

REFINITIV

DELTA REPORT

10-Q

VRNG.U - XWELL, INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1010
CHANGES	121
DELETIONS	511
ADDITIONS	378

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **September 30, 2023** **March 31, 2024**

☐ 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: 001-34785

XWELL, Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

20-4988129
(I.R.S. Employer
Identification No.)

254 West 31st Street, 11th Floor, New York, NY
(Address of principal executive offices)

10001
(Zip Code)

(Registrant's Telephone Number, Including Area Code): **(212) 750-9595**

XpresSpa Group, Inc.
(Former name, former address and former fiscal year, if changed since last report)

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 \$0.01 per share	XWEL	The Nasdaq Stock Market LLC

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 November 9, 2023 May 14, 2024, 4,179,631 4,183,435 shares of the registrant's common stock were outstanding.

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XWELL, Inc. and Subsidiaries

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PART I - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

XWELL, Inc. and Subsidiaries
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except share and per share data)

	September 30, 2023	December 31, 2022
Current assets		
Cash and cash equivalents	\$ 4,827	\$ 19,038
Marketable Securities	21,311	23,153
Accounts receivable	1,193	2,858
Inventory	968	1,161
Other current assets	1,663	1,122
Total current assets	29,962	47,332
Restricted cash	751	751
Property and equipment, net	3,801	3,666
Intangible assets, net	2,174	4,008
Operating lease right of use assets, net	6,075	8,276
Goodwill	-	4,024
Other assets	1,787	2,369
Total assets	\$ 44,550	\$ 70,426
Current liabilities		
Accounts payable	\$ 1,511	\$ 2,312
Accrued expenses and other current liabilities	4,198	5,719
Current portion of operating lease liabilities	2,375	2,586
Deferred revenue	73	339
Total current liabilities	8,157	10,956
Long-term liabilities		
Operating lease liabilities	9,123	11,521
Total liabilities	17,280	22,477
Commitments and contingencies (see Note 13)		
Equity		
Common Stock, \$0.01 par value per share, 150,000,000 shares authorized; 4,174,381 and 4,161,613 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively*	42	42
Additional paid-in capital	470,270	468,530
Accumulated deficit	(449,269)	(428,112)
Accumulated other comprehensive loss	(1,642)	(534)
Total equity attributable to XWELL, Inc.	19,401	39,926
Noncontrolling interests	7,869	8,023
Total equity	27,270	47,949
Total liabilities and equity	\$ 44,550	\$ 70,426

*Adjusted, where applicable, to reflect the impact of the 1:20 reverse stock split that became effective September 28, 2023.

	March 31, 2024	December 31, 2023
Current assets		

Cash and cash equivalents	\$ 4,317	\$ 8,437
Marketable Securities	14,784	14,613
Accounts receivable	2,900	1,667
Inventory	834	900
Other current assets	1,621	949
Total current assets	24,456	26,566
Restricted cash	751	751
Property and equipment, net	2,139	2,454
Intangible assets, net	1,264	1,353
Operating lease right of use assets, net	5,651	4,656
Goodwill	1,431	1,371
Other assets	1,785	1,842
Total assets	\$ 37,477	\$ 38,993
Current liabilities		
Accounts payable	\$ 2,017	\$ 1,099
Accrued expenses and other current liabilities	3,695	4,968
Current portion of operating lease liabilities	2,585	2,402
Deferred revenue	890	861
Total current liabilities	9,187	9,330
Long-term liabilities		
Operating lease liabilities	9,525	8,692
Total liabilities	18,712	18,022
Commitments and contingencies (see Note 13)		
Equity		
Common Stock, \$0.01 par value per share, 150,000,000 shares authorized; 4,182,617 and 4,179,631 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	42	42
Additional paid-in capital	470,996	470,737
Accumulated deficit	(458,365)	(455,853)
Accumulated other comprehensive loss	(2,099)	(1,924)
Total equity attributable to XWELL, Inc.	10,574	13,002
Noncontrolling interests	8,191	7,969
Total equity	18,765	20,971
Total liabilities and equity	\$ 37,477	\$ 38,993

The accompanying notes form an integral part of these unaudited condensed consolidated financial statements.

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XWELL, Inc. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)
(In thousands, except share and per share data)

	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2023	2022	2024	2023
Revenue, net						
Patient services revenue	\$ —	\$ 4,607	\$ 148	\$ 31,728		
Services	6,709	5,583	20,485	15,341	8,035	6,467
Products	747	542	2,044	1,308	691	596
Other	12	4	29	4		
Total revenue, net	7,468	10,736	22,706	48,381	8,726	7,063
Cost of sales						
Labor	4,462	5,222	13,609	16,161	4,149	4,378
Occupancy	1,063	1,082	3,237	3,412	942	1,213
Products and other operating costs	852	3,035	3,057	17,170	964	950
Total cost of sales	6,377	9,339	19,903	36,743	6,055	6,541
Gross Profit	1,091	1,397	2,803	11,638	\$ 2,671	\$ 522
Depreciation and amortization	590	1,564	1,770	4,329	225	587
Impairment of long-lived assets	6,782	677	6,782	677	652	-
Impairment of operating lease right-of-use assets	—	38	—	38		
Loss on disposal of assets	16	325	34	273	-	132
Advertising and promotion expense	313	863	628	3,696		
IT/Hosting services	273	741	1,186	2,247		
Other general and administrative expenses	3,593	4,843	13,891	18,250		
General and administrative Salaries and Benefits					2,092	3,966
					2,081	2,125
Total operating expenses	11,567	9,051	24,291	29,510	5,050	6,810
Operating loss	(10,476)	(7,654)	(21,488)	(17,872)	(2,379)	(6,288)
Interest income, net	105	114	334	159	110	393
Foreign exchange remeasurement gain/(loss)	366	(2)	(690)	(7)		
Gain on Securities, realized and unrealized	225	—	703	—		
Gain on Investments, realized and unrealized					135	24
Foreign exchange gain (loss)					(166)	85
Other non-operating expense, net	(198)	(134)	(345)	(643)	(58)	(43)
Loss before income taxes	(9,978)	(7,676)	(21,486)	(18,363)	(2,358)	(5,829)
Income tax expense	—	(3)	—	(5)	-	-
Net loss	(9,978)	(7,679)	(21,486)	(18,368)	(2,358)	(5,829)
Net (income) loss attributable to noncontrolling interests	60	500	329	(1,012)		
Net loss (income) attributable to noncontrolling interests					(154)	320
Net loss attributable to XWELL, Inc.	\$ (9,918)	\$ (7,179)	\$ (21,157)	\$ (19,380)	\$ (2,512)	\$ (5,509)
Net loss	\$ (9,978)	\$ (7,679)	\$ (21,486)	\$ (18,368)	\$ (2,358)	\$ (5,829)

Other comprehensive loss	(514)	(102)	(1,108)	(248)		
Comprehensive loss	\$ (10,492)	\$ (7,781)	\$ (22,594)	\$ (18,616)		
Other comprehensive loss from operations					(175)	(130)
Comprehensive loss income					\$ (2,533)	\$ (5,959)
Loss per share						
Basic and diluted loss per share*	\$ (2.38)	\$ (1.52)	\$ (5.07)	\$ (3.99)		
Weighted-average number of shares outstanding during the period						
Basic and diluted*	4,173,894	4,731,066	4,170,629	4,858,393		
Basic and diluted loss per share					\$ (0.60)	\$ (1.32)
Weighted-average number of shares outstanding during the period*						
Basic					4,182,617	4,167,295
Diluted					4,182,617	4,167,295

*Adjusted to reflect the impact of the 1:1.20 reverse stock split that became effective on September 28, 2023.

The accompanying notes form an integral part of these unaudited condensed consolidated financial statements.

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XWELL, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

(Unaudited)

(In thousands, except share and per share data)

	Common stock		Treasury Stock		Additional	Accumulated	Accumulated	Total	Non-	Total
	Shares*	Amount	Shares*	Amount	paid-	deficit	other comprehensive loss	Company equity	controlling interests	equity
					in capital					
December 31, 2022	4,161,613	\$ 42	—	—	\$ 468,530	\$ (428,112)	\$ (534)	\$ 39,926	\$ 8,023	\$ 47,949
Issuance of restricted stock units	6,015	—	—	—	—	—	—	—	—	—
Value of shares withheld to fund payroll taxes	—	—	—	—	(22)	—	—	(22)	—	(22)
Stock-based compensation	—	—	—	—	589	—	—	589	23	612
Net loss for the period	—	—	—	—	—	(5,509)	—	(5,509)	(320)	(5,829)
Foreign currency translation	—	—	—	—	—	—	(130)	(130)	11	(119)
March 31, 2023	4,167,628	\$ 42	—	\$ —	\$ 469,097	\$ (433,621)	\$ (664)	\$ 34,854	\$ 7,737	\$ 42,591
Issuance of restricted stock units	3,297	—	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	603	—	—	603	23	626
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(120)	(120)

Foreign currency translation	—	—	—	—	—	—	(464)	(464)	46	(418)
Net loss for the period	—	—	—	—	—	(5,730)	—	(5,730)	51	(5,679)
June 30, 2023	4,170,925	\$ 42	—	\$ —	\$ 469,700	\$ (439,351)	\$ (1,128)	\$ 29,263	\$ 7,737	\$ 37,000
Issuance of restricted stock units	3,456	—	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	567	—	—	567	24	591
Grant of stock for services	—	—	—	—	3	—	—	3	—	3
Contributions from noncontrolling interests	—	—	—	—	—	—	—	—	150	150
Foreign currency translation	—	—	—	—	—	—	(514)	(514)	18	(496)
Net loss for the period	—	—	—	—	—	(9,918)	—	(9,918)	(60)	(9,978)
September 30, 2023	4,174,381	\$ 42	—	\$ —	\$ 470,270	\$ (449,269)	\$ (1,642)	\$ 19,401	\$ 7,869	\$ 27,270

*Adjusted to reflect the impact of the 1:20 reverse stock split that became effective on September 28, 2023.

The accompanying notes form an integral part of these unaudited condensed consolidated financial statements.

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XWELL, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT) (Continued)

(Unaudited)

(In thousands, except share and per share data)

	Accumulated						
	Additional		Accumulated	other		Total	Non-
	Common stock	paid-		comprehensive	Company		
	Shares	Amount in capital	deficit	loss	equity	interests	Total equity
December 31, 2023	4,179,631	\$ 42 \$ 470,737	\$ (455,853)	\$ (1,924)	\$ 13,002	\$ 7,969	\$20,971
Issuance of restricted stock units	2,986	— —	—	—	—	—	—
Stock-based compensation	—	— 259	—	—	259	23	282
Net loss for the period	—	— —	(2,512)	—	(2,512)	154	(2,358)
Foreign currency translation	—	— —	—	(175)	(175)	45	(130)
March 31, 2024	4,182,617	\$ 42 \$ 470,996	\$ (458,365)	\$ (2,099)	\$ 10,574	\$ 8,191	\$18,765

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XWELL, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT) (Continued)
(Unaudited)
(In thousands, except share and per share data)

