

NXGL Earnings Call Transcript

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Quarter: 3

Operator: Please stand by. We're about to begin. Good afternoon, everyone. My name is Beau, and I will be your conference operator today. At this time, I would like to welcome everyone to NEXGEL's Third Quarter 2025 Financial Results Conference Call. At this time, I'll turn things over to Mr. Valter Pinto, managing director of KCSA Strategic Communications. Please go ahead, sir.

Valter Pinto: Thank you, operator. Good afternoon, and welcome, everyone, to NEXGEL's third quarter 2025 Financial Results Conference Call. I'm joined today by Adam Levy, Chief Executive Officer, and Joseph F. McGuire, Chief Financial Officer. Before we begin, I'd like to remind everyone that statements made during today's conference call may be deemed forward-looking statements within the meaning of the Safe Harbor of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially due to a variety of risks, uncertainties, and other factors. For a detailed discussion of some of the ongoing risks and uncertainties in the company's business, I refer you to the press release issued this evening and filed with the SEC on Form 8-K, as well as the company's reports filed periodically with the SEC. The company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, unless otherwise required by law. Also, during the course of today's call, we will refer to certain non-GAAP financial measures. Reconciliation of the non-GAAP to GAAP financial measures and certain additional information are also included in today's press release. With that, it's my pleasure to turn the call over to Mr. Adam Levy. Adam, please go ahead.

Adam Levy: Thank you, Valter. And thank you everyone for joining us today to discuss our third quarter 2025 financial and operating results. For the 2025, we reported revenue of \$2.9 million, flat year over year and slightly higher sequentially. While our revenue remained steady during both periods, gross profit margins improved year over year, coming in again in the low forties for the third quarter, and our adjusted EBITDA loss trend to \$354,000 continued to narrow sequentially from a loss of \$500,000 in Q1 to \$419,000 in Q2, and now in Q3. Consistent performance in contract manufacturing consumer branded products while maintaining discipline and consistently improving our operational efficiencies were key factors in these results. I'll now provide an update on both our contract manufacturing and consumer branded product businesses. Starting with contract manufacturing. This segment of business has played a pivotal role in our growth, led by increased demand from existing customers as well as the successful onboarding of several new global corporations. For the third quarter, contract manufacturing revenue totaled \$907,000, a slight increase year over year and sequentially. Our performance in contract manufacturing is led by our ongoing relationship with Cintas, which remains strong, and our SilverSeal product continuing to be included in their wound care kits and cabinets for businesses throughout the country. We began shipping initial orders to Cintas in Q4 of last year, and reorders for deliveries have continued each subsequent quarter and remain strong and steady. This partnership reflects the consistent value our advanced hydrogel technology brings to Cintas' customers and underscores our commitment to long-term recurring commercial relationships. The institutional review board study conducted under FDA guidelines and funded by our partner Innovative Optics is complete, and we are waiting on final data to be published. This 30-patient clinical trial evaluated the use of our hydrogels when applied prior to laser hair removal treatments. The primary goal of the study was to assess its efficacy in reducing the release of carcinogenic plume during these procedures. We have

