

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 September 30, 2025

OR

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

Commission file number: 000-51481

STRATA SKIN SCIENCES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of incorporation or Organization)

13-3986004

(I.R.S. Employer Identification No.)

5 Walnut Grove Drive, Suite 140, Horsham, Pennsylvania

(Address of principal executive offices)

19044

(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 November 10, 2025 was 5,888,199 shares.

TABLE OF CONTENTS

	<u>Page</u>
Part I. FINANCIAL INFORMATION	
Item 1. Financial Statements:	
Condensed Consolidated Balance Sheets as of September 30, 2025 (unaudited) and December 31, 2024	1
Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2025 and 2024 (unaudited)	2
Condensed Consolidated Statements of Changes in Stockholders' Equity for the Three and Nine Months Ended September 30, 2025 and 2024 (unaudited)	3
Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2025 and 2024 (unaudited)	4
Notes to Condensed Consolidated Financial Statements (unaudited)	5
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	29
Item 3. Quantitative and Qualitative Disclosure about Market Risk	39
Item 4. Controls and Procedures	39
Part II. OTHER INFORMATION	
Item 1. Legal Proceedings	41
Item 1A. Risk Factors	41
Item 5. Other Information	41
Item 6. Exhibits	42
Signatures	42
Certifications	

PART I - Financial Information**ITEM 1. Financial Statements**

STRATA Skin Sciences, Inc. and Subsidiary
Condensed Consolidated Balance Sheets
As of September 30, 2025 and December 31, 2024
(in thousands, except share and per share data)

	<u>September 30, 2025</u> <i>(unaudited)</i>	<u>December 31, 2024</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,076	\$ 7,261
Restricted cash	—	1,334
Accounts receivable, net of allowance for credit losses of \$538 and \$433 at September 30, 2025 and December 31, 2024, respectively	3,504	5,253
Inventories	3,058	2,246
Prepaid expenses and other current assets	634	501
Total current assets	<u>14,272</u>	<u>16,595</u>
Property and equipment, net	9,557	10,061
Operating lease right-of-use assets	1,005	1,264
Intangible assets, net	4,223	5,348
Goodwill	1,429	1,429
Other assets	231	231
Total assets	<u>\$ 30,717</u>	<u>\$ 34,928</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$ 1,875	\$ —
Accounts payable	2,955	2,433
Accrued expenses and other current liabilities	6,210	7,364
Deferred revenues	2,551	2,241
Current portion of operating lease liabilities	266	328
Current portion of contingent consideration	1,176	1,030
Total current liabilities	<u>15,033</u>	<u>13,396</u>
Long-term debt, net	13,435	15,192
Deferred revenues and other liabilities	199	353
Operating lease liabilities, net of current portion	736	919
Contingent consideration, net of current portion	—	96
Total liabilities	<u>29,403</u>	<u>29,956</u>
Commitments and contingencies (Note 15)		
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; 5,268,708 and 4,171,161 shares issued and outstanding at September 30, 2025 and December 31, 2024, respectively.	5	4
Additional paid-in capital	255,772	253,112
Accumulated deficit	(254,463)	(248,144)
Total stockholders' equity	<u>1,314</u>	<u>4,972</u>
Total liabilities and stockholders' equity	<u>\$ 30,717</u>	<u>\$ 34,928</u>

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

STRATA Skin Sciences, Inc. and Subsidiary
Condensed Consolidated Statements of Operations
For the Three and Nine Months Ended September 30, 2025 and 2024
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Revenues, net	\$ 6,929	\$ 8,797	\$ 21,404	\$ 23,986
Cost of revenues	2,745	3,511	9,137	10,527
Gross profit	4,184	5,286	12,267	13,459
Operating expenses:				
Engineering and product development	172	243	354	683
Selling and marketing	3,201	3,027	9,857	9,215
General and administrative	2,668	3,621	7,928	8,531
Settlement gains	(684)	—	(684)	—
Total operating expenses	5,357	6,891	17,455	18,429
Loss from operations	(1,173)	(1,605)	(5,188)	(4,970)
Other income (expense):				
Interest expense	(498)	(537)	(1,475)	(1,592)
Interest income	49	68	344	167
Other income	—	—	—	864
Total other expense	(449)	(469)	(1,131)	(561)
Net loss	\$ (1,622)	\$ (2,074)	\$ (6,319)	\$ (5,531)
Net loss per share of common stock, basic and diluted	\$ (0.36)	\$ (0.51)	\$ (1.48)	\$ (1.50)
Weighted average shares of common stock outstanding, basic and diluted	4,481,337	4,038,988	4,275,689	3,684,976

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 and Nine Months Ended September 30, 2025 and 2024
(in thousands, except share data)
(unaudited)

	<u>Common Stock</u>		<u>Additional Paid-in- Capital</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>			
Balance at January 1, 2025	4,171,161	\$ 4	\$ 253,112	\$ (248,144)	\$ 4,972
Stock-based compensation expense	—	—	129	—	129
Net loss	—	—	—	(2,122)	(2,122)
Balance at March 31, 2025	4,171,161	4	253,241	(250,266)	2,979
Stock-based compensation expense	—	—	128	—	128
Net loss	—	—	—	(2,575)	(2,575)
Balance at June 30, 2025	4,171,161	4	253,369	(252,841)	532
Stock-based compensation expense	—	—	212	—	212
Sale of common stock, net of offering costs	1,097,547	1	2,191	—	2,192
Net loss	—	—	—	(1,622)	(1,622)
Balance at September 30, 2025	<u>5,268,708</u>	<u>\$ 5</u>	<u>\$ 255,772</u>	<u>\$ (254,463)</u>	<u>\$ 1,314</u>
	<u>Common Stock</u>		<u>Additional Paid-in- Capital</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>			
Balance at January 1, 2024	3,506,025	\$ 4	\$ 250,742	\$ (238,058)	\$ 12,688
Stock-based compensation expense	—	—	112	—	112
Net loss	—	—	—	(3,366)	(3,366)
Balance at March 31, 2024	3,506,025	4	250,854	(241,424)	9,434
Stock-based compensation expense	—	—	163	—	163
Net loss	—	—	—	(91)	(91)
Balance at June 30, 2024	3,506,025	4	251,017	(241,515)	9,506
Stock-based compensation expense	—	—	26	—	26
Sale of common stock, net of offering costs	665,136	—	1,943	—	1,943
Net loss	—	—	—	(2,074)	(2,074)
Balance at September 30, 2024	<u>4,171,161</u>	<u>\$ 4</u>	<u>\$ 252,986</u>	<u>\$ (243,589)</u>	<u>\$ 9,401</u>

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
For the Nine Months Ended September 30, 2025 and 2024
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2025	2024
Cash flows from operating activities:		
Net loss	\$ (6,319)	\$ (5,531)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,302	3,738
Amortization of operating lease right-of-use assets	259	255
Amortization of deferred financing costs and debt discount	118	109
Change in allowance for credit losses	116	(40)
Stock-based compensation expense	469	301
Loss on disposal of property and equipment	83	38
Settlement gains	(684)	—
Inventory write-off	—	141
Changes in operating assets and liabilities:		
Accounts receivable	1,633	37
Inventories	(630)	14
Prepaid expenses and other assets	(133)	15
Accounts payable	474	(1,638)
Accrued expenses and other liabilities	(1,200)	2,118
Deferred revenues	202	170
Operating lease liabilities	(245)	(242)
Net cash used in operating activities	(2,555)	(515)
Cash flows from investing activities:		
Purchase of property and equipment	(1,156)	(1,132)
Net cash used in investing activities	(1,156)	(1,132)
Cash flows from financing activities:		
Payment of contingent consideration	—	(18)
Sale of common stock, net of offering costs	2,192	1,943
Net cash provided by financing activities	2,192	1,925
Net (decrease) increase in cash, cash equivalents and restricted cash	(1,519)	278
Cash, cash equivalents and restricted cash at beginning of period	8,595	8,118
Cash, cash equivalents and restricted cash at end of period	\$ 7,076	\$ 8,396
Cash and cash equivalents	\$ 7,076	\$ 7,062
Restricted cash	—	1,334
Total cash, cash equivalents and restricted cash	\$ 7,076	\$ 8,396
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 1,366	\$ 1,490
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	\$ 182	\$ 226
Accrued payment of contingent consideration	\$ —	\$ 44
Property and equipment included in accounts payable	\$ 98	\$ —
Accrued exit fee recorded as debt discount	\$ —	\$ 150

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 September 30, 2025, there were 838 XTRAC systems placed in dermatologists’ offices in the United States and 51 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. The Company has 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.

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

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.

Impact of Tariffs

In 2025, the U.S. introduced trade policy actions that have increased import tariffs across a wide range of countries at various rates, with certain exemptions. To the extent that trade tariffs and other restrictions imposed by the U.S. or other countries increase the price of, or limit the amount of, the Company's products or components or materials used in its products imported into the U.S., or create adverse tax consequences, the revenues, costs, or gross profit of the Company's products and services, primarily in the Dermatology Procedures Equipment segment, may be adversely affected and the demand from its customers may be diminished. Uncertainty surrounding international trade policy and regulations as well as disputes and protectionist measures could also have an adverse effect on consumer confidence and spending and may impact the Company's results of operations.

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 nine months ended September 30, 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.

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 nine months ended September 30, 2025.

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.

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

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 September 30, 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.

Restricted Cash

As discussed more fully in Note 15, **Commitments and Contingencies**, as the result of an adverse decision received by the Company in May 2022, the State of New York required the Company to post an appellate bond for \$1.3 million in the form of cash collateral with respect to a sales tax determination by the State of New York Tax Appeals Tribunal (“Tribunal”). During the nine months ended September 30, 2025, the State of New York executed on the appellate bond. There is no restricted cash as of September 30, 2025.

