting non-clinical consumer studies in connection with the pursuit of potential FDA approval for Stendra® Non-Prescription OTC use in treating ED. The Company has contracted with a leading Contract Research Organization ("CRO") in the conduct of Rx-to-OTC Switch

development including self-selection studies, human factors studies and various web app studies. The Company has committed approximately $1.4 million through multiple task orders/statements of work with the CRO to perform these studies. As of March 31, 2024 June 30, 2024, these projects are approximately 71% 82% complete. The Company expects the CRO to complete these studies during the third quarter of 2024.

**15) Segment Information**

The Company manages its operations through two segments. The Company's two segments, Prescription Medications and Medical Devices, focus on the treatment of male erectile dysfunction. The Prescription Medications segment consists primarily of operations related to Stendra®, which is sold generally in the United States. The Medical Devices segment consists primarily of operations related to vacuum erection devices, which are sold domestically and internationally. The Company separately presents the costs associated with certain corporate functions as Corporate, primarily consisting of unallocated operating expenses including costs that were not specific to a particular segment but are general to the group, expenses incurred for administrative and accounting staff, general liability and other insurance, professional fees and other similar corporate expenses. Interest and other income (expense), net is also not allocated to the operating segments.



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The Company's results of operations by reportable segment for the three six months ended March 31, 2024 June 30, 2024, are summarized as follows:

| For the Three Months Ended March 31, 2024 | Prescription Medications | Medical Devices | Corporate | Consolidated |
|---|---|---|---|---|
| Net sales | $ 613,095 | $ 775,711 | $ — | $ 1,388,806 |
| Cost of goods sold | 75,356 | 256,475 | — | 331,831 |
| Selling, general and administrative expenses | 677,896 | 502,775 | 1,530,785 | 2,711,456 |
| Research and development expenses | 1,555,953 | — | — | 1,555,953 |
| Depreciation and amortization expense | 500,305 | 217,534 | — | 717,839 |
| Change in fair value of derivative liability | — | — | (1,734,000) | (1,734,000) |
| Interest income | — | — | (151,819) | (151,819) |
| Interest expense | — | — | 120,209 | 120,209 |
| Net (loss) and income | $ (2,196,415) | $ (201,073) | $ 234,825 | $ (2,162,663) |

| For the Six Months Ended June 30, 2024 | Prescription Medications | Medical Devices | Corporate | Consolidated |
|---|---|---|---|---|
| Net sales | $ 1,228,115 | $1,582,161 | $ — | $ 2,810,276 |
| Cost of goods sold | 145,327 | 515,612 | — | 660,939 |
| Selling, general and administrative expenses | 1,302,928 | 1,072,556 | 2,622,604 | 4,998,088 |
| Research and development expenses | 1,924,750 | — | — | 1,924,750 |
| Depreciation and amortization expense | 1,000,610 | 435,067 | — | 1,435,677 |
| Change in fair value of derivative liability | — | — | (3,348,000) | (3,348,000) |
| Interest income | — | — | (271,210) | (271,210) |
| Interest expense | — | — | 234,721 | 234,721 |
| Net (loss) and income | $(3,145,500) | $ (441,074) | $ 761,885 | $(2,824,689) |

The Company's results of operations by reportable segment for the six months ended June 30, 2023, are summarized as follows:

| For the Six Months Ended June 30, 2023 | Prescription Medications | Medical Devices | Corporate | Consolidated |
|---|---|---|---|---|
| Net sales | $2,490,686 | $2,021,297 | $ — | $ 4,511,983 |
| Cost of goods sold | 257,721 | 806,878 | — | 1,064,599 |
| Selling, general and administrative expenses | 754,993 | 905,442 | 2,719,796 | 4,380,231 |
| Research and development expenses | 1,130,338 | 55,330 | — | 1,185,668 |
| Depreciation and amortization expense | 1,150,939 | 502,651 | — | 1,653,590 |
| Interest income | — | — | (119,241) | (119,241) |
| Interest expense | — | — | 278,966 | 278,966 |
| Net loss | $ (803,305) | $ (249,004) | $ (2,879,521) | $ (3,931,830) |

The Company's results of operations by reportable segment for the three months ended March 31, 2023 June 30, 2024, are summarized as follows:

| For the Three Months Ended March 31, 2023 | Prescription Medications | Medical Devices | Corporate | Consolidated |
|---|---|---|---|---|
| Net sales | $ 1,506,278 | $ 1,011,694 | $ — | $ 2,517,972 |
| Cost of goods sold | 174,270 | 376,472 | — | 550,742 |
| Selling, general and administrative expenses | 496,847 | 423,871 | 1,209,921 | 2,130,639 |
| Research and development expenses | 265,216 | 53,877 | — | 319,093 |
| Depreciation and amortization expense | 575,470 | 251,325 | — | 826,795 |
| Interest income | — | — | (66,317) | (66,317) |
| Interest expense | — | — | 142,167 | 142,167 |
| Net loss | $ (5,525) | $ (93,851) | $ (1,285,771) | $ (1,385,147) |

| For the Three Months Ended June 30, 2024 | Prescription Medications | Medical Devices | Corporate | Consolidated |
|---|---|---|---|---|
| Net sales | $ 615,022 | $ 806,449 | $ — | $ 1,421,471 |
| Cost of goods sold | 69,971 | 259,139 | — | 329,110 |
| Selling, general and administrative expenses | 625,030 | 569,782 | 1,091,818 | 2,286,630 |
| Research and development expenses | 368,978 | — | — | 368,798 |
| Depreciation and amortization expense | 500,305 | 217,533 | — | 717,838 |
| Change in fair value of derivative liability | — | — | (1,614,000) | (1,614,000) |
| Interest income | — | — | (119,391) | (119,391) |
| Interest expense | — | — | 114,512 | 114,512 |
| Net loss | $ (949,082) | $ (240,005) | $ 527,061 | $ (662,026) |

The Company's results of operations by reportable segment for the three months ended June 30, 2023, are summarized as follows:

| For the Three Months Ended June 30, 2023 | Prescription Medications | Medical Devices | Corporate | Consolidated |
|---|---|---|---|---|
| Net sales | $ 984,408 | $ 1,009,603 | $ — | $ 1,994,011 |
| Cost of goods sold | 83,451 | 430,406 | — | 513,857 |
| Selling, general and administrative expenses | 258,145 | 481,572 | 1,509,875 | 2,249,592 |
| Research and development expenses | 865,122 | 1,453 | — | 866,575 |
| Depreciation and amortization expense | 575,470 | 251,325 | — | 826,795 |
| Interest income | — | — | (52,924) | (52,924) |
| Interest expense | — | — | 136,799 | 136,799 |
| Net loss | $ (797,780) | $ (155,153) | $ (1,593,750) | $ (2,546,683) |



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The following table reflects net sales by geographic region for the three and six months ended March 31, 2024 June 30, 2024, and 2023:

| Net Sales | For the Three Months Ended March 31, 2024 | For the Three Months Ended March 31, 2023 |
|---|---|---|
| United States | $ 1,178,847 | $ 2,158,770 |
| International | 209,959 | 359,202 |
| | $ 1,388,806 | $ 2,517,972 |

| Net sales | For the Three Months Ended June 30, 2024 | For the Three Months Ended June 30, 2023 | For the Six Months Ended June 30, 2024 | For the Six Months Ended June 30, 2023 |
|---|---|---|---|---|
| United States | $1,105,433 | $1,597,829 | $2,284,277 | $3,756,599 |
| International | 316,038 | 396,182 | 525,999 | 755,384 |
| | $1,421,471 | $1,994,011 | $2,810,276 | $4,511,983 |

No individual country other than the United States accounted for 10% of total sales for the three and six months ended March 31, 2024 June 30, 2024, and 2023.

The Company's assets by reportable segment and reconciliation of segment assets to consolidated assets as of March 31, 2024 June 30, 2024, are summarized as follows:

| | Prescription Medications | Medical Devices | Consolidated | Prescription Medications | Medical Devices | Consolidated |
|---|---|---|---|---|---|---|
| Intangible assets, net | $ 4,405,998 | $ 3,850,455 | $ 8,256,453 | $ 3,908,249 | $3,632,922 | $ 7,541,171 |
| Total segment assets | $ 24,570,897 | $ 5,741,438 | $ 30,312,335 | $19,705,255 | $5,464,019 | $25,169,274 |

The Company's assets by reportable segment and reconciliation of segment assets to consolidated assets as of December 31, 2023, are summarized as follows:

| | Prescription Medications | Medical Devices | Consolidated |
|---|---|---|---|
| Intangible assets, net | $ 4,903,749 | $ 4,067,988 | $ 8,971,737 |
| Total segment assets | $27,891,180 | $ 5,904,615 | $ 33,795,795 |



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**16) Private Placement**

On July 13, 2023, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with certain accredited investors (the "Investors"), pursuant to which the Company agreed to sell in a private placement to the Investors (i) an aggregate of 15,000 shares of the Company's newly-designated Series A Convertible Preferred Stock, with a par value of $0.0001 per share and a stated value of $1,000 per share (the "Series A Preferred Stock"), initially convertible into up to 6,666,668 shares of the Company's common stock, par value $0.0001 per share (the "Common Stock") at an initial conversion price of $2.25 per share (the "Series A Preferred Shares"), and (ii) warrants to acquire up to an aggregate of 6,666,668 shares of Common Stock (the "Warrants") at an initial exercise price of $2.25 per share (collectively, the "Private Placement"). Pursuant to the terms of the Certificate of Designations of Series A Convertible Preferred Stock (the "Certificate of Designations") and the Warrants, each of the Conversion Price (as defined below) and the exercise price and the number of shares underlying the Warrants is subject to customary adjustments for stock dividends, stock splits, reclassifications and the like, and subject to price-based adjustment in the event of any issuances of Common Stock, or securities convertible, exercisable or exchangeable for Common Stock, at a price below the then-applicable Conversion Price (subject to certain exceptions). As of March 31, 2024 June 30, 2024, the Conversion Price and the exercise price of the Warrants was equal to $2.25 per share. On March 21, 2024, the Company entered into Omnibus Waiver and Amendments with the investors named therein, effective December 31, 2023 (the "Waiver and Amendment"). The Waiver and Amendment provides that certain equity awards granted to directors, officers, employees of the Company under the Company's 2020 Omnibus Incentive Compensation Plan are deemed to constitute "Excluded Securities" under the Transaction Documents (as such term is defined in the Purchase Agreement) and waives the applicability of certain other provisions of the Transaction Documents with respect to such grants. The Waiver and Amendment also amended certain terms of the Warrants relating to the rights of the holders of the Warrants to provide that, in the event of a Fundamental Transaction (as defined in the Warrants) that is not within the Company's control, including not approved by the Company's Board of Directors, the holder of a Warrant shall only be entitled to receive from the Company or any successor entity the same type or form of consideration (and in the same proportion), at the Black Scholes Value of the unexercised portion of such Warrant, that is being offered and paid to the holders of the Company's common stock in connection with the Fundamental Transaction.



