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

FORM 10-Q

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

For the quarterly period ended March 31, 2025

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 0-51481

STRATA SKIN SCIENCES, INC.

(Exact name of registrant as specified in its charter)

Delaware	13-3986004
(State or Other Jurisdiction of incorporation or Organization)	(I.R.S. Employer Identification No.)
5 Walnut Grove Drive, Suite 140, Horsham, Pennsylvania	19044
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: (215) 619-3200

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

Title of Each Class	Trading Symbol(s)	Name Of Each Exchange On Which Registered
Common Stock, $0.001 Par Value	SSKN	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

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

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.0405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See 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 ☒

The number of shares outstanding of our common stock as of May 12, 2025 was 4,171,161 shares.

STRATA SKIN SCIENCES, INC.

TABLE OF CONTENTS

PART I - Financial Information

ITEM 1. Financial Statements

STRATA Skin Sciences, Inc. and Subsidiary
Condensed Consolidated Balance Sheets
(in thousands, except share and per share data)

	March 31, 2025 (unaudited)	December 31, 2024
Assets		
Current assets:		
Cash and cash equivalents	$ 6,512	$ 7,261
Restricted cash	1,334	1,334
Accounts receivable, net of allowance for credit losses of $548 and $433 at March 31, 2025 and December 31, 2024, respectively	5,007	5,253
Inventories	2,659	2,246
Prepaid expenses and other current assets	364	501
Total current assets	15,876	16,595
Property and equipment, net	9,462	10,061
Operating lease right-of-use assets	1,179	1,264
Intangible assets, net	4,856	5,348
Goodwill	2,658	2,658
Other assets	231	231
Total assets	$ 34,262	$ 36,157
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 2,816	$ 2,433
Accrued expenses and other current liabilities	8,779	8,593
Deferred revenues	2,204	2,241
Current portion of operating lease liabilities	331	328
Current portion of contingent consideration	1,009	1,030
Total current liabilities	15,139	14,625
Long-term debt, net	15,231	15,192
Deferred revenues and other liabilities	292	353
Operating lease liabilities, net of current portion	835	919
Contingent consideration, net of current portion	96	96
Total liabilities	31,593	31,185
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Series C convertible preferred stock, $0.10 par value; 10,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, $0.001 par value; 150,000,000 shares authorized; 4,171,161 shares issued and outstanding at both March 31, 2025 and December 31, 2024	4	4
Additional paid-in capital	253,241	253,112
Accumulated deficit	(250,576)	(248,144)
Total stockholders' equity	2,669	4,972
Total liabilities and stockholders' equity	$ 34,262	$ 36,157

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

STRATA Skin Sciences, Inc. and Subsidiary
Condensed Consolidated Statements of Operations
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended March 31,	
	2025	2024
Revenues, net	$ 6,812	$ 6,754
Cost of revenues	3,165	3,674
Gross profit	3,647	3,080
Operating expenses:		
Engineering and product development	96	241
Selling and marketing	2,993	3,018
General and administrative	2,573	2,710
Total operating expenses	5,662	5,969
Loss from operations	(2,015)	(2,889)
Other income (expense):		
Interest expense	(486)	(524)
Interest income	69	45
Total other expense	(417)	(479)
Net loss	$ (2,432)	$ (3,368)
Net loss per share of common stock, basic and diluted	$ (0.58)	$ (0.96)
Weighted average shares of common stock outstanding, basic and diluted	4,171,161	3,506,025

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

STRATA Skin Sciences, Inc. and Subsidiary
Condensed Consolidated Statements of Changes in Stockholders' Equity
For The Three Months Ended March 31, 2025 and 2024
(in thousands, except share data)
(unaudited)

	Common Stock		Additional Paid-in-Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance at January 1, 2025	4,171,161	$ 4	$ 253,112	$ (248,144)	$ 4,972
Stock-based compensation expense	—	—	129	—	129
Net loss	—	—	—	(2,432)	(2,432)
Balance at March 31, 2025	4,171,161	$ 4	$ 253,241	$ (250,576)	$ 2,669

	Common Stock		Additional Paid-in-Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance at January 1, 2024	3,506,025	$ 4	$ 250,742	$ (238,058)	$ 12,688
Stock-based compensation expense	—	—	112	—	112
Net loss	—	—	—	(3,368)	(3,368)
Balance at March 31, 2024	3,506,025	$ 4	$ 250,854	$ (241,426)	$ 9,432

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

STRATA Skin Sciences, Inc. and Subsidiary
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2025	2024
Cash flows from operating activities:		
Net loss	$ (2,432)	$ (3,368)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,220	1,249
Amortization of operating lease right-of-use assets	85	95
Amortization of deferred financing costs and debt discount	39	31
Provision for credit losses	110	84
Stock-based compensation expense	129	112
Loss on disposal of property and equipment	34	13
Inventory write-off	—	141
Changes in operating assets and liabilities:		
Accounts receivable	136	726
Inventories	(377)	(154)
Prepaid expenses and other assets	137	(31)
Accounts payable	362	261
Accrued expenses and other liabilities	169	(57)
Deferred revenues	(81)	194
Operating lease liabilities	(81)	(100)
Net cash used in operating activities	(550)	(804)
Cash flows from investing activities:		
Purchase of property and equipment	(199)	(725)
Net cash used in investing activities	(199)	(725)
Cash flows from financing activities:		
Payment of contingent consideration	—	(18)
Net cash used in financing activities	—	(18)
Net decrease in cash, cash equivalents and restricted cash	(749)	(1,547)
Cash, cash equivalents and restricted cash at beginning of period	8,595	8,118
Cash, cash equivalents and restricted cash at end of period	$ 7,846	$ 6,571
Cash and cash equivalents	$ 6,512	$ 5,237
Restricted cash	1,334	1,334
Total cash, cash equivalents and restricted cash	$ 7,846	$ 6,571
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 450	$ 480
Supplemental schedule of non-cash operating, investing and financing activities:		
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	$ —	$ 977
Transfer of property and equipment to inventories	$ 36	$ 9
Accrued payment of contingent consideration	$ 21	$ 6

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

STRATA Skin Sciences, Inc. and Subsidiary
Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 1
The Company:

Background
STRATA Skin Sciences, Inc. (the "Company") is a medical technology company dedicated to developing, commercializing and marketing innovative products for the treatment of dermatologic conditions. Its products include the XTRAC® and Pharos® excimer lasers and VTRAC® lamp systems utilized in the treatment of psoriasis, vitiligo and various other skin conditions. In January 2022, the Company acquired the TheraClear® Acne Therapy System to broaden its opportunities with expansion potential in the acne care market. The Company markets the device under the brand name TheraClear® X.

The XTRAC is an ultraviolet light excimer laser system utilized to treat psoriasis, vitiligo and other skin diseases. The XTRAC excimer laser system received clearance from the United States Food and Drug Administration (the "FDA") in 2000. As of March 31, 2025, there were 846 XTRAC systems placed in dermatologists' offices in the United States and 50 systems internationally under the Company's recurring revenue business model. The XTRAC systems deployed under the recurring revenue model generate revenue on a per procedure basis or include a fixed payment over an agreed upon period with a capped number of treatments which, if exceeded, would incur additional fees. The per-procedure charge is inclusive of the use of the system and the services provided by the Company to the customer, which includes system maintenance and other services. The VTRAC Excimer Lamp system, offered in addition to the XTRAC system internationally, provides targeted therapeutic efficacy demonstrated by excimer technology with a lamp system.

The Pharos excimer laser system holds FDA clearance to treat chronic skin diseases, including psoriasis, vitiligo, atopic dermatitis and leukoderma.

The TheraClear® Acne Therapy System ("TheraClear") combines intense pulsed light with vacuum (suction) for the treatment of mild to moderate inflammatory acne (including acne vulgaris), comedonal acne and pustular acne.

The Company has signed distributor contracts by year as follows: 2019 – Korea, 2020 – Japan, 2021 – China, Israel, Saudi Arabia, Kuwait, Oman, Qatar, Bahrain, UAE, Jordan and Iraq, and 2023 – Mexico and India. We have renewed and/or amended several of these agreements as required to keep their terms current.

Post-COVID-19 Pandemic
Since March 2020, the global pandemic related to a new strain of coronavirus ("COVID-19") has negatively impacted business conditions in the industry in which the Company operates, disrupted global supply chains, constrained workforce participation and created significant volatility and disruption of financial markets. The pandemic led to the suspension of elective procedures in the U.S. and to the temporary closure of many physician practices, which are the Company's primary customers. While most physician offices have reopened, some of the Company's partner physician practices closed permanently. Accordingly, the COVID-19 pandemic and its variants have negatively impacted the Company's operational and financial performance, including its ability to execute its business strategies and initiatives in the expected time frames and those of its primary customers. It has also negatively impacted the Company's supply chains and transport, customer behavior and staffing.

Impact of Russia-Ukraine War
Prior to the outbreak of the Russia-Ukraine War, Ukraine was the largest exporter of noble gases including neon, krypton, and xenon and has historically been the source of a significant amount of gas supplied to the Company by its contract suppliers. Neon gas is essential to the proper functioning of the Company's lasers. The Company's suppliers have been resourceful in continuing to supply gases to the Company but cannot assure the Company that the supply will remain uninterrupted. The reduced supply and ongoing conflict have also impacted the price of gas worldwide. Additionally, the Creating Helpful Incentives to Produce Semiconductors and Science Act of 2022 has led to a further tightening of rare gas supplies as semiconductor chip manufacturers reconfigure their supply chains to address the need to secure their own supplies of rare gases for use in the manufacture of computer chips.

Impact of Middle East Conflict

The Company has not seen an impact on its distributors' businesses in the Middle East due to the Middle East conflict, but cannot predict the impact should the conflict continue or develop into a larger war.

