

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2025

OR

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

For the transition period from _____ to _____

Commission file number: 001-38738

ETON PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

37-1858472
(I.R.S. Employer Identification Number)

21925 W. Field Parkway, Suite 235
Deer Park, Illinois 60010-7278
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: (847) 787-7361

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

Common stock, \$0.001 par value per share

Trading Symbol

ETON

Name of each exchange on which
registered

Nasdaq Global Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter time 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
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

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

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

As of November 5, 2025, Eton Pharmaceuticals, Inc. had outstanding 26,817,535 shares of common stock, \$0.001 par value.



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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Eton Pharmaceuticals, Inc.
Condensed Balance Sheet
(in thousands, except share and per share amounts)

	September 30, 2025 (Unaudited)	December 31, 2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 37,121	\$ 14,936
Accounts receivable, net	13,082	5,361
Inventories, net	16,855	15,232
Prepaid expenses and other current assets	4,942	5,492
Total current assets	72,000	41,021
Property and equipment, net	294	34
Intangible assets, net	31,878	34,881
Operating lease right-of-use assets, net	319	175
Other long-term assets, net	19	12
Total assets	\$ 104,510	\$ 76,123
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 14,259	\$ 4,167
Short-term debt, net of discount	2,776	—
Accrued Medicaid rebates	18,031	6,866
Accrued liabilities	9,117	8,914
Total current liabilities	44,183	19,947
Long-term debt, net of current portion, debt discount and accrued exit fees	27,591	29,811
Operating lease liabilities, net of current portion	480	107
Long-term inventory payable	5,188	—
Other long-term liabilities	3,942	1,830
Total liabilities	81,384	51,695
Commitments and contingencies (Note 12)		
Stockholders' equity		
Common stock, \$0.001 par value; 50,000,000 shares authorized; 26,817,535 and 26,709,084 shares issued and outstanding at September 30, 2025 and December 31, 2024, respectively	27	27
Additional paid-in capital	137,076	132,294
Accumulated deficit	(113,977)	(107,893)
Total stockholders' equity	23,126	24,428
Total liabilities and stockholders' equity	\$ 104,510	\$ 76,123

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

Eton Pharmaceuticals, Inc.
Condensed Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

	For the three months ended		For the nine months ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Revenues:				
Licensing revenue	\$ —	\$ 500	\$ 3,286	\$ 500
Product sales and royalties, net	22,459	9,824	55,383	26,864
Total net revenues	22,459	10,324	58,669	27,364
Cost of sales:				
Licensing revenue	—	270	825	270
Product sales and royalties	14,604	3,752	28,204	10,159
Total cost of sales	14,604	4,022	29,029	10,429
Gross profit	7,855	6,302	29,640	16,935
Operating expenses:				
Research and development	1,112	505	5,985	4,126
General and administrative	8,106	5,288	26,963	16,035
Total operating expenses	9,218	5,793	32,948	20,161
Income (loss) from operations	(1,363)	509	(3,308)	(3,226)
Other expense:				
Interest and other expense, net	(592)	(8)	(2,664)	(71)
Income (loss) before income tax expense	(1,955)	501	(5,972)	(3,297)
Income tax expense (benefit)	(28)	(126)	112	(72)
Net income (loss)	\$ (1,927)	\$ 627	\$ (6,084)	\$ (3,225)
Net income (loss) per share, basic	\$ (0.07)	\$ 0.02	\$ (0.23)	\$ (0.12)
Weighted average number of common shares outstanding, basic	26,893	25,900	26,891	25,814
Net income (loss) per share, diluted	\$ (0.07)	\$ 0.02	\$ (0.23)	\$ (0.12)
Weighted average number of common shares outstanding, diluted	26,893	26,550	26,891	25,814

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

Eton Pharmaceuticals, Inc.
Condensed Statements of Stockholders' Equity
For the three months ended September 30, 2025 and 2024
(in thousands, except share amounts)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balances at June 30, 2025	26,817,535	\$ 27	\$ 135,984	\$ (112,050)	\$ 23,961
Stock-based compensation	—	—	1,092	—	1,092
Net loss	—	—	—	(1,927)	(1,927)
Balances at September 30, 2025	26,817,535	\$ 27	\$ 137,076	\$ (113,977)	\$ 23,126
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balances at June 30, 2024	25,745,802	\$ 26	\$ 121,358	\$ (107,922)	\$ 13,462
Stock-based compensation	—	—	722	—	722
Stock option exercises and vesting of restricted stock	90,402	—	—	—	—
Relative fair value of warrants issued in connection with debt	—	—	1,170	—	1,170
Net income	—	—	—	627	627
Balances at September 30, 2024	25,836,204	\$ 26	\$ 123,250	\$ (107,295)	\$ 15,981

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

Eton Pharmaceuticals, Inc.
Condensed Statements of Stockholders' Equity
For the nine months ended September 30, 2025 and 2024
(in thousands, except share amounts)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balances at December 31, 2024	26,709,084	\$ 27	\$ 132,294	\$ (107,893)	\$ 24,428
Stock-based compensation	—	—	4,388	—	4,388
Stock option exercises and vesting of restricted stock units	108,451	—	394	—	394
Net loss	—	—	—	(6,084)	(6,084)
Balances at September 30, 2025	26,817,535	\$ 27	\$ 137,076	\$ (113,977)	\$ 23,126

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balances at December 31, 2023	25,688,062	\$ 26	\$ 119,521	\$ (104,070)	\$ 15,477
Stock-based compensation	—	—	2,383	—	2,383
Employee stock purchase plan	55,240	—	169	—	169
Stock option exercises and vesting of restricted stock	92,902	—	7	—	7
Relative fair value of warrants issued in connection with debt	—	—	1,170	—	1,170
Net loss	—	—	—	(3,225)	(3,225)
Balances at September 30, 2024	25,836,204	\$ 26	\$ 123,250	\$ (107,295)	\$ 15,981

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

Eton Pharmaceuticals, Inc.
Condensed Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine months ended September 30, 2025	Nine months ended September 30, 2024
Cash flows from (used in) operating activities		
Net loss	\$ (6,084)	\$ (3,225)
Adjustments to reconcile net loss to net cash from (used in) operating activities:		
Stock-based compensation	4,388	2,383
Depreciation and amortization	3,027	791
Inventory step-up	3,673	—
Non-cash lease expense	35	53
Debt discount amortization and non-cash interest expenses	521	70
Changes in operating assets and liabilities:		
Accounts receivable	(7,721)	(2,179)
Inventories	(5,295)	(1,027)
Prepaid expenses and other assets	550	171
Accounts payable	10,092	836
Accrued Medicaid rebates	11,165	4,420
Accrued liabilities	585	(559)
Other non-current assets and liabilities	7,139	—
Net cash from (used in) operating activities	22,075	1,734
Cash flows from (used in) investing activities		
Purchases of product license rights	—	(1,868)
Purchases of property and equipment	(284)	(14)
Net cash from (used in) investing activities	(284)	(1,882)
Cash flows from (used in) financing activities		
Repayment of long-term debt	—	(1,155)
Proceeds from employee stock purchase plan and stock option exercises	394	176
Net cash from (used in) financing activities	394	(979)
Change in cash and cash equivalents	22,185	(1,127)
Cash and cash equivalents at beginning of period	14,936	21,388
Cash and cash equivalents at end of period	\$ 37,121	\$ 20,261
Supplemental disclosures of cash flow information		
Cash paid for interest	\$ 2,395	\$ 525
Cash paid for income taxes	\$ 117	\$ 181

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

Eton Pharmaceuticals, Inc.
Notes to Condensed Financial Statements
(in thousands, except share and per share amounts)
(Unaudited)

Note 1 — Company Overview

Eton Pharmaceuticals, Inc. is an innovative pharmaceutical company focused on developing and commercializing treatments for rare diseases. The Company currently has eight commercial rare disease products: INCRELEX®, ALKINDI SPRINKLE®, KHINDIVI™, GALZIN®, PKU GOLIKE®, Carglumic Acid, Betaine Anhydrous and Nitisinone. The Company has five additional product candidates in late-stage development: ET-600, Amlglidia®, ET-700, ET-800 and ZENEO® hydrocortisone autoinjector.

Note 2 — Liquidity Considerations

The Company believes its existing cash and cash equivalents of \$37,121 as of September 30, 2025 in addition to revenues from products will be sufficient to fund its operating expenses and capital expenditure requirements for at least the next twelve months from the date of filing of this quarterly report. This estimate is based on the Company's current assumptions, including assumptions relating to estimated sales and its ability to manage spending. The Company could use its available capital resources sooner than currently expected. Accordingly, the Company could seek to obtain additional capital through equity financings, the issuance of debt or other arrangements. However, the Company cannot make assurances that it will be able to raise additional capital if needed or under acceptable terms. The sale of additional equity may dilute existing stockholders, and newly issued stock could contain senior rights and preferences compared to currently outstanding common shares. The Company's existing debt obligation contains covenants and limits the Company's ability to pay dividends or make other distributions to stockholders. If the Company experiences delays in product development or sales growth, obtaining regulatory approval for its other product candidates, or is unable to secure such additional financing, it might need to scale back operations.