	Common stock		Treasury Stock		Additional paid- in capital	Accumulated deficit	Accumulated other comprehensive loss	Total Company equity	Non- controlling interests	Total equity
	Shares*	Amount	Shares*	Amount						
December 31, 2021	5,063,467	\$ 51	—	—	\$ 488,268	\$ (395,275)	\$ (312)	\$ 92,732	\$ 7,203	\$ 99,935
Issuance of Common Stock for acquisition	27,624	—	—	—	906	—	—	906	—	906
Vesting of restricted stock units	19,591	—	—	—	—	—	—	—	—	—
Value of Shares Withheld to fund payroll taxes	—	—	—	—	(73)	—	—	(73)	—	(73)
Stock-based compensation	—	—	—	—	1,543	—	—	1,543	—	1,543
Net loss for the period	—	—	—	—	—	(4,283)	—	(4,283)	1,521	(2,762)
Repurchase and retirement of common stock	(357,122)	(3)	—	—	(11,092)	—	—	(11,095)	—	(11,095)
Foreign currency translation	—	—	—	—	—	—	(41)	(41)	—	(41)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(824)	(824)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	—	200	200
March 31, 2022	4,753,560	\$ 48	—	\$ —	\$ 479,552	\$ (399,558)	\$ (353)	\$ 79,689	\$ 8,100	\$ 87,789
Vesting of restricted stock units	14,453	—	—	—	—	—	—	—	—	—
Grant of stock options for services	—	—	—	—	15	—	—	15	—	15
Stock-based compensation	—	—	—	—	771	—	—	771	549	1,320
Net loss for the period	—	—	—	—	—	(7,918)	—	(7,918)	(9)	(7,927)
Repurchase of common stock	—	—	(66,920)	(1,021)	—	—	—	(1,021)	—	(1,021)
Foreign currency translation	—	—	—	—	—	—	(105)	(105)	—	(105)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(132)	(132)
June 30, 2022	4,768,013	\$ 48	(66,920)	\$ (1,021)	\$ 480,338	\$ (407,476)	\$ (458)	\$ 71,431	\$ 8,508	\$ 79,939
Vesting of restricted stock units	12,812	—	—	—	—	—	—	—	—	—
Grant of stock options for services	—	—	—	—	16	—	—	16	—	16
Contributions from noncontrolling interests	—	—	—	—	—	—	—	—	546	546
Stock-based compensation	—	—	—	—	392	—	—	392	91	483
Net loss for the period	—	—	—	—	—	(7,179)	—	(7,179)	(500)	(7,679)
Repurchase and retirement of common stock	(619,212)	(6)	66,920	1,021	(12,688)	—	—	(11,673)	—	(11,673)
Foreign currency translation	—	—	—	—	—	—	(102)	(102)	(3)	(105)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	—
September 30, 2022	4,161,613	\$ 42	—	\$ —	\$ 468,058	\$ (414,655)	\$ (560)	\$ 52,885	\$ 8,642	\$ 61,527

	Common stock*		Additional paid- in capital	Accumulated deficit	Accumulated other comprehensive loss	Total Company equity	Non- controlling interests	Total equity
	Shares	Amount						
December 31, 2022	4,161,613	\$ 42	\$ 468,530	\$ (428,112)	\$ (534)	\$ 39,926	\$ 8,023	\$47,949
Issuance of restricted stock	6,015	—	—	—	—	—	—	—
Value of shares withheld to fund payroll taxes	—	—	(22)	—	—	(22)	—	(22)

Stock-based compensation	—	—	589	—	—	589	23	612
Net loss for the period	—	—	—	(5,509)	—	(5,509)	(320)	(5,829)
Foreign currency translation	—	—	—	—	(130)	(130)	11	(119)
March 31, 2023	4,167,628	\$ 42	\$ 469,097	\$ (433,621)	\$ (664)	\$ 34,854	\$ 7,737	\$42,591

*Adjusted to reflect the impact of the 1:1.20 reverse stock split that became effective on September 28, 2023.

The accompanying notes form an integral part of these unaudited condensed consolidated financial statements.

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XWELL, Inc. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2024	2023
Cash flows from operating activities				
Net loss	\$ (21,486)	\$ (18,368)	\$ (2,358)	\$ (5,829)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization	1,770	4,329	225	587
Impairment of long lived assets	6,782	715		
Impairment of fixed assets			398	—
Impairment of operating lease right-of-use assets			254	—
Unrealized Gain on marketable securities			(92)	(206)
Foreign currency remeasurement loss	690	—	166	85
Loss on disposal of assets	34	273		
Gain on lease termination	(821)	—		
Unrealized gain on marketable securities	(668)	—		
Amortization of operating lease right of use asset	1,163	1,357	286	416
Stock-based compensation	1,832	3,346	282	612
Loss on equity investment	53	528		
(Gain) loss on equity investment			(43)	(25)
Changes in assets and liabilities:				
Decrease in inventory	192	794	66	166
Decrease (increase) in accounts receivable	1,665	(352)		
Increase (decrease) in accounts receivable			(1,223)	843
Increase in other assets, current and non-current	(336)	(2,265)	(594)	(469)
Increase in deferred revenue	(266)	(1,015)	29	6
Increase in other liabilities, current and non-current	(3,226)	(3,913)		
Decrease in accounts payable	(251)	(2,866)		
Decrease in other liabilities, current and non-current			(1,987)	(2,567)
Increase in accounts payable			909	516
Net cash used in operating activities	(12,873)	(17,406)	(3,682)	(5,885)
Cash flows from investing activities				

Acquisition of property and equipment	(1,639)	(5,797)	(291)	(1,404)
Investment in marketable securities	(1,991)	—	(80)	(1,882)
Sale of marketable securities	4,500	—		
Acquisition of Naples Wax	(1,574)	—		
Acquisition of HyperPointe, net of cash assumed	—	(4,853)		
Acquisition of intangibles	(468)	(279)	—	(4)
Net cash used in investing activities	(1,172)	(10,929)	(371)	(3,290)
Cash flows from financing activities				
Repurchase of Common Stock	—	(23,789)		
Contributions from noncontrolling interests	150	746		
Payments for shares withheld on vesting	(22)	(73)	—	(22)
Repayment of Paycheck Protection Program	—	(3,584)		
Distributions to noncontrolling interests	(120)	(956)		
Net cash provided by (used in) financing activities	8	(27,656)		
Net cash used in financing activities			—	(22)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(174)	(86)	(67)	8
Decrease in cash, cash equivalents and restricted cash	(14,211)	(56,077)	(4,120)	(9,169)
Cash, cash equivalents, and restricted cash at beginning of the period	19,789	106,257	9,188	19,789
Cash, cash equivalents, and restricted cash at end of the period	<u>\$ 5,578</u>	<u>\$ 50,180</u>	<u>\$ 5,068</u>	<u>\$ 10,620</u>
Cash paid for				
Interest	\$ —	\$ 10	\$ —	\$ —
Income taxes	\$ 142	\$ 5	—	\$ —
Non-cash investing and financing transactions				
Capital expenditures included in Accounts payable, accrued expenses and other current liabilities	\$ 197	\$ 592	\$ 17	\$ 38
Issuance of Common Stock on acquisition of gcg Connect, LLC, d/b/a HyperPointe	\$ —	\$ 906		

The accompanying notes form an integral part of these unaudited condensed consolidated financial statements.

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XWELL, Inc. and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(In thousands, except for share and per share data)

Note 1. Business, Basis of Presentation and Liquidity

Overview

XWELL is a global wellness company operating multiple brands and focused on bringing restorative, regenerative and reinvigorating products and services to travelers. XWELL currently has four reportable operating segments: XpresSpa®, XpresTest®, Naples Wax Center and Treat™.

On October 25, 2022, the Company changed its name to XWELL, Inc. ("XWELL" or the "Company") from XpresSpa Group, Inc. The Company's common stock, par value \$0.01 per share, which had previously been listed under the trading symbol "XSPA" on the Nasdaq Capital Market, now trades under the trading symbol "XWEL" since the opening of the trading market on October 25, 2022. The Company filed an amended and restated certificate of incorporation with the Delaware Secretary of State on October 24, 2022 (the "Amended and Restated Certificate") reflecting the name change. Rebranding to XWELL aligned the Company's corporate strategy to build a pure-play wellness services company, in both the airport and off airport off-airport marketplaces.

XWELL is a global wellness company operating multiple brands and focused on bringing restorative, regenerative and reinvigorating products and services to travelers. XWELL currently has three reportable operating segments: XpresSpa®, XpresTest®, and Treat™.

XpresSpa

XWELL's subsidiary, XpresSpa Holdings, LLC ("XpresSpa") has been a global airport retailer of spa services through its XpresSpa spa locations, offering travelers premium spa services, including massage, nail and skin care, as well as spa and travel products.

As of September 30, 2023 March 31, 2024, there were 21 operating domestic XpresSpa domestic locations. During 2022, the Company sold one location locations in Austin-Bergstrom International Airport to its franchisee which now operates both total, 19 Company-owned locations at that airport. and two franchises. The Company also had 10 11 international locations operating as of September 30, 2023 March 31, 2024, including two XpresSpa locations in Dubai International Airport in the United Arab Emirates, one XpresSpa location in Zayed International Airport in Abu Dhabi, UAE, three XpresSpa locations in Schiphol Amsterdam Airport in the Netherlands and five XpresSpa locations in the Istanbul Airport in Turkey.

XpresTest

The Company, in partnership with certain COVID-19 testing partners, successfully launched its XpresCheck Wellness Centers, in June of 2020, through its XpresTest, Inc. subsidiary ("XpresTest"), offering which offered COVID-19 and other medical diagnostic testing services also in airports, to the traveling public, as well as airline, airport and concessionaire employees, and TSA and U.S. Customs and Border Protection agents during the pandemic. During 2022 and 2023, as countries continued to relax their testing requirements resulting in rapid decline of testing volumes at the Company's XpresCheck locations, the Company closed all but one XpresCheck Wellness Center. Centers. As of September 30, 2023 December 31, 2023, we have closed all XpresCheck locations.

XWELL's subsidiary, XpresTest, Inc ("XpresTest") began conducting bio-surveillance bio surveillance monitoring with the Centers for Disease Control and Prevention (CDC) in collaboration with Concentric by Ginkgo BioWorks in 2021 2021. The program was extended in January 2022 and on January 31, 2022, the Company announced the extension renewed in August of the initial program, bringing the total contract to \$5,534. As of August 2022 and 2023. In March 2024, the program was renewed in partnership with Ginkgo BioWorks for funding and scope were expanded.

HyperPointe

XWELL's subsidiary, gcg Connect, LLC, operating as HyperPointe, provides direct to business marketing support across a new two-year contract term which represents approximately \$7,331 in revenue (for number of health and health-related channels. From the first year) creation of marketing campaigns for the XpresTest segment. Effective pharmaceutical industry, to learning management systems to website and health related content creation, HyperPointe is a complementary service provider to XWELL's health-focused brands as well as providing the majority of August 12, 2023, services to the revenue for the second year was determined to be approximately \$6,675.

external community.

For reporting purposes, the former Hyperpointe HyperPointe segment has been consolidated into the XpresTest segment. This determination was made given that XpresTest and Hyperpointe are managed by its Chief Executive Officer, Ezra Ernst, as a single segment.

HyperPointe, which the Company acquired in January 2022, provides a broad range of service and support options for our customers, including technical support services and advanced services.

Treat

The Treat, segment, which is operating through XWELL's subsidiary Treat, Inc. ("Treat") is a wellness brand that provides access to wellness services for travelers at on-site centers (currently located in JFK International Airport and in Salt Lake City International Airport).

In 2022, the Company's Treat brand opened new locations in Phoenix Sky Harbor International Airport (pre-security) and Salt Lake City International Airport. With respect to these locations in Phoenix and Salt Lake City, agreements had already been executed with the airports and the decision was made to convert these locations to Treat.

By the third quarter of 2022, it became clear that the Treat business required a change in strategy and as a result, the Company began to retool the offerings within the Treat locations by providing additional retail as part of its retail strategy expansion as well as lay the foundation to bring more spa-like services into the Treat locations in an attempt to unify its core offering.

By the fourth quarter of 2022, April 2024, the decision was made to close the pre-security Treat location at Phoenix Sky Harbor Airport. As of September 30, 2023, the Treat brand operated at two locations in the airport (JFK International Airport and Salt Lake City International Airport). These remaining Airport.

Treat locations offer offers a full retail product offering and a suite of wellness and spa services. Travelers can purchase time blocks to use our wellness rooms to engage in interactive services like self-guided yoga, meditation and low impact weight exercises or to relax and unplug from the hectic pace of the airport and renew themselves before or after their trip.