Basis of presentation:

Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company and Photomedex India Private Limited, its wholly-owned, inactive subsidiary in India. All significant intercompany balances and transactions have been eliminated in consolidation.

Unaudited Interim Condensed Consolidated Financial Statements

The accompanying unaudited interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC") for interim financial reporting. These condensed consolidated statements are unaudited and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments and accruals) necessary to fairly present the results of the interim periods. The condensed consolidated balance sheet at December 31, 2024 has been derived from the audited consolidated financial statements at that date. Operating results and cash flows for the three months ended March 31, 2025 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2025 or any other future period. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been condensed or omitted in accordance with the rules and regulations for interim reporting of the SEC. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2024 (the "2024 Form 10-K"), and other forms filed with the SEC from time to time.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation, including the presentation of foreign revenues within the Company's business and geographical reporting segment disclosures. These reclassifications had no impact on the previously reported total foreign revenues by reporting segment in the condensed consolidated financial statements.

Significant Accounting Policies

The significant accounting policies used in preparation of these condensed consolidated financial statements are disclosed in the Company's 2024 Form 10-K, and there have been no changes to the Company's significant accounting policies during the three months ended March 31, 2025.

Reverse Stock Split

On October 26, 2023, the stockholders of the Company authorized the Board of Directors to effect a reverse stock split of all outstanding shares of common stock. On April 26, 2024, the Board of Directors approved the implementation of a reverse stock split at a ratio of one-for-ten shares, which became effective on June 6, 2024. The Company's outstanding stock-based awards, including options, restricted stock units and warrants, were also adjusted to reflect the one-for-ten reverse stock split of the Company's common stock. Outstanding stock-based award units were proportionately reduced and the respective exercise prices, if applicable, were proportionately increased. The reverse stock split affected all stockholders uniformly and did not alter any stockholder's percentage interest in the Company's equity. No fractional shares were issued in connection with the reverse stock split. Stockholders who would otherwise be entitled to a fractional share of common stock were instead entitled to receive a proportional cash payment. The reverse stock split did not change the par value or authorized number of shares of common stock. All share and per share amounts in these condensed consolidated financial statements and related notes hereto have been retroactively adjusted to account for the effect of the reverse stock split.

Use of Estimates

The preparation of the condensed 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The Company's significant estimates and judgments include revenue recognition with respect to deferred revenues and the contract term and valuation allowances of accounts receivable, inputs used when evaluating goodwill for impairment, inputs used in the valuation of contingent consideration, state sales and use tax accruals, the estimated useful lives of intangible assets, and the valuation allowance related to deferred tax assets. Actual results could differ from those estimates.

Fair Value Measurements

The Company measures financial assets and liabilities at fair value at each reporting period using a fair value hierarchy that requires the use of observable inputs and minimizes the use of unobservable inputs. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- Level 1 – quoted market prices in active markets for identical assets or liabilities.
- Level 2 – observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – inputs that are generally unobservable and typically reflect the Company's estimate of assumptions that market participants would use in pricing the asset or liability.

The fair values of cash and cash equivalents and restricted cash are based on their respective demand values, which are equal to the carrying values. The carrying values of all short-term monetary assets and liabilities are estimated to approximate their fair values due to the short-term nature of these instruments. As of March 31, 2025 and December 31, 2024, the carrying value of the Company's long-term debt approximated its fair value due to its variable interest rate.

Accrued Warranty Costs

The Company offers a standard warranty on product sales generally for a one to two-year period, however, the Company has offered longer warranty periods, ranging from three to four years, in order to meet competition or customer demands. The Company provides for the estimated cost of the future warranty claims on the date the product is sold.

The activity in the warranty accrual is summarized as follows (in thousands):

	Three Months Ended March 31,	
	2025	**2024**
Balance, beginning of period	$ 315	$ 303
Additions	32	39
Expirations and claims satisfied	(57)	(64)
Total	290	278
Less current portion within accrued expenses and other current liabilities	(205)	(175)
Balance within deferred revenues and other liabilities	$ 85	$ 103

Net Loss Per Share

Basic net loss per share of common stock is computed by dividing net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during each period. Diluted net loss per share of common stock includes the effect, if any, from the potential exercise or conversion of securities such as unvested restricted stock awards, stock options and warrants for common stock which would result in the issuance of incremental shares of common stock. For diluted net loss per share, the weighted-average number of shares of common stock is the same as for basic net loss per share due to the fact that when a net loss exists, dilutive securities are not included in the calculation as the impact is anti-dilutive.

The following potentially dilutive securities have been excluded from the computation of diluted weighted-average shares of common stock outstanding, as they would be anti-dilutive:

	March 31,	
	2025	**2024**
Stock options	521,726	539,100
Common stock warrants	80,000	80,000
Restricted stock units	2,265	2,265
	603,991	621,365

Recent Accounting Pronouncements Not Yet Adopted

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures,* which is intended to improve income tax disclosure requirements by requiring (1) consistent categories and greater disaggregation of information in the rate reconciliation and (2) the disaggregation of income taxes paid by jurisdiction. The guidance makes several other changes to the income tax disclosure requirements. The guidance in this ASU is effective for annual periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The Company is currently evaluating the effect this ASU will have on its condensed consolidated financial statements and footnote disclosures.

In November 2024, the FASB issued ASU 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expense*s, which is intended to provide more detailed information about specified categories of expenses (purchases of inventory, employee compensation, depreciation and amortization) included in certain expense captions presented on the consolidated statement of operations. The guidance in this ASU is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted. The amendments may be applied either (1) prospectively to financial statements issued for periods after the effective date of this ASU or (2) retrospectively to all prior periods presented in the consolidated financial statements. The Company is currently evaluating the effect this ASU will have on its condensed consolidated financial statements and footnote disclosures.

Note 2
Liquidity:

The Company has historically experienced recurring losses, has been dependent on raising capital from the sale of securities in order to continue to operate and has been required to restrict cash for potential sales tax liabilities (see Note 13, **Commitments and Contingencies)**. In October 2021, the Company entered into an equity distribution agreement with an investment bank under which the Company may sell up to an additional $8.9 million of its common stock in registered “at-the-market” offerings. Management believes that the Company’s cash and cash equivalents, the anticipated revenues from the sale or use of its products and operating expense management will be sufficient to satisfy the Company’s working capital needs, capital asset purchases, outstanding commitments and other liquidity requirements associated with its existing operations for at least the next 12 months following the date of the issuance of these condensed consolidated financial statements. However, market conditions, including the negative impact of potential future pandemics, the Russia-Ukraine War, the Middle East conflict and changes in U.S. trade policies, on the financial markets, supply chain disruptions, customer behavior, and rising interest rates, could interfere with the Company’s ability to access financing and on favorable terms.

Note 3
Revenue Recognition:

Revenues from the Company’s dermatology recurring procedures customers are earned by providing physicians with its laser products and charging the physicians a fee for a fixed number of treatment sessions or a fixed fee for a specified period of time not to exceed an agreed upon number of treatments; if that number is exceeded additional fees will have to be paid. The placement of the laser products at physician locations represents embedded leases which are accounted for as operating leases. For the lasers placed-in service under these arrangements, the terms of the domestic arrangements are generally 36 months with automatic one-year renewals and include a termination clause that can be effected at any time by either party with 30 to 60 day notice. Amounts paid are generally non-refundable. Sales of access codes for a fixed number of treatment sessions are considered variable treatment code payments and are recognized as revenue over the estimated usage period of the agreed upon number of treatments. Sales of access codes for a specified period of time are recognized as revenue on a straight-line basis as the lasers are being used over the term specified in the agreement. Variable treatment code payments that will be paid only if the customer exceeds the agreed upon number of treatments are recognized only when such treatments are being exceeded and used. Internationally, the Company generally sells access codes for a fixed amount on a monthly basis to its distributors and the terms are generally 48 months, with termination in the event of the customers’ failure to remit payments timely, and include a potential buy-out at the end of the term of the contract. Currently, this is the only foreign recurring revenue. Prepaid amounts recorded in deferred revenue and customer deposits recorded in accounts payable are recognized as revenue over the lease term in the patterns described above. Pricing is fixed with the customer. With respect to lease and non-lease components, the Company adopted the practical expedient to account for the arrangement as a single lease component.

Revenues from the Company's dermatology procedures equipment are recognized when control of the promised goods or services is transferred to its customers or distributors, in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. Accordingly, the Company determines revenue recognition through the following steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when, or as, performance obligations are satisfied.

Accounting for the Company's contracts involves the use of significant judgments and estimates including determining the separate performance obligations, allocating the transaction price to the different performance obligations and determining the method to measure the entity's performance toward satisfaction of performance obligations that most faithfully depicts when control is transferred to the customer. The Company allocates the contract's transaction price to each performance obligation using the Company's best estimate of the standalone selling price for each distinct good or service in the contract. The Company maximizes the use of observable inputs by beginning with average historical contractual selling prices and adjusting as necessary and on a consistent and rational basis for other inputs such as pricing trends, customer types, volumes and changing cost and margins.

Revenues from dermatology procedures equipment are recognized when control of the promised products is transferred to either the Company's distributors or end-user customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products (the transaction price). Control transfers to the customer at a point in time. To indicate the transfer of control, the Company must have a present right to payment and legal title must have passed to the customer. The Company ships most of its products FOB shipping point, and as such, the Company primarily transfers control and records revenue upon shipment. From time to time the Company will grant certain customers, for example governmental customers, FOB destination terms, where the transfer of control for revenue recognition occurs upon receipt. The Company has elected to recognize the cost of freight and shipping activities as fulfillment costs. Amounts billed to customers for shipping and handling are included as part of the transaction price and recognized as revenue when control of the underlying goods is transferred to the customer. The related shipping and freight charges incurred by the Company are included in cost of revenues.