Note 3 — Summary of Significant Accounting Policies*Basis of Presentation*

The Company has prepared the accompanying condensed financial statements in accordance with accounting principles generally accepted in the United States ("GAAP"). Certain prior period amounts, have been reclassified to conform to current year presentation in the condensed financial statements and notes to financial statements.

Unaudited Interim Financial Information

The accompanying interim condensed financial statements are unaudited and have been prepared on the same basis as the audited financial statements and, in the opinion of management, reflect all adjustments necessary for the fair presentation of the Company's financial position as of September 30, 2025, and the results of its operations and its cash flows for the periods ended September 30, 2025 and 2024. The financial data and other information disclosed in these notes related to the three and nine months ended September 30, 2025 and 2024 are also unaudited. The interim financial statements are condensed and generally do not repeat the disclosures in the annual financial statements. As such, the interim financial statements herein should be read in conjunction with the Company's latest annual financial statements filed on Form 10-K on March 18, 2025. The results for the three-month and nine-month periods ended September 30, 2025 are not necessarily indicative of results to be expected for the year ending December 31, 2025, any other interim periods, or any future year or period.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant estimates and assumptions reflected in these financial statements include, but are not limited to, Medicaid program rebates, valuation of inventories, useful lives of assets and the recoverability of long-lived assets, valuation of deferred tax assets, and the valuation of common stock, stock options, warrants, and restricted stock units ("RSUs"). Estimates are periodically reviewed in light of changes in circumstances, facts and experience. Changes in estimates are recorded in the period in which they become known. Actual results could differ from those estimates or assumptions.

Acquisitions

The Company evaluates each of its acquisitions in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 805, Business Combinations ("ASC 805"), to determine whether the transaction is a business combination or an asset acquisition. In determining whether an acquisition should be accounted for as a business combination or an asset acquisition, the Company first performs a screening test to determine whether substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. If this is the case, the acquired set is not deemed to be a business and is instead accounted for as an asset acquisition. If this is not the case, the Company then further evaluates whether the acquired set includes, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. If so, the Company concludes that the acquired set is a business.

The Company accounts for business acquisitions using the acquisition method of accounting. Under this method of accounting, assets acquired and liabilities assumed are recorded at their respective fair values at the date of the acquisition. When determining the fair values of assets acquired and liabilities assumed, management makes significant estimates and assumptions. The Company's estimates of fair value are based upon assumptions believed to be reasonable, but these assumptions are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill.

During the measurement period, which may be up to one year from the acquisition date, the Company adjusts the provisional amounts of assets acquired and liabilities assumed with the corresponding offset to goodwill to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. Upon the conclusion of the measurement

period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded within the Company's consolidated statements of operations.

Eton Pharmaceuticals, Inc.
Notes to Condensed Financial Statements
(in thousands, except share and per share amounts)
(Unaudited)

Note 3 — Summary of Significant Accounting Policies (continued)Segment Information

The Company operates the business on the basis of a single reportable segment, which includes eight commercial rare disease products: INCRELEX®, ALKINDI SPRINKLE®, KHINDIVI™, GALZIN®, PKU GOLIKE®, Carglumic Acid, Betaine Anhydrous, and Nitisinone. The Company derives revenues from product sales to specialty pharmacy customers, who then provide order fulfillment, inventory storage and distribution services. The Company's chief operating decision-maker ("CODM") is the Chief Executive Officer, who evaluates the Company's financial performance and results of operations as a single operating segment. The CODM reviews net income or loss as a measure of segment profit or loss in assessing performance and allocating resources. Segment revenues, expenses and profit or loss is reported on the Condensed Statements of Operations. Additionally, the measure of segment assets is reported on the Company's Condensed Balance Sheet as total assets.

The Company's revenues and its accounts receivable balances are highly concentrated and consist of sales to and amounts due from AnovoRx and Optime Care for the Company's INCRELEX®, ALKINDI SPRINKLE®, KHINDIVI™, Carglumic Acid, GALZIN® and Betaine Anhydrous products, as well as from Pentec Heath for sales of the Company's PKU GOLIKE® product. For the nine months ended September 30, 2025 and 2024, AnovoRx product sales represented 85.8% and 98.5% of net product revenues, respectively. As of September 30, 2025 and December 31, 2024, AnovoRx product sales represented 65.8% and 96.2% of net accounts receivable, respectively.

As of September 30, 2025 and December 31, 2024, all long-lived assets were domiciled within the U.S.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. All cash and cash equivalents are held in U.S. financial institutions or invested in high-grade money market funds. As of September 30, 2025 and December 31, 2024, the Company's cash is in a non-interest-bearing account and a high-grade money market fund. From time to time, amounts deposited with its bank exceed federally insured limits. The Company believes the associated credit risk to be minimal.

Accounts Receivable

Accounts receivable are recorded at the invoiced amount and are non-interest bearing. Accounts receivable are recorded net of allowances for cash discounts for prompt payment, distribution fees and chargebacks. The Company considers historical collection rates and the current financial status of its customers, as well as macroeconomic and industry-specific factors when evaluating potential credit losses. Historically, the Company's accounts receivable balances have been highly concentrated with a select number of customers, consisting primarily of specialty pharmacies and large wholesale pharmaceutical distributors. Given the size and creditworthiness of these customers, we have not experienced and do not expect to experience material credit losses. The total for all accounts receivable reserves was \$238 and \$238 as of September 30, 2025 and December 31, 2024, respectively.

Inventories

The Company values its inventories at the lower of cost or net realizable value using the first-in, first-out method of valuation. The Company reviews its inventories for potential excess or obsolete issues on an ongoing basis and records a write-down if an impairment is identified. As of September 30, 2025 and December 31, 2024, inventories consisted of purchased finished goods, semi-finished goods and raw materials. At September 30, 2025, inventories are shown net of a reserve for Nitisinone, Betaine Anhydrous, GALZIN®, ALKINDI SPRINKLE® and PKU GOLIKE® inventory. As of December 31, 2024, inventories included \$5,000 in prepaid raw materials acquired in the INCRELEX® business acquisition as the Company did not take title and possession to the raw materials until June 19, 2025. At September 30 and December 31, 2024 inventories are shown net of a reserve for Nitisinone, Betaine Anhydrous, ALKINDI SPRINKLE® and PKU GOLIKE® inventory. There was an inventory reserve of \$942 and \$605 at September 30, 2025 and December 31, 2024, respectively.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation of property and equipment is computed utilizing the straight-line method based on the following estimated useful lives. Computer hardware and software is depreciated over three years. Equipment, furniture and fixtures is depreciated over five years. Leasehold improvements are amortized over their estimated useful lives or the remaining lease term, whichever is shorter. Construction in progress is capitalized but not depreciated until it is placed into service. Maintenance and repairs are charged to expense as incurred, while renewals and improvements are capitalized. Depreciation expense for the nine-month periods ended September 30, 2025 and 2024 was \$24 and \$12, respectively.

Intangible Assets

The Company capitalizes payments it makes for licensed products when the payment is based on FDA approval for the product and the cost is recoverable based on expected future cash flows from the product. The cost is amortized on a straight-line basis over the estimated useful life of the product commencing on the approval date or the product acquisition date in accordance with ASC 350 — Intangibles - Goodwill and Other. If an acquired asset or asset group does not meet the definition of a business, as defined in ASC 805, the transaction is accounted for as an asset acquisition based on the principles described in ASC 805-50. Asset acquisitions are accounted for using a cost accumulation and allocation model under which the cost of the acquisition is allocated to the assets acquired and liabilities assumed and the useful life is based on the period over which the asset is expected to contribute directly or indirectly to the future cash flows of the Company

In November 2021, the Company purchased the rights for its Carglumic Acid product for \$3,250 and that cost is being amortized over ten years. In September 2022, the Company purchased the rights for its Betaine Anhydrous product for \$2,125 and that cost is being amortized over five years. In October 2023, the Company purchased the rights for its Nitisinone product for \$650 and that cost is being amortized over five years. In March 2024, the Company purchased the rights for its PKU GOLIKE® product for \$1,868 and that cost is being amortized over ten years. In December 2024, the Company purchased the rights for its INCRELEX® product for \$21,250 and that cost is being amortized over ten years. In December 2024, the Company purchased the rights for its GALZIN® product for \$8,119 and that cost is being amortized over ten years.

Eton Pharmaceuticals, Inc.
Notes to Condensed Financial Statements
(in thousands, except share and per share amounts)
(Unaudited)

Note 3 — Summary of Significant Accounting Policies (continued)

The intangible assets, net on the Company's Condensed Balance Sheet, reflected \$5,384 and \$2,381 of accumulated amortization as of September 30, 2025 and December 31, 2024, respectively. The Company recorded \$3,003 and \$753, of amortization expense for the nine months ended September 30, 2025 and 2024, respectively. The table below shows the estimated remaining amortization for these products for each of the five years from 2025 to 2029 and thereafter.