On September 12, 2023, XWELL acquired Naples Wax Center

XWELL's subsidiary Naples Wax Center, LLC, a group of upscale hair removal boutiques in Florida, which was acquired on September 12, 2023, for a purchase price of approximately \$1.6 million. Known for providing a memorable customer experience, Naples Wax Center \$1,624 operates three high-performing locations with core products and service offerings from face and body waxing to a range of skincare and cosmetic products. The acquisition of Naples Wax Center enables is intended to enable the company Company to move beyond its airport client base with a business it that can adapt be adapted to a larger wellness platform while also growing its retail footprint to serve its long-term financial expectations. goals.

TreatStudios

For reporting purposes, In Q4 of 2023, the Naples Wax acquisition Company began plans to open its first TreatStudios location in Jacksonville, Florida in 2024. TreatStudios is consolidated under an out-of-airport concept providing leased space to established wellness service providers. Revenue will be derived from both lease payments received from the Treat segment, wellness practitioners and the sale of retail at the wellness center.

The Company believes that these strategic imperatives will be accomplished through development of an infrastructure specifically focused on enabling scalable and efficient growth.

Basis of Presentation and Principles of Consolidation

The unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and the instructions to Article 8-03 of Regulation S-X, and should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, as amended. The condensed consolidated balance sheet as of December 31, 2022 December 31, 2023 was derived from the audited annual financial statements but does not include all information required by GAAP for annual financial statements. The financial statements include the accounts of the Company, all entities that are wholly owned by the Company, and all entities in which the Company has a controlling financial interest as well as variable interest entities in which we are the primary beneficiaries, interest. All adjustments that, in the opinion of management, are necessary for a fair presentation for the periods presented have been reflected by the Company. Such adjustments are of a normal, recurring nature. The results of operations for the three and nine months ended September 30, 2023 March 31, 2024 are not necessarily indicative of the results that may be expected for the entire fiscal year or for any other interim period. All significant intercompany balances and transactions have been eliminated in consolidation.

Reverse Stock Split

On September 28, 2023, the Company effected a 1-for-20 reverse stock split, (the "Reverse Stock Split") whereby every twenty shares of its Common Stock were reduced to one share of its Common Stock and the price per share of its Common Stock was multiplied by 20. All references to shares and per share amounts have been adjusted to reflect the reverse stock split.

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Liquidity and Financial Condition

As of ~~September 30, 2023~~ ~~March 31, 2024~~, the Company had cash and cash equivalents of ~~\$4,827~~ ~~\$4,317~~ (excluding restricted cash), ~~\$21,311~~ ~~\$14,784~~ in marketable securities, and total current assets of ~~\$29,962~~ ~~\$24,456~~. The Company's total current liabilities balance, which includes accounts payable, deferred revenue, accrued expenses, and operating lease liabilities was approximately ~~\$8,157~~ ~~\$9,187~~ as of ~~September 30, 2023~~ ~~March 31, 2024~~ and ~~\$10,956~~ ~~\$9,330~~ as of ~~December 31, 2022~~ ~~December 31, 2023~~. The working capital surplus was ~~\$21,805~~ ~~\$15,269~~ as of ~~September 30, 2023~~ ~~March 31, 2024~~, compared to a working capital surplus of ~~\$36,376~~ ~~\$17,236~~ as of ~~December 31, 2022~~ ~~December 31, 2023~~.

The Company ~~has~~ significantly reduced operating and overhead expenses ~~since in~~ the second half of ~~2022, 2023~~, while it continues to focus on returning to overall profitability.

The Company has taken actions to improve its overall cash position, ~~and access to liquidity through equity offerings and debt retirements, by exploring valuable strategic partnerships, rightsizing~~ ~~right sizing~~ its corporate structure and streamlining its operations. ~~The Company is pursuing strategic partnerships that the Company expects will further strengthen the long-term profitability of the business.~~

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Note 2. ~~Significant~~ Accounting and Reporting Policies

(a) ~~Use of estimates~~

The preparation of the accompanying condensed consolidated financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses for the periods presented. Actual results may differ from such estimates. Significant items subject to such estimates and assumptions include the Company's long-lived assets, intangibles assets, the useful lives of the Company's intangible assets, the valuation of stock-based compensation, deferred tax assets and liabilities, income tax uncertainties, and other contingencies.

Revenue Recognition Policy

XpresSpa, ~~Treat and Naples Wax Center~~

The Company recognizes revenue from the sale of ~~XpresSpa~~ products and services when the services are rendered at XpresSpa, ~~stores~~ ~~Treat, and Naples Wax Centers locations~~ and from the sale of products at the time products are purchased at the Company's stores or online usually by credit card, net of discounts and applicable sales taxes. Accordingly, the Company recognizes revenue for the Company's single performance obligation related to both in-store and online sales at the point at which the service has been performed or the control of the

merchandise has passed to the customer. Revenues from the XpresSpa retail and e-commerce businesses are recorded at the time goods are shipped.

The Company has also entered into collaborative agreements with marketing partners whereby it sells certain of its partners' products in its XpresSpa spas. The Company acts as an agent for revenue recognition purposes and therefore records revenue net of the revenue share payable to the partners. Upon receipt of the non-recurring, non-refundable initial collaboration fee, management records a deferred revenue liability and recognizes revenue on a straight-line basis over the life of the collaboration agreement.

XpresTest

During the third quarter of 2022, XpresTest, in partnership with Ginkgo BioWorks in continuation of their support to the CDC's traveler-based SARS-CoV-2 genomic surveillance program was awarded a new contract. The partnership is expected to support public health and biosecurity services totaling approximately \$16,000, with an overall potential to exceed \$61,000 based on CDC program options and public health priorities. As COVID-19 sub-variants and other biological threats continue to emerge, the partners plan to expand the program footprint and incorporate innovative modalities and offerings, such as monitoring of wastewater from aircraft lavatories. The current contract with Ginkgo BioWorks related to the above partnership contains fixed pricing for which we are the Company is entitled to \$6,761 \$10,674 for the sample collection (passenger and aircraft wastewater) and \$570 \$370 for the traveler enrollment initiatives, which represents the amount of consideration that we are entitled. The Company recognizes revenue over time for both sample collection performance obligations, using the input method based on time elapsed to measure progress towards satisfying each of the performance obligations. We recognized the revenue for the traveler enrollment initiative performance obligation in the second quarter of 2023. The Company recognizes revenue ratably (straight line basis) over the term of the contract (one year). The Company recorded \$1,603 \$3,306 and \$5,531 \$1,670, in revenue during for the three and nine months ended September 30, 2023 March 31, 2024 and 2023, respectively, related to sample collection performance obligations because the Company's efforts towards satisfying each of the performance obligations are expended evenly throughout the period of performance.

10HyperPointe

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The Company's HyperPointe which we acquired in January 2022, business provides a broad range of service and support options for our HyperPointe's customers, including technical support services and advanced services. Technical support services represent the majority of these offerings which are distinct performance obligations that are satisfied over time with revenue recognized ratably over the contract term. Advanced services are distinct performance obligations that are satisfied over time with revenue recognized as services are delivered. Revenue Revenues billed in advance is are treated as deferred revenue, which was \$56 \$87 and \$322 \$72 as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. The Company has recognized \$210 of the December 31, 2022 deferred revenue balance in 2023. HyperPointe had unbilled receivables of \$187 and \$0 as of September 30, 2023 and December 31, 2022, respectively, included in other current assets.

The Company excludes all sales taxes assessed to our customers from revenue. Sales taxes assessed on revenues are included in accrued Accrued expenses and other current liabilities on the Company's unaudited condensed consolidated balance sheets until remitted to state agencies.

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[Gift cards, customer rewards and prepaid packages](#)

XWELL offers no-fee, non-expiring gift cards to its customers. No revenue is recognized upon the issuance of a gift card and a liability is established for the gift card's cash value. The Company recognizes liability is relieved, and revenue from is recognized upon redemption by the sale customer. As the gift cards have no expiration date, there is no provision for the reduction in the value of Treat unused card balances.

In addition, XWELL maintains a rewards program in which customers earn loyalty points, which can be redeemed for future services. Loyalty points are rewarded upon joining the loyalty program, for customer birthdays, and Naples Wax products and services when the services are rendered at Treat Centers and Naples Wax Centers and from the sale of products at the time products are purchased at the Treat Centers, online, and the Naples Wax Centers usually by credit card, net of discounts and applicable sales taxes. Accordingly, based upon customer spending. When a customer redeems loyalty points, the Company recognizes revenue for the Company's single performance obligation redeemed cash value and reduces the related loyalty program liability. In 2023 the Company adopted a formal expiration policy whereby any loyalty members with inactivity for an 18-month period will forfeit any unused loyalty rewards.

The costs associated with gift cards and reward points are accrued as the rewards are earned by the cardholder and are included in Accrued expenses and other current liabilities in the condensed consolidated balance sheets until used.

Naples Wax Center offers prepaid wax packages that are either unlimited for one year or a set number of services. When the packages are purchased, the sales are recorded as deferred revenue. As services related to both in-centers prepaid packages are used, revenue is recognized as income. The deferred revenue as of March 31, 2024 was \$794 and online sales at for the point at which the service has been performed or the control of the merchandise has passed to the customer. Revenues from the Treat retail and e-commerce businesses are recorded at the time goods are shipped. year ended December 31, 2023 deferred revenue was \$778.

(b) Translation into United States dollars

The Company conducts certain transactions in foreign currencies, which are recorded at the exchange rate as of the transaction date. All exchange gains and losses occurring from the remeasurement of monetary balance sheet items denominated in non-dollar currencies are deemed non-operating income in the unaudited condensed consolidated statements of operations and comprehensive loss. During the three and nine months ended September 30, 2023, March 2024, the Company recognized a gain of \$366 and a loss of \$690, respectively, as a result of foreign recorded \$166 in exchange losses occurring from the remeasurement of monetary balance sheet items denominated in non-dollar currencies. During the three and nine months ended September 30, 2022, March 2023, the Company did not incur any foreign recorded \$85 in exchange gains or losses occurring from the remeasurement of monetary balance sheet items denominated in non-dollar currencies.

gain.

Accounts of the foreign subsidiaries of XpresSpa are translated into United States dollars. Assets and liabilities have been translated primarily at period end exchange rates and revenues and expenses have been translated at average monthly rates for the three and nine months ended September 2023 and 2022, March 31, 2024. The translation adjustments arising from the use of different exchange rates are included as foreign currency translation within the condensed consolidated statements of operations and comprehensive income (loss) and unaudited condensed consolidated statements of changes in stockholders' equity.

(c) Business Combinations

The Company applies uses the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") ASC Topic 805, Business Combinations ("ASC 805") in the accounting for acquisitions of businesses. ASC 805 requires the Company to use the acquisition method of accounting by recognizing the identifiable tangible and intangible assets acquired and liabilities assumed, and any non-controlling interest in the acquired business, measured at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the aforementioned amounts.

While the Company uses its best estimates and assumptions to accurately apply preliminary values to assets acquired and liabilities assumed at the acquisition date, these estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion

of the measurement period or final determination of the values of the assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded in the condensed consolidated statements of operations.

Accounting for business combinations requires management to make significant estimates and assumptions, especially at the acquisition date, including estimates for intangible assets. Although the Company believes the assumptions and estimates that have been made are reasonable and appropriate, they are based in part on historical experience and

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information obtained from the acquired companies and are inherently uncertain. Critical estimates Estimates in valuing certain of the intangible assets the Company has acquired include future expected cash flows, and discount rates.

(d) Goodwill Intangible assets

Intangible assets include customer relationships, trade names, and technology, which were primarily acquired as part of the acquisition of XpresSpa in December 2016, HyperPointe in 2022 and Naples Wax Center in 2023 and were recorded based on the estimated fair value in purchase price allocation. In addition, intangible assets include software and website development costs that were capitalized as part of the Company's development of a mobile application and website for the Treat brand. The Company accounts for goodwill under FASB these costs in accordance with ASC 350-30, Intangibles-Goodwill 350-40, Internal-Use Software. The intangible assets are amortized over their estimated useful lives, which are periodically evaluated for reasonableness.