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Series A Preferred Stock

The terms of the Series A Preferred Shares are as set forth in the form of Certificate of Designations. The Series A Preferred Shares will be convertible into shares of Common Stock (the "Conversion Shares") at the election of the holder at any time at an initial conversion price of $2.25 (the "Conversion Price"). The Conversion Price is subject to customary adjustments for stock dividends, stock splits, reclassifications and the like, and subject to price-based adjustment in the event of any issuances of Common Stock, or securities convertible, exercisable or exchangeable for Common Stock, at a price below the then-applicable Conversion Price (subject to certain exceptions). The Company is required to redeem the Series A Preferred Shares in 13 equal monthly installments, commencing on November 1, 2023. The amortization payments due upon such redemptions are payable, at the Company's election, in cash at 107% of the Installment Redemption Amount (as defined in the Certificate of Designations), or subject to certain limitations, in shares of common stock valued at the lower of (i) the Conversion Price then in effect and (ii) the greater of (A) 80% of the average of the three lowest closing prices of the Common Stock during the thirty trading day period immediately prior to the date the amortization payment is due or (B) the lower of $0.396, which is 20% of the "Minimum Price" (as defined in Nasdaq Stock Market Rule 5635) on the date of the Nasdaq Stockholder Approval (as defined below) or such lower amount as permitted, from time to time, by the Nasdaq Stock Market, subject to adjustment for stock splits, stock dividends, stock combinations, recapitalizations or other similar events. The Company may require holders to convert their Series A Preferred Shares into Conversion Shares if the closing price of the Common Stock exceeds $6.75 per share (subject to adjustment for stock splits, stock dividends, stock combinations, recapitalizations or other similar events) for 20 consecutive trading days and the daily dollar trading volume of the Common Stock exceeds two million dollars ($2,000,000) per day during the same period and certain equity conditions described in the Certificate of Designations are satisfied.

The holders of the Series A Preferred Shares are entitled to dividends of 8% per annum, compounded monthly, which are payable, at the Company's option, in cash or shares of Common Stock, or in a combination thereof, in accordance with the terms of the Certificate of Designations. On September 29, 2023, the Company filed an amendment to the Certificate of Designations with the Secretary of State for the State of Delaware, pursuant to which the terms of the Series A Preferred Stock were amended to permit certain additional procedures for the payment of redemptions and conversions Upon the occurrence and during the continuance of a Triggering Event (as defined in the Certificate of Designations), the Series A Preferred Shares will accrue dividends at the rate of 15% per annum. In connection with a Triggering Event, each holder of Series A Preferred Shares will be able to require us to redeem in cash any or all of the holder's Series A Preferred Shares at a premium set forth in the Certificate of Designations. Upon conversion or redemption, the holders of the Series A Preferred Shares are also entitled to receive a dividend make-whole payment. The holders of Series A Preferred



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Shares have no voting rights on account of the Series A Preferred Shares, other than with respect to certain matters affecting the rights of the Series A Preferred Shares.

During December 2023, the Company issued as equity awards, shares of Common Stock and options to purchase shares of Common Stock representing an aggregate of 348,711 shares of Common Stock and shares of Common Stock issuable upon exercise of the options to certain directors, officers, and employees of the Company, representing an aggregate number of shares of Common Stock in excess of 5% of the shares of Common Stock issued and outstanding immediately prior to the date of the Purchase Agreement (the "December Issuances"). Under the terms of the Certificate of Designations, the Conversion Price of the Series A Preferred Shares was required to be adjusted as a result of the December Issuances.

The Series A Preferred Shares were determined to be more akin to a debt-like host than an equity-like host. The Company identified the following embedded features that are not clearly and closely related to the debt host instrument: 1) make-whole interest upon a contingent redemption event, 2) make-whole interest upon a conversion event, 3) an installment redemption upon an Equity Conditions Failure (as defined in the Certificate of Designation), and 4) variable share-settled installment conversion. These features were bundled together, assigned probabilities of being affected and measured at fair value. Subsequent changes in fair value of these features are recognized in the unaudited condensed consolidated statements of operations.

During the quarter three and six months ended March 31, 2024 June 30, 2024, the Company recorded a gain of $1,734,000 $1,614,000 and $3,348,000, respectively, related to the change in fair value of the derivative liability which is recorded in other income (expense) on the unaudited consolidated statements of operations. The Company estimated the $1,816,000 $202,000 fair value of the bifurcated embedded derivative at March 31, 2024 June 30, 2024 using a Monte Carlo simulation model, with the following inputs the fair value of the Company's common stock of $1.48 $0.46 on the valuation date, estimated equity volatility of 95.0% 105.0%, estimated traded volume volatility of 525.0% 235.0%, the time to maturity of 0.67 0.42 years, risk free rate of 5.26% 5.38%, a discounted market interest rate of 6.4% 20.5%, dividend rate of 8.0%, a penalty dividend rate of 15.0%, and probability of default of 7.2% 5.6%.

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As of March 31, 2024 June 30, 2024, the Company has notified the investors of its intention to redeem the upcoming installments due in cash and recorded a liability of $840,353 $224,124 representing the cash payable to investors which includes $708,514 $188,953 of the stated value of the Series A Preferred Shares, $76,862 $20,505 of accrued dividends payable, and $54,977 $14,666 for the cash premium which was recognized as a deemed dividend.

During the quarter three months ended March 31, 2024 June 30, 2024, the Company redeemed a total of 4,359 1,624 Series A Preferred Shares in cash for $1,578,550 and issued 2,170,516 shares of Common Stock pursuant to the terms of the Certificate of Designations, equal to $901,789. During the three months ended June 30, 2024, the Company recognized a total of $216,798 of preferred dividends consisting of $153,842 of preferred dividends at the stated dividend rate, and $62,956 of cash premiums recognized as deemed dividends.

During the six months ended June 30, 2024, the Company redeemed a total of 5,983 Series A Preferred Shares for cash equal to $1,121,411 $2,699,960 and issued 3,812,659 5,983,175 shares of Common Stock, elected pursuant to the terms of the Certificate of Designations, worth $5,452,101. equal to $6,353,890. During the quarter six months ended March 31, 2024 June 30, 2024, the Company recognized $595,505 a total of net $812,303 of preferred dividends which is comprised consisting of $601,120 $754,962 of preferred dividends at the stated dividend rate, and the net reversal $57,341 of $5,615 of previously accrued deemed dividends for cash premium for installment redemptions ultimately settled in shares of Common Stock. recognized as a deemed dividend.

**17) Fair Value Measurements**

Fair value measurements discussed herein are based upon certain market assumptions and pertinent information available to management as of and during the quarter ended March 31, 2024 June 30, 2024. The carrying amounts of cash equivalents, accounts receivable, other current assets, other assets, accounts payable, and accrued expenses approximated their fair values as of March 31, 2024 June 30, 2024, due to their short-term nature. The fair value of the bifurcated embedded derivative related to the convertible preferred stock was estimated using a Monte Carlo simulation model, which uses as inputs the fair value of the Company's common stock and estimates for the equity volatility and traded volume volatility of the Company's common stock, the time to maturity of the convertible preferred stock, the risk-free interest rate for a period that approximates the time to maturity, dividend rate, a penalty dividend rate, and the Company's probability of default.

***Fair Value on a Recurring Basis***

The Company follows the guidance in ASC 820 for its financial assets and liabilities that are re-measured and reported at fair value at each reporting period, and non-financial assets and liabilities that are re-measured and reported at fair value at least annually. The estimated fair value of the warrant liability and bifurcated embedded derivatives represent Level 3 measurements. The following table presents information about the Company's liabilities that are measured at fair value on a recurring basis at March 31, 2024 June 30, 2024, and indicates the fair value hierarchy of the valuation inputs the Company utilized to determine such fair value:

| Description | Level | March 31 2024 |
|---|---|---|
| Liabilities: | | |
| Bifurcated embedded derivative liability | 3 | $ 1,816,000 |



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| Description | Level | June 30, 2024 |
|---|---|---|
| Liabilities: | | |
| Bifurcated embedded derivative liability | 3 | $ 202,000 |

The following table sets forth a summary of the change in the fair value of the bifurcated embedded derivative liability that is measured at fair value on a recurring basis:

| | | |
|---|---|---|
| Balance on December 31, 2023 | $ 3,550,000 | $ 3,550,000 |
| Change in fair value of bifurcated embedded derivative | (1,734,000) | (3,348,000) |
| Balance on March 31, 2024 | $ 1,816,000 | |
| Balance on June 30, 2024 | | $ 202,000 |

**18) Subsequent Events**

On May 15, 2024, the Company received notice from the Listing Qualifications Staff of Nasdaq indicating that, based upon the closing bid price of the Company's common stock for the 30 consecutive business day period between April 3, 2024, through May 14, 2024, the Company did not meet the minimum bid price of $1.00 per share required for continued listing on the Nasdaq Capital Market pursuant to Nasdaq Listing Rule 5550(a)(2). The letter also indicated that the Company would be provided with a compliance period until November 11, 2024, in which to regain compliance pursuant to Nasdaq Listing Rule 5810(c)(3)(A).