Year	Amortization Expense
Remainder of 2025	\$ 1,001
2026	4,004
2027	3,880
2028	3,546
2029	3,449
Thereafter	15,998
Total estimated amortization expense	<u>\$ 31,878</u>

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the Company's Condensed Statements of Operations for the amount by which the carrying amount of the asset exceeds the fair value of the asset. No impairment was recognized during the nine-month periods ended September 30, 2025 or 2024.

Deferred Financing Costs, Debt Discount and Detachable Debt-Related Warrants

Costs incurred to issue debt are deferred and recorded as a reduction to the debt balance in the accompanying Condensed Balance Sheet. The Company amortizes these costs over the expected term of the related debt under the effective interest method. Debt discounts related to the relative fair value of warrants issued in conjunction with debt are also recorded as a reduction to the debt balance and accreted over the expected term into interest expense using the effective interest method.

Leases

The Company accounts for leases in accordance with ASC Topic 842 — Leases. The Company reviews all relevant facts and circumstances of a contract to determine if it is a lease whereby the terms of the agreement convey the right to control the direct use and receive substantially all the economic benefits of an identified asset for a period of time in exchange for consideration. The associated right-of-use assets and lease liabilities are recognized at lease commencement. The Company measures lease liabilities based on the present value of the lease payments over the lease term discounted using the rate it would pay on a loan with the equivalent payments and term for the lease. The Company does not include the impact for lease term options that would extend or terminate the lease unless it is reasonably certain that it will exercise any such options. The Company accounts for the lease components separately from non-lease components for its operating leases.

The Company measures right-of-use assets based on the corresponding lease liabilities adjusted for (i) any prepayments made to the lessor at or before the commencement date, (ii) initial direct costs it incurs, and (iii) any incentives under the lease. In addition, the Company evaluates the recoverability of its right-of-use assets for possible impairment in accordance with its long-lived assets policy.

Operating leases are reflected on the Condensed Balance Sheet as operating lease right-of-use assets, current accrued liabilities and long-term operating lease liabilities. The Company does not have any finance leases as of September 30, 2025 and December 31, 2024.

The Company commences recognizing operating lease expense when the lessor makes the underlying asset available for use by the Company and the operating lease expense is recognized on a straight-line basis over the term of the lease. Variable lease payments are expensed as incurred.

The Company does not recognize right-of-use assets or lease liabilities for leases with a term of twelve months or less; such lease costs are recorded in the Condensed Statements of Operations on a straight-line basis over the lease term.

Patent Costs

All patent-related costs incurred in connection with filing and prosecuting patent applications are expensed as incurred due to the uncertainty about the successful award of a patent and the recovery of the expenditure. Amounts incurred are classified as general and administrative expenses.

Eton Pharmaceuticals, Inc.
Notes to Condensed Financial Statements
(in thousands, except share and per share amounts)
(Unaudited)

Note 3 — Summary of Significant Accounting Policies (continued)

Concentrations of Credit Risk, Sources of Supply and Significant Customers

The Company is subject to credit risk for its cash and cash equivalents, which are invested in money market funds and U.S. treasury bills from time to time. The Company maintains its cash and cash equivalent balances with one major commercial bank and the deposits held with the financial institution exceed the amount of insurance provided on such deposits and is exposed to credit risk in the event of a default by the financial institutions holding its cash and cash equivalents to the extent recorded on the Condensed Balance Sheet. The Company believes the associated credit risk to be minimal.

The Company is dependent on third-party suppliers for its products and product candidates. In particular, the Company relies, and expects to continue to rely, on a small number of suppliers to manufacture key chemicals, approved products and process its product candidates as part of its development programs. These programs could be adversely affected by a significant interruption in the manufacturing process.

The Company is also subject to credit risk from its accounts receivable related to product sales as it extends credit based on an evaluation of the customer's financial condition, and collateral is not required. The Company's accounts receivables are evaluated to determine if any allowance should be recorded based on consideration of the current economic environment, expectations of future economic conditions, specific circumstances and the Company's historical collection experience. Additionally, Management monitors its exposure to accounts receivable by periodically evaluating the collectability of the account receivable based on a variety of factors including the length of time the receivables are past due, the financial health of the customer and any prior customer credit loss experience. Based upon the review of these factors, the Company recorded no allowance for credit losses at September 30, 2025 or December 31, 2024.

Revenue Recognition for Contracts with Customers

The Company accounts for contracts with its customers in accordance with ASC 606 — Revenue from Contracts with Customers. ASC 606 applies to all contracts with customers, except for contracts that are within the scope of other standards. Under ASC 606, an entity recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of ASC 606, the entity performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

At contract inception, once the contract is determined to be within the scope of ASC 606, the Company assesses the goods or services promised within each contract and determines those that are performance obligations and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. Arrangements that include rights to additional goods or services that are exercisable at a customer's discretion are generally considered options. The Company assesses whether these options provide a material right to the customer and, if so, they are considered performance obligations. Renewal options that provide a material right are treated as a separate performance obligation, allocated a portion of the transaction price and related revenue is deferred until the option is exercised or the option expires unused.

The Company recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) each performance obligation is satisfied at a point in time.

Milestone Payments – If a commercial contract arrangement includes development milestone payments, the Company will evaluate whether the milestone conditions have been achieved and if it is probable that a significant revenue reversal would not occur before recognizing the associated revenue. Milestone payments that are not within the Company's control or the licensee's control, such as regulatory approvals, are generally not considered probable of being achieved until those approvals are received.

Licensing Revenues – The Company recognizes revenues from licensing arrangements primarily associated with product license agreements that could contain development activity milestones and agreements to divest the licensing rights to products or product candidates. At the inception of each licensing agreement, the Company assesses the goods or services promised within the contract to identify performance obligations. If a license to the Company's product rights is determined to be distinct from other promised goods or services, it is accounted for as a separate performance obligation. If a license grants the customer a right to use the Company's product license, revenue is recognized at the point in time when the license is transferred to the customer and the customer has the ability to use and benefit from the product license. Additionally, revenue is recognized from product license agreements with development activity milestones when these development activities occur per the contractual terms of the agreement.

Royalties – For arrangements that include sales-based royalties, including milestone payments based on a level of sales, which are the result of a customer-vendor relationship and for which the license is deemed to be the predominant item to which the royalties relate, the Company will recognize revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied or partially satisfied.

Principal Versus Agent – Under the terms of the transitional services agreement (“TSA”) between the Company and Ipsen S.A, the Company evaluates whether its performance obligation is a promise to transfer product to a customer as the principal, or to arrange for product to be provided by another party using a control model as an agent. This evaluation determined that the Company is not in control of establishing the transaction price, managing all aspects of the shipment process and taking the risk of loss for delivery, collection and returns. Based on the Company's evaluation of the control model, it determined that the Company's responsibilities under the TSA was as an agent and not the principal, and correspondingly, such revenue related to products sold by Ipsen S.A are reported on a net versus a gross basis.

Significant Financing Component – In determining the transaction price, the Company will adjust consideration for the effects of the time value of money if the expected period between payment by the licensees and the transfer of the promised goods or services to the licensees will be more than one year.

The Company sells its INCRELEX®, ALKINDI SPRINKLE®, KHINDIVI™, GALZIN®, PKU GOLIKE®, Carglumic Acid, Betaine Anhydrous and Nitisinone products to pharmacy distributor customers which provide order fulfilment and inventory storage/distribution services. The Company may sell products in the U.S. to wholesale pharmaceutical distributors, who then sell the product to hospitals and other end-user customers. Sales to wholesalers are

made pursuant to purchase orders subject to the terms of a master agreement, and delivery of individual shipments represent performance obligations under each purchase order. The Company uses a third-party logistics (“3PL”) vendor to process and fulfill orders and has concluded it is the principal in the sales to wholesalers because it controls access to the 3PL vendor services rendered and directs the 3PL vendor activities. The Company has no significant obligations to wholesalers to generate pull-through sales.

Eton Pharmaceuticals, Inc.
Notes to Condensed Financial Statements
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Note 3 — Summary of Significant Accounting Policies (continued)

For its INCRELEX®, ALKINDI SPRINKLE®, KHINDIVI™, GALZIN®, PKU GOLIKE®, Carglumic Acid, Betaine Anhydrous and Nitisinone products, the Company bills at the initial product list price which are subject to offsets for patient co-pay assistance and potential state Medicaid reimbursements which are recorded as a reduction of net revenues at the date of sale/shipment. INCRELEX®, ALKINDI SPRINKLE®, KHINDIVI™, GALZIN®, PKU GOLIKE®, Carglumic Acid, Betaine Anhydrous and Nitisinone sales are not subject to returns. Upon recognition of revenue from product sales, the estimated amounts of chargebacks, prompt payment discounts and state Medicaid rebates are included in sales reserves, accrued liabilities and net accounts receivable.

The Company stores its INCRELEX®, ALKINDI SPRINKLE®, KHINDIVI™, GALZIN®, PKU GOLIKE®, Carglumic Acid, Betaine Anhydrous and Nitisinone inventory at its pharmacy distributor customer locations, and sales are recorded when stock is pulled and shipped to fulfill specific patient orders.