The Company's intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The fair value is then compared to the carrying value and Other, an impairment charge is recognized by the amount in which the carrying value exceeds the fair value of the asset. In assessing the recoverability of the Company's intangible assets, the Company must make estimates and assumptions regarding future cash flows and other factors to determine the fair value of the respective assets. These estimates and assumptions could have a significant impact on whether an impairment charge is recognized and the magnitude of any such charge. Fair value estimates are made at a specific point in time, based on relevant information.

Goodwill

Goodwill represents the cost of a business acquisition in excess of the fair value of the net assets acquired. Goodwill is not amortized and is reviewed for impairment annually, or more frequently if facts and circumstances indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company company performs a quantitative test to identify and measure the amount of goodwill impairment loss. The Company compares the fair value of the reporting unit with its carrying amount. If the carrying amount exceeds fair value, goodwill of the reporting unit is considered impaired, and that excess is recognized as a goodwill impairment loss. During the quarter ended September 30, 2023 March 31, 2024, the Company recognized an did not record any goodwill impairment charge of \$4,024, which is included in Impairment of long-lived assets in the Company's unaudited condensed consolidated statements of operations and comprehensive income (loss).loss.

(e) Reclassification

Certain balances in the unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2022 March 31, 2023 have been reclassified to conform to the presentation in the unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2023 March 31, 2024, primarily the separate classification and presentation of accounts payable, gross profits, advertising revenue, general and promotion administrative expense, IT/Hosting services, foreign currency exchange gain, and foreign exchange remeasurement gain/(loss), the realized and unrealized gain on investments and other operating expenses. The above separation affected accounts payable, accrued expenses and other, revenue classifications, general and administrative expenses, foreign currency exchange gain, and the realized and unrealized gain on investments and other non-operating expense, net operating

expenses in the comparative 2022 2023 financial statements. Such reclassifications did not have a material impact on the unaudited condensed consolidated financial statements.

(f) Impairment of long-lived assets Long-Lived Assets

Long-lived assets are tested for impairment at the lowest level at which there are identifiable operating cash flows. The Company's long-lived assets consist primarily of leasehold improvements and right to use lease assets for each of its airport locations (considered the asset group). The Company reviews its long-lived assets for recoverability yearly or sooner if events or changes in circumstances indicate that the carrying value of long-lived assets may not be recoverable. If indicators are present, the Company performs a recoverability test by comparing the sum of the estimated undiscounted future cash flows attributable to the asset group in question to its carrying amount. An impairment loss is recognized if it is determined that the long-lived asset group is not recoverable and is calculated based on the excess of the carrying amount of the long-lived asset group over the long-lived asset groups group's fair value. The Company estimates the fair value of long-lived assets using present value income approach. Future cash flows are calculated based on forecasts over the estimated remaining useful life of the asset group, which for each of the Company's airport locations, is the remaining term of the operating lease.

The Company recorded an impairment expense related to intangible assets of \$2,758 during the quarter ended September 30, 2023, which is included in Impairment of long-lived assets in the Company's consolidated statements of operations and comprehensive income (loss). The expense was primarily related to the impairment of intangible assets for the Company's Treat segment and Hyperpointe business.

Recently adopted accounting pronouncements

In June 2016, the FASB issued Accounting Standards Update ("ASU") 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13's main goal is to

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improve financial reporting by requiring earlier recognition The estimates used to calculate future cash flows are subjective in nature and involve uncertainties and matters of credit losses on financing receivables significant judgments and other financial therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimated fair value of each asset group. The Company will calculate the future cash flow using what it believes to be the most predictable of several scenarios. Typically, the changes in assumptions run under different business scenarios would not result in a material change in the assessment of the potential impairment or the impairment amount of a locations long-lived asset group. But if these estimates or related assumptions were to change materially, the Company may be required to record an impairment charge.

During the three months ended March 31, 2024 the Company recorded impairment of long-lived assets of \$652 compared with \$0 impairment of long-lived assets in scope. The March 2023.

Recently Issued Accounting Standards

ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures

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 is will be effective for the annual periods beginning after December 15, 2022 the year ended December 31, 2024, including and for interim periods within those 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 expense disclosures related to its annual report for fiscal years. On implementation in 2023, the year 2024.

ASU did not have material impact on the Company's financial statements. No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures

In October 2021, December 2023, the FASB issued ASU 2021-08, Business Combinations No. 2023-09, Income Taxes (Topic 805) 740): Accounting for Contract Assets Improvements to Income Tax Disclosures (ASU 2023-09), which improves the transparency of income tax disclosures by requiring consistent categories and Contract Liabilities from Contracts with Customers ("ASU 2021-08"). ASU 2021-08 requires contract assets and contract liabilities acquired in a business acquisition to be recognized and measured in accordance with ASC Topic 606, Revenues from Contracts with Customers, which the Company generally expects will result greater disaggregation of information in the recognition effective tax rate reconciliation and measurement income taxes paid disaggregated by jurisdiction. It also includes certain other amendments to improve the effectiveness of contract assets and contract liabilities in a manner that is consistent with the acquiree. For the Company, the amendments are 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 years beginning after December 15, 2022, including interim periods within those fiscal years. The materiality year 2025.

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[Table of the application of ASU 2021-08 depends on the recognition and measurement of acquired assets and liabilities associated with future acquisitions.](#) [Contents](#)

Note 3. Potentially Dilutive Securities

The table below presents the computation of basic and diluted net loss per share of Common Stock:

	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2023	2022	2024	2023
Basic numerator:						
Net loss attributable to XWELL, Inc.	\$ (9,918)	\$ (7,179)	\$ (21,157)	\$ (19,380)	\$ (2,512)	\$ (5,509)
Net loss attributable to common shareholders	\$ (9,918)	\$ (7,179)	\$ (21,157)	\$ (19,380)		
Basic and diluted denominator:						
Basic and diluted weighted average shares outstanding	4,173,894	4,731,066	4,170,629	4,858,393		
Basic and diluted loss per share	\$ (2.38)	\$ (1.52)	\$ (5.07)	\$ (3.99)		
Basic denominator:						
Basic weighted average shares outstanding					4,182,617	4,167,295
Basic loss per share					\$ (0.60)	\$ (1.32)
Net loss per share data presented above excludes from the calculation of diluted net (loss) income, the following potentially dilutive securities, having an anti-dilutive impact, in case of net loss						
Both vested and unvested options to purchase an equal number of shares of Common Stock	377,717	235,668	377,717	235,668	452,474	384,719
Unvested RSUs to issue an equal number of shares of Common Stock	14,444	1,953	14,444	1,953	6,458	16,319
Warrants to purchase an equal number of shares of Common Stock	200	856,203	200	856,203	—	200

Total number of potentially dilutive securities excluded from the calculation of loss per share attributable to common shareholders	392,361	1,093,824	392,361	1,093,824
Total number of potentially dilutive securities excluded from the calculation of earnings/(loss) per share attributable to common shareholders			458,932	401,238

Reverse Stock Split

On September 28, 2023, the Company effected a 1-for-20 reverse stock split, (the "Reverse Stock Split") whereby every twenty shares of its Common Stock were reduced to one share of its Common Stock and the price per share of its Common Stock was multiplied by 20. All references to shares and per share amounts have been adjusted to reflect the reverse stock split.

Note 4. Cash, Cash Equivalents, and Restricted Cash

A reconciliation of the Company's cash and cash equivalents in the Unaudited Condensed Consolidated Balance Sheets to cash, cash equivalents and restricted cash in the Unaudited Condensed Consolidated Statements of Cash Flows as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 is as follows:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Cash denominated in United States dollars	\$ 2,203	\$ 16,344	\$ 1,875	\$ 5,726
Cash denominated in currency other than United States dollars	2,358	2,562	2,155	2,395
Restricted cash	751	751	751	751
Credit and debit card receivables	266	132	287	316
Total cash, cash equivalents and restricted cash	\$ 5,578	\$ 19,789	\$ 5,068	\$ 9,188

The Company places its cash and temporary cash investments with credit quality institutions. At times, such cash denominated in United States dollars may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limit. As of September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023, deposits in excess of FDIC limits were \$1,612 \$932 and \$16,069,

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\$4,195, respectively. As of September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023, the Company held cash balances in overseas accounts, totaling \$2,358 \$2,155 and \$2,562 \$2,395 respectively, which are not insured by the FDIC. If the Company were to distribute the amounts held overseas, the Company would need to follow an approval and distribution process as defined in its operating and partnership agreements, which may delay and/or reduce the availability of that cash to the Company.

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Note 5. Other current assets

As of ~~September 30, 2023~~ March 31, 2024 and ~~December 31, 2022~~ December 31, 2023, other current assets consisted of the following:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Prepaid expenses	\$ 1,419	\$ 1,074	\$ 1,602	\$ 894
Contract assets	187	—		
Other	57	48	19	55
Total other current assets	<u>\$ 1,663</u>	<u>\$ 1,122</u>	<u>\$ 1,621</u>	<u>\$ 949</u>

Note 6. Intangible Assets

The ~~changes in the carrying amount of intangible assets for the nine months ended September 30, 2023~~ were as follows:

	Gross Intangible Assets
Balance as of December 31, 2022	\$ 6,352
Acquisition of Naples Wax	1,624
Acquisition of Intangible Assets	468
Impairment of Assets	(3,281)
Retirement of Fully-Amortized Assets	(562)
Currency Translation Adjustment	(18)
Balance as of September 30, 2023	<u>\$ 4,583</u>

The following tables provides information regarding the Company's intangible assets subject to amortization, which consist of the following:

	September 30, 2023			December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trade names	\$ —	\$ —	\$ —	\$ 302	\$ (24)	\$ 278
Customer relationships	1,936	(312)	1,624	1,510	(542)	968
Software	2,609	(2,078)	531	4,485	(1,761)	2,724
Licenses	38	(19)	19	55	(17)	38
Total intangible assets	<u>\$ 4,583</u>	<u>\$ (2,409)</u>	<u>\$ 2,174</u>	<u>\$ 6,352</u>	<u>\$ (2,344)</u>	<u>\$ 4,008</u>

	March 31, 2024			December 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trade names	\$ 200	\$ (12)	\$ 188	\$ 200	\$ (6)	\$ 194
Customer relationships	1,012	(366)	646	1,012	(341)	671
Software	2,593	(2,174)	419	2,593	(2,120)	473
Licenses	35	(24)	11	35	(20)	15
Total intangible assets	<u>\$ 3,840</u>	<u>\$ (2,576)</u>	<u>\$ 1,264</u>	<u>\$ 3,840</u>	<u>\$ (2,487)</u>	<u>\$ 1,353</u>

The Company's intangible assets are amortized over their expected useful lives. The Company recorded amortization expense of ~~\$396~~ \$84 and ~~\$474~~ \$382 during the three months ended ~~September 30, 2023~~ March 31, 2024 and ~~2022~~, respectively, and \$1,155 and \$1,338 during the ~~nine months ended September 30, 2023 and 2022~~, ~~2023~~, respectively.