been in contact with the journal and do expect publication before year-end. As many of you know, in May, we signed an agreement with iRhythm, a publicly listed company on the Nasdaq and a leading digital healthcare company that creates trusted solutions that detect, predict, and prevent disease, to supply our hydrogels as part of their Zio ECG heart monitoring system. Zio is a single-use ECG heart monitor that provides a continuous single-channel recording for up to fourteen days. The monitor is worn on the patient's upper left chest, and it features NEXGEL's advanced hydrogel. After the conclusion of the fourteen-day monitoring period, the patient simply removes the device and mails it back to iRhythm for analysis. We anticipate iRhythm's first direct orders from us this quarter. The integration of our hydrogels into iRhythm's Zio Heart Monitor showcases another impactful application for our skin-friendly dermatologically safe technology. We look forward to growing this relationship as iRhythm scales their product. There are many other opportunities we are actively pursuing. Our new customer pipeline remains robust, with several of them now approaching launch. We expect contract manufacturing and white label to continue being a major driver of our expansion and success moving forward. Turning our attention to our consumer products segment, revenue remained stable year over year and sequentially. During the quarter, there were some unforeseen logistical delays that affected the movement of inventory, which delayed some of our product launches until late September. These have all been resolved, and we anticipate a very strong fourth quarter including these new products. In late Q2, heading into Q3, we began to see strong performance from the first of Silly George's new product launches, we previewed earlier this year. In addition to the continued growth of our core lash, we introduced an expanded beauty line of five new shades of lip gloss. While we only launched our new lip gloss in very late September, the launch has gone well so far, and we are looking forward to seeing how this product does as we head into the holiday season along with our other new product offerings. Similarly, Kenco Derm will double the size of its product portfolio with the launch of new products expanding into solutions for eczema, tapping into an even larger market opportunity for the brand that is leveraging its strong reputation as a leader in sensitive skin care. We expect these new products to hit the market in the next few months. Metagel has expanded its product line with the launch of several new offerings, including the Silver Seal wound and burn kit and the moist burn pads. These products are doing extremely well on Amazon, and we look forward to their continued growth. We have also just received approval from Health Canada to sell SilverSeal in that territory. Lastly, we could not be more excited about our expanding partnership with Stada, a European leader in consumer health. Building on the strong performance of HistoSolve, we recently amended our agreement to broaden the collaboration considerably. Together with Stada, we are planning to soft launch one new product in December with several more slated for early 2026. Gluticin, a digestive enzyme for gluten sensitivity, will be the product soft launched in December with a full marketing and promotional plan for January. This next phase of the partnership includes the planned launches of additional digestive enzyme formulas and skin solutions targeting scars and stretch marks, products we're now positioned to bring to the North American market. As you all know, Stada provided \$1 million in non-dilutive financing that is now on our balance sheet to support the upcoming product launches and marketing initiatives, a show of confidence in our partnership. Before I turn the call over to Joseph F. McGuire for a review of our financial results for the third quarter, I would like to discuss our outlook for the fourth quarter and full year. For the fourth quarter, we do expect revenues to increase sequentially, and Q4 will be a record quarter for the company. However, conservatively as we sit today, I expect full year 2025 revenues of between \$12 and \$12.5 million, with the higher end of the range taking into account a strong consumer branded products holiday season. As I have said many times, for me, even more important than top-line growth is a path to profitability. In the third quarter, we narrowed our adjusted EBITDA loss to \$354,000, and with the sequential growth that I expect in Q4, I see that narrowing even further to very close to adjusted EBITDA breakeven. Thank you to our shareholders for your ongoing confidence in our team and mission. Your support remains essential as we continue to execute our growth strategy and build long-term value together. I would now like to turn the call over to Joseph F. McGuire, our Chief Financial Officer.

Joseph F. McGuire: Thank you, Adam. Today, I'll review our key financial results for the 2025. For the 2025, revenue totaled \$2.9 million, flat as compared to \$2.9 million for the 2024. Contract manufacturing and branded product revenue remained stable year over year. Cost of revenues totaled

\$1.7 million for the third quarter 2025, as compared to \$1.8 million for the 2024, a decrease of 5.2%. The decrease in cost of revenues is primarily due to a decrease in materials and finished products, and a decrease in amortization and depreciation offset by an increase in commission and contract fees and an increase in equipment production and other expenses. Gross profit totaled \$1.24 million for the 2025, slightly higher than gross profit of \$1.16 million for the 2024. Gross profit margin for the 2025 was 42.4%, an increase as compared to 39.3% for the 2024. Selling, general, and administrative expenses totaled \$1.96 million for the 2025, as compared to \$1.94 million for the 2024. The slight increase year over year is primarily attributable to increased compensation and benefits, fair-based compensation, and professional and consulting fees, offset by a decrease in advertising, marketing, and Amazon fees. EBITDA loss, a non-GAAP financial measure, totaled negative \$550,000 compared to negative \$533,000 for the 2025, and negative \$577,000 for the 2025. Adjusted EBITDA loss, a non-GAAP financial measure, totaled negative \$154,000 compared to negative \$419,000 for the second quarter 2025 and negative \$500,000 for the 2025. Net loss attributable to NEXGEL stockholders for the 2025 was \$653,000, as compared to a net loss of \$693,000 for the 2024. As of September 30, 2025, the company held a cash balance of approximately \$938,000 and a restricted cash balance of \$920,000, related to receiving \$1 million in non-dilutive capital from Stada to support upcoming product launches and marketing efforts. As of November 10, 2025, NEXGEL had 8,143,133 shares of common stock outstanding. I would now like to open the call for questions. Operator?

Operator: Thank you very much, Mr. McGuire. Ladies and gentlemen, at this time, if you have any questions, please press 1 at this time. And if you find your question has been addressed, you can always remove yourself from the queue by pressing 2. Once again, 1 for questions. We'll go first this afternoon to Nazibur Rahman with The Maxim Group.

Nazibur Rahman: Hi, everyone. Thanks for taking my questions. I just have a few. First, I just want to start on the logistical delays you mentioned. Could you elaborate a little bit more on that? Like, how many days worth of sales did it end? And, I guess, how much could those sales have been worth? I guess I'm trying to get a sense of what the underlying demand could have been or the impact.

Adam Levy: So hi, Nazibur. It's good to hear from you again. So the total delay was varied on different products. A lot of it had to do with stuff getting stuck in customs and trying to create new ways of getting the product into the country because everything was sort of held up with the new regulations and changing. It probably impacted the existing products not too severely. But where it really mattered was we were hoping for a late August early release on the lip gloss as it results. It was only released on September 27, right at the very end of the quarter. And that happened with a couple of products. So, you're probably talking about \$100,000 to \$200,000, maybe depending on what it would've done during that period of time. So, not devastating, but it was frustrating at the time.

