REFINITIV

DELTA REPORT

10-Q

PTPI - PETROS PHARMACEUTICALS, I

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1109
CHANGES	261
DELETIONS	382
ADDITIONS	466

REFINITIV

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

for the quarterly period ended June September 30, 2023

Or

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

for the transition period from _____ to _____

Commission File Number: 001-39752

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

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

(973) 242-0005

(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

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

As of August 14, 2023 November 14, 2023, there were 2,113,570 2,201,069 shares of the registrant's common stock, par value $0.0001 per share, outstanding.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q may contain or incorporate by reference forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such forward-looking statements are based upon management's assumptions, expectations, projections, intentions and beliefs about future events. Except for historical information, the use of predictive, future-tense or forward-looking words such as "intend," "plan," "predict," "may," "will," "project," "target," "strategy," "estimate," "anticipate," "believe," "expect," "continue," "potential," "forecast," "should" and similar expressions, whether in the negative or affirmative, that reflect our current views with respect to future events and operational, economic and financial performance are intended to identify such forward-looking statements. Such forward-looking statements are only predictions, and actual results and the timing of certain events and circumstances may differ materially from those described by the forward-looking statements as a result of risks and uncertainties, including, without limitation, Petros' ability to execute on its business strategy, including its plans to develop and commercialize Stendra(R) OTC; Petros' ability to comply with obligations as a public reporting company; Petros' ability to regain and maintain compliance with the Nasdaq Stock Market's listing standards; the ability of Petros to timely and effectively implement controls and procedures required by Section 404 of the Sarbanes-Oxley Act of 2002; the risk that the financial performance of Petros may not be as anticipated by the merger transactions that resulted in the Company's creation; risks resulting from Petros' status as an emerging growth company, including that reduced disclosure requirements may make shares of Petros common stock less attractive to investors; Petros' ability to continue as a going concern; risks related to Petros' history of incurring significant losses; risks related to Petros' dependence on the commercialization of a single product, Stendra®; risks related to Petros' ability to obtain regulatory approvals for, or market acceptance of, any of its products or product candidates. Additional factors that could cause actual results to differ materially from the results anticipated in these forward-looking statements are described in this Quarterly Report on Form 10-Q, in "Risk Factor Summary" and in Part I, Item 1A., "Risk Factors," in Petros' Annual Report on Form 10-K for the year ended December 31, 2022 and in our other reports filed with the Securities and Exchange Commission (the "SEC"). We advise you to carefully review the reports and documents we file from time to time with the SEC, particularly our annual reports on Form 10-K, our quarterly reports on Form 10-Q and our current reports on Form 8-K. Petros cautions readers that the forward-looking statements included in, or incorporated by reference into, this Quarterly Report on Form 10-Q represent our beliefs, expectations, estimates and assumptions only as of the date hereof and are not intended to give any assurance as to future results. New factors emerge from time to time, and it is not possible for us to predict all of these factors. Further, Petros cannot assess the effect of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement.

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

OTHER INFORMATION

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

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

PETROS PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	June 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash	$ 7,384,797	$ 9,426,264
Accounts receivable, net	2,576,731	2,110,246
Inventories	2,180,005	1,815,113
Prepaid expenses and other current assets	1,009,359	1,316,282
Total current assets	13,150,892	14,667,905
Fixed assets, net	34,067	39,177
Intangible assets, net	10,596,004	12,244,484
API purchase commitment	4,651,754	5,111,176
Other assets	294,391	358,472
Total assets	$ 28,727,108	$ 32,421,214
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of promissory note	$ 1,122,619	$ 1,089,683
Accounts payable	1,783,731	1,806,399
Accrued expenses	4,778,571	3,634,662
Other current liabilities	280,446	537,232
Total current liabilities	7,965,367	7,067,976
Promissory note, net of current portion	7,634,123	8,388,093
Other long-term liabilities	183,329	262,678
Total liabilities	15,782,819	15,718,747
Stockholders' Equity:		
Common stock (par value $0.0001 per share, 150,000,000 shares authorized, 2,119,620 and 2,079,387 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively)	211	208
Additional paid-in capital	107,602,301	107,428,652
Accumulated deficit	(94,658,223)	(90,726,393)
Total Stockholders' Equity	12,944,289	16,702,467
Total Liabilities and Stockholders' Equity	$ 28,727,108	$ 32,421,214

	September 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash	$ 17,969,949	$ 9,426,264

Accounts receivable, net	2,975,018	2,110,246
Inventories	2,501,093	1,815,113
Prepaid expenses and other current assets	987,120	1,316,282
Total current assets	24,433,180	14,667,905
Fixed assets, net	31,513	39,177
Intangible assets, net	9,771,764	12,244,484
API purchase commitment	4,416,862	5,111,176
Right of use assets	260,849	358,472
Total assets	$ 38,914,168	$ 32,421,214
Liabilities, Convertible Redeemable Preferred Stock and Stockholders' Equity		
Current liabilities:		
Current portion of promissory note	$ 1,139,458	$ 1,089,683
Accounts payable	1,355,060	1,806,399
Accrued expenses	3,869,027	3,634,662
Accrued Series A Convertible Preferred payments payable	1,368,546	—
Other current liabilities	349,972	537,232
Total current liabilities	8,082,063	7,067,976
Promissory note, net of current portion	7,248,635	8,388,093
Derivative Liability	6,570,000	—
Warrant Liability	9,805,000	—
Other long-term liabilities	151,395	262,678
Total liabilities	31,857,093	15,718,747
Commitments and contingencies		
Series A convertible redeemable preferred stock (par value $0.0001 per share and $1,000 stated value), 15,000 and 0 shares authorized at September 30, 2023 and December 31, 2022, respectively; 13,846 and 0 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively. Liquidation preference of $15,000,000 as of September 30, 2023	124,532	—
Stockholders' Equity:		
Common stock (par value $0.0001 per share, 250,000,000 and 150,000,000 shares authorized at September 30, 2023 and December 31, 2022, respectively; 2,119,620 and 2,079,387 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively)	211	208
Additional paid-in capital	106,140,063	107,428,652
Accumulated deficit	(99,207,731)	(90,726,393)
Total Stockholders' Equity	6,932,543	16,702,467
Total Liabilities, Convertible Redeemable Preferred Stock and Stockholders' Equity	$ 38,914,168	$ 32,421,214

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

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	For the Six Months Ended June 30,		For the Three Months Ended June 30,	
	2023	2022	2023	2022
Net sales	$ 4,511,983	$ 6,651,685	$ 1,994,011	$ 4,186,516
Cost of goods sold	1,064,599	1,121,560	513,857	649,220
Gross profit	3,447,384	5,530,125	1,480,154	3,537,296
Operating expenses:				
Selling, general and administrative	4,380,231	7,114,342	2,249,592	3,216,604
Gain on settlement with Vivus	—	(3,389,941)	—	—
Research and development expense	1,185,668	826,602	866,575	421,242
Depreciation and amortization expense	1,653,590	3,121,740	826,795	1,560,870
Total operating expenses	7,219,489	7,672,743	3,942,962	5,198,716
Loss from operations	(3,772,105)	(2,142,618)	(2,462,808)	(1,661,420)
Change in fair value of derivative liability	—	460,000	—	—
Interest income	119,241	—	52,924	—
Interest expense, promissory note	(278,966)	(303,398)	(136,799)	(150,372)
Net Income (loss)	$ (3,931,830)	$ (1,986,016)	$ (2,546,683)	$ (1,811,792)
Net Income (loss) per common share				
Basic and Diluted	$ (1.87)	$ (0.96)	$ (1.20)	$ (0.88)
Weighted average common shares outstanding				
Basic and Diluted	2,103,220	2,068,472	2,117,581	2,068,472

	For the Nine Months Ended September 30,		For the Three Months Ended September 30,	
	2023	2022	2023	2022
Net sales	$ 6,186,638	$ 5,193,953	$ 1,674,657	$ (1,457,732)
Cost of goods sold	1,473,073	1,408,086	408,475	286,525
Gross profit	4,713,565	3,785,867	1,266,182	(1,744,257)
Operating expenses:				
Selling, general and administrative	6,382,166	9,285,317	2,001,935	2,170,975
Warrant issuance costs	2,855,000	—	2,855,000	—
Gain on settlement with Vivus	—	(3,389,941)	—	—
Research and development expense	1,574,760	1,562,518	389,093	735,916
Depreciation and amortization expense	2,480,385	4,682,610	826,795	1,560,870
Intangible asset impairment	—	7,460,000	—	7,460,000
Total operating expenses	13,292,311	19,600,504	6,072,823	11,927,761
Loss from operations	(8,578,746)	(15,814,637)	(4,806,641)	(13,672,018)
Change in fair value of derivative liability	(430,000)	460,000	(430,000)	—
Change in fair value of warrant liability	11,739,000	—	11,739,000	—
Interest income	287,722	—	168,481	—
Interest expense, promissory note	(410,317)	(451,075)	(131,351)	(147,677)
Loss on issuance of Series A Preferred Stock	(11,088,997)	—	(11,088,997)	—
Loss before income taxes	(8,481,338)	(15,805,712)	(4,549,508)	(13,819,695)
Income tax expense	—	10,501	—	10,501
Net loss	$ (8,481,338)	$ (15,816,213)	$ (4,549,508)	$ (13,830,196)
Preferred Stock dividends and cash premiums	(339,232)	—	(339,232)	—
Net loss per common share	(8,820,570)	(15,816,213)	(4,888,740)	(13,830,196)
Basic and Diluted	$ (4.18)	$ (7.65)	$ (2.31)	$ (6.69)
Weighted average common shares outstanding				

Basic and Diluted	2,108,747	2,068,472	2,119,620	2,068,472

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

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PETROS PHARMACEUTICALS, INC.

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

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

	Convertible Redeemable Preferred Stock	Convertible Redeemable Preferred Stock Amount	Common Stock	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total
Three Months Ended September 30, 2023							
Balance, June 30, 2023	—	$ —	2,119,620	$ 211	$ 107,602,301	$ (94,658,223)	$ 12,944,289
Stock-based compensation expense	—	—	—	—	30,840	—	30,840
Issuance of Series A Preferred Stock in private placement, net of discount and transaction costs $15,000,003	15,000	—	—	—	—	—	—
Series A Preferred Stock accretion	—	1,153,846	—	—	(1,153,846)	—	(1,153,846)
Series A Preferred Stock dividends	—	249,701	—	—	(249,701)	—	(249,701)
Preferred Stock redemption including cash premium	(1,154)	(1,279,016)	—	—	(89,531)	—	(89,531)
Net loss	—	—	—	—	—	(4,549,508)	(4,549,508)
Balance, September 30, 2023	13,846	$ 124,531	2,119,620	$ 211	$ 106,140,063	$ (99,207,731)	$ 6,932,543

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

Balance, June 30, 2023	—	$ —	2,119,620	$ 211	$ 107,602,301	$ (94,658,223)	$ 12,944,289

	Convertible Redeemable Preferred Stock	Convertible Redeemable Preferred Stock Amount	Common Stock	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total
Nine Months Ended September 30, 2023							
Balance, December 31, 2022	—	$ —	2,079,387	$ 208	$ 107,428,652	$ (90,726,393)	$ 16,702,467
Stock-based compensation expense	—	—	—	—	204,492	—	204,492
Shares issued for vested RSU's	—	—	40,233	3	(3)	—	—
Issuance of Series A Preferred Stock in private placement, net of discount and transaction costs $15,000,003	15,000	—	—	—	—	—	—
Series A Preferred Stock accretion	—	1,153,846	—	—	(1,153,846)	—	(1,153,846)
Series A Preferred Stock dividends	—	249,701	—	—	(249,701)	—	(249,701)
Preferred Stock redemption including cash premium	(1,154)	(1,279,016)	—	—	(89,531)	—	(89,531)
Net loss	—	—	—	—	—	(8,481,338)	(8,481,338)
Balance, September 30, 2023	13,846	$ 124,531	2,119,620	$ 211	$ 106,140,063	$ (99,207,731)	$ 6,932,543

	Preferred Stock	Preferred Stock Amount	Common Stock	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total	Common Stock	Common Stock Amount	Additional Paid-in Capital	Accumu Def
Three Months Ended June 30, 2022											
Balance, March 31, 2022	—	$ —	2,068,472	$ 2,068	$106,587,544	$ (70,863,044)	$35,726,568				
Three Months Ended September 30, 2022											
Balance, June 30, 2022								2,068,472	$ 207	$106,891,670	$ (72,6
Stock-based compensation expense	—	—	—	—	302,265	—	302,265	—	—	308,138	
Non-employee exercise of restricted stock units								2,331	—	—	
Net loss	—	—	—	—	—	(1,811,792)	(1,811,792)	—	—	—	(13,8
Balance, June 30, 2022	—	$ —	2,068,472	$ 2,068	$106,889,809	$ (72,674,836)	$34,217,041				
Balance, September 30, 2022								2,070,803	$ 207	$107,199,808	$ (86,5

	Preferred Stock	Preferred Stock Amount	Common Stock	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total	Common Stock	Common Stock Amount	Additional Paid-in Capital	Accumu Def
Six Months Ended June 30, 2022											
Nine Months Ended September 30, 2022											
Balance, December 31, 2021	—	$ —	2,068,472	$ 2,068	$106,231,716	$ (70,688,820)	$35,544,964	2,068,472	$ 207	$106,233,577	$ (70,6
Stock-based compensation expense	—	—	—	—	658,093	—	658,093	—	—	966,231	
Non-employee exercise of restricted stock units								2,331	—	—	
Net loss	—	—	—	—	—	(1,986,016)	(1,986,016)	—	—	—	(15,8
Balance, June 30, 2022	—	$ —	2,068,472	$ 2,068	$106,889,809	$ (72,674,836)	$34,217,041				
Balance, September 30, 2022								2,070,803	$ 207	$107,199,808	$ (86,5

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

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PETROS PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Six Months Ended June 30,	
	2023	2022
Cash flows from operating activities:		
Net income (loss)	$ (3,931,830)	$ (1,986,016)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	1,653,590	3,121,740
Bad debt expense (recoveries)	4,499	(106,940)
Inventory and sample inventory reserve	41,195	(14,858)
Lease expense	64,081	56,778
Derivative liability	—	(460,000)
Deferred revenue	(281,372)	121,146
Gain on settlement with Vivus	—	(3,389,941)
Employee stock-based compensation	173,652	658,093
Changes in operating assets and liabilities:		
Accounts receivable	(470,984)	(3,185,558)
Inventories	33,266	(1,374,350)
Prepaid expenses and other current assets	326,992	1,058,333
Accounts payable	(22,668)	(2,653,421)
Accrued expenses	1,143,909	(1,429,156)
Other current liabilities	24,586	177,550
Other long-term liabilities	(79,349)	(68,909)
Net cash used in operating activities	(1,320,433)	(9,475,509)
Cash flows from financing activities:		
Payment of promissory note	(721,034)	(1,076,974)
Net cash used in financing activities	(721,034)	(1,076,974)
Net decrease in cash	(2,041,467)	(10,552,483)
Cash, beginning of period	9,426,264	23,847,572
Cash, end of period	$ 7,384,797	$ 13,295,089
Supplemental cash flow information:		
Cash paid for interest during the period	$ 278,966	$ 153,026
Noncash Items:		
Noncash decrease in accrued expenses related to Vivus settlement	$ —	$ (6,520,283)
Noncash decrease in accrued inventory purchases related to Vivus Settlement	—	(14,203,905)
Noncash increase in promissory note related to Vivus settlement	—	10,024,785
Noncash increase in inventory due to API reclass	(439,353)	—
Noncash decrease in API purchase commitment	459,422	6,232,489
Noncash decrease in other current assets: API purchase commitment	(20,069)	—
Noncash issuance of common stock to non-employee	3	—

	For the Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net loss	$ (8,481,338)	$ (15,816,213)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,480,385	4,682,610

Intangible asset impairment	—	7,460,000
Bad debt expense (recoveries)	32,516	(103,650)
Inventory and sample inventory reserve	41,195	(14,688)
Lease expense	97,622	86,477
Change in fair value of derivative liability	430,000	(460,000)
Change in fair value of warrant liability	(11,739,000)	—
Loss on issuance of Series A Preferred Stock	11,088,997	—
Noncash Warrant expense	1,595,000	—
Gain on settlement with Vivus	—	(3,389,941)
Employee stock-based compensation	204,492	966,231
Changes in operating assets and liabilities:		
Accounts receivable	(897,289)	(1,174,106)
Inventories	(63,191)	(1,619,694)
Prepaid expenses and other current assets	359,492	1,478,267
Accounts payable	(451,338)	(2,473,450)
Accrued expenses	234,364	(954,607)
Deferred revenue	(281,372)	56,274
Other current liabilities	94,113	154,370
Other long-term liabilities	(111,283)	(104,865)
Net cash used in operating activities	(5,366,635)	(11,226,985)
Cash flows from financing activities:		
Payment of promissory note	(1,089,683)	(1,438,925)
Proceeds from Private Placement, net of transactions costs	15,000,003	—
Net cash provided by (used in) financing activities	13,910,320	(1,438,925)
Net increase (decrease) in cash	8,543,685	(12,665,910)
Cash, beginning of period	9,426,264	23,847,572
Cash, end of period	$ 17,969,949	$ 11,181,662
Supplemental cash flow information:		
Cash paid for interest during the period	$ 410,317	$ 451,075
Noncash Items:		
Noncash decrease in accrued expenses related to Vivus settlement	$ —	$ (6,520,283)
Noncash decrease in accrued inventory purchases related to Vivus Settlement	—	(14,203,905)
Noncash increase in promissory note related to Vivus settlement	—	10,201,758
Noncash increase in inventory due to API reclass	(663,984)	—
Noncash decrease in API purchase commitment	694,314	6,232,489
Noncash decrease in other current assets: API purchase commitment	(30,330)	—
Noncash issuance of common stock to non-employee	3	3
Noncash initial fair value of warrant liability pursuant to private placement	21,544,000	—
Noncash initial fair value of derivative liability pursuant to private placement	6,140,000	—
Accrued Series A Convertible Preferred payments payable	1,368,546	—
Accretion of Series A convertible preferred stock to redemption value	1,250,000	—
Accrual of Series convertible preferred stock dividends	339,232	—

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

PETROS PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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

Nature of Operations and Basis of Presentation

Petros is a pharmaceutical company focused on men's health therapeutics with a full range of commercial capabilities including sales, marketing, regulatory and medical affairs, finance, trade relations, pharmacovigilance, market expanding consumer access relations, manufacturing, and distribution.

Petros to medication through over-the-counter (OTC) drug development programs.Petros consists of wholly owned subsidiaries, Metuchen Pharmaceuticals LLC, a Delaware limited liability company ("Metuchen"), Neurotrope, Inc., a Nevada corporation ("Neurotrope"), Timm Medical Technologies, Inc. ("Timm Medical"), and Pos-T-Vac, LLC ("PTV"). Petros was organized as a Delaware corporation on May 14, 2020 for the purpose of effecting certain transactions between Petros, Metuchen, Neurotrope, and certain subsidiaries of Petros (collectively the "Mergers"). The Mergers were consummated on December 1, 2020. The Company is engaged in the commercialization and development of Stendra®, a U.S. Food and Drug Administration ("FDA") approved PDE-5 inhibitor prescription medication for the treatment of erectile dysfunction ("ED"), which we have the Company has licensed from Vivus, Inc. ("Vivus"). Petros also markets its own line of ED products in the form of vacuum erection device products through its subsidiaries, Timm Medical and PTV. In addition to ED products, we had an exclusive global license to develop and commercialize H100™, a novel and patented topical formulation candidate for the treatment of acute Peyronie's disease, which license was terminated by the Company on May 11, 2023.