The following table summarizes the Company's expected future undiscounted fixed treatment code payments from international dermatology recurring procedures, the Company's only long-term arrangements, as of March 31, 2025 (in thousands):

2025 (remaining)	$	1,300
2026		1,530
2027		1,201
2028		556
	$	4,587

Remaining performance obligations related to Accounting Standards Codification ("ASC") 606*, Revenue from Contracts with Customers*, represent the aggregate transaction price allocated to performance obligations with an original contract term greater than one year, which are fully or partially unsatisfied at the end of the period. Remaining performance obligations include the potential obligation to perform under extended warranties and service contracts but exclude any dermatology procedures equipment accounted for as leases. As of March 31, 2025, the aggregate amount of the transaction price allocated to remaining performance obligations was $0.4 million and the Company expects to recognize $0.2 million of the remaining performance obligations within one year and the remainder over one to three years. Contract assets primarily relate to the Company's rights to consideration for work completed in relation to its services performed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. Currently, the Company does not have any contract assets which have not transferred to a receivable.

Contract liabilities primarily relate to extended warranties and service contracts where the Company has received payments but has not yet satisfied the related performance obligations. The allocations of the transaction price are based on the price of standalone warranty contracts sold in the ordinary course of business. The advance consideration received from customers for the warranty services is a contract liability that is recognized ratably over the warranty period. As of March 31, 2025, the $0.2 million of short-term contract liabilities is presented as deferred revenues and the $0.2 million of long-term contract liabilities is presented within deferred revenues and other liabilities on the condensed consolidated balance sheet. For each of the three months ended March 31, 2025 and 2024, the Company recognized $0.1 million as revenue from amounts classified as contract liabilities (i.e. deferred revenues) as of December 31, 2024 and 2023.

With respect to contract acquisition costs, the Company applies the practical expedient and expenses these costs immediately.

Note 4
Inventories:

Inventories consist of the following (in thousands):

	March 31, 2025	December 31, 2024
Raw materials and work-in-process	$ 2,500	$ 2,041
Finished goods	159	205
	$ 2,659	$ 2,246

Work-in-process inventories are immaterial, given the Company's typically short manufacturing cycle, and are included with raw materials inventories.

Due to the expiration of extended warranty service contracts that were assumed in August 2021 in connection with the acquisition of Pharos laser system products, the Company wrote off $0.1 million of inventories that will no longer be needed for warranty purposes during the three months ended March 31, 2024, which is included in cost of revenues in the condensed consolidated statement of operations.

Note 5
Property and Equipment, net:

Property and equipment consist of the following (in thousands):

	March 31, 2025	December 31, 2024
Lasers placed-in-service	$ 33,984	$ 33,489
Equipment, computer hardware and software	300	300
Furniture and fixtures	240	240
Leasehold improvements	146	87
Lasers-in-process	1,502	2,093
	36,172	36,209
Less: accumulated depreciation and amortization	(26,710)	(26,148)
	$ 9,462	$ 10,061

The Company recorded depreciation and amortization expense of $0.7 million and $0.8 million during the three months ended March 31, 2025 and 2024, respectively.

Note 6
Intangible Assets, net:

Intangible assets consist of the following (in thousands):

March 31, 2025	Gross Carrying Value	Accumulated Amortization	Net Book Value
Core technology	$ 5,700	$ (5,557)	$ 143
Product technology	4,808	(4,013)	795
Customer relationships	6,900	(6,728)	172
Tradenames	1,500	(1,463)	37
Pharos customer lists	5,314	(1,605)	3,709
	$ 24,222	$ (19,366)	$ 4,856

December 31, 2024	Gross Carrying Value	Accumulated Amortization	Net Book Value
Core technology	$ 5,700	$ (5,415)	$ 285
Product technology	4,808	(3,984)	824
Customer relationships	6,900	(6,555)	345
Tradenames	1,500	(1,425)	75
Pharos customer lists	5,314	(1,495)	3,819
	$ 24,222	$ (18,874)	$ 5,348

The Company recorded amortization expense of $0.5 million during each of the three months ended March 31, 2025 and 2024.

Finite-lived intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying value of the asset group may not be recoverable. The Company recognizes an impairment loss when and to the extent that the recoverable amount of an asset group is less than its carrying value. There were no impairment charges for the three months ended March 31, 2025 or 2024.

The following table summarizes the estimated future amortization expense for the above intangible assets for the next five years (in thousands):

2025 (remaining)	$ 774
2026	$ 561
2027	$ 561
2028	$ 561
2029	$ 561

Note 7
Accrued Expenses and Other Current Liabilities:

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

	March 31, 2025	December 31, 2024
Warranty obligations	$ 205	$ 213
Compensation and related benefits	1,984	1,781
State sales, use and other taxes	6,333	6,371
Professional fees and other	257	228
	$ 8,779	$ 8,593

Note 8
Long-Term Debt:

On September 30, 2021, the Company entered into a credit and security agreement with MidCap Financial Trust ("MidCap"), also acting as the administrative agent, and the lenders identified therein. The original terms provided for an $8.0 million senior term loan. Borrowings under the senior term loan originally bore interest at LIBOR (with a LIBOR floor rate of 0.50%) plus 7.50% per year and were scheduled to mature on September 1, 2026, unless terminated earlier. The Company was obligated to make monthly interest-only payments through September 30, 2024. The credit and security agreement was amended on January 10, 2022 to provide MidCap's consent to the TheraClear asset acquisition. On September 6, 2022, the Company amended the facility to transition, upon the cessation of LIBOR, to bear interest at one-month Secured Overnight Financing Rate ("SOFR"), or such other applicable period, plus 0.10%, with a floor of 0.50%.

On June 30, 2023, the Company entered into (a) Amendment No. 3 to the credit and security agreement (the "Third Amendment"); (b) the Amended and Restated Warrant Agreement (the "A&R Warrant") with MidCap Funding XXVII Trust (together with any registered holder from time to time or any holder of the shares issuable or issued upon the exercise or conversion of the warrant, the "Warrantholder"), which amended and restated the warrant agreement to purchase shares of the common stock of the Company, dated as of September 30, 2021 (the "Prior Warrant"), with the Warrantholder; (c) the Amended and Restated Registration Rights Agreement (the "A&R Registration Rights Agreement") with the Warrantholder, which amended and restated the registration rights agreement, dated as of September 30, 2021, with the Warrantholder; and (d) a letter agreement (the "Fee Letter Agreement") with MidCap, as agent.

On February 20, 2024, the Company entered into (a) Amendment No. 4 to the credit and security agreement (the "Fourth Amendment"), which amended the credit and security agreement, and (b) a second amended and restated letter agreement ("Amended Fee Letter Agreement") with MidCap, as agent.

On March 27, 2024, the Company entered into Amendment No. 5 to the credit and security agreement (the "Fifth Amendment"), which further amended the credit and security agreement (as amended to date, the "Senior Term Facility") to clarify certain provisions related to the maintenance of cash collateral accounts.

The Senior Term Facility provides for a senior secured term loan facility of $20.0 million, of which $8.0 million was drawn by the Company on September 30, 2021 ("Credit Facility #1"), $7.0 million was drawn by the Company on June 30, 2023 ("Credit Facility #2"), and an additional $5.0 million ("Credit Facility #3") was available to be drawn by the Company if its Dermatology Recurring Procedures Revenue (as defined in the Senior Term Facility) for the preceding 12 calendar months (ending on the last day of the calendar month for which a compliance certificate is delivered) was greater than or equal to $30.0 million (such condition, the "Applicable Funding Condition"). The Company did not meet the Applicable Funding Condition and, accordingly, Credit Facility #3 is no longer available to the Company. All borrowings are secured by substantially all of the Company's assets.

Borrowings under the Senior Term Facility bear interest at a rate per annum equal to the sum of (a) the greater of (i) the sum of (A) 30-day forward-looking term rate of one month SOFR, as published by CME Group Benchmark Administration Limited, from time to time, plus (B) 0.10%, and (ii) the applicable floor rate of 3.50%, with such sum reset monthly, and (b) 7.50%. The effective interest rate of the Senior Term Facility as of March 31, 2025 was 12.93%. The Company is obligated to make interest-only payments (payable monthly in arrears) through June 1, 2026. Commencing on July 1, 2026 and continuing for the remaining 24 months of the facility, the Company will be required to make monthly interest payments and monthly principal payments based on a straight-line amortization schedule set forth in the Senior Term Facility, subject to certain adjustments as described in the Senior Term Facility. The final maturity date under the Senior Term Facility is June 1, 2028, unless earlier terminated. The Senior Term Facility requires the Company to dedicate 100% of certain insurance proceeds to the prepayment of the outstanding term loan, subject to certain exceptions and net of certain expenses and repayments.

The Company may voluntarily prepay the outstanding term loan under the Senior Term Facility, with such prepayment in an amount of at least $5.0 million, at any time upon 30 days' written notice. Upon prepayment, the Company will be required to pay a prepayment fee equal to (i) 4.00% of the outstanding principal prepaid or required to be prepaid (whichever is greater), if the prepayment was made within 12 months of February 20, 2024, (ii) 3.00% of the outstanding principal prepaid or required to be prepaid (whichever is greater), if the prepayment is made between 12 months and 24 months after February 20, 2024, (iii) 2.00% of the outstanding principal prepaid or required to be prepaid (whichever is greater), if the prepayment is made between 24 months and 36 months after February 20, 2024, or (iv) 1.00% of the outstanding principal prepaid or required to be prepaid (whichever is greater), if the prepayment is made 36 months or more after February 20, 2024 and prior to the maturity date.