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**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

*Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide a reader of Petros' financial statements with a narrative from the perspective of management on the Company's financial condition, results of operations, liquidity and certain other factors that may affect future results. In certain instances, parenthetical references are made to relevant sections of the Notes to Condensed Consolidated Financial Statements to direct the reader to a further detailed discussion. This section should be read in conjunction with the Consolidated Financial Statements and Supplementary Data included in this Quarterly Report on Form 10-Q. This MD&A contains forward-looking statements reflecting Petros' current expectations, whose actual outcomes involve risks and uncertainties. Actual results and the timing of events may differ materially from those stated in or implied by these forward-looking statements due to a number of factors, including those discussed in the sections entitled "Risk Factors" and "Cautionary Statement Regarding Forward-Looking Statements" contained in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, as amended.*

**Overview**

Petros is committed to the goal of becoming a leading innovator in the emerging self-care market driving expanded access to key prescription pharmaceuticals as Over-the-Counter treatment options. Petros consists of wholly owned subsidiaries, Metuchen Pharmaceuticals, LLC ("Metuchen"), Timm Medical Technologies, Inc. ("Timm Medical"), and Pos-T-Vac, LLC ("PTV"). On September 30, 2016, the Company entered into a License and Commercialization Agreement (the "License Agreement") with Vivus, Inc ("Vivus") to purchase and receive the license for the commercialization and development of Stendra® for a one-time fee of $70 million. The License Agreement gives the Company the right to sell Stendra® in the U.S and its territories, Canada, South America, and India. Stendra® is a U.S. Food and Drug Administration ("FDA") approved PDE-5 inhibitor prescription medication for the treatment of erectile dysfunction ("ED") and is the only patent protected PDE-5 inhibitor on the market in the US. Stendra® offers the ED therapeutic landscape a valuable addition as an oral ED therapy that may be taken as early as approximately 15 minutes prior to sexual engagement, with or without food when using the 100mg or 200mg dosing (does not apply to 50mg dosing). Petros is also currently conducting non-clinical consumer studies in connection with the contemplated pursuit of FDA approval for Stendra® for Non-Prescription / Over-The-Counter ("OTC") use in treating ED.

In addition to Stendra®, Petros' ED portfolio also includes external penile rigidity devices, namely Vacuum Erection Devices ("VEDs and related accessories"), which are sold domestically and internationally.

**Licensing and Distribution**

The Company acquired the rights to Stendra® avanafil on September 30, 2016, when it entered into the License Agreement with Vivus to purchase and receive the license for the commercialization and exploitation of Stendra® avanafil for a one-time fee of $70 million. The License Agreement gives the Company the exclusive right to sell avanafil in the U.S. and its territories, as well as Canada, South America, and India. In December 2000, Vivus originally was granted the license from Mitsubishi Tanabe Pharma Corporation ("MTPC") to develop, market, and manufacture Stendra®. Stendra® was approved by the FDA in April 2012 to treat male ED.

The Company will pay MTPC a royalty of 5% on the first $500 million of net sales and 6% of net sales thereafter until the expiration of the applicable patent in a particular country. The last scheduled patent expiration is in April 2025. In consideration for the trademark assignment and the use of the trademarks associated with Stendra® and the Vivus technology, the Company shall (a) during the first, second, and third years following the expiration of the royalty period in a particular country in the Company's territory, pay to Vivus a royalty equal to 2% of the net sales of Stendra® in such territory; and (b) following the fourth and fifth years following the end of the royalty period in such territory, pay to Vivus a royalty equal to 1% of the net sales of Stendra® in such territory. After the royalty period, no further royalties shall be owed with respect to net sales of Stendra® in such territory. In addition, the Company will be responsible for a pro-rata portion of a one-time $6 million milestone payment to be paid once $250 million in sales has been reached on the separate revenue stream of Stendra® during any calendar year.

In connection with the License Agreement, the Company and Vivus also entered into a Supply Agreement on September 30, 2016, which has since been terminated, effective as of September 30, 2021. Following the termination of the Vivus Supply Agreement, Petros, through its subsidiary Metuchen, entered into a Technology Transfer Service Agreement on January 20, 2022, with Patheon Pharmaceuticals Inc., part of Thermo Fisher Scientific ("Patheon"), pursuant to which the Company and Patheon agreed to collaborate as strategic partners for commercial production of Stendra® tablets at Patheon's facilities in Cincinnati, Ohio. Under the Agreement,



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Patheon or one of its affiliates will provide pharmaceutical development and technology transfer services in order to establish and validate its ability to manufacture supply of the Company's Stendra® product. Any commercial sale of product manufactured during the performance of the Agreement must be subject to a subsequent commercial manufacturing services agreement (with associated quality agreement) between the parties before it can be offered for commercial sale.

The license agreement between MTPC and Vivus contains certain termination rights that will allow MTPC to terminate the agreement if Vivus were to breach any of the terms of the MTPC License or become insolvent or bankrupt. In the event that MTPC terminates the MTPC License with Vivus because of any contractual breach the Company has step-in rights with MTPC, which would allow the Company to continue to sell Stendra®.

On March 27, 2018, the Company entered into a Sublicense Agreement with Acerus Pharmaceuticals Corporation ("Acerus") whereby the Company granted to Acerus an exclusive sublicense in Canada for, among other things, the development and commercialization of Stendra® avanafil for a one-time fee of $100,000. The Company was entitled to receive an additional fee of $400,000 if Stendra® is approved by Canadian regulators, as well as commercial milestone payments and royalty fees of 12% of net sales. However, in April 2020 Health Canada issued a Notice of Deficiency ("NOD") against the New Drug Submission. Metuchen and Acerus attempted to renegotiate modified terms to the sub-license agreement and the viability of a pathway required to address the deficiency noted by Health Canada but to no avail. In March of 2023, Acerus announced commencement of a court - approved (issued by the Ontario Superior Court of Justice and granted by the U.S. Bankruptcy Court for the District of Delaware) sale and investment solicitation process for all or part of its assets. The Sublicense Agreement with Acerus has therefore been halted indefinitely.

**Vivus Settlement Agreement, Promissory Note and the Security Agreement**

On January 18, 2022, Petros (through its wholly-owned subsidiary) and Vivus entered into a Settlement Agreement (the "Vivus Settlement Agreement") related to the minimum purchase requirements under the Vivus Supply Agreement in 2018, 2019 and 2020 and certain reimbursement rights asserted by a third-party retailer in connection with quantities of the Company's Stendra® product that were delivered to the third-party retailer and later returned. In connection with the Vivus Settlement Agreement, Petros retained approximately $7.3 million of API inventory (representing the 2018 and 2019 minimum purchase requirements) out of approximately $12.4 million due under the Vivus Supply Agreement, in conjunction with forgiveness of approximately $4.25 million of current liabilities relating to returned goods and minimum purchase commitments. In exchange for the API and reduction of current liabilities, Petros executed an interest-

bearing promissory note (the "Note") in favor of Vivus in the principal amount of $10,201,758. The parties also entered into a Security Agreement to secure Petros' obligations under the Note. The Company recorded the impact of this transaction, including the gain in the first quarter of 2022.

In addition to the payments to be made in accordance with the Note, the Company further agreed in the Vivus Settlement Agreement to (i) grant to Vivus a right of first refusal to provide certain types of debt and convertible equity (but not preferred equity) financing issued by or to Metuchen (including any subsidiaries and intermediaries) until the Note is paid in full, and (ii) undertake to make certain regulatory submissions to effectuate Vivus' ability to exercise its rights under the License Agreement. On January 18, 2022, the Company made a prepayment of the obligations under the Note in the amount of $900,000, and a payment of $1,542,904 with respect to a purchase order made in 2021 to Vivus. In consideration of these payments and upon the Company's satisfaction of certain regulatory submissions. Vivus released 50% of the quantity of bulk Stendra® tablets under the Company's existing open purchase order (the "Open Purchase Order") being held by Vivus, which represented approximately a six-month supply of inventory. Pursuant to the Vivus Settlement Agreement, Vivus released the remaining 50% of the quantity of bulk Stendra® tablets under the Open Purchase Order, later during the first quarter of 2022, upon the Company's satisfaction of the remaining regulatory submission requirements.