The Company manages its operations through two segments, Prescription Medications and Medical Devices, both of which focus on the treatment of male ED. The Prescription Medications segment consists primarily of Stendra®, which is sold generally in the United States. Expenses related to the development of H100™, prior to the license termination in May 2023, which was in the early stages of development and had not yet sought FDA approval to begin Phase 1 clinical trials, were categorized under the Prescription Medications segment. The Medical Devices segment consists primarily of vacuum erection devices, which are sold domestically and internationally.

The Company's priority is the ability to sell Stendra® Over-The-Counter ("OTC"). The company has continued to progress in its development program. Recently, the Company has conducted three engagements with the U.S. Food and Drug Administration (FDA) reviewing data and receiving guidance, launched a second pivotal Label Comprehension Study incorporating FDA feedback, and has begun to integrate supportive technology in response to recent FDA industry-wide guidance and proposed rules.

Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. In the opinion of management, the accompanying unaudited interim consolidated financial statements include all adjustments, consisting of normal recurring adjustments, considered necessary to present fairly our financial position, results of operations and cash flows. However, actual results could differ from those estimates. The unaudited interim consolidated results of operations are not necessarily indicative of the results that may occur for the full fiscal year. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been omitted pursuant to instructions, rules, and regulations prescribed by the United States Securities and Exchange Commission. This Quarterly Report on Form 10-Q should be read in conjunction with the audited financial statements and notes previously distributed in our Annual Report on Form 10-K for the year ended December 31, 2022.

All transactions between the consolidated entities have been eliminated in consolidation.

Liquidity and Going Concern

We have experienced net losses and negative cash flows from operations since our inception. As of June 30, 2023 September 30, 2023, we had cash of $7.4 million approximately $18.0 million, working capital of $5.2 million $16.4 million, and accumulated deficit of $94.7 million $99.2 million. To date, our principal sources of capital used to fund our operations have been the revenues from product sales, private sales, registered offerings and private placements of equity securities.

The Company does not currently have sufficient available liquidity to fund its operations for at least the next 12 months. These conditions and events raise substantial doubt about the Company's ability to continue as a going concern within

one year after the date that these interim condensed consolidated financial statements are issued. The accompanying condensed consolidated financial statements do not include any adjustments that might result from these uncertainties.

In response to these conditions and events, the Company is evaluating various financing strategies to obtain sufficient additional liquidity to meet its operating, debt service and capital requirements for the next twelve months following the date of this Quarterly Report. The potential sources of financing that the Company is evaluating include one or any combination of secured or unsecured debt, convertible debt and equity in both public and private offerings. The Company also plans to finance near-term operations with its cash on hand, as well by as exploring additional ways to raise capital, including the proceeds from the gross proceeds of $15 million raised in the Private Placement (see the section below titled "Liquidity and Capital Resources—July 2023 (see Note 16) in addition Private Placement"), as well as by exploring additional ways to raise capital and increasing cash flows from operations. The company intends to use the proceeds from the July 2023 capital raise to funds its OTC progress through into 2024. There is no assurance the Company will manage to raise additional capital or otherwise increase cash flows, if required. The sources of financing described above that could be available to the Company and the timing and probability of obtaining sufficient capital depend, in part, on expanding the use of Stendra® and continuing to invest in research and development pursuant to our Non-Prescription / OTC strategies related to Stendra®, which we believe has the potential to dramatically increase product sales in the future; and future capital market conditions. If the Company's current assumptions regarding timing of these events are incorrect or if there are any other changes or differences in our current assumptions that negatively impact our financing strategy, the Company may have to further reduce expenditures or significantly delay, scale back or discontinue the development or commercialization of Stendra® OTC in order to extend its cash resources. The Consolidated Financial Statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern.

2) Summary of Significant Accounting Policies

Use of Estimates

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

Risks and Uncertainties

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

Concentration of Credit Risk

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

Segment Reporting

Operating segments are components of a Company for which separate financial information is available and evaluated regularly by the chief operating decision maker in assessing performance and deciding how to allocate resources. The Company's two segments, Prescription Medications and Medical Devices, focus on the treatment of male erectile dysfunction. The Prescription Medications segment consists primarily of operations related to Stendra®,

which is sold generally in the United States and H100™ for the treatment of Peyronie's disease. The Medical Devices segment consists primarily of operations related to vacuum erection devices, which are sold domestically and internationally. See Note 16 15 Segment Reporting.

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Revenue Recognition

Prescription Medication Sales

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

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

As of June 30, 2023 September 30, 2023 and December 31, 2022, the reserves for sales deductions were $3.3 million $3.4 million and $3.0 million, respectively. The most significant sales deductions included in this reserve relate to returns, contract rebates, and distribution service ("DSA") fees. Our estimates are based on factors such as our direct and indirect customers' buying patterns and the estimated resulting contractual deduction rates, historical experience, specific known market events and estimated future trends, current contractual and statutory requirements, industry data, estimated customer inventory levels, current contract sales terms with our direct and indirect customers, and other competitive factors. Significant judgment and estimation is required in developing the foregoing and other relevant assumptions. The most significant sales deductions are further described below.

Product Returns

Consistent with industry practice, the Company maintains a return policy that generally allows its customers to return Stendra® and receive credit for product within six months prior to expiration date and up to one year after expiration date. The provision for returns is based upon the Company's estimates for future Stendra® returns and historical experience. The provision of returns is part of the variable consideration recorded at the time revenue is recognized. As of June 30, 2023 September 30, 2023, December 31, 2022 and December 31, 2021, the reserves for product returns were $2.6 million $2.9 million, $2.3 million and $3.8 million, respectively, and are included as a component of accrued expenses. During the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively, the Company recorded $0.8 million $1.3 million and $4.4 million $7.6 million of returns as a reduction of gross revenue.

Contract Rebates, Coupon Redemptions and DSA Fees

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

The Company has entered into DSAs with certain of our significant wholesaler customers that obligate the wholesalers, in exchange for fees paid by us, to: (i) manage the variability of their purchases and inventory levels within specified limits based on product demand and (ii) provide us with specific services, including the provision of periodic retail demand information and current inventory levels for our pharmaceutical products held at their warehouse locations. See Note 3 Accounts Receivable, net for further discussion of these reserves. Accrued contract contracts were $49,499, $279,018 and $379,242 of September 30, 2023, December 31, 2022, and December 31, 2021, respectively.

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Medical Device Sales

The Company's medical device sales consist of domestic and international sales of men's health products for the treatment of erectile dysfunction. The men's health products include Vacuum Erection Devices, and VenoSeal. Under Topic 606, the Company recognizes revenue from medical device sales when its performance obligations with its customers have been satisfied. In the contracts with its customers, the Company has identified a single performance obligation to provide medical devices upon receipt of a customer order. The performance obligation is satisfied at a point in time when the Company's customers obtain control of the medical device, which is typically upon shipment. The Company invoices its customers after the medical devices have been shipped and invoice payments are generally due within 30 days of invoice date for domestic customers and 90 days for international customers.

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

Product Returns

Consistent with industry practice, the Company maintains a return policy that generally allows its customers to return medical devices and receive credit for products within 90 days of the sale. The provision for returns is based upon the Company's estimates for future product returns and historical experience. As of June 30, 2023 September 30, 2023, December 31, 2021 and December 31, 2022, the reserves for product returns for medical devices were not significant.

Contract Costs

In relation to customer contracts, the Company incurs costs to fulfill a contract but does not incur costs to obtain a contract. These costs to fulfill a contract do not meet the criteria for capitalization and are expensed as incurred. As such, the Company did not have any contract assets at June 30, 2023 September 30, 2023, December 31, 2021 and December 31, 2022.

Contract Liabilities

Under Accounting Standards Codification Topic 606, Revenue Recognition, the Company recognizes revenue when its performance obligations with a customer has been satisfied. In the event it has not been satisfied, the Company records deferred revenue as a liability on the balance sheet. As of June 30, 2023 September 30, 2023, December 31, 2022, and December 31, 2021, deferred revenue was $0, $281,372 and $70,343 respectively.

Fair Value Measurements

In accordance with ASC 820 (Topic 820, Fair Value Measurements and Disclosures), we use a three-level hierarchy for fair value measurements of certain assets and liabilities for financial reporting purposes that distinguishes between market participant assumptions developed from market data obtained from outside sources (observable inputs) and our own assumptions about market participant assumptions developed from the best information available to us in the circumstances (unobservable inputs). The fair value hierarchy is divided into three levels based on the source of inputs as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly including inputs in markets that are not considered to be active; and
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Intangible Assets

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

Table During the three months ended September 30, 2022, the Company noted that indicators of Contentsimpairment existed and prepared an undiscounted cash flow analysis, which indicated, for the Stendra(R) product an impairment. The Company then prepared a discounted cash flow analysis resulting in an impairment of approximately $7.5 million.

Derivative Financial Instruments

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

Basic and Diluted Net Loss per Common Share

The Company computes basic net loss per common share by dividing net loss applicable to common stockholders by the weighted average number of shares of common stocks outstanding during the period, excluding the anti-dilutive effects of stock options and warrants to purchase common stocks. The Company computes diluted net loss per common stock by dividing the net loss applicable to common stocks by the sum of the weighted-average number of common stocks outstanding during the period plus the potential dilutive effects of its convertible preferred stocks, stock options and warrants to purchase common stocks, but such items are excluded if their effect is anti-dilutive. Because the impact of these items is anti-dilutive during periods of net loss, there was no difference between the Company's basic and diluted net loss per stock share of common stock for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022. See Note 12 Basic and Diluted Net Loss per Common Share.

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standard Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, Measurement of Credit Losses on Financial Instruments. ASU 2016-13, together with a series of subsequently issued related ASUs, has been codified in Topic 326. Topic 326 establishes new requirements for companies to estimate expected credit losses when measuring certain financial assets, including accounts receivables. The new guidance is effective for fiscal years beginning after December 15, 2022. The Company has adopted the new guidance with its fiscal year beginning January 1, 2023. The adoption of ASC 326 did not have a material effect on the Company's financial statements.

In August 2020, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40) ("ASU 2020-06") to simplify certain financial instruments. ASU 2020-06 eliminates the current models that require separation of beneficial conversion and cash conversion features from convertible instruments and simplifies the derivative scope exception guidance pertaining to equity classification of contracts in an entity's own equity. The new standard also introduces additional disclosures for convertible debt and freestanding instruments that are indexed to and settled in an entity's own equity. ASU 2020-06 amends the diluted earnings per share guidance, including the requirement to use the if-converted method for all convertible instruments. ASU 2020-06 is effective for fiscal years beginning after December 15, 2021 and should be applied on a full or modified retrospective basis. Early adoption is permitted, but no

earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company adopted ASU 2020-06 effective July 1, 2023. The adoption of ASU 2020-06 did not have a material impact on the Company's financial statements.

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3) Accounts Receivable, net

Accounts receivable, net is comprised of the following:

	June 30, 2023	December 31, 2022	December 31, 2021	September 30, 2023	December 31, 2022	December 31, 2021
Gross accounts receivables	$ 3,191,711	$ 2,757,839	$ 3,363,827	$ 3,713,405	$ 2,757,839	$ 3,363,827
Distribution service fees	(284,285)	(339,094)	(371,310)	(358,661)	(339,094)	(371,310)
Chargebacks accrual	(2,462)	(1,960)	—	(7,375)	(1,960)	—
Cash discount allowances	(116,866)	(99,671)	(159,446)	(132,967)	(99,671)	(159,446)
Allowance for doubtful accounts	(211,367)	(206,868)	(377,685)	(239,384)	(206,868)	(377,685)
Total accounts receivable, net	$ 2,576,731	$ 2,110,246	$ 2,455,386	$ 2,975,018	$ 2,110,246	$ 2,455,386

For the six nine months ended June 30, 2023 September 30, 2023, gross billings to customers representing 10% or more of the Company's total gross billings included four three customers which represented approximately 23%, 18% 19%, 17% and 10% 17% of total gross billings, respectively. For the six nine months ended June 30, 2022 September 30, 2022, gross billings billing from customers representing 10% or more of the Company's total gross billings included four customers which represented approximately 26% 27%, 23%, 18% 22%, and 17% 18% and 15% of total gross billings, respectively.

Receivables from customers representing 10% or more of the Company's gross accounts receivable included three customers at June 30, 2023 September 30, 2023 equal to 35% 43%, 22% 25%, and 18% 14%, respectively. Receivables from customers representing 10% or more of the Company's gross accounts receivable included two customers at December 31, 2022 equal to 43% and 16%, respectively.

4) Inventories

Inventory is comprised of the following:

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Raw Materials	$ 2,081,089	$ 1,574,683	$ 2,391,190	$ 1,574,683
Finished goods	98,916	240,430	109,903	240,430
Total inventory	$ 2,180,005	$ 1,815,113	$ 2,501,093	$ 1,815,113

Finished goods are net of valuation reserves of $405,495 and $364,300 as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively. Raw materials are net of valuation reserves of $2,872,977 as of June 30, 2023 September 30, 2023 and December 31, 2022, which is related to bulk inventory.

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5) Prepaid Expenses and Other Current Assets

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

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Prepaid insurance	$ 173,511	$ 109,414	$ 169,588	$ 109,414
Prepaid coupon fees	—	71,500	—	71,500
API purchase commitment asset (see Note 13)	684,053	663,984	694,314	663,984
Other prepaid expenses	120,052	333,158	65,655	333,158
Other current assets	31,743	138,226	57,563	138,226
Total prepaid expenses and other current assets	$ 1,009,359	$ 1,316,282	$ 987,120	$ 1,316,282

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6) Intangible Assets

Balance at December 31, 2021	$ 25,293,149	$25,293,149
Amortization expense	(5,588,665)	(5,588,665)
Intangible Impairment	(7,460,000)	(7,460,000)
Balance at December 31, 2022	12,244,484	12,244,484
Amortization expense	(1,648,480)	(2,472,720)
Balance at June 30, 2023	$ 10,596,004	
Balance at September 30, 2023		$ 9,771,764

The future annual amortization related to the Company's intangible assets is as follows as of June 30, 2023 September 30, 2023:

2023 (remaining 6 months)	$ 1,624,267	
2023 (remaining 3 months)		$ 800,027
2024	2,800,623	2,800,623
2025	1,754,328	1,754,328
2026	1,442,186	1,442,186
2027	1,212,871	1,212,871
Thereafter	1,761,729	1,761,729
Total	$ 10,596,004	$9,771,764

The intangible assets held by the Company are the Stendra® product, Timm Medical product, and PTV product and are being amortized over their estimated useful lives of 10 years, 12 years, and 12 years, respectively. The carrying value of the Stendra® product, Timm Medical product, and PTV product as of June 30, 2023 September 30, 2023 are $6.0 million $5.5 million, $3.6 million $3.4 million and $1.0 million $0.9 million, respectively. The carrying value of the Stendra® product, Timm Medical product, and PTV product as of December 31, 2022 were $7.2 million, $4.0 million and $1.1 million, respectively. During the year three months ended December 31, 2022 September 30, 2022, the Company determined that the intangible asset related to the Stendra® product was impaired resulting in an impairment charge of approximately $7.5 million.

7) Accrued Expenses

Accrued expenses are comprised of the following:

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Accrued product returns	$ 2,581,177	$ 2,311,647	$ 2,853,413	$ 2,311,647

Accrued contract rebates	292,572	279,018	49,499	279,018
Due to 3PL/Wholesalers	334,282	155,081	103,161	155,081
Accrued bonuses	711,051	427,500	421,523	427,500
Accrued professional fees	82,041	51,620	—	51,620
Other accrued expenses	777,448	409,796	441,431	409,796
Total accrued expenses	$ 4,778,571	$ 3,634,662	$ 3,869,027	$ 3,634,662

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8) Debt

Promissory Note

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

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

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

2023 (remaining 6 months)	$ 368,649	
2024	1,530,729	1,530,729
2025	2,720,940	2,720,940
2026	3,264,351	3,264,351
2027	872,073	872,073
Total	$ 8,756,742	$ 8,388,093
Less: current portion	(1,122,619)	(1,139,458)
Promissory note, net of current portion	$ 7,634,123	$ 7,248,635

9) Operating Leases

The Company has commitments under operating leases for office and warehouse space used in its operations. The As of September 30, 2023 the Company's leases have remaining lease terms ranging from 1.2 .9 years to 3.5 3.3 years.

On November 30, 2021, the Company entered into a sublease with respect to its entire headquarters facility. The sublessor sublessee delivered a $14,000 security deposit to the Company on the lease commencement date and also agreed to pay $7,000 per month for the term beginning January 10, 2022 and continuing until the expiration of the head lease on August 30, 2024. The Company accounts for this sublease as an operating lease in accordance with the lessor accounting guidance within ASC 842.

The components of lease expense consisted entirely of fixed lease costs related to operating leases. These costs were $89,623 $134,435 and $89,623 $134,435 for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively, and were $44,812 and $44,812 for the three months ended March 31, 2023 September 30, 2023 and 2022, respectively. Fixed lease costs for the six nine months ended June 30, 2023 September 30, 2023 were offset by sublease income of $42,000, $63,000, and $21,000 for the three months ended March 31, 2023 September 30, 2023.

Supplemental balance sheet information related to leases was as follows:

	As of June 30, 2023	As of December 31, 2022	As of September 30, 2023	As of December 31, 2022
Operating lease ROU asset:				
Other assets	$ 294,391	$ 358,471	$ 260,849	$ 358,472
Operating lease liability:				
Other current liabilities	152,780	142,340	148,758	142,340
Other long-term liabilities	183,328	262,677	151,395	262,677
Total operating lease liability	$ 336,108	$ 405,017	$ 300,153	$ 405,017

Supplemental lease term and discount rate information related to leases was as follows:

	As of September 30, 2023	As of December 31, 2022
Weighted-average remaining lease terms - operating leases	1.9 years	2.7 years
Weighted-average discount rate - operating leases	12.6 %	12.6 %

Supplemental cash flow information related to leases was as follows:

	For the Nine Months Ended September 30,		For the Three Months Ended September 30,	
	2023	2022	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	$ 141,677	$ 140,805	$ 47,226	$ 46,935

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Future minimum lease payments under non-cancelable leases as of September 30, 2023, were as follows:

Lease Liability Maturity Analysis	Operating Leases
2023 (remaining 3 months)	$ 47,697
2024	155,242
2025	81,107
2026	82,324
Thereafter	—
Total lease payments	366,370
Less: Imputed Interest	(66,217)
Total	$ 300,153

Future minimum sublease income under non-cancelable leases as of September 30, 2023, were as follows:

Sublease income	Operating Leases
2023 (remaining 3 months)	21,000
2024	56,000
Total	$ 77,000

As of September 30, 2023, the Company had no operating leases that had not yet commenced.