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		Nine Months Ended	
	September 30,		September 30,	
	2025	2024	2025	2024
Balance, beginning of period	\$ 280	\$ 293	\$ 315	\$ 303
Additions	12	72	63	187
Expirations and claims satisfied	(79)	(119)	(165)	(244)
Total	213	246	213	246
Less current portion within accrued expenses and other current liabilities	(158)	(165)	(158)	(165)
Balance within deferred revenues and other liabilities	<u>\$ 55</u>	<u>\$ 81</u>	<u>\$ 55</u>	<u>\$ 81</u>

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

Employee Retention Credit

The Employee Retention Credit (“ERC”) under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) is a refundable tax credit which encouraged businesses to keep employees on the payroll during the COVID-19 pandemic. Eligible employers could qualify for up to \$7.0 thousand of credit for each employee based on qualified wages paid after December 31, 2020 and before January 1, 2022. Qualified wages are any wages paid to an employee (for employers that averaged fewer than 100 full-time employees in 2019) or the wages paid to an employee for the time that the employee is providing and not providing services (for employers that averaged more than 500 full-time employees in 2019) due to an economic hardship, specifically, either (1) a full or partial suspension of operations by order of a governmental authority due to COVID-19, or (2) a significant decline in gross receipts. The Company recognized \$0.9 million of ERC as other income in the condensed consolidated statement of operations for the nine months ended September 30, 2024. No such activity existed for three months ended September 30, 2024 or for three and nine months ended September 30, 2025.

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:

	September 30,	
	2025	2024
Stock options	725,976	501,726
Common stock warrants	80,000	80,000
Restricted stock units	2,265	2,265
	808,241	583,991

Recent Accounting Pronouncements Not Yet Adopted

In December 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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 Expenses*, as subsequently amended by ASU 2025-01 to clarify the effective date, 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.

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

In July 2025, the FASB issued ASU 2025-05, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*, which simplifies the estimation of credit losses on current accounts receivable and contract assets by allowing the election of a practical expedient to assume that the current conditions as of the consolidated balance sheet date will remain unchanged for the remaining life of the asset when developing a reasonable and supportable forecast as part of estimating expected credit losses on these assets. The guidance in this ASU is effective for fiscal years beginning after December 15, 2025 and for interim periods within those fiscal years. Early adoption is permitted. If adopted in an interim period, entities are required to apply the new guidance as of the beginning of the annual reporting period that includes such interim period. The Company does not expect this ASU to have a material impact on its condensed consolidated financial statements.

Note 2

Liquidity:

The Company has historically experienced recurring losses and negative working capital and has been dependent on raising capital from the sale of securities in order to continue to operate, which raises substantial doubt regarding the Company's ability to continue as a going concern. 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 \$5.1 million of its common stock in registered "at-the-market" offerings, subject to certain limitations. Additionally, the Company's lender has paused the minimum net revenue covenant for quarterly periods through September 30, 2026 (see Note 16, **Subsequent Events**). Based on our current business plan, management believes that the Company's cash and cash equivalents of \$7.1 million, net proceeds of \$1.4 million raised under the equity distribution agreement in October 2025, 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, alleviating the factors that raised substantial doubt regarding the Company's ability to continue as a going concern.

Note 3

Revision of Previously Issued Consolidated Financial Statements:

Revisions

During the third quarter of 2025, the Company identified an error in its methodology for accruing sales tax liabilities that had resulted in a cumulative overstatement of accrued expenses and sales tax expense. The overstatement of accrued expenses resulted in an understatement of the carrying value of the dermatology recurring procedures reporting unit. During the years ended December 31, 2023 and 2024, the Company recorded impairment charges for the excess of the carrying value of the dermatology recurring procedures reporting unit over its fair value. The understatement of the carrying value for this reporting unit, as a result of the overstatement of accrued expenses and sales tax expense, has resulted in an additional goodwill impairment charge for the years ended December 31, 2023 and 2024. The error had no net impact on accumulated deficit as of January 1, 2024, but impacted subsequent quarterly and annual reporting periods through June 30, 2025. We assessed the materiality of the error on prior period consolidated financial statements in accordance with SEC Staff Accounting Bulletins No. 99 and No. 108, as codified in ASC 250, *Accounting Changes and Error Corrections*. Based on this assessment, in consideration of both quantitative and qualitative factors, we concluded that the error is not material to any previously presented interim or annual financial statements. We revised our financial statements for the periods impacted.

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

The following tables set forth the effects of the adjustment on affected items within the Company's previously reported consolidated balance sheets for all impacted periods (in thousands):

	March 31, 2024		
	As Previously Reported	Adjustment	As Revised
Goodwill	\$ 6,519	\$ (822)	\$ 5,697
Total assets	\$ 40,048	\$ (822)	\$ 39,226
Accrued expenses and other current liabilities	\$ 6,269	\$ (824)	\$ 5,445
Total current liabilities	\$ 12,588	\$ (824)	\$ 11,764
Total liabilities	\$ 30,616	\$ (824)	\$ 29,792
Accumulated deficit	\$ (241,426)	\$ 2	\$ (241,424)
Total stockholders' equity	\$ 9,432	\$ 2	\$ 9,434
Total liabilities and stockholders' equity	\$ 40,048	\$ (822)	\$ 39,226

	June 30, 2024		
	As Previously Reported	Adjustment	As Revised
Goodwill	\$ 6,519	\$ (822)	\$ 5,697
Total assets	\$ 39,581	\$ (822)	\$ 38,759
Accrued expenses and other current liabilities	\$ 6,608	\$ (832)	\$ 5,776
Total current liabilities	\$ 12,133	\$ (832)	\$ 11,301
Total liabilities	\$ 30,085	\$ (832)	\$ 29,253
Accumulated deficit	\$ (241,525)	\$ 10	\$ (241,515)
Total stockholders' equity	\$ 9,496	\$ 10	\$ 9,506
Total liabilities and stockholders' equity	\$ 39,581	\$ (822)	\$ 38,759

	September 30, 2024		
	As Previously Reported	Adjustment	As Revised
Goodwill	\$ 6,519	\$ (822)	\$ 5,697
Total assets	\$ 40,205	\$ (822)	\$ 39,383
Accrued expenses and other current liabilities	\$ 8,524	\$ (881)	\$ 7,643
Total current liabilities	\$ 14,046	\$ (881)	\$ 13,165
Total liabilities	\$ 30,862	\$ (881)	\$ 29,981
Accumulated deficit	\$ (243,647)	\$ 58	\$ (243,589)
Total stockholders' equity	\$ 9,343	\$ 58	\$ 9,401
Total liabilities and stockholders' equity	\$ 40,205	\$ (822)	\$ 39,383

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

	December 31, 2024		
	As Previously Reported	Adjustment	As Revised
Goodwill	\$ 2,658	\$ (1,229)	\$ 1,429
Total assets	\$ 36,157	\$ (1,229)	\$ 34,928
Accrued expenses and other current liabilities	\$ 8,593	\$ (1,229)	\$ 7,364
Total current liabilities	\$ 14,625	\$ (1,229)	\$ 13,396
Total liabilities	\$ 31,185	\$ (1,229)	\$ 29,956
Total liabilities and stockholders' equity	\$ 36,157	\$ (1,229)	\$ 34,928

	March 31, 2025		
	As Previously Reported	Adjustment	As Revised
Goodwill	\$ 2,658	\$ (1,229)	\$ 1,429
Total assets	\$ 34,262	\$ (1,229)	\$ 33,033
Accrued expenses and other current liabilities	\$ 8,779	\$ (1,539)	\$ 7,240
Total current liabilities	\$ 15,139	\$ (1,539)	\$ 13,600
Total liabilities	\$ 31,593	\$ (1,539)	\$ 30,054
Accumulated deficit	\$ (250,576)	\$ 310	\$ (250,266)
Total stockholders' equity	\$ 2,669	\$ 310	\$ 2,979
Total liabilities and stockholders' equity	\$ 34,262	\$ (1,229)	\$ 33,033

	June 30, 2025		
	As Previously Reported	Adjustment	As Revised
Goodwill	\$ 2,658	\$ (1,229)	\$ 1,429
Total assets	\$ 30,722	\$ (1,229)	\$ 29,493
Accrued expenses and other current liabilities	\$ 7,401	\$ (1,453)	\$ 5,948
Total current liabilities	\$ 14,004	\$ (1,453)	\$ 12,551
Total liabilities	\$ 30,414	\$ (1,453)	\$ 28,961
Accumulated deficit	\$ (253,065)	\$ 224	\$ (252,841)
Total stockholders' equity	\$ 308	\$ 224	\$ 532
Total liabilities and stockholders' equity	\$ 30,722	\$ (1,229)	\$ 29,493

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

The following tables set forth the effects of the adjustment on affected items within the Company's previously reported consolidated statements of operations for all impacted periods (in thousands, except per share data):

	Three Months Ended March 31, 2024		
	As Previously Reported	Adjustment	As Revised
General and administrative	\$ 2,710	\$ (2)	\$ 2,708
Total operating expenses	\$ 6,085	\$ (2)	\$ 6,083
Loss from operations	\$ (2,889)	\$ 2	\$ (2,887)
Net loss	\$ (3,368)	\$ 2	\$ (3,366)
Net loss per share of common stock, basic and diluted	\$ (0.10)	\$ —	\$ (0.10)

	Three Months Ended June 30, 2024		
	As Previously Reported	Adjustment	As Revised
General and administrative	\$ 2,210	\$ (8)	\$ 2,202
Total operating expenses	\$ 5,463	\$ (8)	\$ 5,455
Loss from operations	\$ (486)	\$ 8	\$ (478)
Net loss	\$ (99)	\$ 8	\$ (91)
Net loss per share of common stock, basic and diluted	\$ (0.03)	\$ —	\$ (0.03)