Under the terms of the Note, the principal amount of $10,201,758 is payable in consecutive quarterly installments beginning on April 1, 2022, through January 1, 2027. Interest on the principal amount will accrue at a rate of 6% per year until the principal is repaid in full and is due and payable, in arrears, on the first day of each January, April, July, and October of each calendar year, commencing on April 1, 2022. The Company may prepay the Note, in whole or in part, at any time, with no premium or penalty. In the event that the Company defaults under the Security Agreement, all principal outstanding under the Note at the time of the default will bear interest at a rate of 9% per year until the full and final payment of all principal and interest under the Note (regardless of whether any default is waived or cured). If the Note is placed in the hands of any attorney for collection, or if it is collected through any legal proceeding at law or in equity or in bankruptcy, receivership, or other court proceedings, the Company will also be required to pay all costs of collection including, but not limited to, court costs and attorneys' fees. Pursuant to the Security Agreement, dated January 18, 2022, the Company granted to Vivus a continuing security interest in all of its Stendra® API and products and its rights under the License Agreement. The



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Security Agreement contains customary events of default. For the three six months ended March 31, 2024 June 30, 2024, and 2023, the Company paid Vivus $0 million $0.5 million and $0.5 million $1.0 million, respectively. As of March 31, 2024 June 30, 2024, the principal balance on the Note is $8.0 million $7.6 million.

**Nasdaq Listing Requirements**

On May 15, 2024, we received notice from the Listing Qualifications Staff of Nasdaq indicating that, based upon the closing bid price of our common stock for the 30 consecutive business day period between April 3, 2024, through May 14, 2024, we did not meet the minimum bid price of $1.00 per share required for continued listing on the Nasdaq Capital Market pursuant to Nasdaq Listing Rule 5550(a)(2). The letter also indicated that we would be provided with a compliance period until November 11, 2024, in which to regain compliance pursuant to Nasdaq Listing Rule 5810(c)(3)(A).

**Critical Accounting Estimates**

The preparation of unaudited condensed consolidated financial statements and related disclosures in conformity with U.S. GAAP and the Company's discussion and analysis of its financial condition and operating results require the Company's management to make judgments, assumptions and estimates that affect the amounts reported. Note 2, "Summary of Significant Accounting Policies" of the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q and in the Notes to Consolidated Financial Statements in Part II, Item 8 of the 2023 Form 10-K describe the significant accounting policies and methods used in the preparation of the Company's unaudited condensed consolidated financial statements. There have been no material changes to the Company's critical accounting estimates since the 2023 Form 10-K.

***Three Six Months Ended March 31, 2024 June 30, 2024, and 2023 (Unaudited)***

The following table sets forth a summary of our statements of operations for the three six months ended March 31, 2024 June 30, 2024, and 2023:

| | For the Three Months Ended March 31, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Net sales | $ 1,388,806 | $ 2,517,972 | $ 2,810,276 | $ 4,511,983 |

| | | | | |
|---|---|---|---|---|
| Cost of sales | 331,831 | 550,742 | 660,939 | 1,064,599 |
| Gross profit | 1,056,975 | 1,967,230 | 2,149,337 | 3,447,384 |
| | | | | |
| Operating expenses: | | | | |
| Selling, general and administrative | 2,711,456 | 2,130,639 | 4,998,088 | 4,380,231 |
| Research and development | 1,555,953 | 319,093 | 1,924,750 | 1,185,668 |
| Depreciation and amortization expense | 717,839 | 826,795 | 1,435,677 | 1,653,590 |
| Total operating expenses | 4,985,248 | 3,276,527 | 8,358,515 | 7,219,489 |
| | | | | |
| Loss from operations | (3,928,273) | (1,309,297) | (6,209,178) | (3,772,105) |
| | | | | |
| Change in fair value of derivative liability | 1,734,000 | — | 3,348,000 | — |
| Interest income | 151,819 | 66,317 | 271,210 | 119,241 |
| Interest expense, promissory note | (120,209) | (142,167) | (234,721) | (278,966) |
| | | | | |
| Total Other income (expense) | 1,765,610 | (75,850) | 3,384,489 | (159,725) |
| | | | | |
| Loss before income taxes | (2,162,663) | (1,385,147) | (2,824,689) | (3,931,830) |
| | | | | |
| Income tax expense | — | — | — | — |
| | | | | |
| Net loss | $ (2,162,663) | $ (1,385,147) | $ (2,824,689) | $ (3,931,830) |



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***Net Sales***

Net sales for the three six months ended March 31, 2024 June 30, 2024, were $1,388,806, $2,810,276, composed of $613,095 $1,228,115 of net sales from Prescription Medicines and net sales of $775,711 $1,582,161 from Medical Devices.



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Net sales for the three six months ended March 31, 2023 June 30, 2023, were $2,517,972, $4,511,983, composed of $1,506,278 $2,490,686 of net sales from Prescription Medicines and net sales of $1,011,694 $2,021,297 from Medical Devices.

For the three six months ended March 31, 2024 June 30, 2024, gross billings to customers representing 10% or more of the Company's total gross billings included three customers that represented approximately 26% 27%, 24% 25%, and 16% 14% of total gross billings, respectively. Gross billings is a non-GAAP financial measure. For a reconciliation of net sales to gross billings, see the section titled "Reconciliation of Non-GAAP Financial Measures" below.

For the three six months ended March 31, 2023 June 30, 2023, gross billings to customers representing 10% or more of the Company's total gross billings included four customers that represented approximately 23%, 19% 18%, 15% 17%, and 13% 10% of total gross billings, respectively. Gross billings is a non-GAAP financial measure. For a reconciliation of net sales to gross billings, see the section titled "Reconciliation of Non-GAAP Financial Measures" below.

Prescription Medicines sales consist of sales of Stendra® in the U.S. for the treatment of male ED. Stendra® is primarily sold directly to the four three main customers, as described above, which collectively accounted for approximately 95% of Stendra® net sales for the March 31, 2024 six months ended June 30, 2024. Individually, sales to the three main customers, accounted for 37% 39%, 35% 36%, and 23%, respectively, 20% of Stendra® gross billings for the three six months ended March 31, 2024 June 30, 2024.

Medical Device sales consist of domestic and international sales of men's health products for the treatment of ED. The men's health products do not require a prescription and include Vacuum Erection Devices ("VEDs and related accessories"). VEDs.

Net sales were $1,129,166 $1,701,707 or 45% 38% lower during the three six months ended March 31, 2024 June 30, 2024, compared to the same period in 2023 consisting of a $893,183 $1,262,571 decrease in the net sales of Stendra® and a $235,983 $439,136 decrease in Medical Device Sales. The decrease in net sales of Stendra® was substantially due to decreased wholesaler demand. sales due to decreased demand and decreased related sales allowances stemming from a reduction in promotional activities. The decrease in net sales for Medical Devices included a decrease in domestic and international sales of VED systems.

***Cost of Sales***

Cost of sales for the three six months ended March 31, 2024 June 30, 2024, were $331,831, $660,939, composed of $75,356 $145,327 of cost of sales for our Prescription Medicines segment and $256,475 $515,612 for our Medical Devices segment.

Cost of sales for the three six months ended March 31, 2023 June 30, 2023, were $550,742, $1,064,599, composed of $174,270 $257,721 of cost of sales for our Prescription Medicines segment and $376,472 $806,878 for our Medical Devices segment.

Cost of sales for the Prescription Medicine segment for the three six months ended March 31, 2024 June 30, 2024, consisted of 42% 49% third-party product cost of sales, 41% 42% royalty expenses, and 17% 5% benefit in inventory obsolescence reserves. reserves, and 4% 3PL order fulfillment and shipping expenses.

Cost of sales for the Medical Device segment for the three six months ended March 31, 2024 June 30, 2024, consisted of 85% 84% raw materials and 15% 16% production labor.

Cost of sales decreased by $218,911 $403,660 or 40% 38% during the three six months ended March 31, 2024 June 30, 2024, compared to the same period in 2023. For the three six months ended March 31, 2024 June 30, 2024, and 2023, June 30, 2023, cost of sales as a percentage of net sales was 24% and 22% 24%, respectively. The increase in cost of sales as a percentage of net sales was primarily the result of increased excess and obsolete inventory reserves.

***Gross Profit***

Gross profit for the three six months ended March 31, 2024 June 30, 2024, was $1,056,975 $2,149,337 or 76%, composed of $537,739 $1,082,788 of gross profit from Prescription Medicines and $519,236 $1,066,549 from Medical Devices. Gross profit for the three six months ended March 31, 2023 June 30, 2023, was $1,967,230, $3,447,384, or 78% 76% of net sales, composed of $1,332,008 $2,232,965 of gross profit from Prescription Medicines and $635,222 $1,214,419 from Medical Devices. The decrease in gross profit was driven by the factors noted above.



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***Operating Expenses***

Selling, general and administrative expenses for the three six months ended March 31, 2024 June 30, 2024, were $2,711,456, $4,998,088, composed of $677,896 $1,302,928 of selling, general and administrative expenses of our Prescription Medicines segment, $502,775 $1,072,556 of selling, general and administrative expenses of our Medical Devices segment and $1,530,785 $2,622,604 of general corporate expenses.

Selling, general and administrative expenses for the three six months ended March 31, 2023 June 30, 2023, were $2,130,639, $4,380,231, composed of $496,847 $754,993 of selling, general and administrative expenses of our Prescription Medicines segment, $423,871 $905,442 of selling, general and administrative expenses of our Medical Devices segment and $1,209,921 $2,719,796 of general corporate expenses.

Selling, general and administrative expenses for both segments include selling, marketing and regulatory expenses. Unallocated general corporate expenses include costs that were not specific to a particular segment but are general to the group, including expenses incurred for administrative and accounting staff,

general liability and other insurance, professional fees and other similar corporate expenses.

Selling, general and administrative expenses increased by $580,817 $617,857 or 27% 14% during the three six months ended March 31, 2024 June 30, 2024, compared to the compared to the same period in 2023. Increased selling general and administrative expenses were primarily driven by a waiver of FY 23 PDUFA fees by the FDA resulting in a $312,551 $625,101 increase in PDUFA expense and increased professional service fees of $191,565, $266,108, and increased stock-based compensation expense of $50,045, increased franchise taxes of $40,230, and increased other operating expenses of $75,413 $23,563 partially offset by decreased insurance expenses of $88,987. $145,347, decreased franchise taxes of $84,904, and decreased other operating expenses of $66,664.