The state Medicaid rebate and related liability are estimated based on monthly sales, historical experience of claims submitted by the various states and jurisdictions, historical rebate rates and estimated lag time of the rebate invoices.

Cost of Sales

Cost of product sales consists of the profit-sharing and royalty fees with the Company's product licensing and development partners, the purchase costs for finished products from third-party manufacturers, freight and handling/storage from the Company's 3PL logistics service providers, and amortization expense of certain intangible assets. The costs of sales for profit-sharing, royalty fees, purchased finished products, and the associated inbound freight expense are recorded when the associated product sale revenue is recognized in accordance with the terms of shipment to customers while outbound freight and handling/storage fees charged by the 3PL service provider are expensed as they are incurred. Intangible assets are amortized on a straight-line basis over the estimated useful life of the product. Cost of product sales also reflects any write-downs or reserve adjustments for the Company's inventories.

Licensing cost of sales may consist of supply agreements and profit-sharing agreements associated with the Company's sale of its product licenses to customers. The costs of sales for profit-sharing agreements are recognized upon the achievement of certain development and commercial milestones.

Research and Development Expenses

Research and development ("R&D") expenses include both internal R&D activities and external contracted services. Internal R&D activity expenses include salaries, benefits and stock-based compensation and other costs to support the Company's R&D operations. External contracted services include product development efforts such as certain product licensor milestone payments, clinical trial activities, manufacturing and control-related activities and regulatory costs. R&D expenses are charged to operations as incurred. The Company reviews and accrues R&D expenses based on services performed and may, from time to time, make estimates of those costs applicable as to the stage of completion of each project. Actual results could differ from the Company's estimates.

Upfront payments and milestone payments made for the licensing of technology for products that are not yet approved by the FDA are expensed as R&D in the period in which they are incurred. Nonrefundable advance payments for goods or services to be received in the future for use in R&D activities are recorded as prepaid expenses and are expensed as the related goods are delivered or the services are performed.

Income (Loss) Per Share

Basic net income (loss) per common share is computed by dividing net income (loss) attributable to common stockholders for the period by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed by dividing the net income (loss) attributable to common stockholders for the period by the weighted average number of common and common equivalent shares, such as unvested restricted stock, stock options and warrants that are outstanding during the period. Common stock equivalents are excluded from the computation when their inclusion would be anti-dilutive. No such adjustments were made for the three and nine months ended September 30, 2025 and for the nine months ended September 30, 2024 and including the effects of common stock equivalents in the diluted earnings per share calculation would have been anti-dilutive (see Note 8).

Eton Pharmaceuticals, Inc.
Notes to Condensed Financial Statements
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Note 3 — Summary of Significant Accounting Policies (continued)Income Taxes

The Company accounts for income taxes under the provisions of ASC 740 - Income Taxes. As part of the process of preparing the Company's financial statements, the Company must estimate the actual current tax liabilities and assess temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within the Condensed Balance Sheet. The Company must assess the likelihood that the deferred tax assets will be recovered from future taxable income and, to the extent the Company believes that recovery is not likely, a valuation allowance must be established. To the extent the Company establishes a valuation allowance or increase or decrease to this allowance in a period, the impact will be included in income tax expense in the Condensed Statements of Operations. As of September 30, 2025 and December 31, 2024, the Company has established a 100% valuation reserve against its deferred tax assets. See Note 9 for further information.

Stock-Based Compensation

The Company accounts for stock-based compensation under the provisions of ASC 718 Compensation – Stock Compensation. The guidance under ASC 718 requires companies to estimate the fair value of the stock-based compensation awards on the date of grant and record expense over the related service periods, which are generally the vesting period of the equity awards. Compensation expense is recognized over the period during which services are rendered by consultants and non-employees until completed.

The Company estimates the fair value of stock-based option awards using the Black-Scholes option-pricing model ("BSM"). The BSM requires the input of subjective assumptions, including the expected stock price volatility, the calculation of expected term, forfeitures and the fair value of the underlying common stock on the date of grant, among other inputs. The risk-free interest rate was determined from the implied yields for zero-coupon U.S. government issues with a remaining term approximating the expected life of the options or warrants. Dividends on common stock are assumed to be zero for the BSM valuation of the stock options. The expected term of stock options granted is based on vesting periods and the contractual life of the options. Expected volatilities are based on the Company's historical volatility subsequent to our initial public offering ("IPO"), which we believe represents the most accurate basis for estimating expected future volatility under the current conditions. The Company accounts for forfeitures as they occur.

Fair Value Measurements

We measure certain of our assets and liabilities at fair value. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 — Inputs based on quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 — Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 — Unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

Fair value measurements are classified based on the lowest level of input that is significant to the measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, which may affect the valuation of the assets and liabilities and their placement within the fair value hierarchy levels. The determination of the fair values stated below take into account the market for the Company's financials, assets and liabilities, the associated credit risk and other factors as required. The Company considers active markets as those in which transactions for the assets or liabilities occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, and debt obligation. The carrying amounts of these financial instruments approximate their fair values due to the short-term maturities of these instruments. Based on borrowing rates currently available to the Company, the carrying value of the debt obligation approximates its fair value.

Recent Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which includes amendments that further enhance income tax disclosures, primarily through standardization and disaggregation of rate reconciliation categories and income taxes paid by jurisdiction. The amendments are effective for the Company's annual periods beginning January 1, 2025, with early adoption permitted, and may be applied either prospectively or retrospectively. The Company is currently evaluating the effect of this new guidance on its condensed financial statements.

In November 2024, the FASB issued ASU 2024-03, Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40). Additionally, in January 2025, the FASB issued ASU 2025-01 to clarify the effective date of ASU 2024-03. The standard provides guidance to expand disclosures related to the disaggregation of income statement expenses. The standard requires, in the notes to the financial statements, disclosure of specified information about certain costs and expenses, which includes purchases of inventory, employee compensation, depreciation and intangible asset amortization included in each relevant expense caption. This guidance is effective for fiscal years beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027, on a retrospective or prospective basis, with early adoption permitted. The Company is currently evaluating the effect of this new guidance on its condensed financial statements.

Eton Pharmaceuticals, Inc.
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Note 4 — Long-Term Debt**SWK Loan**

In November 2019, the Company entered into a credit agreement (the “SWK Credit Agreement”) with SWK, which provided \$10,000 in debt financing. In connection with entering into the SWK Credit Agreement, the Company issued warrants to SWK to purchase 51,239 shares of the Company’s common stock with an exercise price of \$5.86 per share. The fair value of these 51,239 warrants was \$226 and was estimated using the Black-Scholes-Merton option pricing model with the following assumptions: fair value of the Company’s common stock at issuance of \$5.75 per share; seven-year contractual term; 95% volatility; 0% dividend rate; and a risk-free interest rate of 1.8%. In August 2020, the Company issued additional warrants for 18,141 shares of its common stock at an exercise price of \$6.62 per share. The fair value of the 18,141 warrants was \$94 and was estimated using the Black-Scholes-Merton option pricing model with the following assumptions: fair value of the Company’s common stock at issuance of \$6.85 per share; seven-year contractual term; 95% volatility; 0% dividend rate; and a risk-free interest rate of 0.4%. These warrants (the “SWK Warrants”) are exercisable immediately and have a term of seven years from the date of issuance. The SWK Warrants are subject to a cashless exercise feature, with the exercise price and number of shares issuable upon exercise subject to adjustment in connection with stock splits, dividends, reclassifications and other conditions.

In September 2024, the Company and SWK entered into a subsequent amendment to the SWK Credit Agreement. Under the terms of the amendment, the Company expanded its existing credit facility to \$30,000, extended the facility’s maturity to three years from closing with a loan maturity date of December 17, 2027 and reduced the facility’s annual interest rate to Secured Overnight Financing Rate (“SOFR”) plus 6.75%. In connection with the amendment to the SWK Credit Agreement, the Company issued a warrant to SWK for the purchase of up to 289,736 shares of common stock at a price of \$5.32 per share. The relative fair value of these 289,736 warrants was \$1,170 and was estimated using the BSM with the following assumptions: fair value of the Company’s common stock at issuance of \$6.00 per share with an exercise price of \$5.32; seven-year contractual term; 63.8% volatility; 0% dividend rate; and a risk-free interest rate of 3.67%.

Interest payments are payable quarterly, with quarterly principal payments of \$3,000 beginning in May 2026 with a final principal payment of \$9,000 due at maturity in December 2027. The amended SWK Credit Agreement includes a 5.0% exit fee payable at maturity and this exit fee payable will be accreted to interest expense in the Company’s Condensed Statement of Operations using the effective interest expense method. The amended SWK Credit Agreement contains a mandatory prepayment clause that can compel the Company to partially prepay the loan upon the occurrence of certain triggering events, which the Company has deemed to be remote. Borrowing under the amended SWK Credit Agreement is secured by the Company’s assets, contains customary default provisions, which include limits on additional indebtedness. As of September 30, 2025 and December 31, 2024, the Company was in compliance with all financial covenants.