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Based on the intangible assets balance as of **September 30, 2023** **March 31, 2024**, the estimated amortization expense for the remainder of the calendar year and each of the succeeding calendar years is as follows:

Calendar Years ending December 31,	Amount	Amount
Remaining 2023	\$ 108	
2024	432	
Remaining 2024		\$ 229
2025	426	307
2026	338	228
2027	232	122
2028		122
Thereafter	638	256
Total	\$ 2,174	\$ 1,264

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Note 7. Accrued expenses and other current liabilities

As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, accrued expenses and other current liabilities consisted of the following:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Litigation accrual	\$ 449	\$ 963	\$ 424	\$ 449
Accrued compensation	1,047	2,008	1,184	2,098
Tax-related liabilities	465	573	485	501
Common area maintenance accruals	291	160	495	8
Vendor-related accruals	892	754		
Accounts payable accruals			235	913
Gift certificates	494	496	508	509
Credit card processing fees	7	33	5	8
Other miscellaneous accruals	553	732	359	482
Total accrued expenses and other current liabilities	\$ 4,198	\$ 5,719	\$ 3,695	\$ 4,968

Note 8. Acquisition of Naples Wax, LLC

On September 12, 2023, the Company acquired all of the equity interests in Naples Wax, LLC, d/b/a Naples Wax Centers, a Florida limited liability company ("Naples Wax"), for an aggregate purchase price of \$1,624, of which \$1,574 was paid in cash at closing. The remaining \$50

was held for six months as a holdback to cover any potential indemnification claims. \$14 was paid in the quarter ended March 31, 2024. The remaining \$36 was offset by operating expenses.

The Company applies the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 805, Business Combinations ("ASC 805") in the accounting for acquisitions of businesses. ASC 805 requires the Company to use the acquisition method of accounting by recognizing the identifiable tangible and intangible assets acquired and liabilities assumed, and any non-controlling interest in the acquired business, measured at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the aforementioned amounts.

While the company uses its best estimates and assumptions to accurately apply preliminary values to assets acquired and liabilities assumed at the acquisition date, these estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. As of March 31, 2024, no impairment of the Company's goodwill was required. The purchase accounting for the acquisition remains incomplete as management continues to gather and evaluate information about circumstances that existed as of the acquisition date. Upon the conclusion of the measurement period or final determination of the values of the assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded in the condensed consolidated statements of operations.

Accounting for business combinations requires management to make significant estimates and assumptions, especially at the acquisition date, including estimates for intangible assets. Although the Company believes the assumptions and estimates that have been made are reasonable and appropriate, they are based in part on historical experience and information obtained from the acquired companies and are inherently uncertain. Critical estimates Estimates in valuing certain of the intangible assets the Company has acquired include future expected cash flows, and discount rates.

For income tax purposes, this acquisition of 100% of the units is treated as an asset acquisition. As a result of the acquisition of Naples Wax, the company generated tax deductible goodwill of \$1,371.

Note 9. Leases

The Company leases spa and clinic locations at various domestic and international airports. Additionally, the Company leases its corporate office in New York City and other off airport locations in various US cities. Certain leases entered into by the Company are accounted for in accordance with ASC 842. The Company determines if an arrangement is a lease at

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On September 12, 2023, the Company acquired all of the equity interests in Naples Wax, LLC, d/b/a Naples Wax Centers, a Florida limited liability company ("Naples Wax"), for an aggregate purchase price of approximately \$1,624, of which \$1,574 was paid in cash at closing. The remaining \$50 will be held for six months as a holdback to cover any potential indemnification claims. For the period ending September 30, 2023, the acquisition is preliminarily included in intangible assets while the Company determines the appropriate purchase price allocation during the measurement period.

Note 9. Leases

The Company leases its retail inception and diagnostic testing locations at various domestic and international airports. Additionally, the Company leases its corporate office in New York City. During 2023, the Company commenced a new lease for its corporate office. At inception, the Company determines if a lease it qualifies under ASC 842. Certain of the The Company's lease arrangements generally contain fixed payments throughout the term of the lease while others involve and most also contain a variable component to determine the lease obligation wherein where a certain percentage of sales is used to calculate the lease payment. payments. The Company enters into leases that expire, are amended and extended, or are extended on a month-to-month basis. Leases are not included in the calculation of the total lease liability and the right of use asset when they are month-to-month.

All qualifying leases held by the Company are classified as operating leases. Operating lease **right of use** assets represent the Company's right to use an underlying asset for the lease term and **operating** lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease **right of use** assets and **operating lease** liabilities are recognized **as of the at** commencement date based on the present value of lease payments over the lease term. The Company records its operating lease **right of use** assets and **operating lease** liabilities based on required guaranteed payments under each lease agreement. The Company uses its incremental borrowing rate, **as of the commencement date of the lease**, which approximates the rate at which the Company can borrow funds on a secured basis, **using the information available at commencement date of the lease** in determining the present value of **the** guaranteed lease payments. **The interest rate implicit in the lease is generally not determinable in transactions where a company is the lessee.**

The Company reviews all of its existing lease agreements **on a quarterly basis** to determine whether there were any modifications to **existing** lease agreements and to assess if any **leases agreements** should be accounted for pursuant to the guidance in ASC 842. **The Company recalculates the right of use asset and lease liability based on the modified lease terms and adjusts both balances accordingly.** Supplemental cash flow information related to leases for the nine months ended September 30, 2023 and 2022 were as follows:

	Nine months ended September 30,	
	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ (2,668)	\$ (3,072)
Leased assets obtained in exchange for new and modified operating lease liabilities	\$ 174	\$ 7,380

The following is a summary of the activity in the Company's current and long-term operating lease liabilities for the three months ended March 31, 2024 and 2023:

	Three months ended March 31,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ (835)	\$ (973)

As of **September 30, 2023** **March 31, 2024**, operating leases contain the following future minimum commitments:

Calendar Years ending December 31,	Amount	Amount
Remaining 2023	\$ 814	
2024	3,093	
Remaining 2024		\$ 2,577
2025	2,699	3,054
2026	1,615	1,979
2027	1,491	1,866
2028	1,111	1,497
2029		1,273
Thereafter	3,259	2,609
Total future lease payments	14,082	14,855
Less: interest expense at incremental borrowing rate	(2,584)	(2,745)
Net present value of lease liabilities	\$ 11,498	\$12,110

Other assumptions and pertinent information related to the Company's accounting for operating leases are:

Weighted average remaining lease term:	5.98 5.95 years
Weighted average discount rate used to determine present value of operating lease liability:	7.37 7.33 %

Cash paid for minimum annual rental obligations during for the three and nine months ended September 30, 2023 was \$503 March 31, 2024 and \$1,762, respectively. Cash paid for minimum annual rental obligations during the three 2023, were \$450 and nine months ended September 30, 2022 was \$445 and \$1,191, \$662 respectively.

Variable lease payments calculated monthly as a percentage of a product and services revenue were \$302 \$360 and \$397 \$345 for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and \$1,013 and \$1,085 for the nine months ended September 30, 2023 and 2022, 2023 respectively.

Note 10. Other Assets

As of September 30, 2023 and December 31, 2022, assets consisted of the following:

	September 30, 2023	December 31, 2022
Equity investments	\$ 51	\$ 104
Lease deposits	1,537	1,973
Other	199	292
Other assets	\$ 1,787	\$ 2,369

Note 11. Stockholders' Equity

Warrants

The following table represents the activity related to the Company's warrants during the nine months ended September 30, 2023.

	No. of Warrants	Weighted average exercise price	Exercise price range
December 31, 2022	58,604	\$ 40.00	\$ 34.0 - 42.5
Granted	—	—	
Exercised	—	—	
Expired	(58,404)	40.20	\$ 34.0 - 42.5
September 30, 2023	200	\$ 42.50	\$ 42.50

Share Repurchase Program

On August 31, 2021, the Company's board of directors initially authorized a stock repurchase program that permitted the purchase and repurchase of up to 750,000 shares of its common stock through September 15, 2022. In May 2022, the Board increased the share repurchase program by an additional 500,000 shares and extended its effectiveness through September 15, 2023. Under this stock repurchase program, management has discretion in determining the conditions under which shares may be purchased from time to time. The program does not require us to repurchase any specific number of shares, and may be modified, suspended or terminated at any time without prior notice. Under the program, the Company purchased 424,042 shares for \$12,116 and retired 357,122 of these purchased shares during the nine months ended September 30, 2022, and the remaining 66,920 shares were retired on August 3, 2022.

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On August 16, 2022 Note 10. Other Assets

As of March 31, 2024 and December 31, 2023, the Inflation Reduction Act of 2022 (the "IR Act") was signed into federal law. The IR Act provides for, among other things, a new U.S. federal 1% excise tax on certain repurchases of stock by publicly traded U.S. domestic corporations and certain U.S. domestic subsidiaries of publicly traded foreign corporations occurring on or after January 1, 2023. The excise tax is imposed on the repurchasing corporation itself, not its shareholders from which shares are repurchased. The amount of assets consisted of the excise tax is generally 1% following:

	March 31, 2024	December 31, 2023
Equity investments	\$ 92	\$ 50
Lease deposits	1,523	1,556
Other	170	236
Other assets	<u>\$ 1,785</u>	<u>\$ 1,842</u>

Note 11. Stockholders' Equity

2023 Reverse Stock Split

On September 28, 2023, we effected the "Reverse Stock Split", whereby every twenty shares of our common stock were reduced to one share of our common stock and the fair market value price per share of the our common stock was multiplied by 20. All references to shares repurchased at the time and per share amounts, including shares of the repurchase. However, common stock underlying stock options, warrants, and applicable exercise prices, have been retroactively adjusted for purposes of calculating the excise tax, repurchasing corporations are permitted all periods presented herein to net the fair market value of certain new stock issuances against the fair market value of stock repurchases during the same taxable year. In addition, certain exceptions apply give effect to the excise tax. The U.S. Department Reverse Stock Split as required in accordance with United States of the Treasury (the "Treasury") has been given authority to provide regulations and other guidance to carry out and prevent the abuse or avoidance of the excise tax. America generally accepted accounting principles.

Stock-based Compensation

The Company has a stock-based compensation plan available to grant stock options and RSUs to the Company's directors, employees and consultants.

In September 2020, the Board of Directors approved a new stock-based compensation plan available to grant stock options, restricted stock and Restricted Stock Units ("RSU's") aggregating to 250,000 shares of Common Stock, to the Company's directors, employees and consultants. Shareholder approval of the plan was subsequently obtained on October 28, 2020. On October 4, 2022, shareholders approved the amendment to the Company's 2020 Equity Incentive Plan to increase the number of shares authorized for issuance under the 2020 Plan by 375,000 shares of Common Stock to an aggregate of 625,000 shares. Under the 2020 Equity Incentive Plan (the "2020 Plan"), a maximum of 239,493 141,120 shares of Common Stock may be issued remained available for issuance as of September 30, 2023 March 31, 2024.

The Company's previous Employee, Director and Consultant Equity Incentive Plan (the "2012 Plan") was terminated upon receipt of shareholder approval of the 2020 Plan.

Awards granted under the 2012 Plan remain in effect pursuant to their terms. Generally, stock options are granted with exercise prices equal to the fair market value on the date of grant, vest in four equal quarterly installments, and expire 10 years from the date of grant. RSU's granted generally vest over a period of one year.

In September 2020, XpresTest created a stock-based compensation plan available to grant stock options, Restricted Stock Awards ("RSAs") restricted stock and RSU's to the XpresTest's directors, employees and consultants. Under the XpresTest 2020 Equity Incentive Plan (the "XpresTest Plan"), a maximum of 200 shares of XpresTest common stock may be awarded, which would represent 20% of the total number of shares of common stock of XpresTest as of September 30, 2023 March 31, 2024. Certain named executive officers, consultants, and directors of the Company are eligible to participate in the XpresTest Plan. The XpresTest Plan RSAs vest upon satisfaction of certain service

With respect to the Company's outstanding legal matters, based on its current knowledge, the Company's management believes that the amount or range of a potential loss will not, either individually or in the aggregate, have a material adverse effect on its business, consolidated financial position, results of operations or cash flows. However, the outcome of such legal matters is inherently unpredictable and subject to significant uncertainties. The Company evaluated the outstanding legal matters and assessed the probability and likelihood of the occurrence of liability. Based on management's estimates, the Company has recorded accruals of \$449 \$424 and \$963 \$449 as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, which is included in *Accrued expenses and other current liabilities* in the condensed consolidated balance sheets.