	Six Months Ended June 30, 2024		
	As Previously Reported	Adjustment	As Revised
General and administrative	\$ 4,920	\$ (10)	\$ 4,910
Total operating expenses	\$ 11,548	\$ (10)	\$ 11,538
Loss from operations	\$ (3,375)	\$ 10	\$ (3,365)
Net loss	\$ (3,467)	\$ 10	\$ (3,457)
Net loss per share of common stock, basic and diluted	\$ (0.99)	\$ —	\$ (0.99)

	Three Months Ended September 30, 2024		
	As Previously Reported	Adjustment	As Revised
General and administrative	\$ 3,669	\$ (48)	\$ 3,621
Total operating expenses	\$ 6,939	\$ (48)	\$ 6,891
Loss from operations	\$ (1,653)	\$ 48	\$ (1,605)
Net loss	\$ (2,122)	\$ 48	\$ (2,074)
Net loss per share of common stock, basic and diluted	\$ (0.53)	\$ 0.02	\$ (0.51)

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

Nine Months Ended September 30, 2024

	As Previously Reported	Adjustment	As Revised
General and administrative	\$ 8,589	\$ (58)	\$ 8,531
Total operating expenses	\$ 18,487	\$ (58)	\$ 18,429
Loss from operations	\$ (5,028)	\$ 58	\$ (4,970)
Net loss	\$ (5,589)	\$ 58	\$ (5,531)
Net loss per share of common stock, basic and diluted	\$ (1.52)	\$ 0.02	\$ (1.50)

Year Ended December 31, 2024

	As Previously Reported	Adjustment	As Revised
General and administrative	\$ 11,303	\$ (407)	\$ 10,896
Impairment of goodwill	\$ 3,861	\$ 407	\$ 4,268

Three Months Ended March 31, 2025

	As Previously Reported	Adjustment	As Revised
General and administrative	\$ 2,573	\$ (310)	\$ 2,263
Total operating expenses	\$ 5,792	\$ (310)	\$ 5,482
Loss from operations	\$ (2,015)	\$ 310	\$ (1,705)
Net loss	\$ (2,432)	\$ 310	\$ (2,122)
Net loss per share of common stock, basic and diluted	\$ (0.58)	\$ 0.07	\$ (0.51)

Three Months Ended June 30, 2025

	As Previously Reported	Adjustment	As Revised
General and administrative	\$ 2,911	\$ 86	\$ 2,997
Total operating expenses	\$ 6,530	\$ 86	\$ 6,616
Loss from operations	\$ (2,224)	\$ (86)	\$ (2,310)
Net loss	\$ (2,489)	\$ (86)	\$ (2,575)
Net loss per share of common stock, basic and diluted	\$ (0.60)	\$ (0.02)	\$ (0.62)

Six Months Ended June 30, 2025

	As Previously Reported	Adjustment	As Revised
General and administrative	\$ 5,484	\$ (224)	\$ 5,260
Total operating expenses	\$ 12,322	\$ (224)	\$ 12,098
Loss from operations	\$ (4,239)	\$ 224	\$ (4,015)
Net loss	\$ (4,921)	\$ 224	\$ (4,697)
Net loss per share of common stock, basic and diluted	\$ (1.18)	\$ 0.05	\$ (1.13)

The adjustment had no net effect on the Company's previously reported cash flows from operating activities, and it had no effect on the previously reported cash flows from investing and financing activities.

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

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation, including the presentation of foreign revenues within the Company's business and geographical reporting segment disclosures and the classification of certain international service fees between cost of revenues and selling and marketing expenses. These reclassifications had no impact on the previously reported total foreign revenues or loss from operations by reporting segment in the condensed consolidated financial statements. The amounts for total operating expenses "As Previously Reported" above include the impact of the international service fees reclassification.

Note 4

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 ratably over a 30 or 60 day period. 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.

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

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 September 30, 2025 (in thousands):

Remaining 2025	\$	466
2026		1,782
2027		1,534
2028		1,000
2029		103
Total	\$	<u>4,885</u>

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

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 September 30, 2025, the aggregate amount of the transaction price allocated to remaining performance obligations was \$0.4 million and the Company expects to recognize \$0.3 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 September 30, 2025, the \$0.3 million of short-term contract liabilities is presented as deferred revenues and the \$0.1 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 September 30, 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. For each of the nine months ended September 30, 2025 and 2024, the Company recognized \$0.2 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 5

Inventories:

Inventories consist of the following (in thousands):

	<u>September 30, 2025</u>	<u>December 31, 2024</u>
Raw materials and work-in-process	\$ 2,887	\$ 2,041
Finished goods	171	205
	<u>\$ 3,058</u>	<u>\$ 2,246</u>

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 were no longer needed for warranty purposes during the nine months ended September 30, 2024, which is included in cost of revenues in the condensed consolidated statement of operations.

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

Note 6

Property and Equipment, net:

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

	<u>September 30, 2025</u>	<u>December 31, 2024</u>
Lasers placed-in-service	\$ 34,533	\$ 33,489
Equipment, computer hardware and software	300	300
Furniture and fixtures	240	240
Leasehold improvements	93	87
Lasers-in-process	2,383	2,093
	<u>37,549</u>	<u>36,209</u>
Less: accumulated depreciation and amortization	<u>(27,992)</u>	<u>(26,148)</u>
	<u>\$ 9,557</u>	<u>\$ 10,061</u>

During September 2025, the Company entered into a settlement and mutual release agreement with a supplier to resolve outstanding obligations related to the manufacture of property and equipment. Under the terms of the settlement, the Company will pay \$0.1 million for approximately \$0.8 million of property and equipment, and both parties are released from any and all claims, asserted or unasserted, arising from the related purchase order and service agreement. The transaction resulted in the recognition of a gain of \$0.7 million, which is reflected within settlement gains in the accompanying condensed consolidated statements of operations.

The Company recorded depreciation and amortization expense of \$0.7 million during each of the three months ended September 30, 2025 and 2024. The Company recorded depreciation and amortization expense of \$2.2 million and \$2.3 million during the nine months ended September 30, 2025 and 2024, respectively.

Note 7

Intangible Assets, net:

Intangible assets consist of the following (in thousands):

September 30, 2025	<u>Gross Carrying Value</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Core technology	\$ 5,700	\$ (5,700)	\$ —
Product technology	4,808	(4,072)	736
Customer relationships	6,900	(6,900)	—
Tradenames	1,500	(1,500)	—
Pharos customer lists	5,314	(1,827)	3,487
	<u>\$ 24,222</u>	<u>\$ (19,999)</u>	<u>\$ 4,223</u>
December 31, 2024	<u>Gross Carrying Value</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
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
	<u>\$ 24,222</u>	<u>\$ (18,874)</u>	<u>\$ 5,348</u>

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

The Company recorded amortization expense of \$0.1 million and \$0.5 million during the three months ended September 30, 2025 and 2024, respectively. The Company recorded amortization expense of \$1.1 million and \$1.5 million during the nine months ended September 30, 2025 and 2024, respectively.

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 and nine months ended September 30, 2025 or 2024.

Pursuant to the Theravant Settlement executed in October 2025 (see Note 16, **Subsequent Events**), the Company was released from all obligations related to contingent consideration and expects to write off the related product technology intangible asset, which had a net carrying value of \$0.7 million as of September 30, 2025, in the fourth quarter of 2025.

The following table summarizes the estimated future amortization expense for the above intangible assets, excluding the product technology intangible asset expected to be written off in the next quarter, for the next five years (in thousands):

Remaining 2025	\$	111
2026	\$	443
2027	\$	443
2028	\$	443
2029	\$	443

*Note 8***Accrued Expenses and Other Current Liabilities:**

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

	<u>September 30, 2025</u>	<u>December 31, 2024</u>
Warranty obligations	\$ 158	\$ 213
Compensation and related benefits	1,964	1,781
State sales, use and other taxes	3,801	5,142
Professional fees and other	287	228
	<u>\$ 6,210</u>	<u>\$ 7,364</u>

*Note 9***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.

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

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 to clarify certain provisions related to the maintenance of cash collateral accounts.

On November 12, 2025, the Company entered into Amendment No. 6 (the “Sixth Amendment”) to the credit and security agreement with Midcap (as amended to date, the “Senior Term Facility”). See Note 16, **Subsequent Events** for additional discussion of the recent amendment to the Senior Term Facility.

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 September 30, 2025 was 12.89%. 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) 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, (ii) 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 (iii) 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 \$33.0 million of net revenue for the trailing 12-month period as of 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, and (b) a minimum of unrestricted cash (as defined in the Senior Term Facility), at all times, of not less than \$3.0 million. As of September 30, 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 September 30, 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.

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

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 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 \$0.3 million as of September 30, 2025. The Company recognized interest expense of \$0.5 million for each of the three months ended September 30, 2025 and 2024, of which \$40.0 thousand and \$39.0 thousand was related to the amortization of the debt discount for the three months ended September 30, 2025 and 2024, respectively. The Company recognized interest expense of \$1.5 million and \$1.6 million, respectively, during the nine months ended September 30, 2025 and 2024, of which \$0.1 million was related to the amortization of the debt discount for each of the nine months ended September 30, 2025 and 2024.