***Research and development***

Research and development expenses for the three six months ended March 31, 2024 June 30, 2024, were $1,555,953, $1,924,750, composed of $1,555,953 $1,924,750 for our Prescription Medicines segment and $0 for our Medical Devices segment, respectively.

Research and development expenses for the three six months ended March 31, 2023 June 30, 2023, were $319,093, $1,185,668, composed of $265,216 $1,130,338 for our Prescription Medicines segment and $53,877 $55,330 for our Medical Devices segment, respectively.

Research and development expenses for the Prescription Medicines segment for the three six months ended March 31, 2024 June 30, 2024, are composed of $1,435,142 $1,694,258 for clinical development, $112,223 $204,603 for consulting fees, and $8,587 $25,889 for legal fees related to the Company's Non-Prescription / Over-The-Counter ("OTC") OTC Strategies related to Stendra®. Research and development expenses for the Prescription Medicines segment for the three six months ended March 31, 2023 June 30, 2023, are composed of $252,803 $903,225 for consulting fees related to the Company's Non-Prescription / Over-The-Counter ("OTC") OTC Strategies related to Stendra®; $9,920 $200,000 for upfront licensing fees and $24,620 for consulting fees related to the H100 license acquired in March 2020; 2020 and $2,493 related to the Company's tech transfer of its manufacturing process.

Research and development expenses for the Medical Devices segment for the three six months ended March 31, 2024 June 30, 2024, were $0. Research and development expenses for the Medical Devices segment for the three six months ended March 31, 2023 June 30, 2023, are composed of $53,877 $55,330 for license fees related to the Company's Tissue-Specific Oxygenation Sensor Technology Strategies.

Research and development expenses increased by $1,236,860 $739,082 or 388% 62% during the three six months ended March 31, 2024 June 30, 2024, compared to the same period in 2023. Increased research and development expenses were primarily driven by increased clinical development expenses related to the Company's OTC strategies related to Stendra® partially offset by decreased upfront licensing fees related to the H100 license acquired in March 2020 and decreased license fees related to the Company's Tissue-Specific Oxygenation Sensor Technology Strategies. .

*Depreciation and amortization*

Depreciation and amortization expenses for the three six months ended March 31, 2024 June 30, 2024, were $717,839, $1,435,677, composed of $500,305 $1,000,610 of depreciation and amortization expenses of our Prescription Medicines segment and $217,534 $435,067 of depreciation and amortization expenses of our Medical Devices segment.

Depreciation and amortization expenses for the three six months ended March 31, 2023 June 30, 2023, were $826,795, $1,653,590, composed of $575,470 $1,150,939 of depreciation and amortization expenses of our Prescription Medicines segment and $251,325 $502,651 of depreciation and amortization expenses of our Medical Devices segment.



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Prescription Medicines depreciation and amortization consists primarily of the amortization of the intangible assets related to Stendra® over its estimated useful life of 10 years. Medical Devices depreciation and amortization primarily consists of the amortization of the intangible assets related to Timm Medical and PTV over their estimated useful life of 12 years. The decrease in total depreciation and amortization results from the use of the accelerated method of amortization.

***Change in fair value of derivative liability***

For the three six months ended March 31, 2024 June 30, 2024, and March 31, 2023 June 30, 2023, the Company recorded gains of $1.7 million $3.3 million and $0.0 million, respectively, for the change in fair value of the derivative liability. The gain in 2024 is related to the decrease in the fair value of a derivative liability established for certain bifurcated features of the Series A Preferred Stock issued in the July 2023 private placement.

***Interest Income***

Interest income for the six months ended June 30, 2024, and 2023, was $271,210 and $119,241, respectively. Petros invested its cash in money market securities during 2024 and 2023.

***Interest Expense, Promissory Note***

In January 2022, the Company executed a promissory note in favor of Vivus with a principal amount of $10,201,758 in connection with the Vivus Settlement Agreement. Interest expense, promissory note for the six months ended June 30, 2024, and 2023, was $234,721 and $278,966 respectively.

***Three Months Ended June 30, 2024, and 2023 (Unaudited)***

The following table sets forth a summary of our statements of operations for the three months ended June 30, 2024, and 2023:

| | For the Three Months Ended June 30, | |
|---|---|---|
| | 2024 | 2023 |
| Net sales | $ 1,421,471 | $ 1,994,011 |
| Cost of sales | 329,110 | 513,857 |
| Gross profit | 1,092,361 | 1,480,154 |
| | | |
| Operating expenses: | | |
| Selling, general and administrative | 2,286,630 | 2,249,592 |
| Research and development | 368,798 | 866,575 |
| Depreciation and amortization expense | 717,838 | 826,795 |
| Total operating expenses | 3,373,266 | 3,942,962 |
| | | |
| Loss from operations | (2,280,905) | (2,462,808) |
| | | |
| Change in fair value of derivative liability | 1,614,000 | — |
| Interest income | 119,391 | 52,924 |
| Interest expense, promissory note | (114,512) | (136,799) |
| | | |
| Total Other income (expense) | (1,618,879) | (83,875) |
| | | |
| Loss before income taxes | (662,026) | (2,546,683) |
| | | |
| Income tax expense | — | — |
| | | |
| Net loss | $ (662,026) | $ (2,546,683) |



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***Net Sales***

Net sales for the three months ended June 30, 2024, were $1,421,471, composed of $615,022 of net sales from Prescription Medicines and net sales of $806,449 from Medical Devices.

Net sales for the three months ended June 30, 2023, were $1,994,011, composed of $984,408 of net sales from Prescription Medicines and net sales of $1,009,603 from Medical Devices.

For the three months ended June 30, 2024, gross billings to customers representing 10% or more of the Company's total gross billings included three customers that represented approximately 28%, 25%, and 12% of total gross billings, respectively. Gross billings is a non-GAAP financial measure. For a reconciliation of net sales to gross billings, see the section titled "Reconciliation of Non-GAAP Financial Measures" below.

For the three months ended June 30, 2023, gross billings to customers representing 10% or more of the Company's total gross billings included three customers that represented approximately 24%, 19%, and 16% of total gross billings, respectively. Gross billings is a non-GAAP financial measure. For a reconciliation of net sales to gross billings, see the section titled "Reconciliation of Non-GAAP Financial Measures" below.

Prescription Medicines sales consist of sales of Stendra® in the U.S. for the treatment of male ED. Stendra® is primarily sold directly to three main customers, as described above, which collectively accounted for approximately 96% of Stendra® net sales for the three months ended June 30, 2024. Individually, sales to the three main customers, accounted for 41%, 37%, and 18% of Stendra® gross billings for the three months ended June 30, 2024.

Medical Device sales consist of domestic and international sales of men's health products for the treatment of ED. The men's health products do not require a prescription and include VEDs.

Net sales were $572,540 or 29% lower during the three months ended June 30, 2024, compared to the same period in 2023 consisting of a $369,386 decrease in the net sales of Stendra® and a $203,154 decrease in Medical Device Sales. The decrease in net sales of Stendra® was substantially due to decreased wholesaler sales due to decreased demand and decreased related sales allowances stemming from a reduction in promotional activities. The decrease in net sales for Medical Devices included a decrease in domestic and international sales of VED systems.

***Cost of Sales***

Cost of sales for the three months ended June 30, 2024, were $329,110, composed of $69,971 of cost of sales for our Prescription Medicines segment and $259,139 for our Medical Devices segment.

Cost of sales for the three months ended June 30, 2023, were $513,857, composed of $83,451 of cost of sales for our Prescription Medicines segment and $430,406 for our Medical Devices segment.

Cost of sales for the Prescription Medicine segment for the three months ended June 30, 2024, consisted of 56% third-party product cost of sales, 44% royalty expenses, 7% 3PL order fulfillment and shipping expenses and a 7% benefit in inventory obsolescence reserves.

Cost of sales for the Medical Device segment for the three months ended June 30, 2024, consisted of 84% raw materials and 16% production labor.

Cost of sales decreased by $184,747 or 36% during the three months ended June 30, 2024, compared to the same period in 2023. For the three months ended June 30, 2024, and June 30, 2023, cost of sales as a percentage of net sales was 23% and 26%, respectively. The decrease in cost of sales as a percentage of net sales was primarily the result of decreased sales order fulfillment costs (on a per unit basis) during the three months ended June 30, 2024, compared to the same period in 2023.



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***Gross Profit***

Gross profit for the three months ended June 30, 2024, was $1,092,361 or 77%, composed of $545,051 of gross profit from Prescription Medicines and $547,310 from Medical Devices. Gross profit for the three months ended June 30, 2023, was $1,480,154, or 74% of net sales, composed of $900,957 of gross profit from Prescription Medicines and $579,197 from Medical Devices. The decrease in gross profit was driven by the factors noted above.

***Operating Expenses***

Selling, general and administrative expenses for the three months ended June 30, 2024, were $2,286,630, composed of $625,030 of selling, general and administrative expenses of our Prescription Medicines segment, $569,782 of selling, general and administrative expenses of our Medical Devices segment and $1,091,818 of general corporate expenses.

Selling, general and administrative expenses for the three months ended June 30, 2023, were $2,249,592, composed of $258,145 of selling, general and administrative expenses of our Prescription Medicines segment, $481,572 of selling, general and administrative expenses of our Medical Devices segment and

$1,509,875 of general corporate expenses.