The Company recorded interest expense of \$1,212 and \$211 for the three months ended September 30, 2025 and 2024, respectively, which included \$189 and \$29, respectively of debt discount amortization and non-cash interest expense. During the nine months ended September 30, 2025 and 2024, debt discount amortization and accrued exit fees was \$555 and \$70, respectively, associated with the SWK Credit Agreement and \$350 was associated with interest expense accretion during the nine months ended September 30, 2025 on the \$5,000 deferred consideration due to Ipsen S.A (See Note 12 for further discussion). As of September 30, 2025 and December 2024, the Company had accrued interest of \$454 and \$182, respectively, which is included in accrued liabilities in the accompanying Condensed Balance Sheet.

The table below reflects the future payments for the SWK loan principal and interest as of September 30, 2025.

	Amount
2025	\$ —
2026	9,000
2027	21,000
Total payments	30,000
Less: unamortized discount	(389)
Plus: accrued exit fees at September 30, 2025	756
Debt, net of unamortized discount and accrued exit fees	<u>\$ 30,367</u>

Note 5 — Common Stock

The Company has 50,000,000 authorized shares of \$0.001 par value common stock under its Amended and Restated Certificate of Incorporation.

During the nine months ended September 30, 2025, the Company issued 108,451 shares of its common stock resulting from stock option exercises under its 2018 Equity Incentive Plan as amended in December 2020. In September 30, 2024 the Company issued 2,500 shares of its common stock resulting from stock option exercises under its 2018 Equity Incentive Plan.

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Notes to Condensed Financial Statements
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Note 6 — Common Stock Warrants

The Company's outstanding warrants to purchase shares of its common stock at September 30, 2025 are summarized in the table below.

Description of Warrants	Warrant Issuance Date	No. of Shares	Exercise Price
SWK Warrants – Debt – Tranche #1	11/13/2019	51,239	\$ 5.86
SWK Warrants – Debt – Tranche #2	8/11/2020	18,141	\$ 6.62
SWK Warrants – Debt – Tranche #3	9/30/2024	289,736	\$ 5.32
Total shares and weighted average exercise price		359,116	\$ 5.46

The holders of these warrants or their permitted transferees, are entitled to rights with respect to the registration under the Securities Act of their shares that are converted to common stock, including demand registration rights and piggyback registration rights. These rights are provided under the terms of a registration rights agreement between the Company and the investors. The issuance of these warrants was accounted for as equity and the fair value of the warrants issued were classified to additional paid-in capital in the Company's Condensed Balance Sheet.

Note 7 — Share-Based Payment Awards

In November 2018, the Company's stockholders and board of directors approved the 2018 Equity Incentive Plan, as amended (the "2018 Plan") which succeeded the 2017 Plan. The 2018 Plan was amended by the board of directors in December 2020. The Company has granted RSAs, stock options and RSUs for its common stock under the 2017 Plan and 2018 Plan as detailed in the tables below. There were 1,076,595 shares available for future issuance under the 2018 Plan as of September 30, 2025.

All stock options issued have been non-qualified stock options and the exercise price is the closing stock price of the Company's common stock on the date of grant. Non-qualified stock options typically have a ten-year life and non-qualified stock options that are expired, terminated, surrendered or canceled without having been fully exercised will be available for future awards under the 2018 Plan. In addition, the 2018 Plan provides that commencing January 1, 2019 and through January 1, 2028, the share reserve will be increased by 4% of the total number of shares outstanding as of the preceding December 31, subject to a reduction at the discretion of the Company's board of directors. On January 1, 2023, the share reserve was increased by 1,014,124 shares based on the 25,353,119 shares of common stock outstanding at December 31, 2022. On January 1, 2024, the share reserve was increased by 1,027,522 shares based on the 25,688,062 shares of common stock outstanding at December 31, 2023. On January 1, 2025, the share reserve was increased by 1,068,323 shares based on the 26,709,084 shares of common stock outstanding at December 31, 2024. The exercise price for stock options granted is not less than the fair value of common stock as of the date of grant. The Company uses the closing stock price on the date of grant as the exercise price.

For the nine months ended September 30, 2025 and 2024, the Company's total stock-based compensation expense was \$4,388 and \$2,383, respectively. Of these amounts, \$4,268 and \$2,138 were recorded in general and administrative ("G&A") expenses during the nine months ended September 30, 2025 and 2024, respectively, and \$120 and \$245 were recorded in research and development expenses for the nine months ended September 30, 2025 and 2024, respectively.

Stock Options

The following table summarizes stock option activity during the nine months ended September 30, 2025:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Yrs)	Aggregate Intrinsic Value
Outstanding as of December 31, 2024	5,918,616	\$ 4.65		
Issued	471,059	\$ 13.12		
Exercised	(108,451)	\$ 3.63		
Forfeited/Cancelled	(316,220)	\$ 4.99		
Outstanding as of September 30, 2025	5,965,004	\$ 5.34	6.6	\$ 97,765
Options exercisable as of September 30, 2025	4,376,667	\$ 4.83	5.9	\$ 73,978
Options vested and expected to vest at September 30, 2025	5,965,004	\$ 5.34	6.6	\$ 97,765

The following table summarizes stock option activity during the nine months ended September 30, 2024:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Yrs)	Aggregate Intrinsic Value
Outstanding as of December 31, 2023	4,839,226	\$ 4.57		
Issued	1,511,118	\$ 4.41		
Exercised	(2,500)	\$ 2.97		
Forfeited/Cancelled	(264,717)	\$ 4.61		
Outstanding as of September 30, 2024	6,083,127	\$ 4.53	7.2	\$ 11,194
Options exercisable as of September 30, 2024	4,060,340	\$ 4.70	6.4	\$ 7,448

Options vested and expected to vest at September 30, 2024

6,083,127

\$

4.53

7.2

\$

11,194

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Note 7 — Share-Based Payment Awards (continued)

The aggregate intrinsic value of stock options is calculated as the difference between the exercise price of the stock options and the fair value of the Company's common stock at September 30, 2025 for those stock options that had strike prices lower than the fair value of the Company's common stock.

Stock based compensation related to stock options was \$3,747 and \$1,991 for the nine-month periods ended September 30, 2025 and 2024, respectively. As of September 30, 2025, there was a total of \$5,792 of unrecognized compensation costs related to non-vested stock option awards, which will be recognized over a weighted average period of approximately 2.6 years.

During the nine months ended September 30, 2025, the Company issued 108,451 shares of its common stock resulting from stock option exercises at a weighted average exercise price of \$3.63 per share with an intrinsic value of \$1,167. During the nine months ended September 30, 2024, the Company issued 2,500 shares of its stock resulting from stock option exercises at a weighted average exercise price of \$2.97 per share with an intrinsic value of \$2.

Restricted Stock Units (RSUs)

The following table summarizes restricted stock unit activity during the nine months ended September 30, 2025:

	Number of Units	Weighted Average Grant-Date Fair Value Per Unit
Outstanding and unvested as of December 31, 2024	226,068	\$ 3.82
Granted	197,326	\$ 13.27
Vested	(84,204)	\$ 4.75
Forfeited	(44,373)	\$ 6.92
Outstanding and unvested as of September 30, 2025	<u>294,817</u>	<u>\$ 12.95</u>

The following table summarizes restricted stock unit activity during the nine months ended September 30, 2024:

	Number of Units	Weighted Average Grant-Date Fair Value Per Unit
Outstanding and unvested as of December 31, 2023	274,204	\$ 2.63
Granted	—	\$ —
Vested	(90,402)	\$ 2.63
Forfeited	(23,000)	\$ 2.63
Outstanding and unvested as of September 30, 2024	<u>160,802</u>	<u>\$ 2.63</u>

Stock-based compensation related to RSUs was \$611 and \$171 for the nine-month periods ended September 30, 2025 and 2024, respectively. As of September 30, 2025, there was \$2,239 of unrecognized stock-based compensation expense related to unvested RSUs, which will be recognized over a weighted average period of approximately 2.7 years.

Employee Stock Purchase Plan

The Company's 2018 Employee Stock Purchase Plan ("ESPP") provides for an initial reserve of 150,000 shares, and this reserve is automatically increased on January 1 of each year by the lesser of 1% of the outstanding shares of common stock at December 31 of the preceding year or 150,000 shares of the Company's common stock, subject to reduction at the discretion of the Company's board of directors. As of September 30, 2025, there were 842,581 shares available for issuance under the ESPP.

The annual offerings consist of two stock purchase periods, with the first purchase period ending in June and the second ending in December. The terms of the ESPP permit employees of the Company to use payroll deductions to purchase stock at a price per share that is at least the lesser of (1) 85% of the fair market value of a share of common stock on the first date of an offering or (2) 85% of the fair market value of a share of common stock on the date of purchase. After the offering period ends, subsequent twelve-month offering periods automatically commence over the term of the ESPP on the day that immediately follows the conclusion of the preceding offering, each consisting of two purchase periods approximately six months in duration. The terms of the ESPP provide a restart feature if the Company's stock price is lower at the end of a six-month period within the twelve-month offering period than it was at the beginning of the twelve-month offering period.