The Company expenses legal fees in the period in which they are incurred.

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OTG Management PHL B v. XpresSpa Philadelphia Terminal B et al.

On May 9, 2022, a lawsuit was filed in the Philadelphia Court of Common Pleas by OTG Management at Philadelphia International Airport, claiming that XWELL improperly backed out of its sublease for space at Terminal B and now owes between \$864 and \$2,250 in accelerated rent for the 12-year contract. They claim that by refusing to complete the project, failing to commence and maintain operations, refusing to pay rent and improperly purporting to terminate the lease (among other acts and omissions), XWELL breached the lease. On October 20, 2023 January 9, 2024, the parties filed a Stipulation to Hold court placed the Matter in matter on Civil Suspense.

In addition to those matters specifically set forth herein, the Company and its subsidiaries are involved in various other claims and legal actions that arise in the ordinary course of business. The Company does not believe that the ultimate resolution of these actions will have a material adverse effect on the Company's financial position, results of operations, liquidity, or capital resources. However, a significant increase in the number of these claims, or one or more successful claims under which the Company incurs greater liabilities than the Company currently anticipates, could materially adversely affect the Company's business, financial condition, results of operations and cash flows.

In the event that an action is brought against the Company or one of its subsidiaries, the Company will investigate the allegation and vigorously defend itself.

Leases

XWELL is contingently liable to a surety company under certain general indemnity agreements required by various airports relating to its lease agreements. XWELL agrees to indemnify the surety for any payments made on contracts of suretyship, guaranty, or indemnity. The Company believes that all contingent liabilities will be satisfied by its performance under the specified lease agreements.

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Note 14. Segment Information

As a result of the Company's transition to a pure-play wellness services company, the Company currently has three four reportable operating segments: XpresSpa, XpresTest, (inclusive of its Hyperpointe acquisition), Treat (inclusive of its Naples Wax acquisition), Center, and Treat. The Company analyzes the results of the Company's business through the three four reportable segments. The XpresSpa segment provides

travelers premium spa services, including massage, nail and skin care, as well as spa and travel products. The XpresTest segment provided diagnostic COVID-19 tests at XpresCheck Wellness Centers in airports, to airport employees and to the traveling public but has transitioned to the CDC's bio-surveillance program. **The Treat segment is a wellness brand that provides access to wellness services for travelers at on-site centers.** XpresTest's HyperPointe business provides a broad range of service and support options for its customers, including technical support services and advanced services. **The Treat segment is a wellness brand that provides access to wellness services for travelers at on-site centers.** The Naples Wax Center segment operates three high-performing locations with core products and service offerings from face and body waxing to a range of skincare and cosmetic products. **The Treat segment is a wellness brand that provides access to wellness services for travelers at on-site centers.**

The chief operating decision maker evaluates the operating results and performance of the Company's segments through operating income. Expenses that can be specifically identified with a segment have been included as deductions in determining operating income. Any remaining expenses and other charges are included in Corporate and Other.

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	For the three months ended	
	September 30,	
	2023	2022
Revenue		
XpresSpa	\$ 4,955	\$ 3,557
XpresTest	2,322	6,754
Treat	191	425
Corporate and other	—	—
Total revenue	\$ 7,468	\$ 10,736
Operating income (loss)		
XpresSpa	\$ (2,947)	\$ (2,508)
XpresTest	(5,267)	(1,885)
Treat	28	(1,282)
Corporate and other	(2,290)	(1,979)
Total operating loss (including impairment)	\$ (10,476)	\$ (7,654)
Depreciation & Amortization		
XpresSpa	\$ 421	\$ 364
XpresTest	91	662
Treat	66	520
HyperPointe	—	—
Corporate and other	12	18
Total Depreciation & Amortization	\$ 590	\$ 1,564
Impairment / loss on disposal of assets		
XpresSpa	\$ 1,460	\$ —
XpresTest	5,338	1,040
Treat	—	—
Corporate and other	—	—
Total Impairment / loss on disposal of assets	\$ 6,798	\$ 1,040

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	For the nine months ended September 30,	
	2023	2022
Revenue		
XpresSpa	\$ 14,682	\$ 9,490
XpresTest	7,541	37,781
Treat	483	1,110
Corporate and other	—	—
Total revenue	\$ 22,706	\$ 48,381
	2023	2022
Operating loss		
XpresSpa	\$ (8,901)	\$ (8,921)
XpresTest	(5,067)	1,831
Treat	(776)	(4,038)
Corporate and other	(6,744)	(6,744)
Total operating loss (including impairment)	\$ (21,488)	\$ (17,872)
	2023	2022
Depreciation & amortization		
XpresSpa	\$ 1,275	\$ 1,065
XpresTest	260	1,954
Treat	198	1,287
Corporate and other	37	23
Total depreciation & amortization	\$ 1,770	\$ 4,329
Impairment / loss on disposal of assets		
XpresSpa	\$ 1,468	\$ —
XpresTest	5,348	988
Treat	—	—
Corporate and other	—	—
Total Impairment / loss on disposal of assets	\$ 6,816	\$ 988
Capital expenditures		
XpresSpa	\$ 1,596	\$ 1,413
XpresTest	80	675
Treat	56	3,329
Corporate and other	28	55

Total capital expenditures	\$ 1,760	\$ 5,472
	September 30, 2023	December 31, 2022
Long-lived Assets		
XpresSpa	\$ 9,514	\$ 11,851
XpresTest	118	4,220
Treat	2,118	2,314
Corporate and other	467	409
Total long-lived Assets	\$ 12,217	\$ 18,794

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	For the three months ended	
	March 31,	
	2024	2023
Revenue		
XpresSpa	\$ 4,345	\$ 4,499
XpresTest	3,643	2,360
Naples Wax	648	—
Treat	90	204
Total revenue	\$ 8,726	\$ 7,063
	2024	2023
Operating loss		
XpresSpa	\$ (2,107)	\$ (3,132)
XpresTest	1,670	(281)
Naples Wax	(78)	—
Treat	(673)	(444)
Corporate and other	(1,191)	(2,431)
Total operating loss	\$ (2,379)	\$ (6,288)
	2024	2023
Depreciation & amortization		
XpresSpa	\$ 132	\$ 423
XpresTest	26	86
Naples Wax	31	—
Treat	19	65
Corporate and other	17	13
Total depreciation & amortization	\$ 225	\$ 587
	For the three months ended	
	March 31,	
	2024	2023
Capital expenditures		

XpresSpa	\$	261	\$	834
XpresTest		28		28
Naples Wax		22		—
Treat		—		33
Corporate and other		—		7
Total capital expenditures	\$	311	\$	902
		March 31, 2024	December 31, 2023	
Long-lived Assets				
XpresSpa	\$	8,383	\$	8,268
XpresTest		58		92
Naples Wax		2,711		1,371
Treat		28		669
Corporate and other		406		438
Total long-lived Assets	\$	11,586	\$	10,838
		September 30, 2023	December 31, 2022	March 31, 2024
Assets				December 31, 2023
XpresSpa	\$	17,626	\$	21,135
XpresTest		1,935		11,198
Naples Wax				3,197
Treat		4,016		3,784
Corporate and other		20,973		2,951
Total assets	\$	44,550	\$	70,426
				3,784
				524
				10,874
				14,333
				37,477
				38,993

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

This Quarterly Report on Form 10-Q contains "forward-looking statements" that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. The statements contained herein that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, amended (the "Exchange Act"). Forward-looking statements are often identified by the use of words such as, but not limited to, "anticipates," "believes," "can," "continues," "could," "estimates," "expects," "intends," "may," "will be," "plans," "projects," "seeks," "should," "targets," "will," "would," and similar expressions or variations intended to identify forward-looking statements. These statements are based on the beliefs and assumptions of our management based on information currently available to management. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 filed on April 17, 2023 April 16, 2024, as subsequently amended on May 1, 2023 April 17, 2024 and April 29, 2024 (the "Annual Report"), our Quarterly Report on Form 10-Q for the three months and six months ended March 31, 2023 and June 30, 2023, respectively, and this Quarterly Report on Form 10-Q and any future reports we file with the Securities and Exchange Commission ("SEC"). The forward-looking statements set forth herein speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

All references in this Quarterly Report on Form 10-Q to “we,” “us” and “our” refer to XWELL, Inc., a Delaware corporation, and its consolidated subsidiaries.

Overview

XWELL is a global wellness company operating multiple brands and focused on bringing restorative, regenerative and reinvigorating products and services to travelers. XWELL currently has four reportable operating segments: XpresSpa®, XpresTest®, Naples Wax Center and Treat™.

On October 25, 2022, we changed our name to XWELL, Inc. (“XWELL” or the “Company”) from XpresSpa Group, Inc. Our common stock, par value \$0.01 per share, which had previously been listed under the trading symbol “XSPA” on the Nasdaq Capital Market, now trades under the trading symbol “XWEL” since the opening of the trading market on October 25, 2022. We filed an amended and restated certificate of incorporation with the Delaware Secretary of State on October 24, 2022 (the “Amended and Restated Certificate”) reflecting the name change. Rebranding to XWELL aligned our corporate strategy to build a pure-play wellness services company, in both the airport and off airport marketplaces.

On August 4, 2023, Although we filed Form S-3 with the United States Securities and Exchange Commission (“SEC”). This Form S-3 which recognize four segments of business, we believe there is opportunity to leverage a Registration Statement under the Securities Act segment of 1933, when accepted by the SEC, would enable us to issue, from time to time at prices and on terms to be determined at or prior to the time of the offering, up to \$200,000 of any combination of the securities described in the registration, either individually or in units. We may also offer common stock or preferred stock upon conversion of or exchange for the debt securities; common stock upon conversion of or exchange for the preferred stock; common stock, preferred stock or debt securities upon the exercise of warrants or rights.

XWELL is a global wellness company operating multiple brands and focused on bringing restorative, regenerative and reinvigorating our products and services to travelers. XWELL currently has three reportable operating segments: XpresSpa®, XpresTest®, and Treat™.

XpresSpa

XWELL’s subsidiary, XpresSpa Holdings, LLC (“XpresSpa”) has been a global airport retailer of spa services through our XpresSpa spa locations, offering travelers premium spa services, including massage, nail and skin care, as well as spa and travel products.

As of September 30, 2023, there were 21 operating XpresSpa domestic locations. During 2022, we sold one location in Austin-Bergstrom International Airport to our franchisee which now operates both locations at this airport. We also had 10 international locations operating as of September 30, 2023, including two XpresSpa locations in Dubai International

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Airport in across the United Arab Emirates, three XpresSpa locations in Schiphol Amsterdam Airport in the Netherlands and five XpresSpa locations in Istanbul Airport in Turkey.

XpresTest

We, in partnership with certain COVID-19 testing partners, successfully launched our XpresCheck Wellness Centers through our XpresTest, Inc. subsidiary (“XpresTest”), offering testing services, also in airports. During 2022, as countries continued to relax their testing requirements resulting in rapid decline of testing volumes at our XpresCheck locations, we closed all but one XpresCheck Wellness Center. As of September 30, 2023, all our XpresCheck locations have ceased operations.

XpresTest began conducting bio-surveillance monitoring with the Centers for Disease Control and Prevention (CDC) in collaboration with Concentric by Ginkgo in 2021 and on January 31, 2022, we announced the extension of the initial program, bringing the total contract to \$5,534. As of August 2022, the program was renewed in partnership with Ginkgo BioWorks for a new two-year contract term which represents

approximately \$7,331 in revenue (for the first year) for the XpresTest segment. Effective as of August 12, 2023, the revenue for the second year was determined to be approximately \$6,675.

For reporting purposes, the former Hyperpointe segment has been consolidated into the XpresTest segment. This determination was made given that XpresTest and Hyperpointe are managed by its Chief Executive Officer, Ezra Ernst, as a single segment.