Selling, general and administrative expenses for both segments include selling, marketing and regulatory expenses. Unallocated general corporate expenses include costs that were not specific to a particular segment but are general to the group, including expenses incurred for administrative and accounting staff, general liability and other insurance, professional fees and other similar corporate expenses.

Selling, general and administrative expenses increased by $37,038 or 2% during the three months ended June 30, 2024, compared to the same period in 2023. Increased selling general and administrative expenses were primarily driven by a waiver of FY 23 PDUFA fees by the FDA resulting in a $312,550 increase in PDUFA expense and increased professional service fees of $74,543 partially offset by decreased franchise taxes of $125,134, decreased insurance expenses of $56,360, decreased stock-based compensation expense of $26,842 and decreased other operating expenses of $141,719.

***Research and development***

Research and development expenses for the three months ended June 30, 2024, were $368,798, composed of $368,798 for our Prescription Medicines segment and $0 for our Medical Devices segment, respectively.

Research and development expenses for the three months ended June 30, 2023, were $866,575, composed of $865,122 for our Prescription Medicines segment and $1,453 for our Medical Devices segment, respectively.

Research and development expenses for the Prescription Medicines segment for the three months ended June 30, 2024, are composed of $259,116 for clinical development, $92,380 for consulting fees, and $17,302 for legal fees related to the Company's Non-Prescription / OTC Strategies related to Stendra®. Research and development expenses for the Prescription Medicines segment for the three months ended June 30, 2023, are composed of $650,422 for consulting fees related to the Company's Non-Prescription / OTC Strategies related to Stendra®; $200,000 for upfront licensing fees and $14,700 for consulting fees related to the H100 license acquired in March 2020, which later terminated in May 2023.

Research and development expenses for the Medical Devices segment for the three months ended June 30, 2024, were $0. Research and development expenses for the Medical Devices segment for the three months ended June 30, 2023, are composed of $1,453 for license fees related to the Company's Tissue-Specific Oxygenation Sensor Technology Strategies.

Research and development expenses decreased by $497,777 or 57% during the three months ended June 30, 2024, compared to the same period in 2023. Decreased research and development expenses were primarily driven by decreased clinical development expenses and consulting fees related to the Company's OTC strategies related to Stendra®.

*Depreciation and amortization*

Depreciation and amortization expenses for the three months ended June 30, 2024, were $717,838, composed of $500,305 of depreciation and amortization expenses of our Prescription Medicines segment and $217,533 of depreciation and amortization expenses of our Medical Devices segment.



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Depreciation and amortization expenses for the three months ended June 30, 2023, were $826,795, composed of $575,470 of depreciation and amortization expenses of our Prescription Medicines segment and $251,325 of depreciation and amortization expenses of our Medical Devices segment.

Prescription Medicines depreciation and amortization consists primarily of the amortization of the intangible assets related to Stendra® over its estimated useful life of 10 years. Medical Devices depreciation and amortization primarily consists of the amortization of the intangible assets related to Timm Medical and PTV over their estimated useful life of 12 years

***Change in fair value of derivative liability***

For the three months ended June 30, 2024, and June 30, 2023, the Company recorded gains of $1.6 million and $0.0 million, respectively, for the change in fair value of the derivative liability. The gain in 2024 is related to the decrease in the fair value of a derivative liability established for certain bifurcated features of the Series A Preferred Stock issued in the July 2023 private placement.

***Interest Income***

Interest income for the three months ended March 31, 2024 June 30, 2024, and 2023, was $151,819 $119,391 and $66,317, $52,924, respectively. Petros invested its cash in money market securities during 2024 and 2023.

***Interest Expense, Promissory Note***

In January 2022, the Company executed a promissory note in favor of Vivus with a principal amount of $10,201,758 in connection with the Vivus Settlement Agreement. Interest expense, promissory note for the three months ended March 31, 2024 June 30, 2024, and 2023, was $120,209 $114,512 and $142,167, $136,799, respectively.

**Liquidity and Capital Resources**

**General**

Cash totaled $11,080,716 $7,460,014 at March 31, 2024 June 30, 2024, compared to $13,336,975 at December 31, 2023.

The Company has experienced net losses and negative cash flows from operations since inception. As of March 31, 2024 June 30, 2024, we had cash of $11.1 million $7.5 million, working capital of $6.7 million $4.0 million, and an accumulated deficit of $101.1 million $101.7 million. The Company's plans include, or may include, utilizing cash on hand, as well as exploring additional ways to raise capital in addition to increasing cash flows from operations. In January 2022, the Company executed a promissory note in favor of Vivus in connection with the Vivus Settlement Agreement in the principal amount of $10,201,758, net of a prepayment of $900,000. The terms of this promissory note are discussed in the section titled "Vivus Settlement Agreement, Promissory Note and the Security Agreement" above.

To date, the Company's principal sources of capital used to fund operations have been the revenues from product sales, private sales, registered offerings and private placements of equity securities. The Company does not currently have sufficient available liquidity to fund its operations for at least the next 12 months. These conditions and events raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that these interim unaudited condensed consolidated financial statements are issued.

***July 2023 Private Placement***

On July 13, 2023, the Company entered into the Purchase Agreement with certain accredited investors (the "Investors"), pursuant to which the Company agreed to sell in a private placement to the Investors (i) an aggregate of 15,000 shares of the Company's newly-designated Series A Preferred Stock initially convertible into up to 6,666,668 shares of the Company's common stock at an initial conversion price of $2.25 per share and (ii) warrants to acquire up to an aggregate of 6,666,668 shares of common stock (the "Warrants") at an initial exercise price of $2.25 per share (collectively, the "Private Placement"). Pursuant to the terms of the Certificate of Designations and the Warrants, each of the Conversion Price (as defined below) and the exercise price and the number of shares underlying the Warrants is subject to customary adjustments for stock dividends, stock splits, reclassifications and the like, and subject to price-based adjustment in the event of any issuances of common stock, or securities convertible, exercisable or exchangeable for



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common stock, at a price below the then-applicable Conversion Price (subject to certain exceptions). As of March 31, 2024 June 30, 2024, the Conversion Price and the exercise price of the Warrants was equal to $2.25 per share.



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*Series A Preferred Stock*

The terms of the Series A Preferred Stock are as set forth in the form of Certificate of Designations. The Series A Preferred Stock is convertible into shares of common stock (the “Conversion Shares”) at the election of the holder at any time at an initial conversion price of $2.25 (the “Conversion Price”). The Conversion Price is subject to customary adjustments for stock dividends, stock splits, reclassifications and the like, and subject to price-based adjustment in the event of any issuances of common stock, or securities convertible, exercisable or exchangeable for common stock, at a price below the then-applicable Conversion Price (subject to certain exceptions). The Company is required to redeem the Series A Preferred Stock in 13 equal monthly installments, commencing on November 1, 2023. The amortization payments due upon such redemptions are payable, at the Company’s election, in cash at 107% of the Installment Redemption Amount (as defined in the Certificate of Designations), or subject to certain limitations, in shares of common stock valued at the lower of (i) the Conversion Price then in effect and (ii) the greater of (A) 80% of the average of the three lowest closing prices of the common stock during the thirty trading day period immediately prior to the date the amortization payment is due or (B) $0.396 or such lower amount as permitted, from time to time, by the Nasdaq Stock Market, subject to adjustment for stock splits, stock dividends, stock combinations, recapitalizations or other similar events. The Company may require holders to convert their Series A Preferred Stock into Conversion Shares if the closing price of the Common Stock exceeds $6.75 per share (subject to adjustment for stock splits, stock dividends, stock combinations, recapitalizations or other similar events) for 20 consecutive trading days and the daily dollar trading volume of the Common Stock exceeds two million dollars ($2,000,000) per day during the same period and certain equity conditions described in the Certificate of Designations are satisfied.



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The holders of the Series A Preferred Stock are entitled to dividends of 8% per annum, compounded monthly, which are payable, at the Company’s option, in cash or shares of Common Stock, or in a combination thereof, in accordance with the terms of the Certificate of Designations. On September 29, 2023, the Company filed an amendment to the Certificate of Designations with the Secretary of State for the State of Delaware, pursuant to which the terms of the Series A Preferred Stock were amended to permit certain additional procedures for the payment of redemptions and conversions Upon the occurrence and during the continuance of a Triggering Event (as defined in the Certificate of Designations), the Series A Preferred Stock will accrue dividends at the rate of 15% per annum.

During the three six months ended March 31, 2024 June 30, 2024, the Company has redeemed or converted approximately 4,359 5,983 shares of Series A Preferred Stock and issued 3,812,659 5,983,175 shares of Common Stock pursuant to the terms of the Certificate of Designations.

There is no established public trading market for the Series A Preferred Stock and the Company does not intend to list the Series A Preferred Stock on any national securities exchange or nationally recognized trading system.

*Warrants*

The Warrants became exercisable for shares of common stock (the “Warrant Shares”) immediately upon issuance, at an initial exercise price of $2.25 per share (the “Exercise Price”) and expire five years from the date of issuance. The Exercise Price is subject to customary adjustments for stock dividends, stock splits, reclassifications and the like, and subject to price-based adjustment, on a “full ratchet” basis, in the event of any issuances of common stock, or securities convertible, exercisable or exchangeable for common stock, at a price below the then-applicable Exercise Price (subject to certain exceptions). Upon any such price-based adjustment, the number of Warrant Shares issuable upon exercise of the Warrants will be increased proportionately. There is no established public trading market for the Warrants and the Company does not intend to list the Warrants on any national securities exchange or nationally recognized trading system.