The Company recorded an expense of \$30 and \$145 related to the ESPP during the nine-month periods ended September 30, 2025 and 2024, respectively. During the nine-month periods ended September 30, 2025, there were no shares issued under the ESPP due to the Company being unable to issue shares associated with ESPP purchases as a result of the previously disclosed requirement to file audited financial statements of INCRELEX® for the years ended December 31, 2023 and 2022 and for the nine months ended September 30, 2024 and 2023, as well as unaudited proforma financial information for the years ended December 31, 2024 and 2023, related to the purchase of INCRELEX® from Ipsen S. A. As of September 30, 2025 and December 31, 2024, the accompanying Condensed Balance Sheet include \$145 and \$42, respectively, in accrued liabilities for employee ESPP contributions.

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Note 8 — Basic and Diluted Net Loss per Common Share

For the three and nine months ended September 30, 2025 and 2024, basic and diluted net loss per share is computed using the weighted average number of shares of common stock outstanding during the period and includes common stock equivalents (using the treasury stock and “if converted” method) from stock options, RSUs, and warrants. For the three months ended September 30, 2025 and 2024, 7,087,170 and 4,896,038, respectively, in common stock equivalents are excluded from the calculation of diluted net loss per share because the effect is anti-dilutive. For the nine months ended September 30, 2025 and 2024, 7,633,966 and 6,319,907, respectively, in common stock equivalents are excluded from the calculation of diluted net loss per share because the effect is anti-dilutive. During the three and nine months ended September 30, 2025 and 2024, included in the basic and diluted net loss per share calculation were RSUs awarded to directors that had vested, but the issuance and delivery of the shares are deferred until the director retires from service as a director.

The following table shows the computation of basic and diluted net loss per common share:

	Three Months Ended		Nine Months Ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Net income (loss)	\$ (1,927)	\$ 627	\$ (6,084)	\$ (3,225)
Weighted average common shares outstanding, basic	26,893,000	25,900,000	26,891,000	25,814,000
Net income (loss) per share, basic	\$ (0.07)	\$ 0.02	\$ (0.23)	\$ (0.12)
Weighted average common shares outstanding, diluted	26,893,000	26,550,000	26,891,000	25,814,000
Net income (loss) per share, diluted	\$ (0.07)	\$ 0.02	\$ (0.23)	\$ (0.12)

Note 9 — Income Taxes

The following table summarizes the Company's income tax expense and effective tax rates for the three and nine months ended September 30, 2025 and 2024:

	Three Months Ended		Nine Months Ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Income (loss) before income taxes	\$ (1,955)	\$ 501	\$ (5,972)	\$ (3,297)
Income tax expense (benefit)	(28)	(126)	112	(72)
Effective tax rate	1.4%	(25.1%)	(1.9%)	2.2%

The Company's quarterly income tax provision is calculated under the discrete method, which treats the interim period as if it were the annual period and determines the income tax expense or benefit on that basis. The discrete method is applied when application of the estimated annual effective income tax rate is impractical because it is not possible to reliably estimate the annual effective tax rate. The Company believes, at this time, the use of this discrete method is more appropriate as the annual effective income tax rate cannot be reliably estimated given the Company's full valuation allowance recorded on its net deferred tax assets and annual utilization limitations that prevent the Company from fully offsetting its expected current income tax liabilities with its available net operating losses and income tax credits.

The Company's quarterly income tax provision calculated under the discrete method for the period ended September 30, 2025 captures the income tax effects of the One Big Beautiful Bill Act (“OBBBA”), which was enacted on July 4, 2025. The Company's current income tax expense for the period ended September 30, 2025 includes the benefit of the OBBBA restoring the ability to immediately deduct domestic research & experimental expenditures under Internal Revenue Code Section 174. The Company did not record any deferred income tax expense or benefit related to the OBBBA tax law changes during the period ended September 30, 2025 as the Company continues to record a full valuation allowance against its net deferred tax assets.

The effective tax rate for the three months and nine months ended September 30, 2025 varies from the three months and nine months ended September 30, 2024 primarily as a result of the Company's valuation allowance recorded against its net deferred tax assets and annual tax attribute limitations that result in current income tax expense. Income taxes paid during the nine months ended September 30, 2025 and 2024 were \$117 and \$181, respectively.

Note 10 — Related-Party Transactions
Chief Executive Officer

The Chief Executive Officer (“CEO”) has a partial interest in a company that the Company has entered into an agreement with as described below.

Previously, the Company acquired DS-200 and all related intellectual property pursuant to an asset purchase agreement (the “Selenix Agreement”) dated June 23, 2017 between the Company and Selenix LLC (“Selenix”), an entity affiliated with the CEO. On August 30, 2024, the Company amended the Selenix Agreement in tandem with an agreement to sell DS-200 in August 2024 (see Note 12). Pursuant to the terms of the amended Selenix Agreement, Selenix waived its rights to future milestone payments and 50% of DS-200 profit in exchange for 45% of proceeds received by the Company from the DS-200 sale agreement. Selenix is 50% owned by Messa Holdings LLC (“Messa”), which is 100% owned by the CEO. In March 2025, the Company recognized licensing revenue of \$1,500 and \$675 in cost of sales from a development milestone. In June 2025, the Company paid \$675 to Selenix.

Eton Pharmaceuticals, Inc.
Notes to Condensed Financial Statements
(in thousands, except share and per share amounts)
(Unaudited)

Note 11 — Leases

The Company recognizes a right-of-use (“ROU”) asset and a lease liability on the balance sheet for substantially all leases, including operating leases, and separates lease components from non-lease components related to its office space lease.

In May 2025, the Company entered into an amendment to its office lease agreement to expand its office space, from 5,507 square feet, to 8,079 square feet and to renew its lease term. The amendment to the lease agreement is effective September 1, 2025 and the renewal period for the office lease is for a sixty-five month period through January 2031 and which includes tenant improvement allowances. The Company removed its existing ROU asset and liability and recorded \$330 in ROU assets, \$189 in tenant improvement allowances and \$519 in operating lease liabilities in association with the lease extension.

The Company’s operating lease cost for the nine months ended September 2025 and 2024 as presented as G&A in the Condensed Statements of Operations was \$36 and \$61, respectively. For the nine months ended September 30, 2025 and 2024, cash paid for amounts included in the measurement of operating lease liabilities was \$68 and \$35, respectively. The ROU asset non-cash lease expense for the nine months ended September 30, 2025 and 2024 was \$35 and \$53, respectively, and is reflected within non-cash lease expense on the Company’s Condensed Statements of Cash Flows.

The table below presents the lease-related assets and liabilities recorded on the balance sheet as of September 30, 2025 and December 31, 2024 (in thousands).

Assets	Classification	September 30, 2025	December 31, 2024
Operating lease right-of-use assets	Operating lease right-of-use assets, net	\$ 319	\$ 175
Total leased assets		<u>\$ 319</u>	<u>\$ 175</u>
Liabilities			
Operating lease liabilities, current	Accrued liabilities	\$ 30	\$ 76
Operating lease liabilities, noncurrent	Operating lease liabilities, net of current portion	480	107
Total operating lease liabilities		<u>\$ 510</u>	<u>\$ 183</u>

The Company’s future lease commitments as of September 30, 2025, are as indicated below:

	Total	2025 (Remainder)	2026	2027	2028	2029	2030 and thereafter
Undiscounted lease payments	\$ 725	\$ 22	\$ 127	\$ 135	\$ 139	\$ 143	\$ 159
Less: Imputed interest	(215)						
Total lease liabilities	<u>\$ 510</u>						

Note 12 — Commitments and Contingencies
Legal

The Company is subject to legal proceedings and claims that may arise in the ordinary course of business. The Company is not aware of any pending or threatened litigation matters at this time that would have a material impact on the operations of the Company.

License and product development agreements

The Company has entered into various agreements which are described below.

In March 2020, the Company entered into an Exclusive License and Supply Agreement (the “Alkindi License Agreement”) with Diurnal for marketing ALKINDI SPRINKLE® in the United States. In September 2020, ALKINDI SPRINKLE®’s New Drug Application (NDA) was approved by the FDA as a replacement therapy for pediatric patients with adrenocortical insufficiency. For the initial licensing milestone fee, the Company paid Diurnal \$3,500 in cash and issued 379,474 shares of its common stock to Diurnal, which were valued at \$1,264 based on the Company’s closing stock price of \$3.33 on March 26, 2020. The Company paid Diurnal \$1,000 for a 2023 sales milestone in January 2024 that was recorded as licensing cost of sales in December 2023 and could pay up to \$44,000 in additional commercial net sales milestones. The Company will pay tiered royalties of 11.5% to 17.0% on net sales and could pay Diurnal \$2,500 if the product obtains orphan drug exclusivity status from the FDA. In December 2024, the Company and Diurnal entered into an amendment to the Alkindi License Agreement to extend the agreement terms to incorporate both ALKINDI SPRINKLE® and ET-400 in the existing agreement terms.

In June 2021, the Company acquired U.S. and Canadian rights to Crossject’s ZENEO® hydrocortisone needleless autoinjector, which is under development as a rescue treatment for adrenal crisis. The Company paid Crossject \$500 upon signing, \$500 in March 2022 upon a completion of a successful technical batch and could pay up to \$3,500 in additional development milestones and up to \$6,000 in commercial milestones, as well as a 10% royalty on net sales.