The Senior Term Facility contains certain customary representations and warranties, affirmative covenants and conditions, as well as various negative covenants. Further, the Senior Term Facility contains (a) a quarterly financial covenant that requires the Company to not have less than $30.5 million of net revenue (raised to $33.0 million by December 31, 2026 and, for periods ending after December 31, 2026, such net revenue as determined in good faith by MidCap, which shall not be less than the applicable minimum net revenue amount for the immediately preceding period and $33.0 million) for the trailing 12-month period as of March 31, 2025, and (b) a minimum of unrestricted cash (as defined in the Senior Term Facility), at all times, of not less than $3.0 million. At March 31, 2025, the Company was in compliance with all financial covenants within the Senior Term Facility.

Upon the occurrence and during the continuance of an event of default, MidCap may, and at the direction of a requisite percentage of the lenders must, (i) suspend or terminate the term loan commitment and MidCap's and the other lenders' obligations with respect thereto, and (ii) by notice to the Company, declare all or any portion of the obligations under the Senior Term Facility to be immediately due and payable. In addition to MidCap's other rights and available remedies, but subject to applicable cure periods, upon the occurrence and during the continuance of an event of default, MidCap may, and at the direction of a requisite percentage of the lenders must, terminate the Senior Term Facility. At March 31, 2025, no event of default had occurred, and the Company believed that events or conditions having a material adverse effect, giving rise to an acceleration of any amounts outstanding under the Senior Term Facility, had not occurred and were remote.

Pursuant to the Amended Fee Letter Agreement, the Company agreed to pay MidCap, as administrative agent, the following fees: (a) an origination fee on June 30, 2023 in an amount equal to (i) the Credit Extensions (as defined in the Senior Term Facility) in respect of Credit Facility #2, multiplied by (ii) 0.50%; (b) on the maturity date of the Senior Term Facility or any earlier date on which the obligations thereunder become due and payable in full or are otherwise paid in full (such date, the "Full Exit Fee Payment Date"), the Company shall pay an exit fee equal to (i) 4.00% of the total aggregate principal amount of Credit Extensions (as defined in the Senior Term Facility) made pursuant to the Senior Term Facility (regardless of any repayment or prepayment thereof) as of the Full Exit Fee Payment Date (such aggregate amount, the "Exit Fee Base Amount"), less (ii) any Partial Exit Fee (as defined below) previously paid; and (c) on the date of any voluntary or mandatory partial prepayment of the borrowings under the Senior Term Facility (or on the date such mandatory prepayment becomes due and payable) (each such date, a "Partial Exit Fee Payment Date"), the Company shall pay an exit fee equal to 4.00% of the principal amount of the credit facilities paid or prepaid (or required to be paid in the case of a mandatory prepayment) as of the Partial Exit Fee Payment Date (such amount, the "Partial Exit Fee"). The Amended Fee Letter Agreement also provided for an origination fee related to Credit Facility #3, which is no longer payable as the Company did not meet the Applicable Funding Condition as noted above.

The Prior Warrant allowed the Warrantholder, an affiliate of the lender, to purchase 37,362 shares of the Company's common stock at an exercise price equal to $18.20 per share for a 10-year period ending September 30, 2031. Pursuant to, and in accordance with, the terms and conditions of the A&R Warrant, which amended and restated the Prior Warrant, the Warrantholder can purchase 80,000 shares of the Company's common stock at an exercise price equal to $8.80 per share for a 10-year period ending on June 30, 2033. Pursuant to the A&R Registration Rights Agreement, the Company registered the shares underlying the A&R Warrant effective August 18, 2023. The amendment of the warrant resulted in an increase in the fair value of the warrant, which has been accounted for as a lender fee.

The Fourth Amendment was accounted for as a debt modification, as the new loan is not considered substantially different from the existing loan. In connection with the Fourth Amendment, the Company increased the accrued exit fee, which is recorded as both a debt discount and an increase to the principal amount of debt, to $0.6 million. The debt discount, which also includes third party costs incurred in connection with the Third Amendment of $13.0 thousand, is being recognized as interest expense over the term of the Senior Term Facility using the effective-interest method. The unamortized debt discount was $0.4 million as of March 31, 2025. The Company recognized interest expense of $0.5 million during the three months ended March 31, 2025, of which $39.0 thousand was related to the amortization of the debt discount. The Company recognized interest expense of $0.5 million during the three months ended March 31, 2024, of which $31.0 thousand was related to the amortization of the debt discount.

Future minimum principal payments at March 31, 2025 are as follows (in thousands):

2026	$	3,750
2027		7,500
2028		3,750
		15,000
Exit fee		600
		15,600
Less: unamortized debt discount		(369)
Long-term debt, net	$	15,231

Note 9
Stock-Based Compensation:

The Company's 2016 Omnibus Incentive Stock Plan ("2016 Plan"), as amended, has reserved up to 7,832,651 shares of common stock for future issuance. As of March 31, 2025, there were 7,270,212 shares of common stock remaining available for issuance for awards under the 2016 Plan.

The Company measures share-based awards at their grant-date fair values and records compensation expense on a straight-line basis over the requisite service period of the awards. The Company recorded share-based compensation expense (for all awards and modifications, if any) in the accompanying condensed consolidated statements of operations as follows (in thousands):

	Three Months Ended March 31,	
	2025	2024
Selling and marketing*	$ 15	$ (37)
General and administrative	114	149
	$ 129	$ 112

*Selling and marketing expense was negative during the three months ended March 31, 2024 due to the forfeiture of awards during the period.

Stock Options

The following table summarizes stock option activity for the three months ended March 31, 2025:

	Number of Shares Under Option Plan	Weighted-Average Exercise Price per Option	Weighted-Average Remaining Contractual Term (in years)
Outstanding at January 1, 2025	521,726	$ 8.16	
Granted	—	$ —	
Forfeited and expired	—	$ —	
Outstanding at March 31, 2025	521,726	$ 8.16	7.6
Exercisable at March 31, 2025	231,467	$ 11.75	6.3
Vested and expected to vest at March 31, 2025	521,726	$ 8.16	7.6

As of March 31, 2025, the total unrecognized compensation expense related to unvested stock option awards was $0.9 million, which the Company expects to recognize over a weighted average period of approximately 2.2 years. The options outstanding and exercisable at March 31, 2025 had no intrinsic value.

Restricted Stock Units

Restricted stock units (“RSUs”) have historically been issued to certain board members. As of both March 31, 2025 and January 1, 2025, there were no unvested RSUs. No RSUs were granted, vested or forfeited during the three months ended March 31, 2025.

Note 10
Income Taxes:

The Company accounts for income taxes using the asset and liability method. The provision for income taxes includes federal, state, and local income taxes currently payable and deferred taxes resulting from temporary differences between the financial statement and tax bases of assets and liabilities. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

No income tax expense was incurred for the three months ended March 31, 2025 and 2024.

STRATA Skin Sciences, Inc. and Subsidiary
Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 11

Business and Geographical Reporting Segments:

The Company has organized its business into two operating segments to better align its organization based upon the Company's management structure, products and services offered, markets served and types of customers. The Dermatology Recurring Procedures segment derives its revenues from the usage of its equipment by dermatologists to perform XTRAC and TheraClear procedures. The Dermatology Procedures Equipment segment generates revenues from the sale of equipment, such as lasers and lamp products. The Company's chief operating decision maker ("CODM") is the chief executive officer. The CODM reviews financial information presented on an operating segment basis for the purposes of making certain operating decisions and assessing financial performance.

Unallocated operating expenses include costs that are not specific to a particular segment but are general to the group; included are expenses incurred for administrative and accounting staff, general liability and other insurance, professional fees and other similar corporate expenses. Interest and other financing income (expense) is also not allocated to the operating segments.

The following tables present results of operations from the Company's business segments for the periods indicated below (in thousands, except gross profit %):

Three Months Ended March 31, 2025	**Dermatology Recurring Procedures**	**Dermatology Procedures Equipment**	**Total**
Revenues, net	$ 4,727	$ 2,085	$ 6,812
Cost of revenues	2,049	1,116	3,165
Gross profit	2,678	969	3,647
Gross profit %	56.7%	46.5%	53.5%
Allocated expenses:			
Engineering and product development	66	30	96
Selling and marketing	2,077	916	2,993
Unallocated expenses	—	—	2,573
Total allocated and unallocated expenses	2,143	946	5,662
Income (loss) from operations	535	23	(2,015)
Interest expense	—	—	(486)
Interest income	—	—	69
Net income (loss)	$ 535	$ 23	$ (2,432)

Three Months Ended March 31, 2024	Dermatology Recurring Procedures	Dermatology Procedures Equipment	Total
Revenues, net	$ 4,696	$ 2,058	$ 6,754
Cost of revenues	2,195	1,479	3,674
Gross profit	2,501	579	3,080
Gross profit %	53.3%	28.1%	45.6%
Allocated expenses:			
Engineering and product development	196	45	241
Selling and marketing	2,753	265	3,018
Unallocated expenses	—	—	2,710
Total allocated and unallocated expenses	2,949	310	5,969
(Loss) income from operations	(448)	269	(2,889)
Interest expense	—	—	(524)
Interest income	—	—	45
Net (loss) income	$ (448)	$ 269	$ (3,368)

The following table presents depreciation and amortization by reportable segment for the periods indicated below (in thousands):

	Three Months Ended March 31,	
	2025	2024
Dermatology recurring procedures	$ 1,120	$ 1,114
Dermatology procedures equipment	100	132
Unallocated expenses	—	3
Total	$ 1,220	$ 1,249

The following tables present the Company's revenue disaggregated by geographical region for the periods indicated below (in thousands). Domestic refers to revenue from customers based in the United States, and foreign revenue is derived from the Company's distributors primarily in Asia.