Nazibur Rahman: Got it. Thanks. And just kinda going off that. So I think on the call, you said you expect you revised down to \$12 to \$12.5 million for the full year. Obviously, the last couple quarters have been flat. I guess what kinda gives you confidence in that number now, especially, like, the top end of that number? Are you seeing any tailwinds or any data points that would suggest you could get there, or is it more just the seasonality you expect?

Adam Levy: No. Actually, this is a great point, which is we appear to be and we are flat from third quarter last year to third quarter this year. But understand in third quarter last year and fourth quarter last year, we launched with two new customers on the contract manufacturing side that were quite large. So Q3 of last year was a record for us because Owens and Minor was onboarded. And for example, and I'll use this just as an example with round numbers, in Q4, we had very, very large sales, call it \$400,000 from the initial orders of Cintas. Well, this year, the initial orders of Owens and the initial order of Cintas are replaced by repeat orders at about 50% of the size and volume. The reason we're flat is because the rest of the business is still growing, the rest of the customers are still growing. So without onboarding anybody new in Q3, yes, we're gonna have that drop, we maintained where we are. Well, in Q4, but we still have the growth offsetting it of the rest of the products. And we'll be shipping some new customers, like iRhythm. So we already kinda know that the fourth quarter will be a very large contract manufacturing quarter and will be up. What we're not as sure about is how big are the new products and the existing products gonna do during the holiday season. That's always the wildcard with the economy and everything else. So that's really, you know, we know it's gonna be fourth quarter

is always the strongest. We know sales will also increase there. Just how much is difficult to tell. Does that answer the question?

Nazibur Rahman: Got it. That was helpful. And one last question, if I may. I know previously you talked about AbbVie and the restarting device. I know AbbVie took a large impairment charge on the recycling device recently. Do you know if they're still planning on launching a product and just what's kinda going on with that?

Adam Levy: So it's really puzzling and very frustrating. On October 24, I received an email from AbbVie saying that they put in the RF and that we'd be receiving our first PO shortly, which I was hoping to announce on this call. And then I've heard from others that they've actually taken that charge. So I'm not sure where AbbVie stands. It might be the worst case of one hand not knowing what the other hand is doing that I've ever seen. But it is a frustrating situation trying to get to the bottom of it, but I am very concerned about it. And, honestly, I really don't know.

Nazibur Rahman: Okay. Understood. Thanks for taking my questions.

Adam Levy: Sure.

Operator: Thank you. And just a quick reminder, everyone. Star one for questions today. We'll go next now to Kirtan Patel, private investor.

Kirtan Patel: Yes. Hello? So what is the current order book like from the contract manufacturing side?

Adam Levy: So it's strong. I don't wanna get into too much detail as to what it is, but all of the existing continue to order. We're seeing growth, you know, along the CAGRs of their growth of their medical devices across the entire segment. We've got a pretty robust and full pipeline of potential new customers, some of whom will be onboarding this quarter, next quarter. So we're very bullish on how our contract is going to grow over the next two or three quarters. At least we have visibility that far out.

Kirtan Patel: Got it. And do you still have a strong cash position to be able to fulfill those orders?

Adam Levy: Yes. Yeah. And contract manufacturing orders are something that we do very well. We built our inventory raw material side for the contract manufacturing in Q3. So now Q4 is where we start to recoup some of that money, reduce that receivable somewhat, reduce that inventory somewhat by shipping the products and then collect the receivables. So Q4 has generally been a very strong cash sort of position for us because you do get all of those direct-to-consumer sales that you get paid very, very quickly. And we have built inventory for what we think will be a strong quarter. So as we move through that inventory, that'll help our cash position even further.

Kirtan Patel: Got it. And from your last quarter, are you still expecting to achieve a positive EBITDA by the end of the year? Or has that changed?

Adam Levy: Yeah. We think so. If not, it's gonna be super close. But we think it's really gonna depend on the consumer products. We think that, you know, we were hoping to chop more off. I'll be honest with you. I was hoping to chop more off in Q3 than we did. But with what we see coming is a very strong fourth quarter in contract, as well as if we can get a very good quarter in terms of consumer products in Q4, I think we have a chance to get there. We'll see.

Kirtan Patel: Got it. Thank you. And that's about it. Thank you so much.

Adam Levy: Sure. Thank you.

Operator: Thank you. And just a final reminder, ladies and gentlemen, any further questions this afternoon, please press 1, and we'll pause for just one moment. And, gentlemen, it appears we have no further questions this afternoon. So that will bring us to the conclusion of today's NEXGEL third quarter 2025 financial results. We'd like to thank everyone for joining us this afternoon, and wish you all a great remainder of your day. Goodbye.