Supplemental lease term and discount rate information related to leases was as follows:

	As of June 30, 2023	As of December 31, 2022
Weighted-average remaining lease terms - operating leases	2.2 years	2.7 years
Weighted-average discount rate - operating leases	12.6 %	12.6 %

Supplemental cash flow information related to leases was as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	$ 47,226	$ 46,935	$ 94,451	$ 93,870

Future minimum lease payments under non-cancelable leases as of June 30, 2023, were as follows:

Lease Liability Maturity Analysis	Operating Leases
2023 (remaining 6 months)	$ 94,922
2024	155,242
2025	81,107
2026	82,324
Thereafter	—
Total lease payments	413,595
Less: Imputed Interest	(77,487)
Total	$ 336,108

Future minimum sublease income under non-cancelable leases as of June 30, 2023, were as follows:

Sublease income	Operating Leases
2023 (remaining 6 months)	42,000
2024	56,000
Total	$ 98,000

As of June 30, 2023, the Company had no operating leases that had not yet commenced.

10) Stock Options and Restricted Stock Units ("RSU's")

The Company established the 2020 Omnibus Incentive Compensation plan (the "2020 Plan") which provides for the grants of awards to our directors, officers, employees, and consultants. The 2020 Plan authorizes the grant of incentive stock options, nonqualified stock options, stock appreciation rights, stock awards, stock units and other stock-based awards and cash-based awards. On December 22, 2021, our stockholders approved the Second Amendment to the 2020 Plan to increase the total number of shares of common stock issuable under the 2020 Plan by 152,166 shares to a total of 260,000 shares of common stock. On September 14, 2023, our stockholders approved the Third Amendment to the 2020 Plan to increase the total number of shares of common stock issuable under the 2020 Plan by 2.5 million shares to a total of 2,760,000 shares of common stock. As of June 30, 2023 September 30, 2023, there were 260,000 2,760,000 shares authorized and 7,369 2,507,369 shares available for issuance under the 2020 Plan.

The following is a summary of stock options for the nine months ended September 30, 2023 and for the year ended December 31, 2022:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value ($ in thousands)
Options outstanding at December 31, 2022	59,067	$ 34.02	8.29	$ —
Options granted	156,000	0.99	—	115.4
Less: options forfeited	—	—	—	—
Less: options expired/cancelled	(5,000)	33.40	—	—
Less: options exercised	—	—	—	—
Options outstanding at September 30, 2023	210,067	$ 9.51	8.99	$ 115.4
Options exercisable at September 30, 2023	54,067	$ 34.08	7.48	$ —

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The following is a summary of stock options RSU's for the six nine months ended June 30, 2023 September 30, 2023 and for the year ended December 31, 2022:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value ($ in thousands)
Options outstanding at December 31, 2022	59,067	$ 34.02	8.29	$ —
Options granted	156,000	0.99	—	162.2
Less: options forfeited	—	—	—	—
Less: options expired/cancelled	(5,000)	33.40	—	—
Less: options exercised	—	—	—	—
Options outstanding at June 30, 2023	210,067	$ 9.51	9.24	$ 162.2
Options exercisable at June 30, 2023	54,067	$ 34.08	7.73	$ —

The following is a summary of RSU's for the six months ended June 30, 2023 and for the year ended December 31, 2022:

	Number of Shares	Weighted-Average Fair Value at Grant Date	Weighted-Average Remaining Contractual Term (Years)	Number of Shares	Weighted-Average Fair Value at Grant Date	Weighted-Average Remaining Contractual Term (Years)
RSU's outstanding at December 31, 2022	40,238	$ 16.87	9.20	40,238	$ 16.87	9.20
RSU's granted	—	—	—	—	—	—
Less: RSU's forfeited	—	—	—	—	—	—
Less: RSU's expired/cancelled	(5)	11.90	—	(5)	11.90	—
Less: RSU's vested	(40,233)	16.88	—	(40,233)	16.88	—
RSU's outstanding at June 30, 2023	—	$ —	—			
RSU's outstanding at September 30, 2023				—	$ —	—

On January 4, 2022, pursuant to a consulting agreement, the Company awarded a grant of 5,000 options to purchase shares of common stock of the Company at an exercise price of $33.40 per share. The shares of common stock underlying the options vested 100% upon issuance. These options were canceled pursuant to the cancellation of this consulting agreement, during April 2023.

On April 7, 2022, the Company awarded the four Directors grants of 24,876 total RSU's with a stock price of $11.90 per share. The RSU's shall vest 100% on the one-year anniversary of the date of grant. Also on April 7, 2022, Tania King, an employee of Juggernaut Capital Partners LLP, pursuant to her contract, was granted 6,051 RSUs with a stock price of $11.90 per share. The RSU's vested 100% on the one-year anniversary of the date of grant.

On April 10, 2023, the Company awarded each of the four Directors a grant of 39,000 options to purchase shares of common stock of the Company at an exercise price of $0.99 per share. The shares of common stock underlying the options will vest 100% on the one-year anniversary of the date of grant.

Stock-based compensation expense recognized for the six nine months ended June 30, 2023 September 30, 2023 and 2022 was $173,652 $204,492 and $658,093, $966,231, respectively, and is recorded in general and administrative expenses in the consolidated statements of operations.

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11) Common Stock Warrants

As of June 30, 2023, December 31, 2022, and December 31, 2021, the company has 1,004,115 warrants outstanding.

As of June 30, 2023 September 30, 2023, the Company's warrants by expiration date were as follows:

Number of Warrants	Exercise Price (in Dollars)	Expiration Date
278	$ 16.00	August 23, 2023
2,279	356.50	June 1, 2024
7,492	218.50	June 17, 2024
1,997	312.50	June 19, 2024
2,279	265.50	September 1, 2024
1,050	127.40	September 16, 2024
2,279	43.00	December 1, 2024
2,800	56.50	March 2, 2025
2,800	73.00	June 1, 2025
2,800	55.00	September 1, 2025
2,800	47.05	December 1, 2025
222,189	75.00	December 1, 2025
90,880	175.00	December 1, 2025
62,429	512.50	December 1, 2025
15,856	1,250.00	December 1, 2025
175,132	17.15	October 18, 2026
233,775	35.00	December 12, 2026
175,000	35.00	December 27, 2026
7,200,002	2.25	July 17, 2028
8,204,117		

Number of Warrants	Exercise Price (in Dollars)	Expiration Date
278	$ 16.00	August 23, 2023
2,279	356.50	June 1, 2024
7,492	218.50	June 17, 2024
1,997	312.50	June 19, 2024
2,279	265.50	September 1, 2024
1,050	127.40	September 16, 2024
2,279	43.00	December 1, 2024
2,800	56.50	March 2, 2025
2,800	73.00	June 1, 2025
2,800	55.00	September 1, 2025

2,800	47.05	December 1, 2025
222,189	75.00	December 1, 2025
90,880	175.00	December 1, 2025
62,429	512.50	December 1, 2025
15,856	1,250.00	December 1, 2025
175,132	17.15	October 18, 2026
233,775	35.00	December 12, 2026
175,000	35.00	December 27, 2026
1,004,115		

	Number of Warrants
Warrants outstanding - January 1, 2022	1,004,115
Warrants issued in 2022	—
Warrants outstanding - December 31, 2022	1,004,115
Warrants issued - Nine Months ending September 30, 2023	7,200,002
Warrants outstanding - September 30, 2023	8,204,117

On July 17, 2023, the Company issued warrants to purchase up to 7,200,002 shares of common stock in connection with the Private Placement (as defined below). The warrants have an initial exercise price of $2.25 per share of common stock and expire five years after the date of issuance. The exercise price is subject to customary adjustments for stock dividends, stock splits, reclassifications and the like, and subject to price-based adjustment, on a "full ratchet" basis, in the event of any issuances of Common Stock, or securities convertible, exercisable or exchangeable for common stock, at a price below the then-applicable exercise price (subject to certain exceptions). Upon any such price-based adjustment, the number of shares issuable upon exercise of the warrants will be increased proportionately.

The warrants were determined to be within the scope of ASC 480-10 as they are puttable to the Company at Holders' election upon the occurrence of a Fundamental Transaction (as defined in the agreements). As such, the Company recorded the warrants as a liability at fair value with subsequent changes in fair value recognized in earnings. The Company utilized the Black Scholes Model to calculate the value of these warrants issued during the three months ended September 30, 2023. The fair value of the warrants of approximately $21.5 million was estimated at the date of issuance using the following weighted average assumptions: dividend yield 0%; expected term of 5.0 years; equity volatility of 110.0%; the closing stock price on July 13, 2023 of $3.54 and a risk-free interest rate of 3.93%.

Transaction costs incurred attributable to the issuance of the warrants of $2.9 million were immediately expensed in accordance with ASC 480.

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During the three months ended September 30, 2023, the Company recorded a gain of approximately $11.7 million related to the change in fair value of the warrant liability which is recorded in other income (expense) on the Statements of Operations. The fair value of the warrants of approximately $9.8 million was estimated at September 30, 2023 utilizing the Black Scholes Model using the following weighted average assumptions: dividend yield 0%; remaining term of 4.79 years; equity volatility of 115.0%; the closing stock price on September 30, 2023 of $1.73 and a risk-free interest rate of 4.62%.

12) Basic and Diluted Net Income (Loss) Loss per Common Share

The following is a reconciliation of the weighted average number of common shares outstanding used in calculating basic and diluted net loss per share:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,		For the Nine Months Ended September 30,		For the Three Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Numerator								
Net income (loss)	$ (2,546,683)	$ (1,811,792)	$ (3,931,830)	$ (1,986,016)				
Net loss per common					$(8,820,570)	$(15,816,213)	$(4,888,740)	$(13,830,196)
Denominator								

Weighted-average common shares for basic net income (loss) per share	2,117,581	2,068,472	2,103,220	2,068,472				
Basic and diluted net income (loss) per common share	$ (1.20)	$ (0.88)	$ (1.87)	$ (0.96)				
Weighted-average common shares for basic net loss per share					2,108,747	2,068,472	2,119,620	2,068,472
Basic and diluted net loss per common share					$ (4.18)	$ (7.65)	$ (2.31)	$ (6.69)

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,		For the Nine Months Ended September 30,		For the Three Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Stock Options	210,067	59,067	210,067	59,067	210,067	59,067	210,067	59,067
RSUs	—	42,564	—	42,564	—	42,564	—	42,564
Series A Convertible Preferred stock					6,762,090	—	6,762,090	—
Warrants	1,004,115	1,004,115	1,004,115	1,004,115	8,204,117	1,004,115	8,204,117	1,004,115
Total	1,214,182	1,105,746	1,214,182	1,105,746	15,176,274	1,105,746	15,176,274	1,105,746

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13) Marketing, Licensing and Distribution Agreements

(a) Vivus

On September 30, 2016, the Company entered into a License and Commercialization Agreement (the "License Agreement") with Vivus, Inc ("Vivus") to purchase and receive the license for the commercialization and exploitation of Stendra® for a one-time fee of $70 million. The License Agreement gives the Company the right to sell Stendra® in the U.S and its territories, Canada, South America, and India. In December 2000, Vivus originally was granted the license from Mitsubishi Tanabe Pharma Corporation ("MTPC") to develop, market, and manufacture Stendra®. Stendra® was approved by the Food and Drug Administration ("FDA") in April 2012 to treat male erectile dysfunction.

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

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

In connection with the License Agreement, the Company and Vivus also entered into a Supply Agreement. The Supply Agreement was terminated, effective September 30, 2021.

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

In addition to the payments to be made in accordance with the Note, the Company further agreed in the Vivus Settlement Agreement to (i) grant to Vivus a right of first refusal to provide certain types of debt and convertible equity (but not preferred equity) until the Note is paid in full, and (ii) undertake to make certain regulatory submissions to effectuate Vivus' ability to exercise its rights under the License Agreement. On January 18, 2022, the Company made a prepayment of the obligations under the Note in the amount of $900,000, and a payment of $1,542,904 with respect to a purchase order made in 2021 to Vivus. In consideration of these payments and upon the Company's satisfaction of certain regulatory submissions, Vivus released 100% of the quantity of bulk Stendra® tablets by the end of the first quarter 2022.

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

The Company has $0.7 million $1.0 million of API inventory which it has title to and is classified as raw materials inventory. The additional API inventory that the Company does not have title to is classified as API Inventory in either other current assets or other assets, depending on whether the Company expects to take title to the product within one year from the date of the financial statements. As of June 30, 2023 September 30, 2023 and December 31, 2022, there was $0.7 million and $0.7 million respectively included in other current assets (see Note 5 Prepaid and Other Current Assets). As of June 30, 2023 September 30, 2023 and December 31, 2022, there was $4.7 million $4.4 million and $5.1 million included as other assets on the accompanying consolidated balance sheets, respectively. The Company reviews its inventory levels and purchase commitments for excess amounts that it is required to purchase but projects it will not be able to sell prior to product expiry. The Company did not record any reserve for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022.

During the six nine months ended June 30, 2023 September 30, 2023 and 2022, the Company incurred royalties to MTPC for Stendra® of $124,534 $170,822 and $242,847, $135,816, respectively. Royalties incurred were included in cost of goods sold in the consolidated statements of operations. As of June 30, 2023 September 30, 2023, the Company had a payable for royalties of $18,420, $46,288, which is included in accrued expenses in the accompanying consolidated balance sheets. As of December 31, 2022, the company had a receivable for royalties of $106,115, which are included in other current assets. (see Note 7 Accrued Expenses and Note 5 Prepaid and other Current Assets).

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

(b) Patheon

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

subsequent commercial manufacturing services agreement (with associated quality agreement) between the parties before it can be offered for commercial sale.

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(c) Hybrid

In March 2020, the Company acquired the exclusive license to H100™ from Hybrid. H100™ is a topical candidate with at least one active ingredient and potentially a combination of ingredients responsible for the improvement of penile curvature during the acute phase of Peyronie's disease.

The Company terminated its exclusive license to H100™ from Hybrid on May 11, 2023.

14) Commitments and Contingencies

(a) Legal Proceedings

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

The Company is not currently involved in any other significant claims or legal actions that, in the opinion of management, will have a material adverse impact on the Company's operations, financial position or cash flows.

15) Segment Information

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

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

For the Nine Months Ended September 30, 2023	Prescription Medications	Medical Devices	Corporate	Consolidated
Net sales	$ 3,416,444	$ 2,770,194	$ —	$ 6,186,638
Cost of goods sold	343,109	1,129,964	—	1,473,073
Selling, general and administrative expenses	1,006,666	1,398,890	3,976,610	6,382,166
Warrant issuance costs	—	—	2,855,000	2,855,000
Research and development expenses	1,499,842	74,918	—	1,574,760
Depreciation and amortization expense	1,726,409	753,976	—	2,480,385
Change in fair value of derivative liability	—	—	430,000	430,000
Change in fair value of warrant liability	—	—	(11,739,000)	(11,739,000)
Interest income	—	—	(287,722)	(287,722)
Interest expense	—	—	410,317	410,317
Loss on issuance of Series A Preferred Stock	—	—	11,088,997	11,088,997
Net loss	$(1,159,582)	$ (587,554)	$ (6,734,202)	$ (8,481,338)

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The Company's results of operations by reportable segment for the six nine months ended June 30, 2023 September 30, 2022 are summarized as follows:

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

The Company's results of operations by reportable segment for the six months ended June 30, 2022 are summarized as follows:

For the Six Months Ended June 30, 2022	Prescription Medications	Medical Devices	Corporate	Consolidated
Net sales	$ 4,856,941	$ 1,794,744	$ —	$ 6,651,685
Cost of goods sold	489,007	632,553	—	1,121,560
Selling, general and administrative expenses	3,440,168	884,538	2,789,636	7,114,342
Gain on settlement with Vivus	(3,389,941)	—	—	(3,389,941)
Research and development expenses	750,296	76,306	—	826,602
Depreciation and amortization expense	2,539,328	582,412	—	3,121,740
Change in fair value of derivative liability	—	—	(460,000)	(460,000)
Interest expense	—	—	303,398	303,398
Net income (loss)	$ 1,028,083	$ (381,065)	$ (2,633,034)	$ (1,986,016)

For the Nine Months Ended September 30, 2022	Prescription Medications	Medical Devices	Corporate	Consolidated
Net sales	$ 2,716,311	$2,477,642	$ —	$ 5,193,953
Cost of goods sold	525,073	883,013	—	1,408,086
Selling, general and administrative expenses	3,933,295	1,352,239	3,999,783	9,285,317
Gain on settlement of contingent liability	(3,389,941)	—	—	(3,389,941)
Research and development expenses	1,428,848	133,670	—	1,562,518
Depreciation and amortization expense	3,808,991	873,619	—	4,682,610
Intangible asset impairment	7,460,000	—	—	7,460,000
Change in fair value of derivative liability	—	—	(460,000)	(460,000)
Interest expense	451,075	—	—	451,075
Income tax expense	—	10,501	—	10,501
Net loss	$(11,501,030)	$ (775,400)	$(3,539,783)	$(15,816,213)

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

For the Three Months Ended June 30, 2023	Prescription Medications	Medical Devices	Corporate	Consolidated
Net sales	$ 984,408	$ 1,009,603	$ —	$ 1,994,011
Cost of goods sold	83,451	430,406	—	513,857
Selling, general and administrative expenses	258,145	481,572	1,509,875	2,249,592

For the Three Months Ended September 30, 2023	Prescription Medications	Medical Devices	Corporate	Consolidated
Net sales	$ 925,759	$ 748,898	$ —	$ 1,674,657
Cost of goods sold	85,388	323,087	—	408,475
Selling, general and administrative expenses	251,674	493,447	1,256,814	2,001,935

Warrant issuance costs					—	—	2,855,000	2,855,000
Research and development expenses	865,122	1,453	—	866,575	369,505	19,588	—	389,093
Depreciation and amortization expense	575,470	251,325	—	826,795	575,470	251,325	—	826,795
Change in fair value of derivative liability					—	—	430,000	430,000
Change in fair value of warrant liability					—	—	(11,739,000)	(11,739,000)
Interest income	—	—	(52,924)	(52,924)	—	—	(168,481)	(168,481)
Interest expense	—	—	136,799	136,799	—	—	131,351	131,351
Loss on issuance of Series A Preferred Stock					—	—	11,088,997	11,088,997
Net loss	$ (797,780)	$ (155,153)	$ (1,593,750)	$ (2,546,683)	$ (356,278)	$(338,549)	$ (3,854,681)	$ (4,549,508)

The Company's results of operations by reportable segment for the three months ended June 30, 2022 September 30, 2022 are summarized as follows:

For the three months ended June 30, 2022	Prescription Medications	Medical Devices	Corporate	Consolidated	Prescription	Medical		
For the Three Months Ended September 30, 2022					Medications	Devices	Corporate	Consolidated
Net sales	$ 3,332,173	$ 854,343	$ —	$ 4,186,516	$ (2,140,629)	$ 682,897	$ —	$ (1,457,732)
Cost of goods sold	350,826	298,394	—	649,220	36,067	250,458	—	286,525
Selling, general and administrative expenses	1,729,149	220,947	1,266,508	3,216,604	493,128	467,700	1,210,147	2,170,975
Research and development expenses	344,936	76,306	—	421,242	678,552	57,364	—	735,916
Depreciation and amortization expense	1,269,665	291,205	—	1,560,870	1,269,664	291,206	—	1,560,870
Intangible asset impairment					7,460,000	—	—	7,460,000
Interest expense	—	—	150,372	150,372	147,677	—	—	147,677
Net income (loss)	$ (362,403)	$ (32,509)	$ (1,416,880)	$ (1,811,792)				
Income tax expense					—	10,501	—	10,501
Net loss					$(12,225,717)	$(394,332)	$(1,210,147)	$(13,830,196)

The following table reflects net sales by geographic region for the three and nine months ended September 30, 2023 and 2022:

	For the Nine Months Ended September 30,		For the Three Months Ended September 30,	
Net sales	2023	2022	2023	2022
United States	$ 5,253,587	$ 4,260,171	$ 1,496,988	$ (1,647,367)
International	933,051	933,782	177,669	189,635
	$ 6,186,638	$ 5,193,953	$ 1,674,657	$ (1,457,732)

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The following table reflects net sales by geographic region for the three and six months ended June 30, 2023 and 2022:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
Net sales	2023	2022	2023	2022
United States	$ 1,597,829	$ 3,861,915	$ 3,756,599	$ 5,907,539
International	396,182	324,601	755,384	744,146

	$ 1,994,011	$ 4,186,516	$ 4,511,983	$ 6,651,685

No individual country other than the United States accounted for 10% of total sales for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022.