HyperPointe, which the Company acquired in January 2022, provides a broad range of service and support options for our customers, including technical support services and advanced services.

Treat

The Treat segment, which is operating through XWELL's subsidiary Treat, Inc. ("Treat") is a wellness brand that provides access to wellness services for travelers at on-site centers (currently located in JFK International Airport and in Salt Lake City International Airport).

In 2022, our Treat brand opened new locations in Phoenix Sky Harbor International Airport (pre-security) and Salt Lake City International Airport. With respect to these locations in Phoenix and Salt Lake City, agreements had already been executed with the airports and the decision was made to convert these locations to Treat.

By the third quarter of 2022, it became clear that the Treat business required a change in strategy and as a result, we began to retool the offerings within the Treat locations by providing additional retail as part of our retail strategy expansion as well as lay the foundation to bring more spa-like services into the Treat location in an attempt to unify our core offering.

By the fourth quarter of 2022, the decision was made to close the pre-security Treat location at Phoenix Sky Harbor Airport. As of September 30, 2023, the Treat brand operates in two locations in the airport (JFK International Airport and Salt Lake City International Airport). These remaining Treat locations offer a full retail product offering and a suite of wellness and spa services.

As of September 12, 2023, XWELL acquired Naples Wax, LLC, a group of upscale hair removal boutiques in Florida, for a purchase price of approximately \$1.6 million. Known for providing a memorable customer experience, Naples Wax Center operates three high-performing locations with core products and service offerings from face and body waxing to a range of skincare and cosmetic products. The acquisition of Naples Wax Center enables the company to move beyond its airport client base with a business it can adapt a larger wellness Company's platform while also growing its retail footprint to serve its long-term financial expectations.

For reporting purposes, the Naples Wax acquisition is consolidated under the Treat segment.

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Although we recognize three segments of business, our strategy for the future is to create and leverage a fully integrated set of products and services that are both profitable and scalable across our portfolio of brands. Additionally, we are expanding our retail strategy, not only adding more products for sale but aligning those products more efficiently to our service offerings. This product strategy includes, for example, adding muscle relaxation patches to a neck or back massage to continue treatment after the delivery of the service.

We also plan to build our capability for delivering health and wellness services outside of the airport. We believe operating outside of the airport complements our offering and represents the fastest way to scale the XWELL family of brands.

We will be looking to further expand internationally. With international travel slowly returning to pre-pandemic levels, we continue to be opportunistic in our approach, by taking advantage of the current market to growth. We believe a strategy for international expansion further advances our ability to expand our other brands including bio-surveillance bio surveillance outside of the US.

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XpresSpa

XWELL's subsidiary, XpresSpa Holdings, LLC ("XpresSpa") has been a global airport retailer of spa services through our XpresSpa spa locations, offering travelers premium spa services, including massage, nail and skin care, as well as spa and travel products.

As of March 31, 2024, there were 21 domestic XpresSpa locations in total, 19 Company-owned locations and two franchises. We also had 11 international locations operating as of March 31, 2024, including two XpresSpa locations in Dubai International Airport in the United Arab Emirates, one XpresSpa location in Zayed International Airport in Abu Dhabi, UAE, three XpresSpa locations in Schiphol Amsterdam Airport in the Netherlands and five XpresSpa locations in the Istanbul Airport in Turkey.

XpresTest

We, in partnership with certain COVID-19 testing partners, successfully launched its XpresCheck Wellness Centers, in June of 2020, through our XpresTest, Inc. subsidiary ("XpresTest"), which offered COVID-19 and other medical diagnostic testing services to the traveling public, as well as airline, airport and concessionaire employees, and TSA and U.S. Customs and Border Protection agents during the pandemic. During 2022 and 2023, as countries continued to relax their testing requirements resulting in rapid decline of testing volumes at the Company's XpresCheck locations, the Company closed XpresCheck Wellness Centers. As of December 31, 2023, we have closed all XpresCheck locations.

These XpresTest began conducting bio surveillance monitoring with the Centers for Disease Control and Prevention (CDC) in collaboration with Concentric by Ginkgo BioWorks in 2021 and on January 31, 2022, we announced the extension of our initial program, bringing the total contract to \$5,537. As of August 2022, the program was renewed in partnership with Ginkgo BioWorks. A new two-year contract was initiated which represents approximately \$7,330 in revenue (for the first year) for the XpresTest segment.

The program was renewed in August 2023 through a new one-year contract. The revenue to XpresTest from such one-year extension totaled approximately \$7,044. In March 2024, the program funding and scope were expanded, a revenue increase of \$4,000, to an estimated \$11,044 in revenue for XpresTest with new collection locations at U.S. international airports in Miami (MIA) and Chicago (ORD) and the roll out of multi-pathogen testing across the program.

HyperPointe

XWELL's subsidiary, gcg Connect, LLC, operating as HyperPointe, provides direct to business marketing support across a number of health and health-related channels. From the creation of marketing campaigns for the pharmaceutical industry, to learning management systems to website and health related content creation, HyperPointe is a complementary service provider to our health-focused brands as well as providing the majority of services to the external community.

For reporting purposes, HyperPointe has been consolidated into the XpresTest segment.

Treat

Treat, which is operating through our subsidiary Treat, Inc. ("Treat") is a wellness brand that provides access to wellness services for travelers at on-site centers (currently located in JFK International Airport). In April 2024, the decision was made to close the location in the Salt Lake City International Airport.

Treat offers a full retail product offering and a suite of wellness and spa services. Travelers can purchase time blocks to use our wellness rooms to engage in interactive services like self-guided yoga, meditation, and low impact weight exercises or to relax and unplug from the hectic pace of the airport and renew themselves before or after their trip.

Naples Wax Center

On September 12, 2023, we acquired Naples Wax, LLC, a group of upscale hair removal boutiques in Florida, for a purchase price of \$1,624. Aiming to provide a memorable customer experience, Naples Wax Center operates three high-performing locations with core products and service offerings from face and body waxing to a range of skincare and cosmetic products. The acquisition of Naples Wax Center is intended to enable us to move beyond our airport client base with a business that can be adapted to a larger wellness platform while also growing our retail footprint to serve our long-term financial goals.

TreatStudios

Further, in Q4 of 2023, the Company began plans to open its first TreatStudios location in Jacksonville, Florida in 2024. TreatStudios is an out-of-airport concept providing leased space to established wellness service providers. Revenue will be derived from both lease payments received from the wellness practitioners and the sale of retail at the wellness center.

We believe that these strategic imperatives will be accomplished through development of an infrastructure specifically focused on enabling scalable and efficient growth.

2023 Reverse Stock Split

On September 28, 2023, we effected a 1-for-20 reverse stock split, whereby every twenty shares of our common stock were reduced to one share of our common stock and the price per share of our common stock was multiplied by 20. All references to shares and per share amounts, including shares of common stock underlying stock options, warrants, and applicable exercise prices, have been retroactively adjusted for all periods presented herein to give effect to the Reverse Stock Split as required in accordance with United States of America generally accepted accounting principles.

Results of Operations

Revenue

We recognize revenue from the sale of XpresSpa, Treat and Naples Wax services when they are rendered at our stores and from the sale of products at the time goods are purchased at our stores or online (usually by credit card), net of discounts and applicable sales taxes.

During the third quarter of 2022, XpresTest, in partnership with Ginkgo BioWorks in continuation of their support to the CDC's traveler-based SARS-CoV-2 genomic surveillance program was awarded a new contract. We have entered into managed services agreements with professional medical services companies that provide healthcare services recognize revenue over time for both sample collection performance obligations, using the input method based on time elapsed to patients in our XpresCheck and Treat Wellness Centers, measure progress towards satisfying each of the performance obligations. The medical services companies will pay XpresTest and Treat, a monthly management fee to operate in Company recognizes revenue ratably (straight line basis) over the XpresCheck and Treat Wellness Centers. For term of the bio-surveillance program, XpresTest receive a flat monthly fee for its services. contract (one year).

HyperPointe provides a broad range of service and support options for our customers, including technical support services and advanced services. Technical support services represent the majority of these offerings which are distinct performance obligations that are satisfied over time with revenue recognized ratably over the contract term.

Cost of sales

Cost of sales for our XpresSpa, XpresTest, Naples Wax and Treat segments consist of store-level location and segment level costs. Store-level Location and segment level costs include all costs that are directly attributable to the store operations, primarily payroll and related benefit costs for store personnel, occupancy costs and cost of products sold. Cost of sales of our XpresTest and Treat segments include costs related to the XpresCheck and Treat medical office business, and consists of expenses directly attributable to the operations under the terms of the MSAs, primarily payroll and related benefit costs for personnel, occupancy costs and cost of supplies, products sold.

Other general and administrative expenses

Other general and administrative expenses include management and administrative personnel, overhead and occupancy costs, insurance and various professional fees, as well as stock-based compensation for directors, management and administrative personnel.

Three months ended September 30, 2023 March 31, 2024, compared to the three months ended September 30, 2022 March 31, 2023

Revenue

	Three months ended September 30,			Three months ended March 31,		
	2023	2022	Inc/(Dec)	2024	2023	Variance
Total revenue	\$ 7,468	\$ 10,736	\$ (3,268)	\$ 8,726	\$ 7,063	\$ 1,663

The decrease/increase in revenue of \$3,268/\$1,663 or 30%/24%, was primarily due to the reduction/increase in patient service revenue triggered by the rapid decline of the XpresTest segment as countries continued to relax their testing requirements CDC contract and we experienced decreased testing volumes at our now closed XpresCheck locations. the addition of Naples Wax.

Cost of sales

	Three months ended September 30,			Three months ended March 31,		
	2023	2022	Inc/(Dec)	2024	2023	Variance
Cost of sales	\$ 6,377	\$ 9,339	\$ (2,962)	\$ 6,055	\$ 6,541	\$ (486)

The decrease in cost of sales of \$2,962/\$486 or 32%/7%, is commensurate with the decrease in revenues offset by the reopening a result of certain 3 XpresSpa locations. We had 31 open spa locations as of September 30, 2023, and 20 open Spa locations as of September 30, 2022. closing during 2023. The largest component in the cost of sales are the costs of testing kits and is labor costs at the location-level. Cost of sales also includes rent and related occupancy costs, which can primarily include rent based on percentage of sales, as well as other product costs directly associated with the procurement of retail inventory, and other operating costs.

Depreciation and amortization

	Three months ended September 30,			Three months ended March 31,		
	2023	2022	Inc/(Dec)	2024	2023	Variance
Depreciation and amortization	\$ 590	\$ 1,564	\$ (974)	\$ 225	\$ 587	\$ (362)

The decrease in depreciation and amortization of approximately 62% was primarily due to the write-off of the stores that were permanently closed since September 30, 2022. in 2023. Fewer locations resulted in lower amortization/depreciation of leasehold improvements. Depreciation and amortization expense also decreased because of the impairments and disposals of fixed assets during the year ended December 31, 2022 December 31, 2023.

Impairment/loss on disposal of assets

Three months ended September 30,			Three months ended March 31,		
2023	2022	Inc/(Dec)	2024	2023	Variance

Impairment / loss on disposal of assets	\$ 6,798	\$ 1,040	\$ 5,758			
Loss on disposal of assets				\$ 652	\$ 132	\$ 520

The increase in impairment is of approximately \$520 was primarily due to the impairment write-off of Hyperpointe-related assets including goodwill, the Salt Lake City International Airport Treat location that was closed as of May 1, 2024.

Other general and administrative expenses

	Three months ended September 30,		
	2023	2022	Inc/(Dec)
Other general and administrative expenses	\$ 3,593	\$ 4,843	\$ (1,250)

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General and administrative expenses

	Three months ended March 31,		
	2024	2023	Variance
General and administrative	\$ 2,092	\$ 3,966	\$ (1,874)

The decrease of approximately 26% 47% was primarily due to rightsizing our existing business and optimizing our cost structure as well as reduction of functional costs associated with the operations of now closed XpresCheck Wellness Centers, structure. We have significantly reduced operating and overhead expenses since the second half of 2022, 2023, while we continue to focus on returning to overall profitability.