In March 2023, the Company acquired rare disease endocrinology product candidate ET- 600 from Tulex. The Company paid \$450 to Tulex in July 2023 as a result of successful manufacturing of registration batches. The Company will pay Tulex \$200 upon acceptance by the FDA of the NDA for the product, \$250 upon first commercial sale of the product, and tiered royalties of 12.5% to 17.0% on net sales.

Eton Pharmaceuticals, Inc.
Notes to Condensed Financial Statements
(in thousands, except share and per share amounts)
(Unaudited)

In March 2024, the Company acquired the U.S. rights to PKU GOLIKE® from Relief Therapeutics Holding SA. The Company paid \$2,200 and could pay up to \$2,000 in additional commercial milestones. The Company will pay the seller a royalty of 30% of net sales, which will include the cost of the product.

In August 2024, the Company entered into an agreement to sell its DS-200 product candidate. The Company received \$500 upfront and in March 2025, the Company recognized licensing revenue of \$1,500 from a development milestone. In addition, the Company could receive additional milestone payments of up to \$5,000 based on the achievement of certain future development and commercial milestones related to DS-200, of which the Company could recognize 45% of the proceeds from future milestone from the transaction, with the balance being distributed to other partners.

In November 2024, the Company entered into a licensing agreement with AMMTek, pursuant to which the Company has agreed to acquire the U.S. rights to Amglidia (glyburide oral suspension). Amglidia was approved by the European Medicines Agency in 2018 and has been granted Orphan Drug Designation by the U.S. FDA. AMMTek has conducted a post-approval study tracking five years of real-world safety and efficacy in European patients, which will be used to support the Company's NDA submission. In July 2025, the Company paid \$500 to AMMTek upon the receipt of FDA meeting minutes and under the terms of the licensing agreement, the Company could pay up to \$1,850 as follows: \$550 upon NDA acceptance for review by the FDA and \$1,300 upon NDA approval by the FDA and first commercial sale. The Company would also be required to pay a royalty of 14% of net sales to AMMTek.

In December 2024, the Company acquired GALZIN® (zinc acetate) from Teva Pharmaceuticals USA, Inc and assumed the commercialization of the product in the U.S. during March of 2025. The Company accounted for the purchase as a product acquisition and paid \$7,000 and paid an additional \$200 for product inventory. The Company will pay the seller a royalty of 10% of U.S. net sales through the tenth anniversary of the Company's first commercial sales of the product in the U.S.

In December 2024, the Company acquired INCRELEX® (mecasermin injection) from Ipsen S.A. The Company paid \$22,500 and paid an additional \$7,500 for product inventory. The Company determined that the asset purchase agreement met the definition of a business under ASC 805; therefore, the Company accounted for the asset purchase agreement as a business combination and applied the acquisition method of accounting. In addition, the Company will also make payments to seller of \$2,500 on each of the first and second anniversaries of closing. As of September 30, 2025, the present value of the deferred consideration was \$4,643, with \$357 to be accreted to interest expense over the remainder of the deferred consideration term using the effective interest rate method. As of September 30, 2025, \$2,500 was classified as accrued liabilities and \$2,143 was classified as other long-term liabilities in the accompanying Condensed Balance Sheet.

In March 2025, the Company out-licensed the commercial rights to INCRELEX® in territories outside of the U.S. to Esteve Pharmaceuticals, S.A. ("Esteve"). Under the terms of the licensing agreement, Esteve paid the Company in July 2025 €4,000 to license the rights to INCRELEX® for up to ten years, and Esteve also received an option to acquire the international rights in the future for a purchase price of up to €6,000. In accordance with the accounting pronouncement guidance in ASC 606 with respect to the license and supply agreements between the Company and Esteve, the Company recognized in March 2025, \$4,327 in accounts receivable, licensing revenues of \$1,786 and deferred revenues of \$2,541. With respect to deferred revenues, \$457 and \$1,762 are reflected in accrued liabilities and other long-term liabilities, respectively in the Company's Condensed Balance Sheet as of September 30, 2025. Deferred revenues will be amortized to licensing revenues over the course of the agreements based on quarterly INCRELEX® product sales, and at the end of the license agreement, a deferred revenue residual will be recognized at the end of the initial term of the license agreement. In addition, the Company also entered into a supply agreement with Esteve, and beginning in the third quarter of 2025, the Company began supplying product to Esteve at a fixed transfer price. During the three months ended September 30, 2025, the Company recognized \$322 in deferred revenues associated with the supply agreement.

In June 2025, in connection with the asset purchase agreement with Ipsen S.A., the Company purchased \$11,540 in inventory. Under the terms of the inventory purchase agreement, the Company will be required to make eight equal quarterly installment payments to Ipsen S.A., beginning in the third quarter of 2025. Accordingly, the Company has classified \$6,949 in accounts payable and \$5,188 as a long-term inventory payable in the accompanying Condensed Balance Sheet. During the nine months ended September 30, 2025, the Company recognized \$3,673 in inventory step-up expense associated with the inventory purchase from Ipsen S.A.

Indemnification

As permitted under Delaware law and in accordance with the Company's Amended and Restated Bylaws, the Company is required to indemnify its officers and directors for certain events or occurrences while the officer or director is or was serving in such capacity. The Company is also party to indemnification agreements with its directors and officers. The Company believes the fair value of the indemnification rights and agreements is minimal. Accordingly, the Company has not recorded any liabilities for these indemnification rights and agreements as of September 30, 2025 or December 31, 2024.

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

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with (i) our unaudited interim condensed financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and (ii) our audited financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations included in our Annual Report on Form 10-K for the year ended December 31, 2024 filed with the Securities and Exchange Commission (the "SEC") on March 18, 2025 (the "2024 10-K").

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"), including, without limitation, statements regarding our expectations, beliefs, intentions or future strategies that are signified by the words "expect," "anticipate," "intend," "believe," "may," "plan," "seek" or similar language. All forward-looking statements included in this document are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. Our business and financial performance are subject to substantial risks and uncertainties. Actual results could differ materially from those projected in the forward-looking statements. In evaluating our business, you should carefully consider other matters set forth in our SEC filings, including the Risk Factors set forth in Part I, Item 1A of our 2024 10-K.

Overview

Eton is an innovative pharmaceutical company focused on developing and commercializing treatments for rare diseases. We currently have eight commercial rare disease products: INCRELEX®, ALKINDI SPRINKLE®, KHINDIVI™, GALZIN®, PKU GOLIKE®, Carglumic Acid, Betaine Anhydrous and Nitisinone. We have five additional product candidates in late-stage development: ET-600, Amglidia®, ET-700, ET-800 and ZENEO® hydrocortisone autoinjector.

Results of Operations (dollars in thousands)

During the three months ended September 30, 2025, we had \$22,459 in total revenues that generated a gross profit of \$7,855 compared to total revenues of \$10,324 during the three-month period ended September 30, 2024 that generated a gross profit of \$6,302 for the period. The increase in product sales and royalties, net was the result of increased sales of ALKINDI SPRINKLE® and the addition of revenues from INCRELEX® and GALZIN® products in the current period.

During the nine months ended September 30, 2025, we had \$58,669 in total revenues that generated a gross profit of \$29,640 compared to total revenues of \$27,364 during the nine-month period ended September 30, 2024 that generated a gross profit of \$16,935 for the period. During the nine months ended September 30, 2025, we had product sales and royalties, net of \$55,383, compared to product sales and royalties, net of \$26,864 during the nine months ended September 30, 2024, an increase of \$28,519. The increase in product sales and royalties, net was the result of increased sales of our INCRELEX® and incremental revenues from ALKINDI SPRINKLE® and GALZIN® products in the current period.

Licensing revenue during the nine months ended September 30, 2025 was \$3,286 compared to \$500 in licensing revenue during the nine months ended September 30, 2024. The increase in licensing revenue during the nine months ended September 30, 2025 was due to \$1,786 from our out-licensing of INCRELEX® rights outside of the U.S. and \$1,500 from the recognition of a development milestone event associated with our divestiture of DS-200.

Research and Development Expenses

During the three months ended September 30, 2025, we incurred \$1,112 of research and development ("R&D") expenses as compared to \$505 for the same period in 2024. During the nine months ended September 30, 2025, we incurred \$5,985 of R&D expenses as compared to \$4,126 for the same period in 2024. The increase was primarily due to a \$2,155 NDA filing fee for ET-600 and increased expenses associated with our ET-700 and ET-800 project development activities.

General and Administrative Expenses

G&A expenses consist primarily of employee compensation expenses, legal and professional fees, product marketing expenses, distribution expenses, business insurance, travel expenses, and general office expenses. During the three-month periods ended September 30, 2025 and 2024, we incurred \$8,106 and \$5,288, respectively, of G&A expenses. During the nine-month periods ended September 30, 2025 and 2024, we incurred \$26,963 and \$16,035, respectively, of G&A expenses. The increase in G&A expenses during the nine months ended September 30, 2025 was primarily attributable to an increase in product advertising and promotional expenses, higher stock-based compensation expense and an increase in compensation and benefit expenses due to an increase in general and administrative headcount during the current year.