The Company's assets by reportable segment and reconciliation of segment assets to consolidated assets as of June 30, 2023 September 30, 2023, are summarized as follows:

	Prescription Medications	Medical Devices	Consolidated	Prescription Medications	Medical Devices	Consolidated
Intangible assets, net	$ 6,032,875	$ 4,563,129	$ 10,596,004	$ 5,459,960	$4,311,804	$ 9,771,764
Total segment assets	$ 22,218,785	$ 6,508,323	$ 28,727,108	$32,810,715	$6,103,453	$38,914,168

The Company's assets by reportable segment and reconciliation of segment assets to consolidated assets as of December 31, 2022, are summarized as follows:

	Prescription Medications	Medical Devices	Consolidated
Intangible assets, net	$ 7,178,704	$ 5,065,780	$ 12,244,484
Total segment assets	$25,831,048	$ 6,590,166	$ 32,421,214

16) Subsequent Events Private Placement

On July 13, 2023, we entered into a Securities Purchase Agreement (the "Purchase Agreement") with certain accredited investors (the "Investors"), pursuant to which we agreed to sell in a private placement to the Investors (i) an aggregate of 15,000 shares of our newly-designated Series A Convertible Preferred Stock, with a par value of $0.0001 per share and a stated value of $1,000 per share (the "Series A Preferred Stock"), initially convertible into up to 6,666,668 shares of the Company's our common stock, par value $0.0001 per share (the "Common Stock") at an initial conversion price of $2.25 per share (the "Series A Preferred Shares"), and (ii) warrants to acquire up to an aggregate of 6,666,668 shares of Common Stock (the "Warrants") at an initial exercise price of $2.25 per share (collectively, the "Private Placement"). Pursuant to the terms of the Certificate of Designations of Series A Convertible Preferred Stock (the "Certificate of Designations") and the Warrants, each of the Conversion Price (as defined below) and the exercise price and the number of shares underlying the Warrants is subject to customary adjustments for stock dividends, stock splits, reclassifications and the like, and subject to price-based adjustment in the event of any issuances of Common Stock, or securities convertible, exercisable or exchangeable for Common Stock, at a price below the then-applicable Conversion Price (subject to certain exceptions). As of September 30, 2023, the Conversion Price and the exercise price of the Warrants was equal to $2.25 per share.

The Private Placement was exempt from the registration requirements of the Securities Act pursuant to the exemption for transactions by an issuer not involving any public offering under Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D of the Securities Act and in reliance on similar exemptions under applicable state laws. The closing of the Private Placement occurred on July 17, 2023. The aggregate gross proceeds from the Private Placement was approximately $15 million. We intend to use the net proceeds from the Private Placement for general corporate purposes.

We engaged Katalyst Securities LLC (the "Placement Agent") to act as exclusive placement agent in connection with the Private Placement. Pursuant to an Engagement Letter with the Placement Agent, we paid to the Placement Agent or its designees (i) a cash fee equal to 8% of the gross proceeds of the Private Placement and (ii) warrants to acquire up to an aggregate of 800,001 533,334 shares of Common Stock at an exercise price of $2.25 per share. on the same terms as the Warrants.

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Series A Preferred Stock

The terms of the Series A Preferred Shares are as set forth in the form of Certificate of Designations. The Series A Preferred Shares will be convertible into shares of Common Stock (the "Conversion Shares") at the election of the holder at any time at an initial conversion price of $2.25 (the "Conversion Price"). The Conversion Price is subject to customary adjustments for stock dividends, stock splits, reclassifications and the like, and subject to price-based adjustment in

the event of any issuances of Common Stock, or securities convertible, exercisable or exchangeable for Common Stock, at a price below the then-applicable Conversion Price (subject to certain exceptions). The Company will be We are required to redeem the Series A Preferred Shares in 13 equal monthly installments, commencing on the earlier of (x) the first trading day of the calendar month which is at least 25 November trading days after the date that the initial Registration Statement (as defined below) is declared effective by the SEC and (y) November 1, 2023. 1, 2023. The amortization payments due upon such redemptions are payable, at the company's our election, in cash at 107% of the Installment Redemption Amount (as defined in the Certificate of Designations), or subject to certain limitations, in shares of common stock valued at the lower of (i) the Conversion Price then in effect and (ii) the greater of (A) 80% of the average of the three lowest closing prices of the Company's Common

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Stock during the thirty trading day period immediately prior to the date the amortization payment is due or (B) the lower of (x) $0.4484 and (y) $0.396, which is 20% of the "Minimum Price" (as defined in Nasdaq Stock Market Rule 5635) on the date of the Nasdaq Stockholder Approval (as defined below) or in any case, such lower amount as permitted, from time to time, by the Nasdaq Stock Market, and in each case subject to adjustment for stock splits, stock dividends, stock combinations, recapitalizations or other similar events. The Company We may require holders to convert their Series A Preferred Shares into Conversion Shares if the closing price of the Common Stock exceeds $6.75 per share (subject to adjustment for stock splits, stock dividends, stock combinations, recapitalizations or other similar events) for 20 consecutive trading days and the daily dollar trading volume of the Common Stock exceeds two million dollars ($2,000,000) per day during the same period and certain equity conditions described in the Certificate of Designations are satisfied.

The holders of the Series A Preferred Shares will be are entitled to dividends of 8% per annum, compounded monthly, which will be are payable, at the Company's our option, in cash or shares of Common Stock, or in a combination thereof, in accordance with the terms of the Certificate of Designations. On September 29, 2023, we filed an amendment to the Certificate of Designations with the Secretary of State for the State of Delaware, pursuant to which the terms of the Series A Preferred Stock were amended to permit certain additional procedures for the payment of redemptions and conversions Upon the occurrence and during the continuance of a Triggering Event (as defined in the Certificate of Designations), the Series A Preferred Shares will accrue dividends at the rate of 15% per annum. In connection with a Triggering Event, each holder of Series A Preferred Shares will be able to require the Company us to redeem in cash any or all of the holder's Series A Preferred Shares at a premium set forth in the Certificate of Designations. Upon conversion or redemption, the holders of the Series A Preferred Shares are also entitled to receive a dividend make-whole payment. The holders of Series A Preferred Shares have no voting rights on account of the Series A Preferred Shares, other than with respect to certain matters affecting the rights of the Series A Preferred Shares.

The Series A Preferred Shares were determined to be more akin to a debt-like host than an equity-like host. The Company identified the following embedded features that are not clearly and closely related to the debt host instrument: 1) make-whole interest upon a contingent redemption event, 2) make-whole interest upon a conversion event, 3) an installment redemption upon an Equity Conditions Failure (as defined in the Certificate of Designation), and 4) variable share-settled installment conversion. These features were bundled together, assigned probabilities of being affected and measured at fair value. Subsequent changes in fair value of these features are recognized in the Condensed Consolidated Statements of Operations. The Company estimated the $6.1 million fair value of the bifurcated embedded derivative at issuance using a Monte Carlo simulation model, with the following inputs the fair value of our common stock of $3.54 on the issuance date, estimated equity volatility of 165.0%, estimated traded volume volatility of 790.0%, the time to maturity of 1.38 years, a discounted market interest rate of 8.1%, dividend rate of 8.0%, a penalty dividend rate of 15.0%, and probability of default of 9.7%. The fair value of the bifurcated derivative liability was estimated utilizing the with and without method which uses the probability weighted difference between the scenarios with the derivative and the plain vanilla maturity scenario without a derivative.

The discount to the fair value is included as a reduction to the carrying value of the Series A Preferred Shares. During the three months ended September 30, 2023, the Company recorded a total discount of approximately $15.0 million upon issuance of the Series A Preferred Shares, which was comprised of the issuance date fair value of the associated embedded derivative of approximately $6.1 million and the difference between the gross proceeds and the allocated residual fair value of the Series A Preferred Shares of approximately $8.9 million. When it is deemed probable that the Series A Preferred Shares will be redeemed, the Company will accrete the Series A Preferred Shares to redemption amount pursuant to ASC 480-10-S99-3A. As the fair value of the liabilities required to be subsequently measured at fair value exceeded the net proceeds received, the Company recognized the excess of the fair value over the net proceeds received as a loss upon issuance of preferred stock of $11.1 million which is included in other income (expense) in the Condensed Consolidated Statement of Operations.

During the three months ended September 30, 2023, the Company recorded a loss of approximately $0.4 million related to the change in fair value of the derivative liability which is recorded in other income (expense) on the Condensed Consolidated Statements of Operations. The Company estimated the $6.6 million fair value of the bifurcated embedded derivative at September 30, 2023 using a Monte Carlo simulation model, with the following inputs the fair value

of our common stock of $1.73 on the valuation date, estimated equity volatility of 180.0%, estimated traded volume volatility of 890.0%, the time to maturity of 1.17 years, a discounted market interest rate of 7.8%, dividend rate of 8.0%, a penalty dividend rate of 15.0%, and probability of default of 10.4%.

On September 29, 2023, the Company notified the investors of its intention to redeem the first installment due November 1, 2023 (the "November Installment") in cash. At that time, the Company established a liability of $1,368,547 representing the cash payable to investors which includes $1,153,846 of the stated value of the Series A Preferred Shares, $125,170 of accrued dividends payable, and $89,531 for the cash premium for the November Installment which was recognized as a deemed dividend. As of November 14, 2023, we have redeemed 1,154 Series A Preferred Shares for cash of $1,213,132 and issued 87,499 shares of Common Stock, elected pursuant

to the terms of the Certificate of Designations, worth $145,248 in relief of the First Installment liability. As of September 30, 2023, the Company has recognized $339,232 of preferred dividends which is comprised of $249,701 of preferred dividends at the stated dividend rate and $89,531 of deemed dividends for cash premium for the November Installment.

We are subject to certain affirmative and negative covenants regarding the incurrence of indebtedness, the existence of liens, the repayment of indebtedness, the payment of cash in respect of dividends (other than dividends pursuant to the Certificate of Designations), distributions or redemptions, and the transfer of assets, among other matters.

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

Warrants

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

Registration Rights

In connection with the Private Placement, the Company and the Investors we entered into a Registration Rights Agreement with the Investors (the "Registration Rights Agreement"), pursuant to which the Company is required we agreed to file a resale registration statement (the "Registration Statement") with the SEC to register for resale 200% of the Conversion Shares and the Warrant Shares promptly following the Closing

Date, but in no event later than 30 calendar days after the effective date of the Registration Rights Agreement, and to have such Registration Statement declared effective by the Effectiveness Date (as defined in the Registration Rights Agreement). The Company will be We filed a registration statement on Form S-3 covering such securities, which registration statement, as amended, was declared effective on September 18, 2023. Under the Registration Rights Agreement, we are obligated to pay certain liquidated damages to the investors if the Company fails we fail to file the Registration Statement when required, fails to file or cause the Registration Statement to be declared effective by the SEC when required, or fails to maintain the effectiveness of the Registration Statement pursuant to the terms of the Registration Rights Agreement. Statement.

Nasdaq Stockholder Approval

Our ability to issue Conversion Shares and Warrant Shares using shares of Common Stock is subject to certain limitations set forth in the Certificate of Designations, including Designations. Prior to receiving the Nasdaq Stockholder Approval, such limitations included a limit on the number of shares that may be issued until the time, if any, that our stockholders have approved the issuance of more than 19.99% of our outstanding shares of Common Stock in accordance with the rules of the Nasdaq Stock Market (the "Nasdaq Stockholder Approval"). In the Purchase Agreement we agreed to seek the Nasdaq Stockholder Approval at a meeting of stockholders. stockholders, and we received the Nasdaq Stockholder Approval at a special meeting of stockholders held on September 14, 2023. Our directors and officers, who held approximately 29% of issued and our outstanding Common Stock as of the date of the Purchase Agreement, are were party to a voting agreement pursuant to which, among other things, each party agreed, solely in their capacity as a stockholder, to vote all of their shares of Common Stock in favor of the approval of the Nasdaq Stockholder Approval and against any actions that could adversely affect our ability to perform our obligations under the Purchase Agreement. The voting agreement also places placed certain restrictions on the transfer of the shares of Common Stock held by the signatories thereto.

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17) Fair Value Measurements

Fair value measurements discussed herein are based upon certain market assumptions and pertinent information available to management as of and during the three months ended September 30, 2023. The carrying amounts of cash equivalents, accounts receivable, other current assets, other assets, accounts payable, and accrued expenses approximated their fair values as of September 30, 2023 due to their short-term nature. The fair value of the bifurcated embedded derivative related to the convertible preferred stock was estimated using a Monte Carlo simulation model, which uses as inputs the fair value of our common stock and estimates for the equity volatility and traded volume volatility of our common stock, the time to maturity of the convertible preferred stock, the risk-free interest rate for a period that approximates the time to maturity, dividend rate, a penalty dividend rate, and our probability of default. The fair value of the warrant liability was estimated using the Black Scholes Model which uses as inputs the following weighted average assumptions: dividend yield, expected term in years; equity volatility; the stock price and risk-free interest rate.

Fair Value on a Recurring Basis

The Company follows the guidance in ASC 820 for its financial assets and liabilities that are re-measured and reported at fair value at each reporting period, and non-financial assets and liabilities that are re-measured and reported at fair value at least annually. The estimated fair value of the warrant liability and bifurcated embedded derivatives represent Level 3 measurements. The following table presents information about the Company's liabilities that are measured at fair value on a recurring basis at September 30, 2023, and indicates the fair value hierarchy of the valuation inputs the Company utilized to determine such fair value:

Description	Level	September 30 2023
Liabilities:		
Warrant liability	3	$ 9,805,000
Bifurcated embedded derivative liability	3	$ 6,570,000

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

Balance on December 31, 2022	$ —
Issuance of warrants reported at fair value	21,544,000
Change in fair value of warrant liability	(11,739,000)
Balance on September 30, 2023	$ 9,805,000

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

Balance on December 31, 2022	$ —
Issuance of convertible preferred stock with bifurcated embedded derivative	6,140,000
Change in fair value of bifurcated embedded derivative	430,000
Balance on September 30, 2023	$ 6,570,000

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

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide a reader of Petros' financial statements with a narrative from the perspective of management on the Company's financial condition, results of operations, liquidity and certain other factors that may affect future results. In certain instances, parenthetical references are made to relevant sections of the Notes to Consolidated Financial Statements to direct the reader to a further detailed discussion. This section should be read in conjunction with the Consolidated Financial Statements and Supplementary Data included in this Quarterly Report on Form 10-Q. This MD&A contains forward-looking statements reflecting Petros' current expectations, whose actual outcomes involve risks and uncertainties. Actual results and the timing of events may differ materially from those stated in or implied by these forward-looking statements due to a number of factors, including those discussed in the sections entitled "Risk Factors" and "Cautionary Statement Regarding Forward-Looking Statements" contained in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Overview

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

In addition to Stendra®, Petros' ED portfolio also includes external penile rigidity devices, namely Vacuum Erection Devices ("VEDs"), which are sold domestically and internationally. In addition to ED products, Petros is committed to identifying and developing other pharmaceuticals to advance men's health. The Company terminated its exclusive license to H100TM from Hybrid on May 11, 2023.

Going Concern

Petros has experienced net losses and negative cash flows from operations since our inception. As of June 30, 2023 September 30, 2023, the Company had cash of approximately $7.4 million $18.0 million, positive working capital of $5.2 million $16.4 million, an accumulated deficit of approximately $94.7 million $99.2 million and used cash in operations during the six nine months ended June 30, 2023 September 30, 2023, of approximately $1.3 million $5.4 million. The Company does not currently have sufficient available liquidity to fund its operations for at least the next 12 months. These conditions and events raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that these consolidated financial statements are issued.

In response to these conditions and events, the Company is evaluating various financing strategies to obtain sufficient additional liquidity to meet its operating, debt service and capital requirements for the next twelve months following the date of this Quarterly Report. The potential sources of financing that the Company is evaluating include one or any combination of secured or unsecured debt, convertible debt and equity in both public and private offerings. The Company also plans to finance near-term operations with its cash on hand, as well by as exploring additional ways to raise capital, including the proceeds from the gross proceeds of $15 million raised in the Private Placement (see the section below titled "Liquidity and Capital Resources—July 2023 (see Note 16) in addition Private Placement"), as well as by exploring additional ways to raise capital and increasing cash flows from operations. The company intends to use the proceeds from the July 2023 capital raise to funds fund its OTC progress through into 2024. There is no assurance the Company will manage to raise additional capital or otherwise increase cash flows, if required. The sources of financing described above that could be available to the Company and the timing and probability of obtaining sufficient capital depend, in part, on expanding the use of Stendra® and continuing to invest in research and development pursuant to our Non-Prescription / Over-The-Counter ("OTC") strategies related to Stendra®, which we believe has the potential to dramatically increase product sales in the future; and future capital market conditions. If the Company's current assumptions regarding timing of these events are incorrect or if there are any other changes or differences in our current assumptions that negatively impact our financing strategy, the Company may have to further reduce expenditures or significantly delay, scale back or discontinue the development or commercialization of Stendra® OTC in order to extend its cash resources. The Consolidated Financial Statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern.

For more information, please see Part II, Item 1A "Risk Factors" included elsewhere within this Quarterly Report on Form 10-Q and Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022.

Nature of Operations and Basis of Presentation

Petros is a pharmaceutical company focused on men's health therapeutics expanding consumer access to medication through over-the-counter (OTC) drug development programs with a full range of commercial capabilities including sales, marketing, regulatory and medical affairs, finance, trade relations, pharmacovigilance, market access relations, manufacturing, and distribution.