Salaries and benefits

	Three months ended March 31,		
	2024	2023	Variance
Salaries and benefits	\$ 2,081	\$ 2,125	\$ (44)

The decrease of approximately 2% was primarily due to headcount reductions as we continue rightsizing our existing business.

Other non-operating expense, net

	Three months ended September 30,			Three months ended March 31,		
	2023	2022	Inc/(Dec)	2024	2023	Variance
Other non-operating income (expense), net	\$ (198)	\$ (134)	\$ (64)	\$ (58)	\$ (43)	\$ (15)

The following is a summary of the transactions included in other non-operating expense, net for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023:

	Three months ended September 30,	
	2023	2022
Loss on equity investments	\$ (20)	\$ (98)
Bank fees and financing charges	(178)	(36)

Total	\$	(198)	\$	(134)
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Realized and unrealized foreign exchange loss

	Three months ended September 30,		
	2023	2022	Inc/(Dec)
Foreign exchange remeasurement gain/(loss)	\$ 366	\$ (2)	\$ 368

Foreign exchange gain during 2023 primarily pertains to remeasurement of foreign currency transactions at our newly opened Turkish locations.

	Three months ended March 31,	
	2024	2023
Bank fees and financing charges	(48)	(43)
Other	(10)	—
Total	\$ (58)	\$ (43)

Interest income, net

	Three months ended September 30,		
	2023	2022	Inc/(Dec)
Interest income, net	\$ 105	\$ 114	\$ (9)

Nine months ended September 30, 2023 compared to the Nine months ended September 30, 2022

Revenue

	Nine months ended September 30,			Three months ended March 31,		
	2023	2022	Inc/(Dec)	2024	2023	Variance
Total revenue	\$ 22,706	\$ 48,381	\$ (25,675)			
Interest income, net				\$ 110	\$ 393	\$ (283)

The decrease in revenue of \$25,675, or 53%, \$283 was primarily due to the reduction having less cash in patient service revenue triggered by the rapid decline of the XpresTest segment as countries continued to relax their testing requirements and we experienced decreased testing volumes at our now closed XpresCheck locations.

Cost of sales

	Nine months ended September 30,		
	2023	2022	Inc/(Dec)
Cost of sales	\$ 19,903	\$ 36,743	\$ (16,840)

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The decrease in cost of sales of \$16,840 or 46%, is commensurate with the decrease in revenues offset by the reopening of certain XpresSpa locations. We had 31 open spa locations as of September 30, 2023, and 20 open Spa locations as of September 30, 2022. The largest component in the cost of sales are the costs of testing kits and labor costs at the location-level. Cost of sales also includes rent and related occupancy costs, which can primarily include rent based on percentage of sales, as well as other product costs directly associated with the procurement of retail inventory, and other operating costs.

Depreciation and amortization

	Nine months ended September 30,		
	2023	2022	Inc/(Dec)
Depreciation and amortization	\$ 1,770	\$ 4,329	\$ (2,559)

The decrease in depreciation and amortization of approximately 59% was primarily due to the write-off of the stores that were permanently closed since September 30, 2022. Fewer locations resulted in lower amortization of leasehold improvements. Depreciation and amortization expenses also decreased because of the impairments and disposals of fixed assets during the year ended December 31, 2022.

Impairment/loss on disposal of assets

	Nine months ended September 30,		
	2023	2022	Inc/(Dec)
Impairment / loss on disposal of assets	\$ 6,816	\$ 988	\$ 5,828

The increase in impairment is primarily due to the impairment of Hyperpointe-related assets including goodwill, interest bearing accounts.

Other general and administrative expenses

	Nine months ended September 30,		
	2023	2022	Inc/(Dec)
Other general and administrative expenses	\$ 13,891	\$ 18,250	\$ (4,359)

The decrease of approximately 24% in other general and administrative expenses was primarily due to rightsizing our existing business and optimizing our cost structure as well as reduction of functional costs associated with the operations of now closed XpresCheck Wellness Centers. We have significantly reduced operating and overhead expenses since the second half of 2022, while we continue to focus on returning to overall profitability.

Other non-operating expense, net

	Nine months ended September 30,		
	2023	2022	Inc/(Dec)
Other non-operating income (expense), net	\$ (345)	\$ (643)	\$ 298

The following is a summary of the transactions included in other non-operating expense, net for the nine months ended September 30, 2023 and 2022:

	Nine months ended September 30,	
	2023	2022
Loss on equity investments	\$ (53)	\$ (521)
Bank fees and financing charges	(282)	(122)
Other	(10)	—
Total	\$ (345)	\$ (643)

Realized and unrealized foreign exchange loss

	Nine months ended September 30,		
	2023	2022	Inc/(Dec)
Foreign exchange remeasurement gain/(loss)	\$ (690)	\$ (7)	\$ (683)

Foreign exchange loss during 2023 primarily pertains to remeasurement of foreign currency transactions at our newly opened Turkish locations.

Interest income, net

	Nine months ended September 30,		
	2023	2022	Inc/(Dec)
Interest income, net	\$ 334	\$ 159	\$ 175

Interest income, net increased because of increased interest rates and elimination of interest expense since the beginning of May 2022.

Liquidity and Capital Resources

As of September 30, 2023 March 31, 2024, we had approximately \$4,827 \$4,317 of cash and cash equivalents (excluding restricted cash), \$21,311 \$14,784 in marketable securities, and total current assets of \$29,962 \$24,456. Our total current liabilities balance, which includes accounts payable, deferred revenue, accrued expenses, and operating lease liabilities was approximately \$8,157 \$9,187 as of September 30, 2023 March 31, 2024 and \$10,956 \$9,330 as of December 31, 2022 December 31, 2023. The working capital surplus was \$21,805 \$15,269 as of September 30, 2023 March 31, 2024, compared to a working capital surplus of \$36,376 \$17,236 as of December 31, 2022 December 31, 2023.

We have carried out an assessment of our ability to continue as a going concern. As of the date of the report, this Quarterly Report on Form 10Q, we believe that our Company has sufficient liquidity to fund operations for the next twelve months. Our

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primary liquidity and capital requirements are for the maintenance of our current XpresSpa and Treat locations and brand, as well as the expansion of Naples Wax and our off-airport strategy. During the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, we used \$12,873 \$3,682 and \$17,406 \$5,865 in operations, respectively.

On August 31, 2021, our board of directors initially authorized a stock repurchase program that permitted the purchase and repurchase of up to 750,000 shares of our common stock through September 15, 2022. In May 2022, the Board increased the share repurchase program by an additional 500,000 shares and extended its effectiveness through September 15, 2023. Under this stock repurchase program, management has discretion in determining the conditions under which shares may be purchased from time to time. The program does not require us to repurchase any specific number of shares, and may be modified, suspended or terminated at any time without prior notice.

Pursuant to our share repurchase program, we purchased 424,042 shares for \$12,116 and retired 357,122 of these purchased shares during the nine months ended September 30, 2022, and the remaining 66,920 shares were retired on August 3, 2022. We did not repurchase any shares during the nine months ended September 30, 2023.

Critical Accounting Estimates

These The unaudited condensed consolidated financial statements included with this Quarterly Report on Form 10Q should be read in conjunction with the audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, as amended, filed with the SEC which includes a description of our critical accounting estimates that involve subjective and complex judgments that could potentially affect reported results. There have been no material changes to our critical accounting estimates as to the methodologies or assumptions we apply under them. We continue to monitor such methodologies and assumptions.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not required as we are a smaller reporting company. applicable.

Item 4. Controls and Procedures.*Evaluation of Disclosure Controls and Procedures*

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Exchange Act) that are designed to ensure that information required to be disclosed in Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer (Principal Financial and Accounting Officer), as appropriate, to allow timely decisions regarding required disclosure.

As of September 30, 2023 March 31, 2024, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures.

This type of evaluation is performed on a quarterly basis so that conclusions of management, including our Chief Executive Officer and the Chief Financial Officer, concerning the effectiveness of the disclosure controls can be reported in our periodic reports on Form 10-Q and Form 10-K. The overall goals of these evaluation activities are to monitor our disclosure controls and to modify them as necessary. We intend to maintain the disclosure controls as dynamic systems that we adjust as circumstances merit. Based on the foregoing, our Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of September 30, 2023 March 31, 2024.

Remediation Plan for Material Weakness in Internal Control over Financial Reporting

Management is committed to the remediation of the Company's material weaknesses, as well as the continued improvement of the Company's internal control over financial reporting. Management has implemented, and continues to implement, the actions described below to remediate the underlying causes of the control deficiencies that gave rise to the material weaknesses. Until the remediation efforts described below, including any additional measures management identifies as necessary, are completed, the material weaknesses described above will continue to exist. We cannot provide any assurance that the below remediation efforts will be successful or that our internal control over financial reporting will

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be effective as a result of these efforts. Management has commenced the following actions and will continue to assess additional opportunities for remediation on an ongoing basis:

- 1) The Company has turned on the multi-currency features related to its cloud-based accounting systems.
- 2) The Company has engaged outside service providers to assist with the valuation, accounting, and recording of key reporting areas such as leases, revenue recognition and stock compensation expense.

- 3) The Company utilizes has contracted an independent consulting firms firm to assist with the preparation of the Financial Statements and U.S. GAAP accounting research.
- 4) The Company has engaged outside service providers to review the applicable complementary user entity controls described in the service organizations' reports for their potential impact on the Company's financial reporting.
- 5) On July 10, 2023, the Company hired a new permanent Chief Financial Officer.

Changes in Internal Control over Financial Reporting

Other than as set forth in the foregoing paragraph, there have been no changes in our internal control over financial reporting that occurred during the three months ended September 30, 2023 March 31, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

For information regarding legal proceedings, see Note 13. "Commitments and Contingencies" in our notes to the condensed consolidated financial statements included in "Item 1. Condensed Consolidated Financial Statements (Unaudited)."

Item 1A. Risk Factors.

There have been no material changes to the risk factors discussed in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

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Item 6. Exhibits.

Exhibit No.	Description
3.1	Certificate of Amendment to the Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed with the SEC on September 27, 2023)
31.1*	Certification of Principal Executive Officer pursuant to Exchange Act, Rules 13a – 14(a) and 15d – 14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer pursuant to Exchange Act, Rules 13a – 14(a) and 15d – 14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32**	Certifications of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)
†	Management contract.
*	Filed herewith.
**	Furnished herein.

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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.

XWELL, Inc.

Date: November 14, 2023 May 15, 2024

By: /s/ Scott R. Milford

Scott R. Milford
Chief Executive Officer
(Principal Executive Officer)

Date: November 14, 2023 May 15, 2024

By: /s/ Suzanne A. Scrabis

Suzanne A. Scrabis
Chief Financial Officer
(Principal Financial and Accounting Officer)

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Exhibit 31.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Scott R. Milford, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of XWELL, 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. I am 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 my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me 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 my 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 my 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 first 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. I have disclosed, based on my 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.

Dated: November 14, 2023 May 15, 2024

/s/ SCOTT R. MILFORD

Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Suzanne A. Scrabis, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of XWELL, 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. I am 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 my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me 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 my 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 my 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 first 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. I have disclosed, based on my 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.

Dated: November 14, 2023 May 15, 2024

/s/ SUZANNE A. SCRABIS

Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32

**CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of XWELL, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report for the quarter ended September 30, 2023 March 31, 2024 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2023 May 15, 2024

/s/ SCOTT R. MILFORD

Scott R. Milford R. Milford
Chief Executive Officer
(Principal Executive Officer)

/s/ SUZANNE A. SCRABIS

Suzanne A. Scrabis
Chief Financial Officer
(Principal Financial and Accounting Officer)

DISCLAIMER

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