Future minimum principal payments at September 30, 2025 are as follows (in thousands):

2026	\$ 3,750
2027	7,500
2028	3,750
	<u>15,000</u>
Exit fee	600
	<u>15,600</u>
Less: unamortized debt discount	(290)
	<u>15,310</u>
Less: current portion of long-term debt	(1,875)
Long-term debt, net	<u><u>\$ 13,435</u></u>

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

Note 10

Stockholders' Equity:

In October 2021, the Company entered into an equity distribution agreement under which the Company may sell up to \$11.0 million of its shares of common stock in registered "at-the-market" offerings. The shares will be offered at prevailing market prices, and the Company will pay commissions of up to 3.0% of the gross proceeds from the sale of shares sold through the Company's agent, which may act as an agent and/or principal. The Company has no obligation to sell any shares under this agreement and may, at any time, suspend solicitations under this agreement. In July 2024, the Company sold 665,136 shares of its common stock under the equity distribution agreement at an average purchase price of \$3.16 per share for total gross and net proceeds of approximately \$2.1 million and \$1.9 million, respectively. In September 2025, the Company sold 1,097,547 shares of its common stock under the equity distribution agreement at an average price of \$2.204 per share for total gross and net proceeds of approximately \$2.4 million and \$2.2 million, respectively. As of September 30, 2025, the Company may sell up to an additional \$6.5 million of its shares of common stock under the equity distribution agreement, subject to certain limitations.

Note 11

Stock-Based Compensation:

The Company's 2016 Omnibus Incentive Stock Plan ("2016 Plan"), as amended, has reserved up to 783,265 shares of common stock for future issuance. As of September 30, 2025, there were 16,576 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 September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Selling and marketing*	\$ 40	\$ 16	\$ 67	\$ (8)
General and administrative	172	10	402	309
	<u>\$ 212</u>	<u>\$ 26</u>	<u>\$ 469</u>	<u>\$ 301</u>

*Selling and marketing expense was negative during the nine months ended September 30, 2024 due to the forfeiture of awards during the period.

Stock Options

The following table summarizes stock option activity for the nine months ended September 30, 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	238,000	2.55	
Forfeited and expired	(33,750)	12.31	
Outstanding at September 30, 2025	<u>725,976</u>	\$ 6.13	8.1
Exercisable at September 30, 2025	<u>253,184</u>	\$ 10.34	6.7
Vested and expected to vest at September 30, 2025	<u>725,976</u>	\$ 6.13	8.1

As of September 30, 2025, the total unrecognized compensation expense related to unvested stock option awards was \$1.0 million, which the Company expects to recognize over a weighted average period of approximately 2.6 years. The options exercisable at September 30, 2025 and 2024 had no intrinsic value. The options outstanding at September 30, 2025 had no intrinsic value. The aggregate intrinsic value of options outstanding at September 30, 2024 was \$2.0 thousand.

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

For the nine months ended September 30, 2025, the grant date fair value of all option grants was estimated at the time of grant using the Black-Scholes option-pricing model using the following weighted average assumptions:

Expected volatility	77.58%
Risk-free rate	4.26%
Expected term (in years)	6.5
Dividend rate	0.0%

Restricted Stock Units

Restricted stock units (“RSUs”) have historically been issued to certain board members. As of both September 30, 2025 and January 1, 2025, there were no unvested RSUs. No RSUs were granted, vested or forfeited during the nine months ended September 30, 2025.

Note 12

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 and nine months ended September 30, 2025 and 2024.

On July 4, 2025, the U.S. enacted the One Big Beautiful Bill Act (the “Act”), which contains a broad range of tax reform provisions affecting businesses, including extending or reinstating certain provisions of the 2017 Tax Cuts and Jobs Act, tax relief measures, modifications of certain energy tax credits granted under the Inflation Reduction Act and limits on various tax deductions, among other key provisions. The Company is currently evaluating the full effects of the Act and does not anticipate a material impact on its condensed consolidated financial statements.

Note 13

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, as well as settlement gains. Interest and other financing income (expense) is also not allocated to the operating segments.

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

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 September 30, 2025			Nine Months Ended September 30, 2025		
	Dermatology Recurring Procedures	Dermatology Procedures Equipment	Total	Dermatology Recurring Procedures	Dermatology Procedures Equipment	Total
Revenues, net	\$ 5,546	\$ 1,383	\$ 6,929	\$ 15,392	\$ 6,012	\$ 21,404
Cost of revenues	2,130	615	2,745	6,003	3,134	9,137
Gross profit	3,416	768	4,184	9,389	2,878	12,267
Gross profit %	61.6%	55.5%	60.4%	61.0%	47.9%	57.3%
Allocated expenses:						
Engineering and product development	138	34	172	261	93	354
Selling and marketing	2,562	639	3,201	7,087	2,770	9,857
Unallocated expenses:						
General and administrative	—	—	2,668	—	—	7,928
Settlement gains	—	—	(684)	—	—	(684)
Total allocated and unallocated expenses	2,700	673	5,357	7,348	2,863	17,455
Income (loss) from operations	716	95	(1,173)	2,041	15	(5,188)
Interest expense	—	—	(498)	—	—	(1,475)
Interest income	—	—	49	—	—	344
Net income (loss)	\$ 716	\$ 95	\$ (1,622)	\$ 2,041	\$ 15	\$ (6,319)

	Three Months Ended September 30, 2024			Nine Months Ended September 30, 2024		
	Dermatology Recurring Procedures	Dermatology Procedures Equipment	Total	Dermatology Recurring Procedures	Dermatology Procedures Equipment	Total
Revenues, net	\$ 5,381	\$ 3,416	\$ 8,797	\$ 15,416	\$ 8,570	\$ 23,986
Cost of revenues	1,861	1,650	3,511	5,806	4,721	10,527
Gross profit	3,520	1,766	5,286	9,610	3,849	13,459
Gross profit %	65.4%	51.7%	60.1%	62.3%	44.9%	56.1%
Allocated expenses:						
Engineering and product development	180	63	243	521	162	683
Selling and marketing	2,542	485	3,027	7,974	1,241	9,215
Unallocated expenses:						
General and administrative	—	—	3,621	—	—	8,531
Total allocated and unallocated expenses	2,722	548	6,891	8,495	1,403	18,429
Income (loss) from operations	798	1,218	(1,605)	1,115	2,446	(4,970)
Interest expense	—	—	(537)	—	—	(1,592)
Interest income	—	—	68	—	—	167
Other income	—	—	—	—	—	864
Net income (loss)	\$ 798	\$ 1,218	\$ (2,074)	\$ 1,115	\$ 2,446	\$ (5,531)

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Dermatology recurring procedures	\$ 841	\$ 1,065	\$ 3,070	\$ 3,259
Dermatology procedures equipment	23	171	231	469
Unallocated expenses	—	3	1	10
Total	<u>\$ 864</u>	<u>\$ 1,239</u>	<u>\$ 3,302</u>	<u>\$ 3,738</u>

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 September 30, 2025			Nine Months Ended September 30, 2025		
	Dermatology Recurring Procedures	Dermatology Procedures Equipment	Total	Dermatology Recurring Procedures	Dermatology Procedures Equipment	Total
Domestic	\$ 5,076	\$ 142	\$ 5,218	\$ 13,987	\$ 688	\$ 14,675
China	—	130	130	—	2,623	2,623
Middle East	—	172	172	—	1,190	1,190
Other foreign	470	939	1,409	1,405	1,511	2,916
Total	<u>\$ 5,546</u>	<u>\$ 1,383</u>	<u>\$ 6,929</u>	<u>\$ 15,392</u>	<u>\$ 6,012</u>	<u>\$ 21,404</u>

	Three Months Ended September 30, 2024			Nine Months Ended September 30, 2024		
	Dermatology Recurring Procedures	Dermatology Procedures Equipment	Total	Dermatology Recurring Procedures	Dermatology Procedures Equipment	Total
Domestic	\$ 4,893	\$ 677	\$ 5,570	\$ 14,136	\$ 1,275	\$ 15,411
China	—	1,045	1,045	—	3,165	3,165
Middle East	—	724	724	—	1,438	1,438
Other foreign	488	970	1,458	1,280	2,692	3,972
Total	<u>\$ 5,381</u>	<u>\$ 3,416</u>	<u>\$ 8,797</u>	<u>\$ 15,416</u>	<u>\$ 8,570</u>	<u>\$ 23,986</u>

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

	September 30, 2025	December 31, 2024
Dermatology recurring procedures	\$ 17,455	\$ 20,521
Dermatology procedures equipment	5,495	5,081
Other unallocated assets	7,767	9,326
Total	<u>\$ 30,717</u>	<u>\$ 34,928</u>

Long-lived assets of \$1.2 million and \$1.3 million were located in international markets, primarily Korea and Japan, as of September 30, 2025 and December 31, 2024, respectively, with the remainder located in domestic markets.

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

*Note 14***Significant Customer Concentrations:**

The Company had one customer, an international distributor from which the Company primarily earns recurring procedures revenues, that accounted for 10% or more of the Company's net revenues for the three months ended September 30, 2025 and 2024. Revenues from this customer were \$0.7 million, or 10.0%, and \$1.0 million, or 11.7%, respectively, and this customer had \$0.4 million, or 12.5%, and \$0.5 million, or 8.7%, of outstanding accounts receivable as of September 30, 2025 and December 31, 2024, 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 nine months ended September 30, 2025 and the three and nine months ended September 30, 2024. Revenues from this customer were \$2.6 million, or 12.3%, \$1.0 million, or 11.9%, and \$3.2 million, or 13.2%, respectively, and this customer did not have outstanding accounts receivable as of September 30, 2025 or December 31, 2024.

Accounts receivable associated with two other customers, each of which accounted for 10% or more of the Company's net accounts receivable, were \$2.2 million, or 42.2%, of net accounts receivable as of December 31, 2024.

*Note 15***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 four 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 nine months ended September 30, 2024. There were no lease modifications during the nine months ended September 30, 2025.