Petros consists of wholly owned subsidiaries, Metuchen Pharmaceuticals LLC, a Delaware limited liability company ("Metuchen"), Neurotrope, Inc., a Nevada corporation ("Neurotrope"), Timm Medical Technologies, Inc. ("Timm Medical"), and Pos-T-Vac, LLC ("PTV"). Petros was organized as a Delaware corporation on May 14, 2020 for the purpose of effecting certain transactions between Petros, Metuchen, Neurotrope, and certain subsidiaries of Petros (collectively the "Mergers"). The Mergers were consummated on December 1, 2020. The Company is engaged in the commercialization and development of Stendra®, a U.S. Food and Drug Administration ("FDA") approved PDE-5 inhibitor prescription medication for the treatment of erectile dysfunction ("ED"), which we have licensed from Vivus, Inc. ("Vivus"). Petros also markets its own line of ED products in the form of vacuum erection device products through its subsidiaries, Timm Medical and PTV.

The Company manages its operations through two segments, Prescription Medications and Medical Devices, both of which focus on the treatment of male ED. The Prescription Medications segment consists primarily of Stendra®, which is sold generally in the United States. Expenses related to the development of H100™, which was in the early stages of development and had not yet sought FDA approval to begin Phase 1 clinical trials, were categorized under the Prescription Medications segment. We terminated the H100™ license in May 2023. The Medical Devices segment consists primarily of vacuum erection devices, which are sold domestically and internationally.

Licensing and Distribution

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

The Company will pay MTPC a royalty of 5% on the first $500 million of net sales and 6% of net sales thereafter until the expiration of the applicable patent in a particular country. The last scheduled patent expiration is in April 2025. In consideration for the trademark assignment and the use of the trademarks associated with Stendra® and the Vivus technology, the Company shall (a) during the first, second, and third years following the expiration of the royalty period in a particular country in the Company's territory, pay to Vivus a

royalty equal to 2% of the net sales of Stendra® in such territory; and (b) following the fourth and fifth years following the end of the

royalty period in such territory, pay to Vivus a royalty equal to 1% of the net sales of Stendra® in such territory. After the royalty period, no further royalties shall be owed with respect to net sales of Stendra® in such territory. In addition, the Company will be responsible for a pro-rata portion of a one-time $6 million milestone payment to be paid once $250 million in sales has been reached on the separate revenue stream of Stendra® during any calendar year.

In connection with the License Agreement, the Company and Vivus also entered into a Supply Agreement on September 30, 2016, which has since been terminated, effective as of September 30, 2021. Following the termination of the Vivus Supply Agreement, Petros, through its subsidiary Metuchen, entered into a Technology Transfer Service Agreement on January 20, 2022 with Patheon Pharmaceuticals Inc., part of Thermo Fisher Scientific ("Patheon"), pursuant to which the Company and Patheon agreed to collaborate as strategic partners for commercial production of Stendra® tablets at Patheon's facilities in Cincinnati, Ohio. Under the Agreement, Patheon or one of its affiliates is providing pharmaceutical development and technology transfer services in order to establish and validate its ability to manufacture supply of the Company's Stendra® product. Any commercial sale of product manufactured during the performance of the Agreement must be subject to a subsequent commercial manufacturing services agreement (with associated quality agreement) between the parties before it can be offered for commercial sale.

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

On March 27, 2018, the Company entered into a Sublicense Agreement with Acerus Pharmaceuticals Corporation ("Acerus") whereby the Company granted to Acerus an exclusive sublicense in Canada for, among other things, the development and commercialization of Stendra® avanafil for a one-time fee of $100,000. The Company was entitled to receive an additional fee of $400,000 if Stendra® is approved by Canadian regulators, as well as commercial milestone payments and royalty fees of 12% of net sales. However, in April 2020 Health Canada issued a Notice of Deficiency ("NOD") against the New Drug Submission. Metuchen and Acerus are currently renegotiating modified terms to the sub-license agreement and the viability of the pathway required to address the deficiency noted by Health Canada. The outcome of these negotiations is uncertain and depends on a variety of factors, including the result of Acerus' ongoing dissolution proceedings.

In March 2020, we entered into the Hybrid License for the development and commercialization of H100™ from Hybrid. H100™ is a topical candidate with at least one active ingredient and potentially a combination of ingredients responsible for the improvement of penile curvature during the acute phase of Peyronie's disease.

The Company terminated the Hybrid License on May 11, 2023.

Vivus Settlement Agreement, Promissory Note and the Security Agreement

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

In addition to the payments to be made in accordance with the Note, the Company further agreed in the Vivus Settlement Agreement to (i) grant to Vivus a right of first refusal to provide certain types of debt and convertible equity (but not preferred equity) financing issued by or to Metuchen (including any subsidiaries and intermediaries) until the Note is paid in full, and (ii) undertake to make certain regulatory submissions to effectuate Vivus' ability to exercise its rights under the License Agreement. On January 18, 2022, the Company made a prepayment of the obligations under the Note in the amount of $900,000,

and a payment of $1,542,904 with respect to a purchase order made in 2021 to Vivus. In consideration of these payments and upon the Company's satisfaction of certain regulatory submissions, Vivus released 100% of the quantity of bulk Stendra® tablets under the Company's existing open purchase order (the "Open Purchase Order") being held by Vivus later during the first quarter of 2022.

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As a result of entering into the Vivus Settlement Agreement, the Company decreased its accrued expenses by $6.5 million and decreased accrued inventory purchases by $14.2 million; which were partially offset by a decrease in API purchase commitments of $6.2 million and an increase to liabilities for the Note of $10.2 million (which is net of the $0.9 million prepayment on the Note). As a result, the Company recorded a $3.4 million gain on settlement for the six nine months ended June 30, 2022 September 30, 2022.

Under the terms of the Note, the principal amount of $10,201,758 is payable in consecutive quarterly installments beginning on April 1, 2022 through January 1, 2027. Interest on the principal amount accrues at a rate of 6% per year until the principal is repaid in full and is due and payable, in arrears, on the first day of each January, April, July, and October of each calendar year, commencing on April 1, 2022. The Company may prepay the Note, in whole or in part, at any time, with no premium or penalty. In the event that the Company defaults under the Security Agreement, all principal outstanding under the Note at the time of the default will bear interest at a rate of 9% per year until the full and final payment of all principal and interest under the Note (regardless of whether any default is waived or cured). If the Note is placed in the hands of any attorney for collection, or if it is collected through any legal proceeding at law or in equity or in bankruptcy, receivership, or other court proceedings, the Company will also be required to pay all costs of collection including, but not limited to, court costs and attorneys' fees. Pursuant to the Security Agreement, dated January 18, 2022, the Company granted to Vivus a continuing security interest in all of its Stendra® API and products and its rights under the License Agreement. The Security Agreement contains customary events of default. For the six nine months ended June 30, 2023 September 30, 2023, the Company has paid Vivus $721,034. $1,089,683. As of June 30, 2023 September 30, 2023, the principal balance on the Note is $8,756,742. $8,388,093.

Critical Accounting Policies and Estimates

The preparation of the consolidated financial statements requires us to make assumptions, estimates and judgments that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities as of the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods. Certain of our more critical accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. On an ongoing basis, we evaluate our judgments, including but not limited to those related to revenue recognition, collectability of accounts receivable, inventory valuation and obsolescence, intangibles, income taxes, litigation, and contingencies. We use historical experience and other assumptions as the basis for our judgments and making these estimates. Because future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Any changes in those estimates will be reflected in our consolidated financial statements as they occur. While our significant accounting policies are more fully described in "Part I; Item 1. Financial Statements and Supplementary Data; Notes to Consolidated Financial Statements; Note 2. Summary of Significant Accounting Policies" in this Quarterly Report on Form 10-Q, we believe that the following accounting policies and estimates are most critical to a full understanding and evaluation of our reported financial results. The critical accounting policies addressed below reflect our most significant judgments and estimates used in the preparation of our consolidated financial statements. We have reviewed these critical accounting policies with the Audit Committee of our Board of Directors.

Revenue Recognition

The Company recognizes revenue when its performance obligations with its customers have been satisfied. In the contracts with its customers, the Company has identified a single performance obligation to provide either its prescription medication or medical devices upon receipt of a customer order. The performance obligation is satisfied at a point in time when the Company's customers obtain control of the prescription medication or medical device, which is typically upon delivery.

In determining the transaction price, a significant financing component does not exist since the timing from when the Company delivers either the prescription medication or medical device to when the customers pay for the product is typically less than one year. The Company records sales net of any variable consideration, including but not limited to discounts, rebates, returns, chargebacks, and distribution fees. The Company uses the expected value method when estimating its variable consideration, unless terms are specified within contracts. The identified variable consideration is recorded as a reduction of revenue at the time revenues from sales are recognized. The Company recognizes revenue to the extent that it is probable that a significant

revenue reversal will not occur in a future period. These estimates may differ from actual consideration received. The Company evaluates these estimates each reporting period to reflect known changes.

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The most significant sales deductions relate to contract returns, contract rebates and coupon redemptions, and distribution service fees ("DSA fees"). Our estimates are based on factors such as our direct and indirect customers' buying patterns and the estimated resulting contractual deduction rates, historical experience, specific known market events and estimated future trends, current contractual and

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statutory requirements, industry data, estimated customer inventory levels, current contract sales terms with our direct and indirect customers, and other competitive factors. Significant judgment and estimation are required in developing the foregoing and other relevant assumptions.

Consistent with industry practice, the Company maintains a return policy that generally allows its customers to return Stendra® and receive credit for product within six months prior to expiration date and up to one year after expiration date. The provision for returns is based upon the Company's estimates for future Stendra® returns and historical experience. The provision of returns is part of the variable consideration recorded at the time revenue is recognized. As of June 30, 2023 September 30, 2023, December 31, 2022 and December 31, 2021, the reserves for product returns were $2.6 million $2.9 million, $2.3 million and $3.8 million, respectively, and are included as a component of accrued expenses. During the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively, the Company recorded $0.8 million $1.3 million and $4.4 million $7.6 million of returns as a reduction of gross revenue.

Accounts Receivable

Effective January 1, 2023, the Company reports accounts receivable and contract assets net of an allowance for expected credit losses in accordance with Accounting Standards Codification Topic 326, Financial Instruments Credit Losses (ASC 326). The adoption of ASC 326 had no material impact on the Company's financial results for any prior periods, therefore no cumulative adjustment to beginning retained earnings was recorded.

Inventories

Inventories consist of finished goods held for sale and raw materials. Inventories are stated at the lower of cost or net realizable value, with cost determined using the first-in, first-out method. Inventories are adjusted for excess and obsolescence. Evaluation of excess inventory includes such factors as expiry date, inventory turnover, and management's assessment of current product demand.

Fair Value Measurements

Certain assets and liabilities are carried at fair value under GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy:

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

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

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

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In connection with the Mergers in December 2020, each security holder of Metuchen received a liability classified earnout consideration to be paid in the form of Petros' Common Stock. The Company estimated their fair value using the Monte Carlo Simulation approach as of June 30, 2022. This fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement within the fair value hierarchy.

Change in fair value of derivative liability

For the nine months ended September 30, 2023, the Company recorded a loss of $0.4 million for the change in fair value of the derivative liability compared to a gain of $0.5 million for the nine months ended September 30, 2022. The loss in 2023 related to the increase in the fair value of derivative liability established for certain bifurcated features of the Series A Preferred Stock issued in the July 2023 private placement.

The gain in 2022 represented the change in fair value of the derivative during the nine months ended September 30, 2022, primarily driven by the decline in the Company's stock price as well as the passage of time, as it became less likely that the earnout associated with the Mergers consummated on December 1, 2020 would be met.

Change in fair value of warrant liability

For the nine months ended September 30, 2023, the Company recorded a gain of $11.7 million for the change in fair value of the warrant liability compared to $0 for the nine months ended September 30, 2022. The gain related to the decrease in the fair value of warrants issued in the July 2023 private placement which were classified as liabilities in accordance with ASC 480.

Intangibles

The Company accounts for recognized intangible assets at cost. Intangible assets with finite useful lives are amortized over the useful life which the assets are expected to contribute directly or indirectly to future cash flows. Intangible assets are amortized using an accelerated method based on the pattern in which the economic benefits of the assets are consumed. The Company reviews the carrying value and useful lives of its intangible assets with definite lives whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable or the period over which they should be amortized has changed. When indicators of impairment exist, the Company determines whether the estimated undiscounted sum of the future cash flows of such assets is less than

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their carrying amounts. If less, an impairment loss is recognized in the amount, if any, by which the carrying amount of such assets exceeds their respective fair values. The Company evaluates the remaining useful life of each intangible asset that is being amortized during each reporting period to determine whether events and circumstances warrant a revision to the remaining period of amortization. If the estimate of the intangible asset's remaining useful life has changed, the remaining carrying amount of the intangible asset is amortized prospectively over that revised remaining useful life. During the year ended December 31, 2022, the Company noted that indicators of impairment existed and prepared an undiscounted cash flow analysis, which indicated for the Stendra® product an impairment. The Company then prepared a discounted cash flow analysis through December 2029, representing the remaining economic useful life for the Stendra® product, resulting in an impairment of approximately $7.5 million.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements, refer to Note 2. Summary of Significant Accounting Policies of the Notes to Consolidated Financial Statements, which is incorporated herein by reference.

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Nine Months Ended June 30, 2023 September 30, 2023 and 2022 (Unaudited)

The following table sets forth a summary of our statements of operations for the six nine months ended June 30, 2023 September 30, 2023 and 2022:

	For the Six Months Ended June 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Net sales	$ 4,511,983	$ 6,651,685	$ 6,186,638	$ 5,193,953
Cost of sales	1,064,599	1,121,560	1,473,073	1,408,086
Gross profit	3,447,384	5,530,125	4,713,565	3,785,867
Operating expenses:				
Selling, general and administrative	4,380,231	7,114,342	6,382,166	9,285,317
Warrant issuance costs			2,855,000	—
Gain on settlement with Vivus	—	(3,389,941)	—	(3,389,941)
Research and development	1,185,668	826,602	1,574,760	1,562,518
Depreciation and amortization expense	1,653,590	3,121,740	2,480,385	4,682,610
Intangible asset impairment			—	7,460,000
Total operating expenses	7,219,489	7,672,743	13,292,311	19,600,504
Loss from operations	(3,772,105)	(2,142,618)	(8,578,746)	(15,814,637)
Change in fair value of derivative liability	—	460,000	(430,000)	460,000
Change in fair value of warrant liability			11,739,000	—
Interest income	119,241	—	287,722	—
Interest expense, promissory note	(278,966)	(303,398)	(410,317)	(451,075)
Loss on issuance of Series A Preferred Stock			(11,088,997)	—
Net income (loss)	$ (3,931,830)	$ (1,986,016)		
Loss before income taxes			(8,481,338)	(15,805,712)
Income tax expense			—	10,501
Net Loss			$ (8,481,338)	$ (15,816,213)

Net Sales

Net sales for the six nine months ended June 30, 2023, September 30, 2023 were $4,511,983, $6,186,638, composed of $2,490,686 $3,416,444 of net sales from Prescription Medicines and net sales of $2,021,297 $2,770,194 from Medical Devices.

Net sales for the six nine months ended June 30, 2022 September 30, 2022, were $6,651,685, $5,193,953, composed of $4,856,941 $2,716,311 of net sales from Prescription Medicines and net sales of $1,794,744 $2,477,642 from Medical Devices.

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

For the six nine months ended June 30, 2022 September 30, 2022, gross billings to customers representing 10% or more of the Company's total gross billings included four customers that represented approximately 26% 27%, 23% 22%, 18%, and 17% 15% of total gross billings, respectively. Gross billings is

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a non-GAAP financial measure. For a reconciliation of net sales to gross billings, see the section titled "Reconciliation of Non-GAAP Financial Measures" below.

Prescription Medicines sales consist of sales of Stendra® in the U.S. for the treatment of male ED. Stendra® is primarily sold directly to the four main customers, as described above, which collectively accounted for approximately 92% of Stendra® net sales for the six nine months ended June 30, 2023 September 30, 2023. Individually, sales to the four main customers, accounted for 33% 31%, 24% 26%, 22% 23%, and 14%, respectively, 12% of Stendra® gross billings for the six nine months ended June 30, 2023 September 30, 2023.

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

Net sales were $992,685 or 19% higher during the nine months ended September 30, 2023 compared to the same period in 2022 consisting of a $700,133 increase in the net sales of Stendra® and a $292,552 increase in Medical Device Sales. The increase in net sales of Stendra® was substantially due to decreased related sales allowances. The increase in net sales for Medical Devices included an increase in domestic sales of VED systems and no change in international sales of VED systems.

Cost of Sales

Cost of sales for the nine months ended September 30, 2023, were $1,473,073, composed of $343,109 of cost of sales for our Prescription Medicines segment and $1,129,964 for our Medical Devices segment.

Cost of sales for the nine months ended September 30, 2022, were $1,408,086, composed of $525,073 of cost of sales for our Prescription Medicines segment and $883,013 for our Medical Devices segment.

Cost of sales for the Prescription Medicine segment for the nine months ended September 30, 2023 consisted of 50% royalty expenses, 38% third-party product cost of sales, and 12% in inventory obsolescence reserves.

Cost of sales for the Medical Device segment for the nine months ended September 30, 2023 consisted of 83% raw materials and 17% production labor.

Cost of sales increased by $64,987 or 5% during the nine months ended September 30, 2023 compared to the same period in 2022. For the nine months ended September 30, 2023 and 2022, cost of sales as a percentage of net sales was 24% and 27%, respectively. The decrease in cost of sales as a percentage of net sales was a result of decreased sales order fulfillment costs (on a per unit basis) during the nine months ended September 30, 2023 compared to the same period in 2022.

Gross Profit

Gross profit for the nine months ended September 30, 2023 was $4,713,565, or 76% of net sales, composed of $3,073,335 of gross profit from Prescription Medicines and $1,640,230 from Medical Devices. Gross profit for the nine months ended September 30, 2022 was $3,785,867, or 73% of net sales, composed of $2,191,238 of gross profit from Prescription Medicines and $1,594,629 from Medical Devices. The increase in gross profit was driven by the changes in net sales and cost of goods sold ("COGS") per above.

Operating Expenses

Selling, general and administrative

Selling, general and administrative expenses for the nine months ended September 30, 2023, were $6,382,166, composed of $1,006,666 of selling, general and administrative expenses of our Prescription Medicines segment, $1,398,890 of selling, general and administrative expenses of our Medical Devices segment and $3,976,610 of general corporate expenses.

Selling, general and administrative expenses for the nine months ended September 30, 2022, were $9,285,317, composed of $3,933,295, of selling, general and administrative expenses of our Prescription Medicines segment, $1,352,239 of selling, general and administrative expenses of our Medical Devices segment and $3,999,783 of general corporate expenses.

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

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Selling, general and administrative expenses decreased by $2,903,151 or 31% during the nine months ended September 30, 2023, compared to the compared to the same period in 2022. Decreased selling general and administrative expenses were primarily driven by decreased direct selling and marketing expenses of $987,219, decreased stock based compensation expense of $761,737, decreased prescription data expenses of $460,064, decreased payroll expenses of $379,303 resulting from decreased headcount, decreased insurance expenses of $317,052, decreased professional service fees of $129,422 as management sought to reduce expenses to improve operational efficiencies and decreased other operating expenses of $259,921 partially offset by a waiver of FY 23 PDUFA fees by the FDA resulting in a $277,060 increase in PDUFA expenses, and increased franchise taxes of $114,507.