Three Months Ended March 31, 2025	Dermatology Recurring Procedures	Dermatology Procedures Equipment	Total
Domestic	$ 4,248	$ 149	$ 4,397
China	—	834	834
Middle East	—	711	711
Other foreign	479	391	870
Total	$ 4,727	$ 2,085	$ 6,812

Three Months Ended March 31, 2024	Dermatology Recurring Procedures	Dermatology Procedures Equipment	Total
Domestic	$ 4,320	$ 141	$ 4,461
China	—	1,102	1,102
Middle East	—	430	430
Other foreign	376	385	761
Total	$ 4,696	$ 2,058	$ 6,754

The following table presents total assets by reportable segment (in thousands):

	March 31, 2025	December 31, 2024
Dermatology recurring procedures	$ 20,071	$ 21,750
Dermatology procedures equipment	5,798	5,081
Other unallocated assets	8,393	9,326
Total	$ 34,262	$ 36,157

Long-lived assets of $1.2 million and $1.3 million were located in international markets, primarily Korea and Japan, as of March 31, 2025 and December 31, 2024, respectively, with the remainder located in domestic markets.

Note 12
Significant Customer Concentrations:

The Company had two customers, international distributors from which the Company primarily earns dermatology procedures equipment revenues, that accounted for 10% or more of the Company's net revenues for the three months ended March 31, 2025. Revenues from these customers were $1.5 million, or 22.7%. Accounts receivable associated with these customers were $1.2 million, or 24.1%, of net accounts receivable as of March 31, 2025 and $1.3 million, or 25.0%, of net accounts receivable at December 31, 2024. Accounts receivable associated with one other customer which accounted for 10% or more of the Company's net accounts receivable as of March 31, 2025 and December 31, 2024 was $0.6 million, or 12.0%, and $0.9 million, or 17.2%, of net accounts receivable, respectively.

The Company had one customer, an international distributor from which the Company primarily earns dermatology procedures equipment revenues, that accounted for 10% or more of the Company's net revenues for the three months ended March 31, 2024. Revenues from this customer were $1.1 million, or 16.3%.

Note 13
Commitments and Contingencies:

Leases

The Company recognizes right-of-use assets ("ROU assets") and operating lease liabilities when it obtains the right to control an asset under a leasing arrangement with an initial term greater than 12 months. The Company adopted the short-term accounting election for leases with a duration of less than one year. The Company leases its facilities and certain IT and office equipment under non-cancellable operating leases. All of the Company's leasing arrangements are classified as operating leases with remaining lease terms ranging from one to five years.

In March 2024, the Company terminated the existing lease for its California facility and concurrently executed a new lease that effectively extended the term of the lease for five years, which has been accounted for as a lease modification. The ROU asset and operating lease liability were remeasured at the modification date, resulting in an increase to both balances of $1.0 million during the three months ended March 31, 2024. There were no lease modifications during the three months ended March 31, 2025.

Operating lease costs were $0.1 million for each of the three months ended March 31, 2025 and 2024. Cash paid for amounts included in the measurement of operating lease liabilities was $0.1 million for each of the three months ended March 31, 2025 and 2024. As of March 31, 2025, the weighted average incremental borrowing rate was 12.29% and the weighted average remaining lease term was 4.0 years.

The following table summarizes the Company's operating lease maturities as of March 31, 2025 (in thousands):

2025 (remaining)	$	345
2026		334
2027		290
2028		301
2029		232
Total remaining lease payments		1,502
Less: imputed interest		(336)
Total lease liabilities	$	1,166

Accrued State Sales and Use Tax Matters

The Company records state sales tax collected and remitted for its customers on dermatology procedures equipment sales on a net basis, excluded from revenue. The Company's sales tax expense that is not presently being collected and remitted for the recurring revenue business is recorded in general and administrative expenses within the condensed consolidated statements of operations.

The Company believes its state sales and use tax accruals have been properly recognized such that, if the Company's arrangements with customers are deemed more likely than not that the Company would not be exempt from sales tax in a particular state, the basis for measurement of the state sales and use tax is calculated in accordance with ASC 405, *Liabilities*, as a transaction tax. If and when the Company is successful in defending itself or in settling the sales tax obligation for a lesser amount, the reversal of this liability is to be recorded in the period the settlement is reached. However, the precise scope, timing, and time period at issue, as well as the final outcome of any audit and actual settlement, remains uncertain.

In the ordinary course of business, the Company is, from time to time, subject to audits performed by state taxing authorities. These actions and proceedings are generally based on the position that the arrangements entered into by the Company are subject to sales and use tax rather than exempt from tax under applicable law. The states of New York and California have assessed the Company an aggregate of $5.2 million including penalties and interest. The audits cover the period from March 2014 through November 2022. The Company received notification that an administrative state judge in New York issued an opinion finding in favor of the Company that the sale of XTRAC treatment codes was not taxable as sales tax with respect to that state's first assessment. This ruling covers $1.8 million of the total $5.2 million of assessments. The relevant taxing authority filed an appeal of the administrative law judge's finding and, following the submission of legal briefs by both sides and oral argument held in January 2022, on May 6, 2022, the Company received a written decision from the State of New York Appeals Tribunal ("Tribunal") overturning the favorable sales tax determination of the administrative law judge. The Company appealed the Tribunal's decision to the New York State Appellate Division ("Appellate Division"), and posted the required appellate bond in the form of cash collateral. Oral argument was held by the Appellate Division on January 18, 2024.

On March 8, 2024, the Company received a decision from the Appellate Division ruling against it in the matter of its sales tax appeal, affirming the Tribunal's ruling that the Company's sale of XTRAC treatment codes is subject to sales tax. The Appellate Division concluded that, through the usage arrangements, the Company's customers had possession of the laser devices and had a license and ability to use the laser devices. The Appellate Division also agreed with the Tribunal that the primary function analysis was not applicable in this matter. On April 11, 2024, the Company filed a motion for leave to appeal the Appellate Division's decision to the New York State Court of Appeals ("Court of Appeals"). On October 22, 2024, in an unsigned one-line decision, the Court of Appeals denied the Company's motion to appeal the Appellate Division ruling. Therefore, the adverse decision stands and New York will execute on the appellate bond the Company posted for $1.3 million. As of March 31, 2025, the Company has accrued $1.8 million including penalties and interest as a result of the Appellate Division ruling. The Company is in the administrative process of appeal with respect to the remaining $1.3 million of assessments in the State of New York. The Company believes that the Appellate Division ruling provides an avenue for challenging the pending audit periods and subsequent periods, provided the Company can show that the value of the equipment provided to customers is incidental to the overall value of the non-taxable services that are provided, or should be treated similarly to pharmaceutical treatments, which are generally exempt from sales tax.

The State of California has made aggregate assessments of $2.1 million including penalties and interest. The audits cover the period from June 2018 through June 2022. The Company is in the administrative process of appeal in this jurisdiction as well.

In those states where the Company did not or may not prevail with the defenses it has proposed, and in the event there is a determination that the true object of the Company's recurring revenue model is not exempt from sales taxes and is not a prescription medicine, or the Company does not have other defenses where the Company prevails, the Company may be subject to sales taxes in those particular states for previous years and in the future, plus potential interest and penalties. The precise scope, timing and time periods at issue, as well as the final outcomes of the investigations and judicial proceedings, remain uncertain. Accordingly, the Company's estimate may change from time to time, and actual losses could vary.

Contingent Consideration

In connection with the Company's acquisition of certain assets related to the TheraClear devices in 2022, Theravant Corporation ("Theravant") is eligible to receive up to $3.0 million in future earnout payments upon the achievement of certain annual net revenue milestones ($1.0 million of which is due upon the earlier of achieving a revenue target or July 2025), up to $20.0 million in future royalty payments based upon a percentage of gross profit from future domestic sales ranging from 10-20%, 25% of gross profit from international sales over the subsequent four-year period, and up to $0.5 million in future milestone payments upon the achievement of certain commercialization related targets. The Company has notified Theravant that it believes the earnout payments are not due and will not be due in the future. Theravant has disputed the Company's position, and the matter is under discussion among the signatories to the purchase agreement. Through March 31, 2025, the Company has incurred an aggregate of $0.2 million of royalty and gross profit payments based on gross profit from domestic and international sales.

Milestone Payments

In January 2022, the Company entered into a Development Agreement (the "Development Agreement") with Theravant. Under the Development Agreement, the Company was to reimburse Theravant for costs incurred in further developing certain TheraClear technology and other healthcare products and methods for the medical aesthetic marketplace. In connection with the development of three devices, Theravant was eligible to receive $0.5 million upon FDA clearance for each device and $0.5 million upon achievement of certain net revenue targets for each device, aggregating to $3.0 million of potential future milestone payments under the Development Agreement. The Development Agreement had a three-year term, unless terminated sooner by either party, and expired in January 2025. The Development Agreement was being accounted for separately from the TheraClear asset acquisition. No milestone payments were incurred under the Development Agreement, and the Company does not anticipate that any such payments may be due in the future.

Legal Matters

In the ordinary course of business, the Company is routinely a defendant in or party to pending and threatened legal actions and proceedings, including actions brought on behalf of various classes of claimants. These actions and proceedings are generally based on alleged violations of employment, contract, and other laws. In some of these actions and proceedings, claims for substantial monetary damages are asserted against the Company. In the ordinary course of business, the Company is also subject to regulatory and governmental examinations, information gathering requests, inquiries, investigations, and threatened legal actions and proceedings. In connection with formal and informal inquiries by federal, state, local and foreign agencies, the Company receives numerous requests, subpoenas and orders for documents, testimony, and information in connection with various aspects of its activities.