On March 21, 2024, the Company entered into a Waiver and Amendment with the Investors in the Private Placement, effective as of December 31, 2023. The Waiver and Amendment amended certain terms of the Warrants relating to the rights of the holders of the Warrants to provide that, in the event of a Fundamental Transaction (as defined in the Warrants) that is not within the Company’s control, including not approved by the Company’s Board of Directors, the holder of a Warrant shall only be entitled to receive from the Company or any successor entity the same type or form of consideration (and in the same proportion), at the Black Scholes Value of the unexercised portion of such Warrant, that is being offered and paid to the holders of the Company’s common stock in connection with the Fundamental Transaction.



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**Debt**

*Vivus Note*

As noted above, in January 2022, the Company executed a promissory note in favor of Vivus with a principal amount of $10,201,758 in connection with the Vivus Settlement Agreement. For more information, see the section above titled "—Vivus Settlement Agreement, Promissory Note and the Security Agreement."

**Cash Flows**

The following table summarizes the Company's cash flows for the three six months ended March 31, 2024 June 30, 2024, and 2023:

| | For the Three Months Ended March 31, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Net cash used in operating activities | $ (1,134,848) | $ (748,363) | $ (2,797,210) | $ (1,320,433) |
| Net cash used in financing activities | (1,121,411) | (357,833) | (3,079,751) | (721,034) |
| Net decrease in cash | $ (2,256,259) | $ (1,106,196) | $ (5,876,961) | $ (2,041,467) |

*Cash Flows from Operating Activities*

Net cash used in operating activities for the three six months ended March 31, 2024 June 30, 2024, was $1,134,848, $2,797,210, which primarily reflected the Company's net loss of $2,162,663, $2,824,689, in addition to noncash adjustments to reconcile net loss to net cash used in operating activities of





$728,396 $1,449,943 consisting primarily of depreciation and amortization, change in the fair value of derivative liability, and changes in operating assets and liabilities of $1,756,211 $1,477,422 largely driven by accrued expenses related to OTC development.

Net cash used in operating activities for the three six months ended March 31, 2023 June 30, 2023, was $748,363, $1,320,433, which primarily reflected the Company's our net loss of $1,385,147, $3,931,830, in addition to noncash adjustments to reconcile net loss to net cash used in operating activities of $1,075,394 $1,937,017 consisting primarily of depreciation and amortization, stock compensation, and changes in operating assets and liabilities of $438,610. $674,380.

*Cash Flows from Financing Activities*

Net cash used in financing activities was $1,121,411 $3,079,751 for the three six months ended March 31, 2024 June 30, 2024, consisting of $2,699,960 of redemptions of Series A Preferred Stock. Stock and $379,791 of payments of the promissory note.

Net cash used in financing activities was $357,833 $721,034 for the three six months ended March 31, 2023 June 30, 2023, consisting entirely of prepayments payments of the promissory note.

**Off-Balance Sheet Commitments and Arrangements**

The Company has not entered into any off-balance sheet financial guarantees or other off-balance sheet commitments to guarantee the payment obligations of any third parties. The Company has not entered into any derivative contracts that are indexed to the Company's shares and classified as stockholder's equity or that are not reflected in the Company's financial statements included in this Quarterly Report on Form 10-Q. Furthermore, the Company does not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. The Company does not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

**Contingencies**

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company's management, in consultation with its legal counsel as appropriate, assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company, in consultation with legal counsel, evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency



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indicates it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates a potentially material loss contingency is not probable, but is reasonably possible, or is probable, but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

**Reconciliation of Non-GAAP Financial Measures**

*Adjusted EBITDA*

Adjusted EBITDA is a non-GAAP financial measure utilized by management to evaluate the Company's performance on a comparable basis. The Company believes that Adjusted EBITDA is useful to investors as a supplemental way to evaluate the ongoing operations of the Company's business as Adjusted EBITDA may enhance investors' ability to compare historical periods as it adjusts for the impact of financing methods, tax law and strategy changes, and depreciation and amortization and to evaluate the Company's ability to service debt. In addition, Adjusted EBITDA is a financial measurement that management and the Company's Board of Directors use in their financial and operational decision-making and in the determination of certain compensation programs. Adjusted EBITDA is a non-GAAP financial measure commonly used in the Company's industry and should not be construed as an alternative to net income as an indicator of operating performance (as determined in accordance with GAAP). The Company's presentation of Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies.

Adjusted EBITDA is adjusted to exclude certain items that affect comparability. The adjustments are itemized in the tables below. You are encouraged to evaluate these adjustments and the reason the Company considers them appropriate for supplemental analysis. In



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evaluating adjustments, you should be aware that in the future the Company may incur expenses that are the same as or similar to some of the adjustments set forth below. The presentation of these adjustments should not be construed as an inference that future results will be unaffected by unusual or recurring items.

The Company defines Adjusted EBITDA as net income (loss) adjusted to exclude (i) interest expense, net, (ii) depreciation and amortization and (iii) income taxes, as further adjusted to eliminate the impact of certain items that the Company does not consider indicative of its ongoing operating performance or that are non-recurring in nature. For example, Adjusted EBITDA:

- does not reflect the Company's capital expenditures, future requirements for capital expenditures or contractual commitments;
- does not reflect changes in, or cash requirements for, the Company's working capital needs;
- does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on the Company's debt; and

- does not reflect payments related to income taxes, if applicable.

The following table presents a reconciliation of net income (loss) to Adjusted EBITDA for the three and six months ended March 31, 2024 June 30, 2024, and 2023:

| | For the Three Months Ended March 31, | | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Net Loss | $ (2,162,663) | $ (1,385,147) | $ (662,026) | $(2,546,683) | $(2,284,689) | $(3,931,830) |
| Interest income | (151,819) | (66,317) | (119,391) | (52,924) | (271,210) | (119,241) |
| Interest expense, promissory note | 120,209 | 142,167 | 114,512 | 136,799 | 234,721 | 278,966 |
| Depreciation and amortization expense | 717,839 | 826,795 | 717,838 | 826,795 | 1,435,677 | 1,653,590 |
| EBITDA | (1,476,434) | (482,502) | 50,933 | (1,636,013) | (1,425,501) | (2,118,515) |
| Stock based compensation | 180,381 | 130,336 | 16,834 | 43,316 | 197,215 | 173,652 |
| Change in fair value of derivative liability | (1,734,000) | — | (1,614,000) | — | (3,348,000) | — |
| Adjusted EBITDA | $ (3,030,053) | $ (352,166) | $(1,546,233) | $(1,592,697) | $(4,576,286) | $(1,944,863) |



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Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of the Company's results as reported under GAAP.

*Gross Billings*

Gross billings is a non-GAAP financial measure utilized as a key performance metric by management and the Company's Board of Directors in their financial and operational decision-making as well as for the preparation of the annual budget. The Company believes that gross billings is useful to investors as a supplemental way to provide an alternative measure of the total demand for the products sold by the Company. Gross billings is a non-GAAP financial measure commonly used in the Company's industry and should not be construed as an alternative to net sales as an indicator of operating performance (as determined in accordance with GAAP). The Company's presentation of gross billings may not be comparable to similarly titled measures reported by other companies.

Gross billings is adjusted to exclude certain items that affect comparability. The adjustments are itemized in the tables below. You are encouraged to evaluate these adjustments and the reason the Company considers them appropriate for supplemental analysis. In evaluating adjustments, you should be aware that in the future the Company may incur expenses that are the same as or similar to some of the adjustments set forth below. The presentation of these adjustments should not be construed as an inference that future results will be unaffected by unusual or recurring items.

The Company defines gross billings as the amount of its aggregate sales billed to customers at standard prices before the application of certain adjustments that reduce the net amount received from customers, including product returns, certain rebates and coupon redemptions, discounts and fees.



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The following table presents a reconciliation of net sales to gross billings for the three and six months ended March 31, 2024 June 30, 2024, and 2023:

| | For the Three Months ended March 31, | | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Net Sales | $ 1,388,806 | $ 2,517,972 | $1,421,471 | $1,994,011 | $2,810,276 | $4,511,983 |
| Product Returns | 477,984 | 357,771 | 324,984 | 416,254 | 802,969 | 774,025 |
| Contract Rebates | 262,491 | 328,484 | 212,511 | 483,702 | 475,002 | 812,186 |
| Chargebacks | 52,613 | 40,400 | 57,506 | 35,900 | 110,119 | 76,300 |
| Cash Discounts | 33,452 | 46,739 | 33,043 | 42,675 | 66,495 | 89,414 |
| Distribution Service Fees | 205,868 | 287,507 | 365,704 | 175,115 | 571,573 | 462,622 |
| Coupon Redemptions | 121,792 | 566,865 | 110,208 | 463,071 | 232,000 | 1,029,936 |
| Gross Billings | $ 2,543,006 | $ 4,145,738 | $2,525,427 | $3,610,728 | $5,068,434 | $7,756,466 |

Gross billings has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of the Company's results as reported under GAAP.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.



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**ITEM 4. CONTROLS AND PROCEDURES.**

**Evaluation of Disclosure Controls and Procedures**

We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act")) as of the period covered by this report. Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of the end of the period covered in this Quarterly Report on Form 10-Q, our disclosure controls and procedures were not effective to ensure that information required to be disclosed in reports filed by us under the Exchange Act is recorded, processed, summarized and reported



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within the required time periods and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

A material weakness is a control deficiency (within the meaning of Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 5) or combination of control deficiencies that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. As disclosed in Part II Item 9A Controls and Procedures in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, we identified a material weaknesses in internal control related to (1) Petros has an insufficient level of monitoring and oversight controls and does not enforce the implementation of key controls reflected on its internal control process matrices; (2) the sizes of Petros' accounting and IT departments make it impracticable to achieve an appropriate segregation of duties; and (3) Petros does not have appropriate IT access related controls.