Warrant issuance costs

For the nine months ended September 30, 2023, the Company recorded warrant issuance costs of $2.9 million associated with the July 2023 private placement.

Gain on settlement with Vivus

As a result of the Vivus Promissory Note, as discussed in Note 8 and Note 13, the Company's total liabilities were decreased by $3,389,941 in the form of concession of customer returns, which were recognized as a gain on settlement during the nine months ended September 30, 2022. There was no such activity in the same period of 2023.

Research and development

Research and development expenses for the nine months ended September 30, 2023 were $1,574,760, composed of $1,499,842 for our Prescription Medicines segment and $74,918 for our Medical Devices segment, respectively.

Research and development expenses for the nine months ended September 30, 2022 were $1,562,518, composed of $1,428,848 for our Prescription Medicines segment and $133,670 for our Medical Devices segment, respectively.

Research and development expenses for the Prescription Medicines segment for the nine months ended September 30, 2023 are composed of $836,507 for clinical development and $436,222 for consulting fees related to the Company's Non-Prescription / Over-The-Counter ("OTC") Strategies related to Stendra®; $200,000 for upfront licensing fees and $24,620 for consulting fees related to the H100 license acquired in March 2020, which was later terminated during the second quarter of 2023, and $2,493 related to the Company's tech transfer of its manufacturing process. Research and development expenses for the Prescription Medicines segment for the nine months ended September 30, 2022 are composed of $793,542 for consulting fees related to the Company's Non-Prescription / Over-The-Counter ("OTC") Strategies related to Stendra®; $150,000 for upfront licensing fees, $239,339 for clinical development expenses, and $67,863 for consulting fees related to the H100 license acquired in March 2020, which was later terminated during the second quarter of 2023; and $178,104 related to the Company's tech transfer of its manufacturing process.

Research and development expenses for the Medical Devices segment for the nine months ended September 30, 2023 are composed of $74,918 for license fees related to the Company's Tissue-Specific Oxygenation Sensor Technology Strategies. Research and development expenses for the Medical Devices segment for the nine months ended September 30, 2022 are composed of $133,670 for license fees related to the Company's Tissue-Specific Oxygenation Sensor Technology Strategies.

Research and development expenses increased by $12,243 or 1% during the nine months ended September 30, 2023, compared to the same period in 2022. Increased research and development expenses were primarily driven by increased clinical development expenses related to the Company's OTC strategies related to Stendra® and increased upfront licensing fees related to the H100 license acquired in March 2020, which was later terminated during the second quarter of 2023, partially offset by decreased consulting fees related to the Company's OTC strategies related to Stendra® and decreased license fees related to the Company's Tissue-Specific Oxygenation Sensor Technology Strategies.

Depreciation and amortization

Depreciation and amortization expenses for the nine months ended September 30, 2023, were $2,480,385, composed of $1,726,409 of depreciation and amortization expenses of our Prescription Medicines segment and $753,976 of depreciation and amortization expenses of our Medical Devices segment.

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Depreciation and amortization expenses for the nine months ended September 30, 2022, were $4,682,610, composed of $3,808,991 of depreciation and amortization expenses of our Prescription Medicines segment and $873,619 of depreciation and amortization expenses of our Medical Devices segment.

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

Change in fair value of derivative liability

For the nine months ended September 30, 2023, the Company recorded a loss of $0.4 million for the change in fair value of the derivative liability compared to a gain of $0.5 million for the nine months ended September 30, 2022. The loss in 2023 related to the increase in the fair value of derivative liability established for certain bifurcated features of the Series A Preferred Stock issued in the July 2023 private placement.

The gain in 2022 represented the change in fair value of the derivative during the nine months ended September 30, 2022, primarily driven by the decline in the Company's stock price as well as the passage of time, as it became less likely that the earnout associated with the Mergers consummated on December 1, 2020 would be met.

Change in fair value of warrant liability

For the nine months ended September 30, 2023, the Company recorded a gain of $11.7 million for the change in fair value of the warrant liability compared to $0 for the nine months ended September 30, 2022. The gain related to the decrease in the fair value of warrants issued in the July 2023 private placement which were classified as liabilities in accordance with ASC 480.

Interest income

Interest income for the nine months ended September 30, 2023 was $287,722 on funds deposited in interest bearing money market accounts. There was no interest income for the nine months ended September 30, 2022.

Interest expense, promissory note

In January 2022, the Company executed a promissory note in favor of Vivus with a principal amount of $10,201,758 in connection with the Vivus Settlement Agreement. Interest expense, promissory note for the nine months ended September 30, 2023 and 2022 was $410,317 and $451,075, respectively.

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Loss on issuance of Series A Preferred Stock

As the fair value of the liabilities required to be subsequently measured at fair value exceeded the net proceeds received, the Company recognized the excess of the fair value over the net proceeds received as a loss upon issuance of preferred stock of $11.1 million which is included in other income (expense) in the condensed consolidated statement of operations.

Three Months Ended September 30, 2023 and 2022 (Unaudited)

The following table sets forth a summary of our statements of operations for the three months ended September 30, 2023 and 2022:

	For the Three Months Ended September 30,	
	2023	2022
Net sales	$ 1,674,657	$ (1,457,732)
Cost of sales	408,475	286,525
Gross profit	1,266,182	(1,744,257)
Operating expenses:		
Selling, general and administrative	2,001,935	2,170,975
Warrant issuance costs	2,855,000	—
Gain on settlement with Vivus	—	—
Research and development	389,093	735,916
Depreciation and amortization expense	826,795	1,560,870
Intangible asset impairment	—	7,460,000
Total operating expenses	6,027,823	11,927,761
Loss from operations	(4,806,641)	(13,672,018)
Change in fair value of derivative liability	(430,000)	—
Change in fair value of warrant liability	11,739,000	—
Interest income	168,481	—
Interest expense, promissory note	(131,351)	(147,677)
Loss on issuance of Series A Preferred Stock	(11,088,997)	
Loss before income taxes	(4,549,508)	(13,819,695)
Income tax expense	—	10,501
Net Loss	$ (4,549,508)	$ (13,830,196)

Net Sales

Net sales for the three months ended September 30, 2023 were $1,674,657, composed of $925,759 of net sales from Prescription Medicines and net sales of $748,898 from Medical Devices.

Net sales for the three months ended September 30, 2022, were $(1,457,732), composed of $(2,140,629) of net sales from Prescription Medicines and net sales of $682,897 from Medical Devices.

For the three months ended September 30, 2023 gross billings to customers representing 10% or more of the Company's total gross billings included three customers that represented approximately 24%, 21%, and 18% of total gross billings. Gross billings is a non-GAAP financial measure. For a reconciliation of net sales to gross billings, see the section titled "Reconciliation of Non-GAAP Financial Measures" below.

For the three months ended September 30, 2022 gross billings to customers representing 10% or more of the Company's total gross billings included three customers that represented approximately 30%, 16%, and 15% of total gross billings. Gross billings is a non-

GAAP financial measure. For a reconciliation of net sales to gross billings, see the section titled "Reconciliation of Non-GAAP Financial Measures" below.

Prescription Medicines sales consist of sales of Stendra® in the U.S. for the treatment of male ED. Stendra® is primarily sold directly to three main customers, as described above, which collectively accounted for approximately 86% of Stendra® net sales for the three months ended September 30, 2023. Individually, sales to the three main customers, accounted for 32%, 29%, and 25% of Stendra® gross billings for the three months ended September 30, 2023.

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

Net sales were $2,139,702 $3,132,389 or 32% lower 215% higher during the six three months ended June 30, 2023 September 30, 2023 compared to the same period in 2022 consisting of a $2,366,255 decrease $3,066,388 increase in the net sales of Stendra® and a $226,553 $66,001 increase in Medical Device Sales. The decrease increase in net sales of Stendra® was substantially due to decreased wholesaler sales a decrease in estimated reserves for product returns as the prior year period included a significant increase in estimated returns due to decreased demand and decreased wholesaler returns related sales allowances stemming from a reduction in promotional activities. to the sale of short-dated product above our initial estimates. The increase in net sales for Medical Devices included an increase in domestic sales of VED systems and an increase a decrease in international sales of VED systems.

Cost of Sales

Cost of sales for the six three months ended June 30, 2022 September 30, 2023, were $1,064,599, $408,475, composed of $257,721 $85,388 of cost of sales for our Prescription Medicines segment and $806,878 $323,087 for our Medical Devices segment.

Cost of sales for the six three months ended June 30, 2022 September 30, 2022, were $1,121,560, $286,525, composed of $489,007 $36,067 of cost of sales for our Prescription Medicines segment and $632,553 $250,458 for our Medical Devices segment.

Cost of sales for the Prescription Medicine segment for the six three months ended June 30, 2023 September 30, 2023 consisted of 48% 54% royalty expenses, 35% 45% third-party product cost of sales 16% inventory obsolescence reserves and 1% 3PL order fulfillment and shipping expenses.

Cost of sales for the Medical Device segment for the six three months ended June 30, 2022 September 30, 2023 consisted of 85% 80% raw materials and 15% 20% production labor.

Cost of sales decreased increased by $56,961 $121,950 or 5% 43% during the six three months ended June 30, 2023 September 30, 2023 compared to the same period in 2022. For the six three months ended June 30, 2023 September 30, 2023 and 2022, cost of sales as a percentage of net sales was 24% and 17% -20%, respectively. The increase in cost of sales as a percentage of net sales was a result of increased sales order fulfillment costs (on a per unit basis) during the six months ended June 30, 2023 compared to the same period in 2022

Gross Profit (loss)

Gross profit for the six three months ended June 30, 2023 September 30, 2023 was $3,447,384, $1,266,182, or 76% of net sales, composed of $2,232,965 $840,371 of gross profit from Prescription Medicines and $1,214,419 $425,811 from Medical Devices. Gross profit loss for the six three months ended June 30, 2022 September 30, 2022, was $5,530,125, or 83% of net sales, $(1,744,257), composed of $4,367,934 $(2,176,696) of gross profit loss from Prescription Medicines and $1,162,191 net of $432,439, from Medical Devices. The increase decrease in gross profit was driven by the factors noted changes in net sales and COGS per above.

Operating Expenses

Selling, general and administrative

Selling, general and administrative expenses for the six three months ended June 30, 2023 September 30, 2023, were $4,380,231, $2,001,935, composed of $754,993 $251,674 of selling, general and administrative expenses of our Prescription Medicines segment, $905,442 $493,447 of selling, general and administrative expenses of our Medical Devices segment and $2,719,796 $1,256,814 of general corporate expenses.

Selling, general and administrative expenses for the six three months ended June 30, 2022 September 30, 2022, were $7,114,342, $2,170,975, composed of $3,440,168 $493,128 of selling, general and administrative expenses of our Prescription Medicines segment, $884,538 $467,700 of selling, general and administrative expenses of our Medical Devices segment and $2,789,636 $1,210,147 of general corporate expenses.

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

Selling, general and administrative expenses decreased by $2,734,111 $169,040 or 38% 8% during the six three months ended June 30, 2023 September 30, 2023, compared to the compared to the same period in 2022. Decreased selling general and administrative expenses were primarily driven by decreased direct selling and marketing expenses of $666,035, $321,183, decreased stock based compensation expense of $277,296, decreased payroll expenses of $110,883 resulting from decreased headcount and decreased other operating expenses of $362,606 partially offset by a waiver of FY 23 PDUFA fees by the FDA resulting in a $554,120 decrease $831,180 increase in PDUFA expenses decreased stock based compensation expense of $484,441, decreased payroll expenses of $268,420 resulting from decreased headcount decreased and increased professional service fees of $201,171 as management sought to reduce expenses to improve operational efficiencies and decreased other operating expenses of $673,329 partially offset by increased franchise taxes of $113,405. $71,748.

Gain on settlement with Vivus *Warrant issuance costs*

As a result of For the Vivus Promissory Note, as discussed in Note 8 and Note 13, the Company's total liabilities were decreased by $3,389,941 in the form of concession of customer returns, which were recognized as a gain on settlement during the six three months ended June 30, 2022. There was no such activity in September 30, 2023, the same period Company recorded warrant issuance costs of 2023. $2.9 million associated with the July 2023 private placement.

Research and development

Research and development expenses for the six three months ended June 30, 2023 September 30, 2023 were $1,185,668, $389,093, composed of $1,130,338 $369,505 for our Prescription Medicines segment and $55,330 $19,588 for our Medical Devices segment. segment, respectively.

Research and development expenses for the six three months ended June 30, 2022 September 30, 2022, were $826,602, $735,916, composed of $750,296 for $678,552 in our Prescription Medicines segment and $76,306 $57,364 for our Medical Devices segment.

Research and development expenses for the Prescription Medicines segment for the six three months ended June 30, 2023 September 30, 2023 are composed of $903,225 $181,594 for consulting fees and $187,911 for clinical development related to the Company's Non-Prescription / Over-The-Counter ("OTC") Strategies related to Stendra®. The Company also reclassified $648,596 of expenses previously reported as consulting fees to clinical development expenses. Research and development expenses for the Prescription Medicines segment for the three months ended September 30, 2022 are composed of $403,085 for consulting fees related to the Company's Non-Prescription / Over-The-Counter Strategies related to Stendra®; $200,000 $97,824 for upfront licensing fees clinical development expenses and $24,620 $27,408 for consulting fees related to the H100 license acquired in March 2020, which was later terminated during the second quarter of 2023; and $2,493 related to the Company's tech transfer of its manufacturing process. Research and development expenses for the Prescription Medicines segment for the six months ended June 30, 2022 are composed of $390,456 for consulting fees related to the Company's OTC strategies related to Stendra®; $150,000 for upfront licensing fees, $141,515 for clinical development expenses, and $40,456 for consulting fees related to the H100 license acquired in March 2020; and $27,869 $150,235 related to the Company's tech transfer of its manufacturing process.

Research and development expenses for the Medical Devices segment for the six three months ended June 30, 2023 September 30, 2023 are composed of $55,330 $19,588 for license fees related to the Company's Tissue-Specific Oxygenation Sensor Technology Strategies. Research and development expenses for the Medical Devices segment for the six three months ended June 30, 2022 September 30, 2022, are composed of $76,306 $57,364 for license fees related to the Company's Tissue-Specific Oxygenation Sensor Technology Strategies.

Research and development expenses increased decreased by $359,066 $346,823 or 43% 47% during the six three months ended June 30, 2023 September 30, 2023, compared to the same period in 2022. Increased Decreased research and development expenses were primarily driven by increased decreased consulting fees related to the Company's OTC strategies related to Stendra® and increased upfront licensing fees related to the H100 license acquired in March 2020 partially offset by decreased license fees related to the Company's Tissue-Specific Oxygenation Sensor Technology Strategies.

Depreciation and amortization

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

Depreciation and amortization expenses for the six three months ended June 30, 2022 September 30, 2022, were $3,121,740, $1,560,870, composed of $2,539,328 $1,269,664 of depreciation and amortization expenses of our Prescription Medicines segment and $582,412 $291,206 of depreciation and

amortization expenses of our Medical Devices segment.

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

Change in fair value of derivative liability

In connection with For the Mergers consummated on December 1, 2020 three months ended September 30, 2023, each security holder the Company recorded a loss of Metuchen received a liability classified earnout consideration to be paid in the form of Petros Common Stock if either Petros' Market Capitalization (as defined in the Merger Agreement) or Petros receives aggregate gross proceeds from securities offerings that equals or exceeds certain milestones set forth in the Merger Agreement. The earnout contingent consideration met the criteria to be classified as a derivative with fair value remeasurements recorded in earnings each reporting period. As a result, the $460,000 represents $0.4 million for the change in fair value of the derivative during the six months ended June 30, 2022, primarily driven by the decline in the Company's stock price as well as the passage of time, as it became less likely that the earnout would be met. The earnout expired in December 2022 and no related amounts were recorded during the three and six months ended June 30, 2023

Interest income

Interest income for the six months ended June 30, 2023 was $119,241 on funds deposited in interest bearing money market accounts. There was no interest income for the six months ended June 30, 2022.

Interest expense, promissory note

In January 2022, the Company executed a promissory note in favor of Vivus with a principal amount of $10,201,758 in connection with the Vivus Settlement Agreement. Interest expense, promissory note for the six months ended June 30, 2023 and 2022 was $278,966 and $303,398, respectively.

Three Months Ended June 30, 2023 and 2022 (Unaudited)

The following table sets forth a summary of our statements of operations liability compared to $0 for the three months ended June 30, 2023 and 2022:

	For the Three Months Ended June 30,	
	2023	2022
Net sales	$ 1,994,011	$ 4,186,516
Cost of sales	513,857	649,220
Gross profit	1,480,154	3,537,296
Operating expenses:		
Selling, general and administrative	2,249,592	3,216,604
Research and development	866,575	421,242
Depreciation and amortization expense	826,795	1,560,870
Total operating expenses	3,942,962	5,198,716
Loss from operations	(2,462,808)	(1,661,420)
Change in fair value of derivative liability	—	—
Interest income	52,924	—
Interest expense, promissory note	(136,799)	(150,372)
Net income (loss)	$ (2,546,683)	$ (1,811,792)

September 30, 2022. The loss related to the increase in the fair value of derivative liability established for certain bifurcated features of the Series A Preferred Stock issued in the July 2023 private placement.

Net Sales

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

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Net sales for the three months ended June 30, 2022, were $4,186,516, composed of $3,332,173 of net sales from Prescription Medicines and net sales of $854,343 from Medical Devices.

For the three months ended June 30, 2023 September 30, 2023, gross billings to customers representing 10% or more the Company recorded a gain of $11.7 million for the change in fair value of the Company's total gross billings included three customers that represented approximately 24%, 19%, and 16% of total gross billings, respectively. Gross billings is a non-GAAP financial measure. For a reconciliation of net sales warrant liability compared to gross billings, see the section titled "Reconciliation of Non-GAAP Financial Measures" below.

For the three months ended June 30, 2022, gross billings to customers representing 10% or more of the Company's total gross billings included four customers that represented approximately 28%, 24% 23%, and 11% of total gross billings, respectively. Gross billings is a non-GAAP financial measure. For a reconciliation of net sales to gross billings, see the section titled "Reconciliation of Non-GAAP Financial Measures" below.

Prescription Medicines sales consist of sales of Stendra® in the U.S. for the treatment of male ED. Stendra® is primarily sold directly to the four main customers as described above, which collectively accounted for approximately 92% of Stendra® net sales $0 for the three months ended June 30, 2023 September 30, 2022. Individually, sales The gain related to the four main customers accounted for 33%, 26%, 23%, and 10%, respectively, of Stendra® gross billings for the three months ended June 30, 2023.

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

Net sales were $2,192,505 or 52% lower during the three months ended June 30, 2023 compared to the same period in 2022 consisting of a $2,347,765 decrease in the net sales fair value of Stendra® and a $155,260 increase warrants issued in Medical Device Sales. The decrease the July 2023 private placement which were classified as liabilities in net sales of Stendra® was substantially due to decreased wholesaler sales due to decreased demand and decreased related sales allowances stemming from a reduction in promotional activities. The increase in net sales for Medical Devices included an increase in domestic sales of VED systems and an increase in international sales of VED systems.