Operating lease costs were \$0.1 million during each of the three months ended September 30, 2025 and 2024. Operating lease costs were \$0.4 million during each of the nine months ended September 30, 2025 and 2024. Cash paid for amounts included in the measurement of operating lease liabilities was \$0.1 million during each of the three months ended September 30, 2025 and 2024. Cash paid for amounts included in the measurement of operating lease liabilities was \$0.3 million during each of the nine months ended September 30, 2025 and 2024. As of September 30, 2025, the weighted average incremental borrowing rate was 12.55% and the weighted average remaining lease term was 3.7 years.

The following table summarizes the Company's operating lease maturities as of September 30, 2025 (in thousands):

Remaining 2025	\$	114
2026		334
2027		290
2028		301
2029		232
Total remaining lease payments		<u>1,271</u>
Less: imputed interest		<u>(269)</u>
Total lease liabilities	\$	<u><u>1,002</u></u>

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

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 Company has outstanding assessments from the states of New York and California aggregating to \$5.0 million including penalties and interest. The audits cover the period from August 2017 through February 2025.

In January 2021, 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. 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 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 in the amount of \$1.3 million. 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, during the three months ended June 30, 2025, New York executed on the appellate bond the Company posted for \$1.3 million. As of September 30, 2025, the Company has a remaining accrual of \$0.7 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 \$1.9 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 \$2.4 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.

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

Contingent Consideration

In connection with the Company's acquisition of certain assets related to the TheraClear devices in 2022, Theravant was eligible to receive from the Company up to \$3.0 million in future earnout payments upon the achievement of certain annual net revenue milestones (\$1.0 million of which was 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. Pursuant to the Theravant Settlement executed in October 2025 (see Note 16, **Subsequent Events**), the Company was released from all obligations related to contingent consideration.

Royalties

As additional consideration to the mutual releases contained within the Theravant Settlement, the Company will owe Theravant a royalty equal to 5% of sales of TheraClear® X devices, payable quarterly in arrears, starting on the later of January 1, 2027 or when the Company first achieves annual domestic revenue of more than \$2.5 million from the sale or placement of TheraClear® X devices and ending on the first to occur of (i) the Company has paid aggregate royalties of \$3.0 million to Theravant or (ii) the Company commercially launches a new TheraClear® X device and replaces the current TheraClear® X device (as defined in the Theravant Settlement). No royalties were incurred through September 30, 2025.

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.

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

Note 16

Subsequent Events:

The Company evaluated subsequent events and transactions that occurred after the condensed consolidated balance sheet date up to the date that the unaudited condensed financial statements were issued. Based upon this review, other than as described below, the Company did not identify any subsequent events that would have required adjustment or disclosure in the unaudited condensed consolidated financial statements.

In November 2025, the Company entered into the Sixth Amendment to the credit and security agreement with Midcap (see Note 9, **Long-Term Debt**). The Sixth Amendment provides, among other things, that there shall be no measurement of net revenue for purposes of calculating financial covenant compliance for the quarterly periods ending September 30, 2025, and continuing thereafter through the quarterly period ending September 30, 2026 (the “Pause Period”). The Sixth Amendment further provides that commencing with the first quarterly period ending after September 30, 2026, and for each quarterly period thereafter, the Company shall not permit net revenue for any applicable quarterly period, as tested quarterly on the last day of the applicable quarter to be less than the minimum revenue required by the credit and security agreement for such quarter.

In October 2025, the Company entered into a Settlement and Mutual Release Agreement (“Theravant Settlement”) with Theravant Corporation (“Theravant”), from which it purchased the TheraClear devices in 2022, pursuant to which the Company was released from its outstanding obligations for contingent consideration. The Company expects to write off the related product technology intangible asset of \$0.7 million and derecognize its liability for contingent consideration of \$1.2 million in the fourth quarter of 2025.

In October 2025, the Company sold an aggregate of 619,491 shares of its common stock under the equity distribution agreement at an average price of \$2.304 per share for total gross and net proceeds of approximately \$1.4 million, after which \$5.1 million shares of common stock were available to be sold under the distribution agreement.

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 September 30, 2025, there were 838 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.

Impact of Tariffs

In 2025, the U.S. introduced trade policy actions that have increased import tariffs across a wide range of countries at various rates, with certain exemptions. To the extent that trade tariffs and other restrictions imposed by the U.S. or other countries increase the price of, or limit the amount of, our products or components or materials used in our products imported into the U.S., or create adverse tax consequences, the revenues, costs, or gross profit of our products and services, primarily in the Dermatology Procedures Equipment segment, may be adversely affected and the demand from our customers may be diminished. Uncertainty surrounding international trade policy and regulations as well as disputes and protectionist measures could also have an adverse effect on consumer confidence and spending and may impact our results of operations.

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, goodwill and intangible impairments, and sales and use taxes. There have been no changes to our critical accounting policies in the three and nine months ended September 30, 2025.

Results of Operations

As discussed in Note 3, **Revision of Previously Issued Consolidated Financial Statements** to the Notes to unaudited condensed consolidated financial statements, during the third quarter of 2025, we identified an error in our methodology for accruing sales tax liabilities that had resulted in a cumulative overstatement of accrued expenses and sales tax expense. The overstatement of accrued expenses resulted in an understatement of the carrying value of the dermatology recurring procedures reporting unit, which resulted in a corresponding understatement of goodwill impairment. This error impacted quarterly reporting periods during 2024 and 2025 through June 30, 2025. We assessed the materiality of the error on prior period consolidated financial statements in accordance with SEC Staff Accounting Bulletins No. 99 and No. 108, as codified in ASC 250, *Accounting Changes and Error Corrections*. Based on this assessment, in consideration of both quantitative and qualitative factors, we concluded that the error is not material to any previously presented interim financial statements. We revised our financial statements for the periods impacted. The revised balances are reflected in the following discussion of results of operations.

Revenues

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Dermatology recurring procedures	\$ 5,546	\$ 5,381	\$ 15,392	\$ 15,416
Dermatology procedures equipment	1,383	3,416	6,012	8,570
Total revenues	\$ 6,929	\$ 8,797	\$ 21,404	\$ 23,986

Dermatology Recurring Procedures

Recognized recurring treatment revenue for the three months ended September 30, 2025 was \$5.5 million, which we estimate is approximately 67,000 XTRAC treatments with prices between \$65 to \$95 per treatment, compared to recognized recurring treatment revenue for the three months ended September 30, 2024 of \$5.4 million, which we estimate is approximately 64,000 XTRAC treatments with prices between \$65 to \$95 per treatment. Recognized recurring treatment revenue for the nine months ended September 30, 2025 was \$15.4 million, which we estimate is approximately 186,000 XTRAC treatments with prices between \$65 to \$95 per treatment, compared to recognized recurring treatment revenue for the nine months ended September 30, 2024 of \$15.4 million, which we estimate is approximately 188,000 XTRAC treatments with prices between \$65 and \$95 per treatment. Subsequent to the launch of the TheraClear Acne Therapy System, there were 161 and 135 TheraClear devices placed in dermatologists’ offices in the United States under our recurring procedures model as of September 30, 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 ratably over a 30 or 60 day period, as the treatments are being used. As of September 30, 2025 and 2024, we deferred domestic net revenues of \$1.8 million and \$1.9 million, respectively, which will be recognized as revenue over the remaining usage period for the related placements. Lower deferred revenue from the fourth quarter of 2024 negatively impacted the first quarter of 2025 as compared to the first quarter of 2024, when higher deferred revenue from the fourth quarter of 2023 positively impacted that period.

Dermatology Procedures Equipment

For the three and nine months ended September 30, 2025, dermatology procedures equipment revenues were \$1.4 million and \$6.0 million, respectively. Internationally, we sold 8 systems (6 XTRAC and 2 VTRAC) and 39 systems (34 XTRAC and 5 VTRAC), respectively, during the three and nine months ended September 30, 2025. Domestically, there were no XTRAC systems sold during the three months ended September 30, 2025 and 3 XTRAC systems sold during the nine months ended September 30, 2025.

For the three and nine months ended September 30, 2024, dermatology procedures equipment revenues were \$3.4 million and \$8.6 million, respectively. Internationally, we sold 20 systems (20 XTRAC and nil VTRAC) and 60 systems (56 XTRAC and 4 VTRAC), respectively, during the three and nine months ended September 30, 2024. Domestically, there were 7 and 12 XTRAC systems sold, respectively, during the three and nine months ended September 30, 2024. In addition to equipment sales, we recognized approximately \$0.1 million of previously deferred service revenue associated with assumed service contracts from Ra Medical during the nine months ended September 30, 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 September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Dermatology recurring procedures	\$ 2,130	\$ 1,861	\$ 6,003	\$ 5,806
Dermatology procedures equipment	615	1,650	3,134	4,721
Total cost of revenues	\$ 2,745	\$ 3,511	\$ 9,137	\$ 10,527

Gross Profit Analysis

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

Company Profit Analysis

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
<i>(in thousands, except percentages)</i>				
Revenues, net	\$ 6,929	\$ 8,797	\$ 21,404	\$ 23,986
Cost of revenues	2,745	3,511	9,137	10,527
Gross profit	\$ 4,184	\$ 5,286	\$ 12,267	\$ 13,459
Gross profit percentage	60.4%	60.1%	57.3%	56.1%

During the third quarter of 2025, we reclassified \$21.0 thousand of outsourced international service fees from selling and marketing expense to cost of revenues for the three months ended September 30, 2024 and \$0.1 million of outsourced international service fees from cost of revenues to selling and marketing expense for the nine months ended September 30, 2024 to conform with the current period presentation, which more accurately reflects the nature of these costs.

Gross profit decreased to \$4.2 million for the three months ended September 30, 2025 from \$5.3 million during the same period in 2024. As a percentage of revenues, gross profit was 60.4% for the three months ended September 30, 2025, as compared to 60.1% 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 an increase in the contribution of higher-margin recurring revenue to total revenue and reduced obsolescence costs, partially offset by increases in manufacturing overhead.