Management plans to expand the scope of its remediation of its internal controls over financial reporting at the consolidated level and has developed a plan to address the remediation of the foregoing deficiencies. Petros' remediation efforts are ongoing and it will continue its initiatives to implement and document policies, procedures, and internal controls. The remediation efforts include the implementation of additional controls to ensure all risks have been addressed.

Management is further emphasizing compliance with existing internal controls. The Company has continued to utilize an external consultant to assist in the remediation of the deficiencies.

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Management believes that the financial statements included in this Quarterly Report on Form 10-Q fairly present in all material respects our financial condition, results of operations and cash flows for the periods presented.

**Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2024 June 30, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting other than as noted above.



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## PART II—OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

From time to time, we may become involved in legal proceedings or be subject to claims arising in the ordinary course of business.

The information set forth in Note 14 Commitments and Contingencies of the Notes to Consolidated Financial Statements of this Quarterly Report on Form 10-Q is incorporated by reference herein.

### ITEM 1A. RISK FACTORS.

The following description of risk factors includes any material changes to, and supersedes the description of, risk factors associated with our business, financial condition and results of operations previously disclosed in “Item 1A. Risk Factors” of our annual report on Form 10-K for the fiscal year ended December 31, 2023, as filed with the SEC on April 1, 2024. Our business, financial condition and operating results can be affected by a number of factors, whether currently known or unknown, including but not limited to those described in our annual report, any one or more of which could, directly or indirectly, cause our actual financial condition and operating results to vary materially from past, or from anticipated future, financial condition and operating results. Any of these factors, in whole or in part, could materially and adversely affect our business, financial condition, operating results, and stock price.

The following discussion of risk factors contains forward-looking statements. These risk factors may be important to understanding other statements in this Quarterly Report on Form 10-Q. The following information should be read in conjunction with the condensed consolidated financial statements and related notes in Part I, Item 1, “Financial Statements” and Part I, Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Quarterly Report on Form 10-Q.

***If we fail to comply with the continued listing requirements of the Nasdaq Capital Market, our common stock may be delisted and the price of our common stock and our ability to access the capital markets could be negatively impacted.***

Our common stock is currently listed for trading on The Nasdaq Capital Market. We must satisfy Nasdaq’s continued listing requirements, including, among other things, a minimum closing bid price of $1.00 per share or risk delisting, which would have a material adverse effect on our business. A delisting of our common stock from The Nasdaq Capital Market could materially reduce the liquidity of our common stock and result in a corresponding material reduction in the price of our common stock. In addition, delisting could harm our ability to raise capital through alternative financing sources on terms acceptable to us, or at all, and may result in the potential loss of confidence by investors, suppliers, customers and employees and fewer business development opportunities.

On May 15, 2024, we received notice from the Listing Qualifications Staff of Nasdaq indicating that, based upon the closing bid price of our common stock for the 30 consecutive business day period between April 3, 2024, through May 14, 2024, we did not meet the minimum bid price of $1.00 per share required for

continued listing on the Nasdaq Capital Market pursuant to Nasdaq Listing Rule 5550(a)(2). The letter also indicated that we would be provided with a compliance period until November 11, 2024, in which to regain compliance pursuant to Nasdaq Listing Rule 5810(c)(3)(A).

There is no assurance that we will maintain compliance with such minimum listing requirements. If our common stock were delisted from Nasdaq, trading of our common stock would most likely take place on an over-the-counter market established for unlisted securities, such as the OTCQB or the Pink Market maintained by OTC Markets Group Inc. An investor would likely find it less convenient to sell, or to obtain accurate quotations in seeking to buy, our common stock on an over-the-counter market, and many investors would likely not buy or sell our common stock due to difficulty in accessing over-the-counter markets, policies preventing them from trading in securities not listed on a national exchange or other reasons. In addition, as a delisted security, our common stock would be subject to SEC rules as a "penny stock," which impose additional disclosure requirements on broker-dealers. The regulations relating to penny stocks, coupled with the typically higher cost per trade to the investor of penny stocks due to factors such as broker commissions generally representing a higher percentage of the price of a penny stock than of a higher-priced stock, would further limit the ability of investors to trade in our common stock. In addition, delisting could harm our ability to raise capital through alternative financing sources on terms acceptable to us, or at all, and may result in the potential loss of confidence by investors, suppliers, customers and employees and fewer business development opportunities. For these reasons and others, delisting would adversely affect the liquidity, trading volume and price of our common stock, causing the value of an investment in us to decrease and having an adverse effect on our business, financial condition and results of operations, including our ability to attract and retain qualified employees and to raise capital.



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**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

**Issuance of Unregistered Securities**

On January 12, 2024 June 21, 2024, the Company issued 6,906 shares of common stock in connection with a services agreement. The Company relied upon the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended, and Regulation D promulgated thereunder for transactions not involving a public offering.

On March 6, 2024, the Company issued 70,922 245,158 shares of common stock in connection with a services agreement. The Company relied upon the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended, and Regulation D promulgated thereunder for transactions not involving a public offering.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None.

**ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

**ITEM 5. OTHER INFORMATION.**

On May 15, 2024, the Company received notice from the Listing Qualifications Staff of Nasdaq indicating that, based upon the closing bid price of the Company's common stock for the 30 consecutive business day period between April 3, 2024, through May 14, 2024, the Company did not meet the minimum bid price of $1.00 per share required for continued listing on the Nasdaq Capital Market pursuant to Nasdaq Listing Rule 5550(a)(2). The letter also indicated that the Company would be provided with a compliance period until November 11, 2024 (the "Compliance Period"), in which to regain compliance pursuant to Nasdaq Listing Rule 5810(c)(3)(A).

In order to regain compliance with Nasdaq's minimum bid price requirement, the Company's common stock must maintain a minimum closing bid price of $1.00 for at least ten consecutive business days during the Compliance Period. In the event the Company does not regain compliance by the end of the Compliance Period, the Company may be eligible for additional time to regain compliance. To qualify, the Company will be required to meet the continued listing requirement for the market value of its publicly held shares and all other initial listing standards for The Nasdaq Capital Market, with the exception of the bid price requirement, and will need to provide written notice of its intention to cure the deficiency during the second compliance period, by effecting a reverse stock split if necessary. If the Company meets these requirements, the Company may be granted an additional 180 calendar days to regain compliance.

However, if it appears to Nasdaq that the Company will be unable to cure the deficiency, or if the Company is not otherwise eligible for the additional cure period, Nasdaq will provide notice that the Company's common stock will be subject to delisting. There can be no assurance that the Company will be eligible for the additional 180 calendar day compliance period, if applicable, or that the Nasdaq staff would grant the Company's request for continued listing subsequent to any delisting notification. In the event of such a notification, the Company may appeal the Nasdaq staff's determination to delist its securities. The letter has no immediate impact on the listing of the Company's common stock, which will continue to be listed and traded on The Nasdaq Capital Market, subject to the Company's compliance with the other listing requirements of The Nasdaq Capital Market. None.



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**ITEM 6. EXHIBITS.**

| Exhibit No. | Description |
|---|---|
| 10.1 | Form of Omnibus Waiver and Amendment, dated March 21, 2024, by and between Petros Pharmaceuticals, Inc. and the investors party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 22, 2024). |
| 31.1* | Rule 13a-14(a)/15d-14(a) Certification – Principal Executive Officer. |
| 31.2* | Rule 13a-14(a)/15d-14(a) Certification – Principal Financial Officer. |
| 32** | Section 1350 Certification – Principal Executive Officer and Principal Financial Officer. |
| 101 | The following materials from Petros Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 June 30, 2024, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Changes in Stockholders' Equity/Members' Capital; (iv) Consolidated Statements of Cash Flows; and (v) Notes to the Consolidated Financial Statements. |
| 104 | Cover Page Interactive Data File, formatted in iXBRL and contained in Exhibit 101. |

* Filed herewith.

** Furnished herewith.



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**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.

Petros Pharmaceuticals, Inc.

Date: May 15, 2024 August 14, 2024

By: /s/ Fady Boctor
Fady Boctor
Chief Commercial Officer and Principal Executive Officer

Date: May 15, 2024 August 14, 2024

By: /s/ Mitchell Arnold
Mitchell Arnold

**Exhibit 31.1**

**CERTIFICATION PURSUANT TO SARBANES–OXLEY ACT OF 2002**

I, Fady Boctor, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Petros Pharmaceuticals, Inc;

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

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

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

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

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

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

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

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

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

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

By: /s/ Fady Boctor

Date: May 15, 2024 August 14, 2024

Fady Boctor

Chief Commercial Officer and Principal Executive Officer

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**Exhibit 31.2**

**CERTIFICATION PURSUANT TO SARBANES–OXLEY ACT OF 2002**

I, Mitchell Arnold, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Petros Pharmaceuticals, Inc;

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

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

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

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

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

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

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

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

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

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

Date: May 15, 2024 August 14, 2024

By: /s/ Mitchell Arnold

Mitchell Arnold

Vice President of Finance and Principal Financial Officer

**Exhibit 32**

**CERTIFICATION PURSUANT TO SECTION 906**
**OF THE SARBANES–OXLEY ACT OF 2002**

In connection with the Quarterly Report of Petros Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2024 June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Petros Pharmaceuticals, Inc.

Date: May 15, 2024 August 14, 2024 By: /s/ Fady Boctor

Fady Boctor
Chief Commercial Officer and Principal Executive Officer

Date: May 15, 2024 August 14, 2024 By: /s/ Mitchell Arnold

Mitchell Arnold
Vice President of Finance and Principal Financial Officer

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