Cost of Sales

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

Cost of sales for the three months ended June 30, 2022, were $649,220, composed of $350,826 of cost of sales for our Prescription Medicines segment and $298,394 for our Medical Devices segment.

Cost of sales for the Prescription Medicine segment for the three months ended June 30, 2023 consisted of 59% royalty expenses, 40% third-party product cost of sales, 1% 3PL order fulfillment and shipping expenses.

Cost of sales for the Medical Device segment for the three months ended June 30, 2023 consisted of 86% raw materials and 14% production labor.

Cost of sales decreased by $135,363 or 21% during the three months ended June 30, 2023 compared to the same period in 2022. For the three months ended June 30, 2023 and 2022, cost of sales as a percentage of net sales was 26% and 16%, respectively. The increase in cost of sales as a percentage of net sales was a result of increased sales order fulfillment costs (on a per unit basis) during the three months ended June 30, 2023 compared to the same period in 2022.

Gross Profit

Gross profit for the three months ended June 30, 2023 was $1,480,154, or 74% of net sales, composed of $900,957 of gross profit from Prescription Medicines and $579,197 from Medical Devices. Gross profit for the three months ended June 30, 2022 was $3,537,296, or 84% of net sales, composed of $2,981,347 of gross profit from Prescription Medicines and $555,949 from Medical Devices. The decrease in gross profit was driven by the factors noted above.

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Operating Expenses

Selling, general and administrative

Selling, general and administrative expenses for the three months ended June 30, 2023, were $2,249,592, composed of $258,145 of selling, general and administrative expenses of our Prescription Medicines segment, $481,572 of selling, general and administrative expenses of our Medical Devices segment and $1,509,875 of general corporate expenses.

Selling, general and administrative expenses for the three months ended June 30, 2022, were $3,216,604, composed of $1,729,149 of selling, general and administrative expenses of our Prescription Medicines segment, $220,947 of selling, general and administrative expenses of our Medical Devices segment and $1,266,508 of general corporate expenses.

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

Selling, general and administrative expenses decreased by $967,012 or 30% during the three months ended June 30, 2023, compared to the compared to the same period in 2022. Decreased selling general and administrative expenses were primarily driven by decreased direct selling and marketing expenses of $365,603, a waiver of FY 23 PDUFA fees by the FDA resulting in a $277,060 decrease in PDUFA expenses, decreased stock based compensation expense of $258,951, decreased payroll expenses of $121,743 resulting from decreased headcount and decreased other operating expenses of $140,266 partially offset by increased franchise taxes of $113,585 and increased professional service fees of $83,026 as management sought to reduce expenses to improve operational efficiencies.

Research and development

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

Research and development expenses for the three months ended June 30, 2022, were $421,242, composed of $344,936 in our Prescription Medicines segment and $76,306 for our Medical Devices segment.

Research and development expenses for the Prescription Medicines segment for the three months ended June 30, 2023 are composed of $650,423 for consulting fees related to the Company's Non-Prescription / Over-The-Counter ("OTC") Strategies related to Stendra®; $200,000 for upfront licensing fees and $14,700 for consulting fees related to the H100 license acquired in March 2020, which later terminated in May 2023. Research and development expenses for the Prescription Medicines segment for the three months ended June 30, 2022 are composed of $198,891 for consulting fees related to the Company's OTC strategies related to Stendra®; $108,094 for clinical development expenses and $10,081 for consulting fees related to the H100 license acquired in March 2020, which later terminated in May 2023; and $27,869 related to the Company's tech transfer of its manufacturing process in preparation for transitioning to OTC.

Research and development expenses for the Medical Devices segment for the three months ended June 30, 2023 are composed of $1,453 for license fees related to the Company's Tissue-Specific Oxygenation Sensor Technology Strategies. Research and development expenses for the Medical Devices segment for the three months ended June 30, 2022 are composed of $76,306 for license fees related to the Company's Tissue-Specific Oxygenation Sensor Technology Strategies.

Research and development expenses increased by $445,333 or 106% during the three months ended June 30, 2023, compared to the same period in 2022. Increased research and development expenses were primarily driven by increased consulting fees related to the Company's OTC strategies related to Stendra® and increased upfront licensing fees related to the H100 license acquired in March 2020 partially offset by decreased license fees related to the Company's Tissue-Specific Oxygenation Sensor Technology Strategies.

Depreciation and amortization

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

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Depreciation and amortization expenses for the three months ended June 30, 2022, were $1,560,870, composed of $1,269,665 of depreciation and amortization expenses of our Prescription Medicines segment and $291,205 of depreciation and amortization expenses of our Medical Devices segment.

Prescription Medicines depreciation and amortization consists primarily of the amortization of the intangible assets related to Stendra® over its estimated useful life of 10 years. Medical Devices depreciation and amortization primarily consists of the amortization of the intangible assets related to Timm Medical and PTV over their estimated useful life of 12 years accordance with ASC 480.

Interest Income

Interest income for the three months ended June 30, 2023 September 30, 2023 was $52,924 $168,481 on funds deposited in interest bearing money market accounts. There was no interest income for the three months ended June 30, 2022 September 30, 2022.

Interest Expense, Promissory Note

In January 2022, the Company executed a promissory note in favor of Vivus with a principal amount of $10,201,758 in connection with the Vivus Settlement Agreement. Interest expense, promissory note for the three months ended June 30, 2023 September 30, 2023 and 2022 was $136,799 $131,351 and $150,372, $147,677, respectively.

Loss on issuance of Series A Preferred Stock

As the fair value of the liabilities required to be subsequently measured at fair value exceeded the net proceeds received, the Company recognized the excess of the fair value over the net proceeds received as a loss upon issuance of preferred stock of $11.1 million which is included in other income (expense) in the condensed consolidated statement of operations.

Liquidity and Capital Resources

General

Cash on hand totaled $7,384,797 $17,969,949 at June 30, 2023 September 30, 2023, compared to $9,426,264 at December 31, 2022.

We have experienced net losses and negative cash flows from operations since our inception. As of June 30, 2023 September 30, 2023, we had cash of $7.4 million approximately $18.0 million, working capital of $5.2 million $16.4 million, and an accumulated deficit of $94.7 million $99.2 million. Our plans include, or may include, utilizing our cash on hand, as well as exploring additional ways to raise capital in addition to increasing cash flows from operations. In January 2022, the Company executed a promissory note in favor of Vivus in connection with the Vivus Settlement Agreement in the principal amount of $10,201,758, net of a prepayment of $900,000. The terms of this promissory note are discussed in the section titled "—Vivus Settlement Agreement, Promissory Note and the Security Agreement" above.

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

In response to these conditions and events, the Company is evaluating various financing strategies to obtain sufficient additional liquidity to meet its operating, debt service and capital requirements for the next twelve months following the date of this Quarterly Report. The potential sources of financing that the Company is evaluating include one or any combination of secured or unsecured debt, convertible debt and equity in both public and private offerings. The Company also plans to finance near-term operations with its cash on hand, as well by as exploring additional ways to raise capital, including the proceeds from the gross proceeds of $15 million raised in the Private Placement (see the section below titled "Liquidity and Capital Resources—July 2023 (see Note 16) in addition Private Placement"), as well as by exploring additional ways to raise capital and increasing cash flows from operations. The company intends to use the proceeds from the July 2023 capital raise to funds its OTC progress through the end of 2024. There is no assurance the Company will manage to raise additional capital or otherwise increase cash flows, if required. The sources of financing described above that could be available to the Company and the timing and probability of obtaining sufficient capital depend, in part, on expanding the use of Stendra® and continuing to invest in research and development pursuant to our Non-Prescription / Over-The-Counter ("OTC") strategies related to Stendra®, which we believe has the potential to dramatically increase product sales in the future and future capital market conditions. If the Company's current assumptions regarding timing of these events are incorrect or if there are any other changes or differences in our current assumptions that negatively impact our financing strategy, the Company may have to further reduce expenditures or significantly delay, scale back or discontinue the development or commercialization of Stendra® OTC in order to extend its cash resources. Thus far the Company has taken steps to reduce discretionary expenditures and explored new sources of funding for our research initiatives, such as sponsored research agreements and co-development initiatives. While we are optimistic that we will be successful in our efforts to finance our operations, there can be no assurances that we will be successful in doing so. The Consolidated Financial Statements do not

include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern.

We will require additional financing to further develop and market our products, fund operations, and otherwise implement our business strategy at amounts relatively consistent with the expenditure levels disclosed above. We are exploring additional ways to raise capital, but we cannot assure you that we will be able to raise capital. Our failure to raise capital as and when needed would have a material adverse impact on our financial condition, our ability to meet our obligations, and our ability to pursue our business strategies. We expect to seek additional funds through a variety of sources, which may include additional public or private equity or debt financings, collaborative, or other arrangements with corporate sources, or through other sources of financing.

We are focused on expanding our service offering through internal development, collaborations, and through strategic acquisitions. We are continually evaluating potential asset acquisitions and business combinations. To finance such acquisitions, we might raise additional equity capital, incur additional debt, or both.

Debt

Vivus Note

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

Cash Flows

The following table summarizes our cash flows for the six nine months ended June 30, 2023 September 30, 2023 and 2022:

	For the Six Months Ended June 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Net cash used in operating activities	$ (1,320,433)	$ (9,475,509)	$ (5,366,635)	$ (11,226,985)
Net cash used in financing activities	(721,034)	(1,076,974)		
Net decrease in cash	$ (2,041,467)	$ (10,552,483)		

Net cash provided by (used in) financing activities	13,910,320	(1,438,925)
Net increase (decrease) in cash	$ 8,543,685	$ (12,665,910)

Cash Flows from Operating Activities

Net cash used in operating activities for the six nine months ended June 30, 2023 September 30, 2023 was $1,320,433, $5,366,635 which primarily reflected our net loss of $3,931,830, $8,481,338, in addition to noncash adjustments to reconcile net loss to net cash used in operating activities of $1,655,645 $4,231,207

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consisting primarily of depreciation and amortization, stock compensation, costs associated with the Private Placement, and changes in operating assets and liabilities of $955,752. $1,116,504.

Net cash used in operating activities for the six nine months ended June 30, 2022 September 30, 2022 was $9,475,509, $11,226,985, which primarily reflected our net loss of $1,986,016, $15,816,213, in addition to noncash adjustments to reconcile net loss to net cash used in operating activities of $13,982 $9,288,313 consisting primarily of depreciation and amortization, the gain on the Vivus settlement, changes in the fair value of derivative liability, intangible asset impairment and stock compensation, and changes in operating assets and liabilities of $7,475,511. $4,694,085.

Cash Flows from Financing Activities

Net cash used in provided by financing activities was $721,034 $13,910,320 for the six nine months ended June 30, 2023 consisting September 30, 2023 consisted of the gross proceeds of the Private Placement, offset by payments of the promissory note.

Net cash used in financing activities was $1,076,974 $1,438,925 for the six nine months ended June 30, 2022 September 30, 2022, consisting of prepayments of the promissory note, including a prepayment of $1,076,974. $900,000.

Off-Balance Sheet Commitments and Arrangements

We have not entered into any off-balance sheet financial guarantees or other off-balance sheet commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as

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stockholder's equity or that are not reflected in our financial statements included in this Form 10-Q. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company's management, in consultation with its legal counsel as appropriate, assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company, in consultation with legal counsel, evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency indicates it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates a potentially material loss contingency is not

probable, but is reasonably possible, or is probable, but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

Recent Developments

July 2023 Private Placement

On July 13, 2023, we entered into a Securities Purchase Agreement (the "Purchase Agreement") with certain accredited investors (the "Investors"), pursuant to which we agreed to sell in a private placement to the Investors (i) an aggregate of 15,000 shares of our newly-designated Series A Convertible Preferred Stock, with a par value of $0.0001 per share and a stated value of $1,000 per share (the "Series A Preferred Stock"), initially convertible into up to 6,666,668 shares of the Company's our common stock, par value $0.0001 per share (the "Common Stock") at an initial conversion price of $2.25 per share (the "Series A Preferred Shares"), and (ii) warrants to acquire up to an aggregate of 6,666,668 shares of Common Stock (the "Warrants") at an initial exercise price of $2.25 per share (collectively, the "Private Placement"). Pursuant to the terms of the Certificate of Designations of Series A Convertible Preferred Stock (the "Certificate of Designations") and the Warrants, each of the Conversion Price (as defined below) and the exercise price and the number of shares underlying the Warrants is subject to customary adjustments for stock dividends, stock splits, reclassifications and the like, and subject to price-based adjustment in the event of any issuances of Common Stock, or securities convertible, exercisable or exchangeable for Common Stock, at a price below the then-applicable Conversion Price (subject to certain exceptions). As of September 30, 203, the Conversion Price and the exercise price of the Warrants was equal to $2.25 per share

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The Private Placement was exempt from the registration requirements of the Securities Act pursuant to the exemption for transactions by an issuer not involving any public offering under Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D of the Securities Act and in reliance on similar exemptions under applicable state laws. The closing of the Private Placement occurred on July 17, 2023. The aggregate gross proceeds from the Private Placement was approximately $15 million. We intend to use the net proceeds from the Private Placement for general corporate purposes.

We engaged Katalyst Securities LLC (the "Placement Agent") to act as exclusive placement agent in connection with the Private Placement. Pursuant to an Engagement Letter with the Placement Agent, we paid to the Placement Agent or its designees (i) a cash fee equal to 8% of the gross proceeds of the Private Placement and (ii) warrants to acquire up to an aggregate of 800,001 533,334 shares of Common Stock at an exercise price of $2.25 per share. on the same term as the Warrants.

Series A Preferred Stock

The terms of the Series A Preferred Shares are as set forth in the form of Certificate of Designations. The Series A Preferred Shares will be convertible into shares of Common Stock (the "Conversion Shares") at the election of the holder at any time at an initial conversion price of $2.25 (the "Conversion Price"). The Conversion Price is subject to customary adjustments for stock dividends, stock splits, reclassifications and the like, and subject to price-based adjustment in the event of any issuances of Common Stock, or securities convertible, exercisable or exchangeable for Common Stock, at a price below the then-applicable Conversion Price (subject to certain exceptions). The Company will be We are required to redeem the Series A Preferred Shares in 13 equal monthly installments, commencing on the earlier of (x) the first trading day of the calendar month which is at least 25 trading days after the date that the initial Registration

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Statement (as defined below) is declared effective by the SEC and (y) November 1, 2023. The amortization payments due upon such redemptions are payable, at the company's our election, in cash at 107% of the Installment Redemption Amount (as defined in the Certificate of Designations), or subject to certain limitations, in shares of common stock valued at the lower of (i) the Conversion Price then in effect and (ii) the greater of (A) 80% of the average of the three

lowest closing prices of the Company's Common Stock during the thirty trading day period immediately prior to the date the amortization payment is due or (B) the lower of (x) $0.4484 and (y) $0.396, which is 20% of the "Minimum Price" (as defined in Nasdaq Stock Market Rule 5635) on the date of the Nasdaq Stockholder Approval (as defined below) or in any case, such lower amount as permitted, from time to time, by the Nasdaq Stock Market, and in each case subject to adjustment for stock splits, stock dividends, stock combinations, recapitalizations or other similar events. The Company We may require holders to convert their Series A Preferred Shares into Conversion Shares if the closing price of the Common Stock exceeds $6.75 per share (subject to adjustment for stock splits, stock dividends, stock combinations, recapitalizations or other similar events) for 20 consecutive trading days and the daily dollar trading volume of the Common Stock exceeds two million dollars ($2,000,000) per day during the same period and certain equity conditions described in the Certificate of Designations are satisfied.

The holders of the Series A Preferred Shares will be are entitled to dividends of 8% per annum, compounded monthly, which will be are payable, at the Company's our option, in cash or shares of Common Stock, or in a combination thereof, in accordance with the terms of the Certificate of Designations. On September 29, 2023, we filed an amendment to the Certificate of Designations with the Secretary of State for the State of Delaware, pursuant to which the terms of the Series A Preferred Stock were amended to permit certain additional procedures for the payment of redemptions and conversions Upon the occurrence and during the continuance of a Triggering Event (as defined in the Certificate of Designations), the Series A Preferred Shares will accrue dividends at the rate of 15% per annum. In connection with a Triggering Event, each holder of Series A Preferred Shares will be able to require the Company us to redeem in cash any or all of the holder's Series A Preferred Shares at a premium set forth in the Certificate of Designations. Upon conversion or redemption, the holders of the Series A Preferred Shares are also entitled to receive a dividend make-whole payment. The holders of Series A Preferred Shares have no voting rights on account of the Series A Preferred Shares, other than with respect to certain matters affecting the rights of the Series A Preferred Shares.

The Company will be As of November 14, 2023, we have redeemed 1,154 Series A Preferred Shares and issued 87,499 shares of Common Stock pursuant to the terms of the Certificate of Designations.

We are subject to certain affirmative and negative covenants regarding the incurrence of indebtedness, the existence of liens, the repayment of indebtedness, the payment of cash in respect of dividends (other than dividends pursuant to the Certificate of Designations), distributions or redemptions, and the transfer of assets, among other matters.

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

Warrants

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

Registration Rights

In connection with the Private Placement, the Company and the Investors we entered into a Registration Rights Agreement with the Investors (the "Registration Rights Agreement"), pursuant to which the Company is required we agreed to file a resale registration statement (the "Registration Statement") with the SEC to register for resale 200% of the Conversion Shares and the Warrant Shares promptly following the Closing Date, but in no event later than 30 calendar days after the effective date of the Registration Rights Agreement, and to have such Registration Statement declared effective by the Effectiveness Date (as defined in the Registration Rights Agreement). The Company will be We filed a registration statement on Form S-3 covering such securities, which registration statement, as amended, was declared effective on September 18, 2023. Under the Registration Rights Agreement, we are obligated to pay certain liquidated damages to the investors if the Company fails we fail to file the Registration Statement when required, fails to file or cause the Registration Statement to be declared effective by the SEC when required, or fails to maintain the effectiveness of the Registration Statement pursuant to the terms of the Registration Rights Agreement. Statement.

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Our ability to issue Conversion Shares and Warrant Shares using shares of Common Stock is subject to certain limitations set forth in the Certificate of Designations, including Designations. Prior to receiving the Nasdaq Stockholder Approval, such limitations included a limit on the number of shares that may be issued until the time, if any, that our stockholders have approved the issuance of more than 19.99% of our outstanding shares of Common Stock in accordance with the rules of the Nasdaq Stock Market (the "Nasdaq Stockholder Approval"). In the Purchase Agreement we agreed to seek the Nasdaq Stockholder Approval at a meeting of stockholders. stockholders, and we received the Nasdaq Stockholder Approval at a special meeting of stockholders held on September 14, 2023. Our directors and officers, who held approximately 29% of issued and our outstanding Common Stock as of the date of the Purchase Agreement, are were party to a voting agreement pursuant to which, among other things, each party agreed, solely in their capacity as a stockholder, to vote all of their shares of Common Stock in favor of the approval of the Nasdaq Stockholder Approval and against any actions that could adversely affect our ability to perform our obligations under the Purchase Agreement. The voting agreement also places placed certain restrictions on the transfer of the shares of Common Stock held by the signatories thereto.