Gross profit decreased to \$12.3 million for the nine months ended September 30, 2025 from \$13.5 million during the same period in 2024. As a percentage of revenues, gross profit was 57.3% for the nine months ended September 30, 2025, as compared to 56.1% 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 an increase in the contribution of higher-margin recurring revenue and the write-off of inventories in 2024 related to the Pharos laser system products that were no longer needed for warranty purposes due to the expiration of the related warranty service contracts during the three months ended March 31, 2024, partially offset by an increase in manufacturing overhead and the impact of tariffs.

Dermatology Recurring Procedures

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
<i>(in thousands, except percentages)</i>				
Revenues, net	\$ 5,546	\$ 5,381	\$ 15,392	\$ 15,416
Cost of revenues	2,130	1,861	6,003	5,806
Gross profit	\$ 3,416	\$ 3,520	\$ 9,389	\$ 9,610
Gross profit percentage	61.6%	65.4%	61.0%	62.3%

Gross profit for dermatology recurring procedures decreased to \$3.4 million for the three months ended September 30, 2025 from \$3.5 million during the same period in 2024. As a percentage of revenues, gross profit was 61.6% for the three months ended September 30, 2025, as compared to 65.4% for the same period in 2024. The decrease in gross profit percentage compared to the same period in the prior year was primarily the result of increases in manufacturing overhead, driven by cost increases in materials and parts used in operations, and outsourced service fees related to our owned international lasers, as well as less deferred revenue recognized in the three months ended September 30, 2025 from the second quarter of 2025, compared to higher deferred revenue from the second quarter of 2024 recognized in the three months ended September 30, 2024.

Gross profit for dermatology recurring procedures decreased to \$9.4 million for the nine months ended September 30, 2025 from \$9.6 million during the same period in 2024. As a percentage of revenues, the gross profit decreased to 61.0% for the nine months ended September 30, 2025 from 62.3% during the same period in 2024.

Dermatology Procedures Equipment

(in thousands, except percentages)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Revenues, net	\$ 1,383	\$ 3,416	\$ 6,012	\$ 8,570
Cost of revenues	615	1,650	3,134	4,721
Gross profit	<u>\$ 768</u>	<u>\$ 1,766</u>	<u>\$ 2,878</u>	<u>\$ 3,849</u>
Gross profit percentage	55.5%	51.7%	47.9%	44.9%

Gross profit for dermatology procedures equipment decreased to \$0.8 million for the three months ended September 30, 2025 from \$1.8 million during the same period in 2024. As a percentage of revenues, gross profit was 55.5% for the three months ended September 30, 2025, as compared to 51.7% 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 reduced obsolescence costs during the three months ended September 30, 2025.

Gross profit for dermatology procedures equipment decreased to \$2.9 million for the nine months ended September 30, 2025 from \$3.8 million during the same period in 2024. As a percentage of revenues, gross profit was 47.9% for the nine months ended September 30, 2025, as compared to 44.9% 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 nine months ended September 30, 2024, a discount on the sale of certain lasers to an international distributor during the nine months ended September 30, 2024 and reduced obsolescence costs during the nine months ended September 30, 2025, partially offset by an increase in manufacturing overhead and service fees and the impact of tariffs as discussed above.

Engineering and Product Development

For each of the three months ended September 30, 2025 and 2024, engineering and product development expenses were \$0.2 million. For the nine months ended September 30, 2025, engineering and product development expenses were \$0.4 million as compared to \$0.7 million for the nine months ended September 30, 2024. Engineering and product development costs were lower during the nine-month period in 2025 primarily as a result of decreases in salaries and outside services.

Selling and Marketing Expenses

For the three months ended September 30, 2025, selling and marketing expenses were \$3.2 million as compared to \$3.0 million for the three months ended September 30, 2024. For the nine months ended September 30, 2025, selling and marketing expenses were \$9.9 million as compared to \$9.2 million for the nine months ended September 30, 2024. Selling and marketing expenses were higher during the three and nine-month periods in 2025 primarily as a result of increases in (i) certain employee related expenses, (ii) 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, and (iii) trade shows and advertising expenses.

General and Administrative Expenses

For the three months ended September 30, 2025, general and administrative expenses were \$2.7 million as compared to \$3.6 million for the three months ended September 30, 2024. For the nine months ended September 30, 2025, general and administrative expenses were \$7.9 million as compared to \$8.5 million for the nine months ended September 30, 2024. General and administrative expenses were lower during the three and nine-month periods in 2025 primarily as a result of (i) an increase in our sales tax accrual during the 2024 period (see Note 14, **Commitments and Contingencies**), partially offset by increases in (ii) accounting and legal expenses and (iii) certain employee related expenses.

Settlement Gains

For each of the three and nine months ended September 30, 2025, settlement gains were \$0.7 million. There were no settlement gains for each of the three and nine months ended September 30, 2024. Settlement gains increased in the current year due to the settlement of outstanding obligations with a supplier, resulting in the recognition of a gain on the difference between the settlement payment and the value of the related property and equipment. For additional information see Note 6, **Property and Equipment, net**.

Interest Expense

For each of the three months ended September 30, 2025 and 2024 interest expense was \$0.5 million. For the nine months ended September 30, 2025, interest expense was \$1.5 million as compared to \$1.6 million for the nine months ended September 30, 2024, as there was no significant change in the principal balance or interest rate associated with our Senior Term Facility.

Other Income

During the nine months ended September 30, 2024 we received \$0.9 million from the Employee Retention Credit, a refundable tax credit available under the Coronavirus Aid, Relief, and Economic Securities Act (“CARES Act”) that was designed to keep employees on the payroll during the COVID-19 pandemic. There was no such credit received during the three and nine months ended September 30, 2025 or the three months ended September 30, 2024.

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		Nine Months Ended	
	September 30,		September 30,	
	2025	2024	2025	2024
Net loss	\$ (1,622)	\$ (2,074)	\$ (6,319)	\$ (5,531)
Adjustments:				
Depreciation and amortization	864	1,239	3,302	3,738
Amortization of operating lease right-of-use assets	87	81	259	255
Loss on disposal of property and equipment	20	19	83	38
Interest expense, net	449	469	1,131	1,425
Non-GAAP EBITDA	(202)	(266)	(1,544)	(75)
Employee retention credit	—	—	—	(864)
Stock-based compensation expense	212	26	469	301
Inventory write-off	—	—	—	141
Non-GAAP adjusted EBITDA	\$ 10	\$ (240)	\$ (1,075)	\$ (497)

Liquidity and Capital Resources

As of September 30, 2025, we had negative working capital of \$0.8 million compared to working capital of \$3.2 million as of December 31, 2024. The change in working capital was primarily the result of increases in net loss and decreases in cash and cash equivalents in connection with lower revenues, and an increase in current liabilities due to the start of principal repayments on long-term debt within the next year. Cash and cash equivalents and restricted cash were \$7.1 million as of September 30, 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. In March 2024, the credit facility was further amended to clarify certain provisions related to the maintenance of cash collateral accounts.

In November 2025, we further amended the credit facility, pursuant to which there shall be no measurement of net revenue for purposes of calculating financial covenant compliance for the quarterly period ended September 30, 2025 and continuing thereafter through the quarterly periods ending September 30, 2026 (the “Pause Period”). The amendment further provides that commencing with the first quarterly period ending after September 30, 2026, and for each quarterly period thereafter, we shall not permit net revenue for any applicable quarterly period, as tested quarterly on the last day of the applicable quarter to be less than the minimum revenue required by the credit and security agreement for such quarter.

In January 2022, we acquired certain assets related to the TheraClear devices from Theravant Corporation (“Theravant”). Theravant was 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 was 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. We entered into a mutual release and settlement agreement (“Theravant Settlement”) with Theravant in October 2025, pursuant to which we were released from all obligations related to contingent consideration. We expect to write off the related product technology intangible asset with a net carrying value of \$0.7 million and derecognize our liability for contingent consideration of \$1.2 million in the fourth quarter of 2025.

As additional consideration to the mutual releases contained within the Theravant Settlement, we will owe Theravant a royalty equal to 5% of sales of TheraClear® X devices, payable quarterly in arrears, starting on the later of January 1, 2027 or when we first achieve annual domestic revenue of more than \$2.5 million from the sale or placement of TheraClear® X devices and ending on the first to occur of (i) we have paid aggregate royalties of \$3.0 million to Theravant or (ii) we commercially launch a new TheraClear® X device and replace the current TheraClear® X device (as defined in the Theravant Settlement). No royalties were incurred through September 30, 2025.

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. In September 2025, the Company sold 1,097,547 shares of its common stock under the equity distribution agreement at an average price of \$2.204 per share for total gross and net proceeds of approximately \$2.4 million and \$2.2 million, respectively. As of September 30, 2025, we may sell up to an additional \$6.5 million shares of our common stock under this distribution agreement, subject to certain limitations. In October 2025, we sold an additional 619,491 shares of our common stock under the equity distribution agreement at an average price of \$2.304 per share for total gross and net proceeds of approximately \$1.4 million, after which \$5.1 million shares of common stock were available to be sold under the 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 \$2.6 million for the nine months ended September 30, 2025, compared to net cash used in operating activities of \$0.5 million for the nine months ended September 30, 2024. The increase in cash used in operating activities is primarily the result of (i) an increase in net loss of approximately \$0.8 million, (ii) decreases in net non-cash transactions of \$0.9 million, primarily as a result of (a) the settlement gains and (b) a reduction in amortization expense as certain intangible assets became fully amortized in the current period, and (iii) increases in cash used by changes in current balance sheet accounts in the ordinary course of business of approximately \$0.4 million, primarily due to (a) \$3.3 million from accrued expenses and other current liabilities due to (1) the payment of sales and use taxes related to the adverse Appellate Division ruling with respect to the applicability of sales and use taxes to our sales of XTRAC treatment codes and (2) a change in accrued compensation and benefits and (b) \$0.6 million from purchases of inventory, partially offset by decreases in cash used of (c) \$2.1 million in accounts payable due to the timing of payments and (d) \$1.6 million in collections of accounts receivable.