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations provides information about our results of operations, financial condition, liquidity and asset quality. This information is intended to facilitate your understanding and assessment of significant changes and trends related to our financial condition and results of operations. This discussion should be read in conjunction with our financial information in our Annual Report on Form 10-K for the year ended December 31, 2024 ("2024 Form 10-K"), and the unaudited condensed consolidated financial statements and notes to condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q (this "Report"). This discussion contains forward-looking statements that involve risks and uncertainties. These statements include, but are not limited to, statements about the plans, objectives, expectations and intentions of STRATA Skin Sciences, Inc., a Delaware corporation (referred to in this Report as "we," "us," "our," "STRATA" or "STRATA Skin Sciences") and can be identified by terminology such as the words "may," "should," "expect," "intend," "plan," "anticipate," "believe," "estimate," "predict," "will," "could," "project," "target," "potential," "continue" and similar expressions, and are intended to identify forward-looking statements, as such term is defined in the Private Securities Litigation Reform Act of 1995, and other statements contained in this Report that are not historical facts. Factors that could cause results to differ from those expressed in these forward-looking statements include, but are not limited to, the risks and uncertainties described or referenced in Part I, Item 1A. "Risk Factors," in the 2024 Form 10-K and in other of our public filings with the SEC, as well as the following:

- *forecasts of future business performance, consumer trends and macro-economic conditions;*
- *descriptions of market, competitive conditions, and competitive product introductions;*
- *descriptions of plans or objectives of management for future operations, products or services;*
- *actions by the U.S. Food and Drug Administration ("FDA") or other regulatory agencies with respect to our products or product candidates;*
- *changes to third-party reimbursement of laser treatments using our devices;*
- *our estimates regarding the sufficiency of our cash resources, expenses, capital requirements and needs for additional financing and our ability to obtain additional financing;*
- *our ability to protect our intellectual property and operate our business without infringing upon the intellectual property rights of others;*
- *anticipated results of existing or future litigation or government actions;*
- *health emergencies, the spread of infectious disease or pandemics; and*
- *descriptions or assumptions underlying or related to any of the above items.*

Although we believe that the expectations reflected in forward-looking statements are reasonable, such statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by forward-looking statements. These statements, like all statements in this Report, speak only as of their date (unless another date is indicated), and we undertake no obligation to update or revise these statements in light of future developments.

Introduction, Outlook and Overview of Business Operations

STRATA Skin Sciences is a medical technology company dedicated to developing, commercializing, and marketing innovative products for the treatment of dermatologic conditions. Its products include the XTRAC® and Pharos® excimer lasers and VTRAC® lamp systems utilized in the treatment of psoriasis, vitiligo, and various other skin conditions, as well as the TheraClear® X Acne Therapy System ("TheraClear") utilized in the treatment of acne-related skin conditions.

The XTRAC ultraviolet light excimer laser system is utilized to treat psoriasis, vitiligo, and other skin diseases. The XTRAC excimer laser system received clearance from the FDA in 2000 and has since become a widely recognized treatment among dermatologists. The system delivers targeted 308nm ultraviolet light to affected areas of skin, leading to psoriasis clearing and vitiligo repigmentation, following a series of treatments. As of March 31, 2025, there were 846 XTRAC systems placed in dermatologists' offices in the United States under our dermatology recurring procedures model, a decrease from 864 as of December 31, 2024. Under the dermatology recurring procedures model, the XTRAC system is placed in a physician's office and fees are charged on a per procedure basis or a fee is charged on a periodic basis not to exceed an agreed upon number of procedures. The XTRAC system's use for psoriasis is covered by nearly all major insurance companies, including Medicare. The VTRAC Excimer Lamp system, offered internationally in addition to the XTRAC, provides targeted therapeutic efficacy demonstrated by excimer technology with the simplicity of design and reliability of a lamp system. The Pharos excimer laser system holds FDA clearance to treat chronic skin diseases, including psoriasis, vitiligo, atopic dermatitis, and leukoderma. We believe there are approximately 8 million people in the United States and up to 125 million people worldwide suffering from psoriasis, and 1% to 2% of the world's population suffers from vitiligo.

The TheraClear® X Acne Therapy System combines intense pulsed light with vacuum (suction) for the treatment of mild to moderate inflammatory acne (including acne vulgaris), comedonal acne and pustular acne. The TheraClear device was cleared by the FDA through the 510(k) process. Currently, there is little insurance reimbursement coverage for acne treatments, such as those provided by TheraClear.

Our non-U.S. business focuses on a direct distribution model for equipment sales and recurring revenue, and we have distribution agreements in place in the Mid-East, Asia, and Mexico.

Post-COVID-19 Pandemic

In late 2019, there was an outbreak of a new strain of coronavirus ("COVID-19") which became a global pandemic. Since March 2020, the COVID-19 pandemic has negatively impacted business conditions in the industry in which we operate, disrupted global supply chains, constrained workforce participation, and created significant volatility and disruption of financial markets. The pandemic led to the suspension of elective procedures in the U.S. and to the temporary closure of many physician practices, which are our primary customers. While most physician offices have reopened, some of our partner physician practices closed permanently, and the impact of the COVID-19 pandemic and its variants on our operational and financial performance, including our ability to execute our business strategies and initiatives in the expected time frames is ongoing. We will continue to identify and plan around potential future pandemics and disruptions to our business.

Impact of Russia-Ukraine War

Prior to the outbreak of the Russia-Ukraine War, Ukraine was the largest exporter of noble gases including neon, krypton, and xenon and has historically been the source of a significant amount of gas supplied to us by our contract suppliers. Neon gas is essential to the proper functioning of our lasers. Our suppliers have been resourceful in continuing to supply gases to us but cannot assure us that the supply will not remain uninterrupted. The reduced supply and ongoing conflict have also impacted the price of gas worldwide. Additionally, the Creating Helpful Incentives to Produce Semiconductors and Science Act of 2022 has led to a further tightening of rare gas supplies as semiconductor chip manufacturers reconfigure their supply chains to address the need to secure their own supplies of rare gases for use in the manufacture of computer chips.

Impact of Middle East Conflict

We have not seen an impact on our distributors' businesses in the Middle East due to the Middle East conflict, but cannot predict the impact should the conflict continue or develop into a larger war.

Key Technologies

- *XTRAC® Excimer Laser.* XTRAC received FDA clearance in 2000 and has since become a widely recognized treatment among dermatologists for psoriasis and other skin diseases. The XTRAC System delivers ultra-narrowband ultraviolet B ("UVB"**)** light to affected areas of skin. Following a series of treatments typically performed twice weekly, psoriasis remission can be achieved, and vitiligo patches can be re-pigmented. XTRAC is endorsed by the National Psoriasis Foundation, and its use for psoriasis is covered by nearly all major insurance companies, including Medicare. We estimate that more than half of all major insurance companies now offer reimbursement for vitiligo as well.

- In the third quarter of 2018, we announced the FDA granted clearance for our Multi Micro Dose (MMD) tip for our XTRAC excimer laser. The MMD Tip accessory is indicated for use in conjunction with the XTRAC laser system to filter the Narrow Band UVB ("NB-UVB") light at delivery in order to calculate and individualize the maximum non-blistering dose for a particular patient.

- In January 2020, we announced the FDA granted clearance of our XTRAC Momentum Excimer Laser Platform. In February 2022, we announced the commercial launch, with the first installation in the U.S. market, of our next generation excimer laser system, XTRAC Momentum® 1.0.

- *VTRAC® Lamp.* VTRAC received FDA clearance in 2005 and provides targeted therapeutic efficacy demonstrated by excimer technology with the simplicity of design and reliability of a lamp system.

- *TheraClear® X Acne Treatment Device.* The TheraClear® Acne Therapy System combines intense pulsed light with vacuum (suction) for the treatment of mild to moderate inflammatory acne (including acne vulgaris), comedonal acne and pustular acne.

Critical Accounting Estimates

The preparation of our financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and the rules and regulations of the SEC requires us to make estimates and assumptions, based on judgments considered reasonable, which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We base our estimates and assumptions on historical experience, known trends and events and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Although we believe our estimates and assumptions are reasonable when made, they are based upon information available to us at the time they are made. We evaluate our estimates and assumptions on an ongoing basis and, if necessary, make adjustments. Due to the risks and uncertainties involved in our business and evolving market conditions and given the subjective element of the estimates and assumptions made, actual results may differ from estimated results.

We define our critical accounting estimates as those accounting policies that are most important to the portrayal of our financial condition and results of operations and require our most difficult and subjective judgments. Critical accounting estimates made in accordance with such policies are regularly discussed with our Audit Committee. Those policies are discussed under "Critical Accounting Policies and Estimates," as well as in our consolidated financial statements and the footnotes thereto, included in the 2024 Form 10-K, and include revenue recognition, contingent consideration, goodwill and intangible impairments, and sales and use taxes. There have been no changes to our critical accounting policies in the three months ended March 31, 2025.

Results of Operations

Revenues

The following table presents revenues from our two business segments for the periods presented below (in thousands):

	Three Months Ended March 31,	
	2025	**2024**
Dermatology recurring procedures	$ 4,727	$ 4,696
Dermatology procedures equipment	2,085	2,058
Total revenues	$ 6,812	$ 6,754

Dermatology Recurring Procedures

Recognized recurring treatment revenue for the three months ended March 31, 2025 was $4.7 million, which we estimate is approximately 54,000 XTRAC treatments with prices between $65 to $95 per treatment, compared to recognized recurring treatment revenue for the three months ended March 31, 2024 of $4.7 million, which we estimate is approximately 65,000 XTRAC treatments with prices between $65 to $95 per treatment. Subsequent to the launch of the TheraClear Acne Therapy System, there were 160 and 104 TheraClear devices placed in dermatologists' offices in the United States under our recurring procedures model as of March 31, 2025 and 2024, respectively.