Reconciliation of Non-GAAP Financial Measures

Adjusted EBITDA

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

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

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

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

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The following table presents a reconciliation of net income (loss) loss to Adjusted EBITDA for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,		For the Nine Months Ended September 30,		For the Three Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Net income (loss)	$ (2,546,683)	$ (1,811,792)	$ (3,931,830)	$(1,986,016)				
Net Loss					$ (8,481,338)	$(15,816,213)	$ (4,549,508)	$(13,830,196)
Interest income	(52,924)	—	(119,241)	—	(287,722)	—	(168,481)	—
Interest expense, promissory note	136,799	150,372	278,966	303,398	410,317	451,075	131,351	147,677
Income tax expense					—	10,501	—	10,501
Depreciation and amortization expense	826,795	1,560,870	1,653,590	3,121,740	2,480,385	4,682,610	826,795	1,560,870
EBITDA	(1,636,013)	(100,550)	(2,118,515)	1,439,122	(5,878,358)	(10,672,027)	(3,759,843)	(12,111,148)
Stock based compensation	43,316	302,267	173,652	658,093	204,492	966,231	30,840	308,136
Gain on settlement with Vivus	—	—	—	(3,389,941)	—	(3,389,941)	—	—
Intangible asset impairment					—	7,460,000	—	7,460,000
Change in fair value of derivative liability	—	—	—	(460,000)	430,000	(460,000)	430,000	—
Change in fair value of warrant liability					(11,739,000)	—	(11,739,000)	—
Loss on issuance of Series A Preferred Stock					11,088,997	—	11,088,997	—
Adjusted EBITDA	$ (1,592,697)	$ 201,717	$ (1,944,863)	$(1,752,726)	$ (5,893,869)	$ (6,095,737)	$ (3,949,006)	$ (4,343,012)

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

Gross Billings

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

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

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

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The following table presents a reconciliation of net sales to gross billings for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022:

	For the Three Months Ended June 30		For the Six Months Ended June 30		For the Nine Months Ended September 30,		For the Three Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Net Sales	$ 1,994,011	$ 4,186,516	$ 4,511,983	$ 6,651,685	$ 6,186,638	$ 5,193,953	$ 1,674,657	$ (1,457,732)
Product Returns	416,254	3,620,326	774,025	4,364,079	1,290,465	7,644,368	516,440	3,280,289
Contract Rebates	483,702	308,208	812,186	758,439	1,037,271	1,175,073	225,085	416,633
Chargebacks	35,900	33,321	76,300	69,594	118,490	122,927	42,190	53,334
Cash Discounts	42,675	159,170	89,414	227,403	125,679	265,701	36,266	38,298
Distribution Service Fees	175,115	907,351	462,622	1,304,288	678,857	1,402,763	216,234	98,474
Coupon Redemptions	463,071	1,058,705	1,029,936	3,409,990	1,176,562	4,419,128	146,626	1,009,138
Gross Billings	$ 3,610,728	$ 10,273,597	$ 7,756,466	$ 16,785,478	$10,613,962	$20,223,913	$ 2,857,498	$ 3,438,434

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

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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

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ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

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

A material weakness is a control deficiency (within the meaning of Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 5) or combination of control deficiencies that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. As disclosed in Part II Item 9A Controls and Procedures in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, we identified a material weaknesses in internal control related to (1) Petros has an insufficient level of monitoring and

oversight controls and does not enforce the implementation of key controls reflected on its internal control process matrices; (2) the sizes of Petros' accounting and IT departments make it impracticable to achieve an appropriate segregation of duties; and (3) Petros does not have appropriate IT access related controls.

Management plans to expand the scope of its remediation of its internal controls over financial reporting at the consolidated level and has developed a plan to address the remediation of the foregoing deficiencies. The Company has continued to utilize an external consultant to assist in the remediation of the deficiencies.

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

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2023 September 30, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting other than as noted above.

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PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

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

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

ITEM 1A. RISK FACTORS.

The following description of risk factors includes any material changes to, and supersedes the description of, risk factors associated with our business, financial condition and results of operations previously disclosed in "Item 1A. Risk Factors" of our annual report on Form 10-K for the fiscal year ended December 31, 2022, as filed with the SEC on March 31, 2023. Our business, financial condition and operating results can be affected by a number of factors, whether currently known or unknown, including but not limited to those described in our annual report, any one or more of which could, directly or indirectly, cause our actual financial condition and operating results to vary materially from past, or from anticipated future, financial condition and operating results. Any of these factors, in whole or in part, could materially and adversely affect our business, financial condition, operating results, and stock price.

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

Risks Related*Cyberattacks and other data security breaches could compromise our proprietary and confidential information, which could harm our business and reputation or cause us* to *Our Series A Preferred Stock* incur increased expenses to address any such breaches.

***Holders In the ordinary course of our Series A Preferred Stock (issued in July 2023) are entitled* business, Petros generates, collects and stores proprietary information, including intellectual property and business information. The secure storage, maintenance, and transmission of and access to *certain payments under the Certificate* this information is important to our operations and reputation. If a cyber incident, such as a phishing or ransomware**

attack, business email compromise attack, virus, malware installation, server malfunction, software or hardware failure, impairment of Designations that data integrity, loss of data or other computer assets, adware or other similar issue, impairs, shuts down, or penetrates our computer systems, our proprietary and confidential information, including e-mails and other electronic communications, may be paid misappropriated. In addition an employee, contractor, or other third party with whom we do business may attempt to obtain such information and may purposefully or inadvertently cause a breach involving such information. As a result, our information technology networks and infrastructure may be vulnerable to unpermitted access by hackers or other breaches, or employee error or malfeasance, and our business, financial condition, and results of operations could be materially and adversely affected.

We rely on third parties to perform services necessary for the operation of our business, and they may fail to adequately secure our proprietary and confidential information. We have in cash the past been subject to low-threat cyber, phishing, social engineering and business email compromise attacks, none of which individually or in shares the aggregate has led to costs or consequences that have materially impacted our business, results of Common Stock depending on operations or financial condition, however, we and our third-party vendors may be subject to such attacks and other cybersecurity incidents in the circumstances. future. If we make these payments or our third-party vendors were to suffer an attack or breach in cash, the future, for example, that resulted in the unauthorized access to or use or disclosure of proprietary and confidential information, we may be required to expend a substantial portion of our cash resources. If we make these payments in Common Stock, it may result in substantial dilution to the holders of our Common Stock.

Under the Certificate of Designations of our Series A Preferred Stock, we are required to redeem the Series A Preferred Shares in monthly installments, commencing on the earlier of (x) the first trading day of the calendar month which is at least 25 trading days after the date that the initial registration statement registering the Conversion Shares and the Warrant Shares is declared effective by the SEC and (y) November 1, 2023. Holders of the Series A Preferred Shares are also entitled to receive dividends, payable in arrears monthly, and dividends payable on installment dates shall notify government authorities, be paid as part of the applicable installment amount. Installment amounts are payable, at the company's election, in shares of Common Stock or, subject to certain limitations, investigations, civil penalties, administrative and enforcement actions, and litigation, any of which could harm our business, financial results and reputation.

Attacks upon information technology systems are increasing in cash. Installment amounts paid in cash must be paid in their frequency, levels of persistence, sophistication and intensity, and are being conducted by sophisticated and organized groups and individuals with a wide range of motives and expertise. Because the amount of 107% of the applicable payment amount due. For an installment amounts paid in shares of Common Stock, the number of shares of Common Stock shall be calculated by dividing the applicable payment amount due by the "installment conversion price." The installment conversion price shall be equal techniques used to the lower of (i) the Conversion Price (as defined in the Certificate of Designations) in effect as of the applicable payment date obtain unauthorized access to, or to sabotage, systems change frequently and (ii) the greater of (A) 80% of the average of the three lowest closing prices of our Common Stock during the thirty trading day period immediately prior to the date the payment is due or (B) the lower of (x) $0.4484 and (y) 20% of the "Minimum Price" (as defined in Rule 5635 of the Rules of the Nasdaq Stock Market) on the date of the Nasdaq Stockholder Approval (subject to adjustment for stock splits, stock dividends, stock combinations, recapitalizations or other similar events) or, in any case, such lower amount as permitted, from time to time, by the Nasdaq Stock Market.

Our ability to make payments due to the holders of the Series A Preferred Shares using shares of Common Stock is subject to certain limitations set forth in the Certificate of Designations, including often are not recognized until launched against a limit on the number of shares that may be issued until the time, if any, that our stockholders have approved the issuance of more than 19.99% of our outstanding shares of Common Stock in accordance with the rules of the Nasdaq Stock Market (the "Nasdaq Stockholder Approval"). If we are unable to make installment payments in shares of Common Stock, target, we may be forced unable to make such payments in cash. If we do not have sufficient cash resources to make anticipate these payments, techniques or implement adequate preventative measures. We may also experience security breaches that may remain undetected for an extended period. Even if identified, we may need to raise additional equity or debt capital, and we cannot provide any assurance that we will be successful in doing so. If are unable to raise sufficient capital adequately investigate or remediate incidents or breaches due to meet our payment obligations, we may need attackers increasingly using tools and techniques that are designed to delay, reduce circumvent controls, to avoid detection, and to remove or eliminate certain research and development programs or other operations, sell some or all of our assets or merge with another entity. obfuscate forensic evidence.

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Our ability to make payments due to the holders of the Series A Preferred Shares using cash is also limited by the amount of cash we have on hand at the time Any such payments are due, as well as certain provisions of the Delaware General Corporation Law. Further, we intend to make the installment payments due to holders of Series A Preferred Stock in the form of Common Stock to the extent allowed under the Certificate of Designations and applicable law in order

to preserve our cash resources. The issuance of shares of Common Stock to the holders compromise of our Series A Preferred Stock data security and access to, or public disclosure or loss of, confidential business or proprietary information could disrupt our operations, damage our reputation, provide our competitors with increase the number of shares of Common Stock outstanding valuable information and could result in substantial dilution to the existing holders of our Common Stock.

The Certificate of Designations for the Series A Preferred Stock and the warrants issued concurrently therewith contain anti-dilution provisions that may result in the reduction of the conversion price of the Series A Preferred Stock or the exercise price of such warrants in the future. These features may increase the number of shares of Common Stock being issuable upon conversion of the Series A Preferred Stock or upon the exercise of the warrants.

The Certificate of Designations the Warrants contain anti-dilution provisions, which provisions require the lowering of the applicable conversion price or exercise, as then in effect, to the purchase price of equity or equity-linked securities issued in any subsequent offerings. If in the future, while any shares of the Series A Preferred Shares or Warrants are outstanding, we issue securities for a consideration per share of Common Stock (the "New Issuance Price") that is less than the Conversion Price of the Series A Preferred Shares or the exercise price of the Warrants, as then in effect, we will be required, subject to certain limitations and adjustments as provided in the Certificate of Designations or the Warrants, to reduce the Conversion Price or the exercise price to be equal to the New Issuance Price, which will result in a greater number of shares of Common Stock being issuable upon conversion of the Series A Preferred Shares and the exercise of the Warrants, which in turn will increase the dilutive effect of such conversions or exercises on existing holders of our Common Stock. It is possible that we will not have a sufficient number of shares available to satisfy the conversion of the Series A Preferred Shares or the exercise of the Warrants if we enter into a future transaction that reduces the applicable Conversion Price or exercise price. If we do not have a sufficient number of available shares for any Series A Preferred Stock conversions or Warrant exercises, we may need to seek shareholder approval to increase the number of authorized shares of our Common Stock, which may not be possible and will be time consuming and expensive. The potential for such additional issuances may depress the price of our Common Stock regardless of our business performance and may make it difficult for us to raise additional equity capital while any of the Series A Preferred Shares or Warrants are outstanding.

Under the Purchase Agreement we are subject to certain restrictive covenants that may make it difficult to procure additional financing.

The Securities Purchase Agreement pursuant to costs, which we issued the Series A Preferred Stock ("Purchase Agreement") contains the following restrictive covenants: (i) until no shares of Series A Preferred Stock are outstanding, we agreed not to enter into any variable rate transactions; (ii) for approximately six months after the date on which Conversion Shares and Warrant Shares are eligible for sale by the Investors under a registration statement declared effective by the SEC or pursuant to Rule 144 under the Securities Act, we agreed not to issue or sell any equity security or convertible security, subject to certain exceptions; and (iii) until the later of no Series A Preferred Shares being outstanding and the maturity date of the Series A Preferred Shares, we agreed to offer to the investors party to the Purchase Agreement the opportunity to participate in any subsequent securities offerings by us. If we require additional funding while these restrictive covenants remain in effect, we may be unable to effect a financing transaction while remaining in compliance with the terms of the Purchase Agreement, or we may be forced to seek a waiver from the investors party to the Purchase Agreement.

If we do not receive approval from our stockholders, we will be unable to pay amounts due to the holders of the Series A Preferred Shares in shares of Common Stock and we will be required to pay such amounts in cash, which may force us to divert cash from other uses.

Under the Purchase Agreement, we are required to hold a meeting of our stockholders to seek approval under Rule 5635(d) of the Nasdaq Stock Market for the sale, issuance or potential issuance by us of our Common Stock (or securities convertible into or exercisable for our Common Stock) in excess of 422,495 shares, which is 19.99% of the shares of Common Stock outstanding immediately prior to the execution of the Purchase Agreement. Our directors and officers, who held approximately 29% of issued and our outstanding Common Stock as of the date of the Purchase Agreement, are party to a voting agreement pursuant to which, among other things, each such stockholder agreed, solely in their capacity as a stockholder, to vote all of their shares of Common Stock in favor of the approval, and if an insufficient number of our remaining stockholders vote in favor of the proposal we will be unable to issue shares of Common Stock in order to pay amounts due under the Certificate of Designations to holders of the Series A Preferred Shares in shares of Common Stock. If we are unable to pay such amounts when due in shares of Common Stock, we will have to satisfy our payment obligations by

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means of cash payments. If we do not have sufficient cash resources to make these payments, we may need to delay, reduce or eliminate certain research and development programs or other operations, sell some or all of our assets or merge with another entity.

General Risk Factors

We do not anticipate paying dividends on our common stock in the foreseeable future.

We currently plan to invest all available funds and future earnings, if any, in the development and growth of could adversely affect our business. We currently do not anticipate paying any cash dividends on our common stock in the foreseeable future. So long as any shares of Series A Preferred Stock are outstanding, as they are at this time, we are not able may also incur significant remediation costs, including liability for stolen customer or employee information, repairing system damage or providing benefits to declare affected customers or pay any cash dividend or distribution on any of our capital stock (other than as required by the Certificate of Designations) without the prior written consent of the Required Holders (as defined in the Certificate of Designations). In addition, the terms of our existing and any future debt agreements may preclude us from paying dividends. As a result, a rise in the market price of our common stock, which is uncertain and unpredictable, will be our shareholders' sole source of potential gain in the foreseeable future and our shareholders should not rely on an investment in our common stock for dividend income. employees.

Almost all of our outstanding shares of Common Stock, as well as a substantial number of shares of our Common Stock underlying outstanding options and warrants, are available for sale in the public market, either pursuant to Rule 144 under the Securities Act, or an effective registration statement. Except as provided in the Purchase Agreement, we are generally not restricted from issuing additional common stock, including any securities that are convertible into or exchangeable for, or that represent the right to receive, common stock. Pursuant to the shelf registration statement on Form S-3 filed on January 29, 2021, we may sell up to $100,000,000 of our equity securities over the next several years, and approximately $82,540,022 of our equity securities is available for sale under such registration statement. Sales of a substantial number of shares of our common stock in the public markets could depress the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities.

In addition, we may be required to issue shares of Common Stock to the holders of the Series A Preferred Shares upon conversion of the Series A Preferred Shares and the payment of the dividends to the holders thereof in Common Stock as a result of the full ratchet anti-dilution price protection in the Certificate of Designations if the effective Common Stock purchase price in a subsequent offering is less than the then current Series A Preferred Stock conversion price, which in turn will increase the number of shares of Common Stock available for sale. . Pursuant to the Registration Rights Agreement, we have agreed to file a registration statement covering the resale of such shares. See *"Risk Factors—Risks Related to Our Series A Preferred Stock—The Certificate of Designations for the Series A Preferred Stock and the warrants issued concurrently therewith contain anti-dilution provisions that may result in the reduction of the conversion price of the Series A Preferred Stock or the exercise price of such warrants in the future. These features may increase the number of shares of Common Stock being issuable upon conversion of the Series A Preferred Stock or upon the exercise of the warrants."* We cannot predict the effect that future sales of our common stock would have on the market price of our common stock.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES, AND USE OF PROCEEDS. PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

Issuance of Unregistered Securities

None. There were no unregistered sales of the Company's equity securities during the three months ended September 30, 2023, other than those previously reported in a Current Report on Form 8-K.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

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ITEM 5. OTHER INFORMATION.

None.

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ITEM 6. EXHIBITS.

Exhibit No.	Description
3.1	Certificate of Designations of Series A Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on July 13, 2023).
3.2	Certificate of Amendment of Amended and Restated Certificate of Incorporation of Petros Pharmaceuticals, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on September 15, 2023).
3.3	Amendment to the Amended and Restated By-laws of Petros Pharmaceuticals, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on August 15, 2023).
3.4	Certificate of Amendment of Certificate of Designations of Series A Convertible Preferred Stock. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on October 2, 2023).
4.1	Form of Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on July 13, 2023).
10.1	Securities Purchase Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 13, 2023).
10.2	Registration Rights Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on July 13, 2023).
10.3†	First Amendment to Amended and Restated Petros Pharmaceuticals, Inc. 2020 Omnibus Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 15, 2023).
31.1*	Rule 13a-14(a)/15d-14(a) Certification – Principal Executive Officer.
31.2*	Rule 13a-14(a)/15d-14(a) Certification – Principal Financial Officer.
32**	Section 1350 Certification – Principal Executive Officer and Principal Financial Officer.
101	The following materials from Petros Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 September 30, 2023, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Changes in Stockholders' Equity/Members' Capital; (iv) Consolidated Statements of Cash Flows; and (v) Notes to the Consolidated Financial Statements.
104	Cover Page Interactive Data File, formatted in iXBRL and contained in Exhibit 101.

* Filed herewith.

** Furnished herewith.

† Management contract or compensatory plan or arrangement.

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SIGNATURES

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

Petros Pharmaceuticals, Inc.

Date: August 14, 2023 November 15, 2023

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

Date: August 14, 2023 November 15, 2023

By: /s/ Mitchell Arnold
Mitchell Arnold
Vice President of Finance and Principal Financial Officer

Exhibit 31.1

CERTIFICATION PURSUANT TO SARBANES–OXLEY ACT OF 2002

I, Fady Boctor, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 14, 2023 November 15, 2023

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

Exhibit 31.2

CERTIFICATION PURSUANT TO SARBANES–OXLEY ACT OF 2002

I, Mitchell Arnold, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 14, 2023 November 15, 2023

By: /s/ Mitchell Arnold

Mitchell Arnold
Vice President of Finance and Principal Financial Officer

Exhibit 32

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

In connection with the Quarterly Report of Petros Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2023 September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Petros Pharmaceuticals, Inc.

Date: August 14, 2023 November 15, 2023

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

Date: August 14, 2023 November 15, 2023

By: /s/ Mitchell Arnold
Mitchell Arnold
Vice President of Finance and Principal Financial Officer

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