Net cash used in investing activities was \$1.2 million for each of the nine months ended September 30, 2025 and nine months ended September 30, 2024. The cash used in both periods is primarily the result of purchases of property and equipment.

Net cash provided by financing activities was \$2.2 million for the nine months ended September 30, 2025, compared to net cash provided by financing activities of \$1.9 million for the nine months ended September 30, 2024. The financing activity for the nine months ended September 30, 2025 consisted of \$2.2 million in net proceeds from the issuance of common stock. The financing activity for the nine months ended September 30, 2024 consisted of \$1.9 million in net proceeds from the issuance of common stock, partially offset by an \$18.0 thousand payment of contingent consideration to Theravant.

Commitments and Contingencies

A description of our commitments and contingencies is discussed in Note 15, **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 September 30, 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 September 30, 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 September 30, 2025. As of December 31, 2024, management identified a material weakness in our internal control over financial reporting related to a lack of detailed management review of account reconciliations and account analyses, including those prepared by third-party specialists. This resulted in the error that was identified and corrected during the three months ended September 30, 2025, as discussed further in Note 3, **Revision of Previously Issued Consolidated Financial Statements** to the Notes to unaudited condensed consolidated financial statements. Additionally, we identified gaps in technical accounting expertise to account for complex transactions. 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 nine months ended September 30, 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 2025, the U.S. government announced the intention to impose additional tariffs on certain goods imported from numerous countries. Multiple nations, including China, responded with reciprocal tariffs and other trade actions. The recent enactment of tariffs by the U.S. government, along with the unpredictability of the rates and the potential for punitive actions and retaliatory tariffs by such countries, poses a significant risk to our business operations and may materially increase our costs and reduce profits. The tariffs may also lead to higher pricing, potentially reducing demand and impacting sales. We are actively monitoring the impact of any tariffs that become effective, as well as potential retaliatory tariffs imposed by other countries. We are currently analyzing strategies that can be taken to moderate or minimize the effects of these trade actions, however, there can be no assurance that any such strategies will be successful, or that they will offset the negative impact of the tariffs on our business.

Given the uncertainty regarding scope and duration of the current and potential tariffs, as well as the potential for additional trade actions by the U.S. or other countries, the specific impact to our business, results of operations, cash flows and financial condition is uncertain but could be material.

ITEM 5. Other Information

During the quarter ended September 30, 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).

On November 12, 2025, we entered into Amendment No. 6 to Credit and Security Agreement (the “Amendment”) with MidCap, which amended the Credit and Security Agreement, dated as of September 30, 2021, as amended January 10, 2022, September 6, 2022, June 30, 2023 and February 20, 2024.

The Amendment provides that there shall be no measurement of net revenue for purposes of calculating financial covenant compliance for the quarterly periods ending September 30, 2025 and continuing thereafter through the quarterly period ending September 30, 2026 (the “Pause Period”). The Amendment further provides that commencing with the first quarterly period ending after September 30, 2026, and for each quarterly period thereafter, we shall not permit net revenue for any applicable quarterly period, as tested quarterly on the last day of the applicable quarter to be less than the minimum revenue required by the credit and security agreement for such quarter. The Amendment also expanded the definition of “Material Adverse Change” in certain respects.

The foregoing description of the Amendment does not purport to be complete and is qualified in its entirety by reference to the complete text of such documents. A copy of the Amendment is filed as Exhibit 10.1 to this Quarterly Report on Form 10-Q and is incorporated herein by reference.

ITEM 6. EXHIBITS

- [10.1](#) Amendment No. 6 to Credit and Security Agreement, dated as of November 12, 2025, among STRATA Skin Sciences, Inc., MidCap Financial Trust, as administrative agent, and the lenders identified therein.
- 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 November 14, 2025

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

Date November 14, 2025

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

AMENDMENT NO. 6 TO CREDIT AND SECURITY AGREEMENT

This AMENDMENT NO. 6 TO CREDIT AND SECURITY AGREEMENT (this “**Agreement**”) is made as of this ___ day of November, 2025 (“**Effective Date**”), by and among STRATA SKIN SCIENCES, INC., a Delaware corporation (together with each of its subsidiaries that hereafter becomes a party to this Agreement, the “**Borrower**”), MIDCAP FINANCIAL TRUST, as Agent for Lenders (in such capacity and together with its permitted successors and assigns, the “**Agent**”) and the other financial institutions or other entities from time to time parties to the Credit Agreement referenced below, each as a Lender.

RECITALS

A. Agent, Lenders and Borrower have entered into that certain Credit and Security Agreement, dated as of September 30, 2021 (as amended by that certain Limited Consent and Amendment No. 1 to Credit and Security Agreement, dated as of January 10, 2022, that certain Amendment No. 2 to Credit and Security Agreement, dated as of September 6, 2022, that certain Amendment No. 3 to Credit and Security Agreement, dated as of June 30, 2023, that certain Limited Waiver and Amendment No. 4 to Credit and Security Agreement, dated as of February 20, 2024 and that certain Amendment No. 5 to Credit and Security Agreement, dated as of March 27, 2024 and as further amended, restated, supplemented or otherwise modified from time to time prior to the date hereof, the “**Existing Credit Agreement**” and the Existing Credit Agreement, as amended hereby, the “**Credit Agreement**”), pursuant to which the Lenders have agreed to make certain advances of money and to extend certain financial accommodations to Borrower in the amounts and manner set forth in the Credit Agreement.

B. Borrower has requested, and Agent and Lenders have agreed, to enter into this Agreement, all in accordance with the terms and subject to the conditions set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, the terms and conditions set forth in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Agent, Lenders, and the Borrower hereby agree as follows:

1. **Recitals; Construction.** This Agreement shall constitute a Financing Document and the Recitals and each reference to the Credit Agreement, unless otherwise expressly noted, will be deemed to reference the Credit Agreement as modified hereby. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement (including those capitalized terms used in the Recitals hereto).

2. **Amendments to Existing Credit Agreement.** Subject to the terms and conditions of this Agreement, including, without limitation, the conditions to effectiveness set forth in Section 4 below, the Existing Credit Agreement is hereby amended as follows:

(a) Section 9.1 of the Existing Credit Agreement is hereby amended and restated in its entirety as follows:

“9.1 **Minimum Net Revenue.** There shall be no measurement of Net Revenue for the Defined Periods ending September 30, 2025 and continuing thereafter through the Defined Period ending September 30, 2026. Commencing with the first Defined Period ending after September 30, 2026, and for each Defined Period thereafter, Borrowers shall not permit Net Revenue for any applicable Defined Period, as tested quarterly on the last day of the applicable Defined Period, to be less than the Applicable Minimum Net Revenue Threshold for such Defined Period. A breach of a financial covenant contained in this Section 9.1 shall be deemed to have occurred as of the last day of any specified Defined Period, regardless of when the financial statements reflecting such breach are delivered to Agent.”

(b) The definition of “Material Adverse Change” in Section 15 of the Existing Credit Agreement is hereby amended and restated in its entirety as follows:

“**Material Adverse Change**” means with respect to any event, act, condition or occurrence of whatever nature (including any adverse determination in any litigation, arbitration, or governmental investigation or proceeding), whether singly or in conjunction with any other event or events, act or acts, condition or conditions, occurrence or occurrences, whether or not related, a material adverse change in, or a material adverse effect upon, any of (a) the condition (financial or otherwise), operations, business, properties or prospects of any of the Credit Parties, (b) the rights and remedies of Agent or Lenders under any Financing Document, or the ability of any Credit Party to perform or comply with any of its obligations under any Financing Document to which it is a party, (c) the legality, validity or enforceability of any Financing Document, (d) the existence, perfection or priority of any security interest granted in any Financing Document, (e) the value of any material Collateral, or (f) a material impairment of the prospect of repayment of any portion of the Obligations.”

3. **Representations and Warranties; Reaffirmation of Security Interest.** Each Credit Party hereby confirms that all of the representations and warranties set forth in the Credit Agreement are true and correct in all material respects (without duplication of any materiality qualifier in the text of such representation or warranty) with respect to such Credit Party as of the date hereof except to the extent that any such representation or warranty relates to a specific date in which case such representation or warranty shall be true and correct in all material respects as of such earlier date. Each Credit Party reaffirms its obligations under each Security Document to which it is a party, and confirms and agrees that all security interests and Liens granted to the Agent continue in full force and effect. Nothing herein is intended to impair or limit the validity, priority or extent of Agent’s security interests in and Liens on the Collateral. Each Credit Party acknowledges and agrees that the Credit Agreement, the other Financing Documents and this Agreement constitute the legal, valid and binding obligation of such Credit Party, and are enforceable against such Credit Party in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency or other similar laws relating to the enforcement of creditors’ rights generally and by general equitable principles.

4. **Conditions to Effectiveness.** This Agreement shall become effective as of the date on which each of the following conditions has been satisfied, as determined by Agent in its sole discretion:

(a) Agent shall have received a duly authorized, executed and delivered counterpart of the signature page to this Agreement from Borrower, Agent and the Lenders;

(b) all representations and warranties of Borrowers contained herein shall be true and correct in all material respects (without duplication of any materiality qualifier in the text of such representation or warranty) as of the date hereof except to the extent that any such representation or warranty relates to a specific date in which case such representation or warranty shall be true and correct in all material respects (or, in the case of any representation or warranty that is, by its terms, qualified by materiality, in all respects) as of such earlier date (and such parties’ delivery of their respective signatures hereto shall be deemed to be its certification thereof);

(c) prior to and after giving effect to the agreements set forth herein, no Default or Event of Default shall exist under any of the Financing Documents; and

(d) the Borrowers shall have delivered such other documents, information, certificates, records, permits and filings as Agent may reasonably request.