Increases in procedures are dependent upon building market acceptance through marketing programs with our physician partners and their patients to show that the XTRAC procedures will be of clinical benefit and will be generally reimbursed by insurers. We believe that several factors have an impact on the prescribed use of XTRAC treatments for psoriasis and vitiligo patients. Specifically, we believe that there is a lack of awareness of the positive effects of XTRAC treatments among both sufferers and providers; and the treatment regimen, which can sometimes require up to 12 or more treatments, has limited XTRAC use to certain patient populations. We reduced our direct-to-patient advertising over the course of 2023, which we believe contributed to a reduction in the number of XTRAC treatments compared to prior periods that continued into 2024. Therefore, our strategy going forward is to continue to increase our direct-to-patient program for XTRAC advertising in the United States, targeting psoriasis and vitiligo patients through a variety of media and through our use of social media such as Facebook and X (formerly Twitter), and aimed at motivating them to seek out XTRAC treatments from our physician partners. We monitor the results of our advertising expenditures in this area in order to effectively reach the more than 10 million patients in the United States we believe are afflicted with these diseases.

Revenues from dermatology recurring procedures are recognized over the estimated usage period of the agreed upon number of treatments, as the treatments are being used. As of March 31, 2025 and 2024, we deferred domestic net revenues of $1.6 million and $1.9 million, respectively, which will be recognized as revenue over the remaining usage period for the related placements. Less revenue from the first quarter of 2025 was deferred into the second quarter of 2025, which positively impacted that quarter, as compared to the first quarter of 2024, when more revenue from that quarter was deferred into the second quarter of 2024.

Dermatology Procedures Equipment

For the three months ended March 31, 2025, dermatology procedures equipment revenues were $2.1 million. Internationally, we sold 18 systems (15 XTRAC and three VTRAC) during the three months ended March 31, 2025. Domestically, there were no XTRAC systems sold during the three months ended March 31, 2025.

For the three months ended March 31, 2024, dermatology procedures equipment revenues were $2.1 million. Internationally, we sold 16 systems (13 XTRAC and three VTRAC) during the three months ended March 31, 2024. Domestically, we sold one XTRAC system during the three months ended March 31, 2024. In addition to equipment sales, we recognized approximately $30.0 thousand of previously deferred service revenue associated with assumed service contracts in connection with the Pharos asset acquisition during the three months ended March 31, 2024.

Cost of Revenues

The following table presents cost of revenues from our two business segments for the periods listed below (in thousands):

	Three Months Ended March 31,	
	2025	2024
Dermatology recurring procedures	$ 2,049	$ 2,195
Dermatology procedures equipment	1,116	1,479
Total cost of revenues	$ 3,165	$ 3,674

Gross Profit Analysis

The following table presents changes in our gross profit for the periods presented below:

Company Profit Analysis

(in thousands, except percentages)	Three Months Ended March 31, 2025	2024
Revenues, net	$ 6,812	$ 6,754
Cost of revenues	3,165	3,674
Gross profit	$ 3,647	$ 3,080
Gross profit percentage	53.5%	45.6%

Gross profit increased to $3.6 million for the three months ended March 31, 2025 from $3.1 million during the same period in 2024. As a percentage of revenues, gross profit was 53.5% for the three months ended March 31, 2025, as compared to 45.6% for the same period in 2024. The increase in gross profit percentage compared to the same period in the prior year was primarily the result of our use of refurbished parts, which have a lower cost of revenues than new parts, in connection with our stated plan to remove devices from underperforming accounts and refurbish those devices for future repairs use, and the write-off of inventories in 2024 related to the Pharos laser system products that will no longer be needed for warranty purposes due to the expiration of the related warranty service contracts during the three months ended March 31, 2024.

Dermatology Recurring Procedures

(in thousands, except percentages)	Three Months Ended March 31, 2025	2024
Revenues, net	$ 4,727	$ 4,696
Cost of revenues	2,049	2,195
Gross profit	$ 2,678	$ 2,501
Gross profit percentage	56.7%	53.3%

Gross profit for dermatology recurring procedures increased to $2.7 million for the three months ended March 31, 2025 from $2.5 million during the same period in 2024. As a percentage of revenues, gross profit was 56.7% for the three months ended March 31, 2025, as compared to 53.3% for the same period in 2024. The increase in gross profit percentage compared to the same period in the prior year was primarily the result of our use of refurbished parts, which have a lower cost of revenues than new parts, in connection with our stated plan to remove devices from underperforming accounts and refurbish those devices for future repairs use.

Dermatology Procedures Equipment

(in thousands, except percentages)	Three Months Ended March 31, 2025	2024
Revenues, net	$ 2,085	$ 2,058
Cost of revenues	1,116	1,479
Gross profit	$ 969	$ 579
Gross profit percentage	46.5%	28.1%

Gross profit for dermatology procedures equipment increased to $1.0 million for the three months ended March 31, 2025 from $0.6 million during the same period in 2024. As a percentage of revenues, gross profit was 46.5% for the three months ended March 31, 2025, as compared to 28.1% for the same period in 2024. The increase in gross profit percentage compared to the same period in the prior year was primarily the result of the write-off of inventories related to the Pharos laser system products that will no longer be needed for warranty purposes due to the expiration of the related warranty service contracts during the three months ended March 31, 2024 and a discount on the sale of certain lasers to an international distributor during the three months ended March 31, 2024.

Engineering and Product Development

For the three months ended March 31, 2025, engineering and product development expenses were $0.1 million as compared to $0.2 million for the three months ended March 31, 2024. Engineering and product development costs were lower during the three-month period in 2025 primarily as a result of a decrease in salaries and outside services.

Selling and Marketing Expenses

For each of the three months ended March 31, 2025 and 2024, selling and marketing expenses were $3.0 million, with a decrease in employee related expenses offset by an increase in expenses related to our direct-to-patient advertising campaign aimed at motivating psoriasis and vitiligo patients to seek out XTRAC treatments from our physician partners.

General and Administrative Expenses

For the three months ended March 31, 2025, general and administrative expenses were $2.6 million as compared to $2.7 million for the three months ended March 31, 2024. General and administrative expenses were lower during the three-month period in 2025 primarily as a result of a decrease in salaries and compensation related expenses.

Interest Expense

For each of the three months ended March 31, 2025 and 2024, interest expense was $0.5 million, as there was no significant change in the principal balance or interest rate associated with our Senior Term Facility.

Non-GAAP Financial Measures

We have determined to supplement our condensed consolidated financial statements, prepared in accordance with U.S. GAAP, presented elsewhere within this Report, with certain non-GAAP measures of financial performance. These non-GAAP measures include non-GAAP adjusted EBITDA, “Earnings Before Interest, Taxes, Depreciation, and Amortization.”

This non-GAAP disclosure has limitations as an analytical tool, should not be viewed as a substitute for Net Earnings (Loss) determined in accordance with U.S. GAAP, and should not be considered in isolation or as a substitute for analysis of the Company’s results as reported under U.S. GAAP, nor is it necessarily comparable to non-GAAP performance measures that may be presented by other companies. We consider these non-GAAP measures in addition to our results prepared under current accounting standards, but they are not a substitute for, nor superior to, U.S. GAAP measures. These non-GAAP measures are provided to enhance readers’ overall understanding of our current financial performance and to provide further information for comparative purposes. This supplemental presentation should not be construed as an inference that our future results will be unaffected by similar adjustments to Net Earnings (Loss) determined in accordance with U.S. GAAP. Specifically, we believe the non-GAAP measures provide useful information to management and investors by isolating certain expenses, gains and losses that may not be indicative of our core operating results and business outlook. In addition, we believe non-GAAP measures enhance the comparability of results against prior periods.

Reconciliation to the most directly comparable U.S. GAAP measure of all non-GAAP measures included in this Report is as follows (in thousands):

	Three Months Ended March 31,	
	2025	2024
Net loss	$ (2,432)	$ (3,368)
Adjustments:		
Depreciation and amortization	1,220	1,249
Amortization of operating lease right-of-use assets	85	95
Loss on disposal of property and equipment	34	13
Interest expense, net	417	479
Non-GAAP EBITDA	(676)	(1,532)
Stock-based compensation expense	129	112
Inventory write-off	—	141
Non-GAAP adjusted EBITDA	$ (547)	$ (1,279)

Liquidity and Capital Resources

As of March 31, 2025, we had working capital of $0.7 million compared to working capital of $2.0 million as of December 31, 2024. The change in working capital was primarily the result of a decreases in cash and cash equivalents, offset by increases in inventories and accounts payable. Cash and cash equivalents and restricted cash were $7.8 million as of March 31, 2025, as compared to $8.6 million as of December 31, 2024.

In September 2021, we entered into the Senior Term Facility with MidCap, also acting as the administrative agent, and the lenders identified therein and borrowed $8.0 million in the form of a senior term loan. The term loan bore interest at LIBOR (with a LIBOR floor rate of 0.50%) plus 7.50% per year. In September 2022, we amended the credit facility to transition, upon the cessation of LIBOR, to bear interest at one-month Secured Overnight Financing Rate ("SOFR"), or such other applicable period, plus 0.10%, with a floor of 0.50%. In June 2023, we amended the credit facility to: (i) refinance our existing $8.0 million term loan, (ii) borrow an additional $7.0 million, and (iii) provide for an additional $5.0 million tranche that could have been drawn under certain conditions in 2024. The facility matures on June 1, 2028. Borrowings under the credit facility bear interest at a rate per annum equal to the sum of (a) the greater of (i) the sum of (A) 30-day forward-looking term rate of one month SOFR, as published by CME Group Benchmark Administration Limited, from time to time, plus (B) 0.10%, and (ii) the applicable floor rate of 3.50%, with such sum reset monthly, and (b) 7.50%. We are obligated to make interest-only payments through June 2026. From July 2026 to maturity, we will make principal payments in 24 equal installments. We also amended and restated the existing warrant to allow MidCap to purchase 80,000 shares of our common stock at an exercise price of $8.80 per share for a 10-year period ending June 30, 2033. The loan is senior to all other indebtedness and is secured by substantially all of our assets. We are subject to customary affirmative and negative covenants, including a financial covenant based on minimum net revenue thresholds. Upon an event of default, including a covenant violation, all principal and interest are due on demand.

In February 2024, the parties amended the credit facility to, among other things, revise the applicable minimum net revenue threshold financial covenant. For the trailing 12-month period ended March 31, 2025, this amount was set at $30.5 million, increasing to $33.0 million as set forth in such amendment for the trailing 12-month periods thereafter. In March 2024, the credit facility was further amended (as amended to date, "Senior Term Facility") to clarify certain provisions related to the maintenance of cash collateral accounts.

In January 2022, we acquired certain assets related to the TheraClear devices from Theravant Corporation ("Theravant"). Theravant is eligible to receive up to $3.0 million in future earnout payments upon the achievement of certain annual net revenue milestones ($1.0 million of which is due upon the earlier of achieving a revenue target or July 2025), up to $20.0 million in future royalty payments based upon a percentage of gross profit from future domestic sales ranging from 10-20%, 25% of gross profit from international sales over the subsequent four-year period, and up to $0.5 million in future milestone payments upon the achievement of certain development and commercialization related targets. Through March 31, 2025, we have incurred an aggregate of $0.2 million of royalty and gross profit payments based on gross profit from domestic and international sales.

In October 2021, we entered into an equity distribution agreement with an investment bank under which we may sell up to $11.0 million of our shares of common stock in registered "at-the-market" offerings. The shares will be offered at prevailing market prices, and we will pay commissions of up to 3.00% of the gross proceeds from the sale of shares sold through our agent, which may act as an agent and/or principal. We have no obligation to sell any shares under this agreement and may, at any time, suspend solicitations under this agreement. In July 2024, we sold 665,136 shares of our common stock for gross proceeds of approximately $2.1 million. As of March 31, 2025, we may sell up to an additional $8.9 million shares of our common stock under this distribution agreement.

We cannot predict our revenues and expenses in the short term as a result of potential future pandemics, the ongoing Russia-Ukraine war, the Middle East conflict, changes in U.S. trade policies, supply chain disruptions, rising interest rates and related responses by our customers and our ultimate consumers as a result thereof. Based on our current business plan, we believe that our cash and cash equivalents, combined with the anticipated revenues from the sale or use of our products and operating expense management, will be sufficient to satisfy our working capital needs, capital asset purchases, outstanding commitments and other liquidity requirements associated with our existing operations for at least the next 12 months following the date of the issuance of these interim condensed consolidated financial statements. However, if these sources are insufficient to satisfy our liquidity requirements, we may seek to sell additional debt or equity securities or enter into a new credit facility or another form of third-party funding or seek other debt financing. If we raise additional funds by issuing equity or equity-linked securities, our stockholders would experience dilution and any new equity securities could have rights, preferences, and privileges superior to those of holders of our common stock. Debt financing, if available, may involve covenants restricting our operations or our ability to incur additional debt. We cannot be assured that additional equity, equity-linked or debt financing will be available on terms favorable to us or our stockholders, or at all. It is also possible that we may allocate significant amounts of capital towards products or technologies for which market demand is lower than expected and, as a result, abandon such efforts. If we are unable to maintain our current financing or obtain adequate additional financing when we require it, or if we obtain financing on terms which are not favorable to us, or if we expend capital on products or technologies that are unsuccessful, our ability to continue to support our business growth and to respond to business challenges could be significantly limited, or we may be required to delay the development, commercialization and marketing of our products.

Net cash used in operating activities was $0.6 million for the three months ended March 31, 2025, compared to net cash used in operating activities of $0.8 million for the three months ended March 31, 2024. The decrease in cash used in operating activities is primarily the result of a decrease in the net loss of approximately $0.9 million, partially offset by an increase in cash used by changes in current balance sheet accounts in the ordinary course of business of approximately $0.6 million, primarily due to a decrease of $0.6 million from accounts receivable due to increased sales to international customers who take longer to pay.

Net cash used in investing activities was $0.2 million for the three months ended March 31, 2025, compared to net cash used in investing activities of $0.7 million for the three months ended March 31, 2024. The decrease is primarily the result of a greater emphasis on refurbishing units that have been recalled from underperforming accounts as part of our stated plan to realign devices, which has a lower cost than building new units.

There was no net cash from financing activities for the three months ended March 31, 2025, compared to net cash used by financing activities of $18.0 thousand for the three months ended March 31, 2024. The financing activity for the three months ended March 31, 2024 was due to our payment of contingent consideration to Theravant.

Commitments and Contingencies
A description of our commitments and contingencies is discussed in Note 12, **Commitments and Contingencies** to the Notes to unaudited condensed consolidated financial statements.

Recently Issued Accounting Pronouncements
A description of recently issued accounting pronouncements that may potentially impact our financial position and results of operations is disclosed in Note 1, **Basis of presentation** to the Notes to unaudited condensed consolidated financial statements.

Off-Balance Sheet Arrangements
The Company did not have any off-balance sheet arrangements as of March 31, 2025.

ITEM 3. Quantitative and Qualitative Disclosure about Market Risk

Not applicable.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures, (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"), as of March 31, 2025. Based on that evaluation, management has concluded that, as of such date, our disclosure controls and procedures were not effective at the reasonable assurance level because of a material weakness in our internal control over financial reporting that had not yet been remediated at March 31, 2025. As of December 31, 2024, management identified a material weakness in our internal controls over financial reporting related to a lack of detailed management review of account reconciliations and account analyses, including those prepared by third-party specialists. In order to remediate this material weakness, we are improving our processes and controls, including senior management review, to achieve accurate financial accounting, reporting and disclosures.

Limitations of Internal Control System

Because of the inherent limitations in a cost-effective control system, no evaluation of internal control over financial reporting can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our company have been detected. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud.

Changes in Internal Control over Financial Reporting

Other than in connection with executing on the continued implementation of the remediation measures referenced above, there have been no changes in our internal control over financial reporting in our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - Other Information

ITEM 1. Legal Proceedings

From time to time in the ordinary course of our business, we may be a party to certain legal proceedings, incidental to the normal course of our business. These may include controversies relating to contract claims and employment related matters, some of which claims may be material, in which case, we will make separate disclosure as required. For the three months ended March 31, 2025, there have been no reportable legal proceedings or material developments to previously reported legal proceedings.

ITEM 1A. Risk Factors

In addition to the risk factor described below, a description of the risks associated with our business, financial conditions and results of operations is set forth in Item 1A of our 2024 Form 10-K for the fiscal year ended December 31, 2024 and filed with the SEC on March 28, 2025.

Changes in the United States trade policy, including the impact of recently announced baseline tariffs, may have a material adverse effect on our business and results of operations.

In recent months, the U.S. government has signaled changes to its trade policy, including an intent to proceed with the imposition of tariffs on countries with which the U.S. trades, which could lead to corresponding punitive actions and retaliatory tariffs by such countries. For example, on April 2, 2025, the U.S. government announced a baseline tariff of 10% on products from all countries and an additional country-specific tariff on an incremental number of other countries. On April 9, 2025, the U.S. government announced a 90-day delay in the enforcement of the previously announced country-specific tariffs, however the 10% baseline tariff remains in place for all countries.

These tariff and fee announcements have been followed by announcements of specific exemptions and temporary pauses, as well as retaliatory tariffs and trade restrictions, resulting in additional uncertainty in our business. These actions may further boost U.S. inflation, resulting in an increase in the cost of manufacturing our products, reduced customer purchasing power, declining consumer confidence, increased price pressure, and reduced or cancelled orders and increased supply chain costs.

ITEM 5. Other Information

During the quarter ended March 31, 2025, none of our directors or officers (as defined in Section 16 of the Securities Exchange Act of 1934, as amended) adopted or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement” (each as defined in Item 408(a) and (c) of Regulation S-K).

ITEM 6. EXHIBITS

16.1	Letter from Marcum LLP to the Securities and Exchange Commission dated April 25, 2025 (incorporated by reference to Exhibit 16.1 in our Form 8-K filed on April 25, 2025).
31.1	Rule 13a-14(a) Certificate of Chief Executive Officer
31.2	Rule 13a-14(a) Certificate of Chief Accounting Officer
32.1*	Certifications of Chief Executive Officer and Chief Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* The certifications attached as Exhibit 32.1 accompany this Quarterly Report on Form 10-Q pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed "filed" by the Registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

SIGNATURES

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

STRATA SKIN SCIENCES, INC.

Date May 14, 2025

By: /s/ Dolev Rafaeli
Name: Dolev Rafaeli
Title: President & Chief Executive Officer
(Principal Executive Officer)

Date May 14, 2025

By: /s/ John Gillings
Name: John Gillings
Title: Chief Accounting Officer
(Principal Financial Officer)

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Dolev Rafaeli, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of STRATA Skin Sciences, 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

STRATA SKIN SCIENCES, INC.

Dated: May 14, 2025

By: /s/ Dolev Rafaeli
Dolev Rafaeli
President & Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, John Gillings, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of STRATA Skin Sciences, 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

STRATA SKIN SCIENCES, INC.

Dated: May 14, 2025

By: /s/ John Gillings
John Gillings
Chief Accounting Officer

Exhibit 32.1

SECTION 906 CERTIFICATION

CERTIFICATION (1)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350, as adopted), Dolev Rafaeli, the President and Chief Executive Officer of STRATA Skin Sciences, Inc. (the "Company"), and John Gillings, the Chief Accounting Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2025, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, and

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

Dated: May 14, 2025

/s/ Dolev Rafaeli	/s/ John Gillings
Dolev Rafaeli	John Gillings
President & Chief Executive Officer	Chief Accounting Officer

(1) This certification accompanies the Annual Report on Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of STRATA Skin Sciences, Inc. under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing. A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to STRATA Skin Sciences, Inc. and will be retained by STRATA Skin Sciences, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.