5. **Costs and Fees.** Borrowers shall be responsible for the payment of all reasonable, documented and invoiced out-of-pocket costs and fees of Agent's counsel incurred in connection with the preparation, negotiation, execution and delivery of this Agreement and any related Financing Documents.

6. **Release.** In consideration of the agreements of Agent and Lenders contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each Credit Party, voluntarily, knowingly, unconditionally and irrevocably, with specific and express intent, for and on behalf of itself and all of its respective parents, subsidiaries, affiliates, members, managers, predecessors, successors, and assigns, and each of their respective current and former directors, officers, shareholders, agents, and employees, and each of their respective predecessors, successors, heirs, and assigns (individually and collectively, the "**Releasing Parties**") does hereby fully and completely release, acquit and forever discharge each of Agent, Lenders, and each their respective parents, subsidiaries, affiliates, members, managers, shareholders, directors, officers and employees, and each of their respective predecessors, successors, heirs, and assigns (individually and collectively, the "**Released Parties**"), of and from any and all actions, causes of action, suits, debts, disputes, damages, claims, obligations, liabilities, costs, expenses and demands of any kind whatsoever, at law or in equity, whether matured or unmatured, liquidated or unliquidated, vested or contingent, choate or inchoate, known or that reasonably should have been known that the Releasing Parties (or any of them) has against the Released Parties or any of them (whether directly or indirectly), based in whole or in part on facts, known or that reasonably should have been known, existing on or before the date hereof. Each Credit Party acknowledges that the foregoing release is a material inducement to Agent's and each Lender's decision to enter into this Agreement and agree to the modifications contemplated hereunder, and has been relied upon by Agent and Lenders in connection therewith.

7. **No Waiver or Novation.** The execution, delivery and effectiveness of this Agreement shall not operate as a waiver of any right, power or remedy of Agent, nor constitute a waiver of any provision of the Credit Agreement, the Financing Documents or any other documents, instruments and agreements executed or delivered in connection with any of the foregoing. Nothing herein is intended or shall be construed as a waiver of any existing Defaults or Events of Default under the Credit Agreement or other Financing Documents or any of Agent's rights and remedies in respect of such Defaults or Events of Default. This Agreement (together with any other document executed in connection herewith) is not intended to be, nor shall it be construed as, a novation of the Credit Agreement.

8. **Affirmation.** Except as specifically amended pursuant to the terms hereof, each Credit Party hereby acknowledges and agrees that the Existing Credit Agreement and all other Financing Documents (and all covenants, terms, conditions and agreements therein) shall remain in full force and effect, and are hereby ratified and confirmed in all respects by such Credit Party, including without limitation the granting of Liens in the Collateral to secure the Obligations and other Financing Documents. Each Credit Party covenants and agrees to comply with all of the terms, covenants and conditions of the Credit Agreement and the other Financing Documents, notwithstanding any prior course of conduct or other actions or inactions on Agent's or any Lender's part which might otherwise constitute or be construed as a waiver of or amendment to such terms, covenants and conditions. Each Credit Party confirms and agrees that all security interests and Liens granted to Agent pursuant to the Financing Documents continue in full force and effect, and all Collateral remains free and clear of any Liens, other than those granted to Agent and Permitted Liens.

9. **Miscellaneous.**

(a) Reference to the Effect on the Credit Agreement. The Credit Agreement, and all other Financing Documents (and all covenants, terms, conditions and agreements therein), shall remain in full force and effect, and are hereby ratified and confirmed in all respects by each Credit Party.

(b) THIS AGREEMENT AND THE RIGHTS, REMEDIES AND OBLIGATIONS OF THE PARTIES HERETO, AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS AGREEMENT, THE RELATIONSHIP OF THE PARTIES, AND/OR THE INTERPRETATION AND ENFORCEMENT OF THE RIGHTS AND DUTIES OF THE PARTIES AND ALL OTHER MATTERS RELATING HERETO OR ARISING THEREFROM (WHETHER SOUNDING IN CONTRACT LAW, TORT LAW OR OTHERWISE), SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS (OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW). NOTWITHSTANDING THE FOREGOING, AGENT AND LENDERS SHALL HAVE THE RIGHT TO BRING ANY ACTION OR PROCEEDING AGAINST EACH CREDIT PARTY OR ITS PROPERTY IN THE COURTS OF ANY OTHER JURISDICTION WHICH AGENT AND LENDERS (IN ACCORDANCE WITH THE PROVISIONS OF SECTION 12.1 OF THE CREDIT AGREEMENT) DEEM NECESSARY OR APPROPRIATE TO REALIZE ON THE COLLATERAL OR TO OTHERWISE ENFORCE AGENT'S AND LENDERS' RIGHTS AGAINST SUCH CREDIT PARTY OR ITS PROPERTY. EACH CREDIT PARTY EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND EACH CREDIT PARTY HEREBY WAIVES ANY OBJECTION THAT IT MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE, OR FORUM NON CONVENIENS AND HEREBY CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT. EACH CREDIT PARTY HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINTS, AND OTHER PROCESS ISSUED IN SUCH ACTION OR SUIT AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINTS, AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO THE APPLICABLE CREDIT PARTY AT THE ADDRESS SET FORTH IN ARTICLE 11 OF THE CREDIT AGREEMENT AND THAT SERVICE SO MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER TO OCCUR OF SUCH CREDIT PARTY'S ACTUAL RECEIPT THEREOF OR THREE (3) DAYS AFTER DEPOSIT IN THE U.S. MAIL, PROPER POSTAGE PREPAID.

(c) **TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH CREDIT PARTY, AGENT AND LENDERS PARTY HERETO EACH WAIVE THEIR RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION ARISING OUT OF OR BASED UPON THIS AGREEMENT OR ANY CONTEMPLATED TRANSACTION, INCLUDING CONTRACT, TORT, BREACH OF DUTY AND ALL OTHER CLAIMS. THIS WAIVER IS A MATERIAL INDUCEMENT FOR BOTH PARTIES TO ENTER INTO THIS AGREEMENT. EACH PARTY HAS REVIEWED THIS WAIVER WITH ITS COUNSEL.**

(d) Incorporation of Credit Agreement Provisions. The provisions contained in Section 12.2(b) (California Waivers), Section 12.3 (California Waiver) and Section 13.2 (Indemnification) of the Credit Agreement are incorporated herein by reference to the same extent as if reproduced herein in their entirety.

(e) Headings. Section headings in this Agreement are included for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

(f) Counterparts. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, is an original, and all taken together, constitute one Agreement. Delivery of an executed signature page of this Agreement by facsimile transmission or electronic transmission shall be as effective as delivery of a manually executed counterpart hereof. In furtherance of the foregoing, the words “execution”, “signed”, “signature”, “delivery” and words of like import in or relating to any document to be signed in connection with this Agreement and the transactions contemplated hereby or thereby shall be deemed to include Electronic Signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act. As used herein, “Electronic Signature” means an electronic sound, symbol, or process attached to, or associated with, a contract or other record and adopted by a Person with the intent to sign, authenticate or accept such contract or other record.

(g) Entire Agreement. This Agreement constitutes the entire agreement and understanding among the parties hereto and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof.

(h) Severability. In case any provision of or obligation under this Agreement shall be invalid, illegal or unenforceable in any applicable jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

(i) Successors/Assigns. This Agreement shall bind, and the rights hereunder shall inure to, the respective successors and assigns of the parties hereto, subject to the provisions of the Credit Agreement and the other Financing Documents.

[SIGNATURES APPEAR ON FOLLOWING PAGES]

IN WITNESS WHEREOF, intending to be legally bound, the undersigned have executed this Agreement as of the day and year first hereinabove set forth.

AGENT:

MIDCAP FINANCIAL TRUST

By: Apollo Capital Management, L.P.,
its investment manager

By: Apollo Capital Management GP, LLC,
its general partner

By: /s/ Maurice Amsellem

Name: Maurice Amsellem

Title: Authorized Signatory

Signature Page(s)

LENDERS:

MIDCAP FINANCIAL TRUST

By: Apollo Capital Management, L.P.,
its investment manager

By: Apollo Capital Management GP, LLC,
its general partner

By: /s/ Maurice Amsellem

Name: Maurice Amsellem

Title: Authorized Signatory

Signature Page(s)

LENDERS:

MIDCAP FUNDING XLIX TRUST

By: Apollo Capital Management, L.P.,
its investment manager

By: Apollo Capital Management GP, LLC,
its general partner

By: /s/ Maurice Amsellem

Name: Maurice Amsellem

Title: Authorized Signatory

Signature Page(s)

LENDERS:

ELM 2020-3 TRUST

By: MidCap Financial Services Capital Management,
LLC, as Servicer

By: /s/ John O'Dea

Name: John O'Dea

Title: Authorized Signatory

ELM 2020-4 TRUST

By: MidCap Financial Services Capital Management,
LLC, as Servicer

By: /s/ John O'Dea

Name: John O'Dea

Title: Authorized Signatory

Signature Page(s)

BORROWER:

STRATA SKIN SCIENCES, INC.

By: /s/ John Gillings

Name: John Gillings

Title: VP Finance

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.

By: /s/ Dolev Rafaeli

Dolev Rafaeli

President & Chief Executive Officer

Dated: November 14, 2025

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.

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

Dated: November 14, 2025

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 September 30, 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: November 14, 2025

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

/s/ John Gillings
John Gillings
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.