Liquidity and Capital Resources

As of September 30, 2025, we had total assets of \$104.5 million, cash and cash equivalents of \$37.1 million and working capital of \$27.8 million. We believe that our cash and cash equivalents on hand, along with continued product revenues, will be sufficient for at least the next twelve months of our operations. However, our projected estimates for our product development spending, administrative expenses, and our working capital requirements could be inaccurate, or we may experience growth more quickly or on a larger scale than we expect, any of which could result in the depletion of capital resources more rapidly than anticipated and could require us to seek additional financing earlier than we expect to support our operations.

Cash Flows

The following table sets forth a summary of our cash flows for the nine-month periods ended September 30, 2025 and 2024 (dollars in thousands):

	Nine months ended September 30, 2025	Nine months ended September 30, 2024
Net cash from (used in) operating activities	\$ 22,075	\$ 1,734
Cash from (used in) investing activities	(284)	(1,882)
Cash from (used in) financing activities	394	(979)
Change in cash and cash equivalents	<u>\$ 22,185</u>	<u>\$ (1,127)</u>

During the nine months ended September 30, 2025, net cash from operating activities was \$22,075 compared to net cash from operating activities of \$1,734 during the nine months ended September 30, 2024. The increase in cash from operating activities during the nine months ended September 30, 2025 was primarily due to higher cash collections from product sales, an increase in accrued Medicaid rebates, a filing fee refund from the FDA related to ET-400 and the collection of a licensing milestone payment. During the nine months ended September 30, 2025, net cash used in investing activities was \$284 compared to net cash used in investing activities of \$1,882 during the nine months ended September 30, 2024. The decrease in net cash used in investing activities was primarily attributable to a \$1,868 payment associated with the acquisition of the PKU GOLIKE® product license in March 2024. During the nine months ended September 30, 2025, net cash provided by financing activities was \$394 compared to net cash used in financing activities of \$979 during the nine months ended September 30, 2024. During the nine months ended September 30, 2025, proceeds from stock option exercises was \$394 compared to \$176 during the nine months ended September 30, 2024. Additionally, during the nine months ended September 20, 2024, there was \$770 in debt repayments compared with zero during the nine months ended September 30, 2025.

Non-GAAP Financial Measures

EBITDA, or earnings before interest, taxes, depreciation and amortization, adjusted EBITDA, non-GAAP net income and non-GAAP earnings per share are used and provided by us as non-GAAP financial measures. These non-GAAP financial measures are intended to provide additional information on our performance, operations and profitability. Adjustments to our GAAP figures as well as EBITDA includes non-recurring acquisition or divestiture-related costs, fees related to refinancing activities, as well as non-cash items such as share-based compensation, inventory step-up expense, depreciation and amortization, non-cash interest expense, and other non-cash adjustments. Certain other special items or substantive events may also be included in the non-GAAP adjustments periodically when their magnitude is significant within the periods incurred. We maintain an established non-GAAP policy that guides the determination of what costs or gains will be included in non-GAAP adjustments.

We believe that these non-GAAP financial measures, when considered together with the GAAP figures, can enhance an overall understanding of our financial and operating performance. The non-GAAP financial measures are included with the intent of providing investors with a more complete understanding of our historical financial results and trends and to facilitate comparisons between periods. In addition, these non-GAAP financial measures are among the indicators our management uses for planning and forecasting purposes and measuring our performance. These non-GAAP financial measures should be considered in addition to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. The non-GAAP financial measures used by us may be calculated differently from, and therefore may not be comparable to, non-GAAP financial measures used by other companies.

Reconciliations of reported GAAP net loss to EBITDA, adjusted EBITDA and non-GAAP net income, and the related per share amounts, were as follows (in thousands, except share and per share amounts):

	For the three months ended		For the nine months ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
GAAP net income (loss)	\$ (1,927)	\$ 627	\$ (6,084)	\$ (3,225)
Depreciation (1)	8	12	24	38
Intangible amortization expense (2)	1,001	267	3,003	753
Interest expense (including debt discount amortization and non-cash interest expenses)	1,212	211	3,573	672
Income tax expense (benefit)	(28)	(126)	112	(72)
EBITDA	\$ 266	\$ 991	\$ 628	\$ (1,834)
Other non-GAAP adjustments:				
Inventory step-up expense (3)	1,324	—	3,673	—
Stock-based compensation (4)	1,092	722	4,388	2,383
Severance expense (5)	—	—	335	—
Acquisition/divestiture-related costs (6)	190	275	574	275
Total of Other non-GAAP adjustments	2,606	997	8,970	2,658
Adjusted EBITDA	\$ 2,872	\$ 1,988	\$ 9,598	\$ 824
GAAP income (loss) before income tax	\$ (1,955)	\$ 501	\$ (5,972)	\$ (3,297)
Non-GAAP adjustments:				
Depreciation (1)	8	12	24	38
Intangible amortization expense (2)	1,001	267	3,003	753
Inventory step-up expense (3)	1,324	—	3,673	—
Stock-based compensation (4)	1,092	722	4,388	2,383
Severance expense (5)	—	—	335	—
Acquisition/divestiture-related costs (6)	190	275	574	275
Total pre-tax non-GAAP adjustments	3,615	1,276	11,997	3,449
Income tax effect of pre-tax non-GAAP adjustments (7)	177	(118)	607	(45)
Total non-GAAP adjustments	3,438	1,394	11,390	3,494
Non-GAAP Net Income	\$ 1,483	\$ 1,895	\$ 5,418	\$ 197
Weighted average number of common shares outstanding, basic	26,893	25,900	26,891	25,814
Weighted average number of common shares outstanding, diluted	31,137	26,550	31,014	26,412
GAAP (loss) income per share - Basic	\$ (0.07)	\$ 0.02	\$ (0.23)	\$ (0.12)
Non-GAAP adjustments	0.13	0.05	0.42	0.14
Non-GAAP earnings per share - Basic	\$ 0.06	\$ 0.07	\$ 0.19	\$ 0.02
GAAP (loss) income per share - Basic	\$ (0.07)	\$ 0.02	\$ (0.23)	\$ (0.12)
Non-GAAP adjustments	0.11	0.05	0.37	0.13
Non-GAAP earnings per share - Diluted	\$ 0.04	\$ 0.07	\$ 0.14	\$ 0.01

(1) Represents depreciation expense related to our property and equipment.

(2) Intangible amortization expenses are associated with our intellectual property rights related to INCRELEX®, GALZIN®, PKU GOLIKE®, Carglumic Acid, Betaine Anhydrous and Nitisinone.

(3) During the three and nine months ended September 30, 2025, we recognized in cost of sales \$1,324 and \$3,673, respectively, for inventory step-up expense primarily attributable to INCRELEX® inventory revalued in connection with this product acquisition.

(4) Represents share-based compensation expense associated with our stock option and restricted stock unit stock unit grants to our employees and non-employee directors and our employee share purchase plan.

(5) Represents severance and benefit expenses associated with role redundancy within commercial operations during the first quarter of 2025.

(6) Represents legal expense and other divestiture-related costs associated with the out-licensing of the INCRELEX® commercial rights in territories outside of the U.S.

(7) Income tax adjustments on pre-tax non-GAAP adjustments represent the estimated income tax impact of each pre-tax non-GAAP adjustment based on the effective income tax rate for the period. As discussed further in Note 9, we are in a full income tax valuation allowance position and the income tax effect on pre-tax non-GAAP adjustments is commensurate with the performance measure.

Critical Accounting Policies

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The preparation of our financial statements and related disclosures requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, costs and expenses in our financial statements. We base our estimates on historical experience, known trends and events and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are described in more detail in Note 3 to our financial statements included herein, we believe that the following accounting policies are those most critical to the judgments and estimates used in the preparation of our financial statements.

Revenue Recognition for Contracts with Customers

We account for contracts with our customers in accordance with Accounting Standards Codification (“ASC”) 606 — Revenue from Contracts with Customers. ASC 606 applies to all contracts with customers, except for contracts that are within the scope of other standards. Under ASC 606, an entity recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of ASC 606, the entity performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

At contract inception, once we determine the contract falls within the scope of ASC 606, we assess the goods or services promised within each contract and determines those that are performance obligations and assesses whether each promised good or service is distinct. We then recognize as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. Arrangements that include rights to additional goods or services that are exercisable at a customer’s discretion are generally considered options. We assess whether these options provide a material right to the customer and, if so, they are considered performance obligations. Renewal options that provide a material right are treated as a separate performance obligation, allocated a portion of the transaction price, and related revenue is deferred until the option is exercised or the option expires unused.

We recognize as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) each performance obligation is satisfied at a point in time. For the nine months ended September 30, 2025 and 2024, all revenues recognized in the Condensed Statements of Operations were point in time sales to our customers.

Milestone Payments – If a commercial contract arrangement includes development milestone payments, we will evaluate whether the milestone conditions have been achieved and if it is probable that a significant revenue reversal would not occur before recognizing the associated revenue. Milestone payments that are not within our control or the licensee’s control, such as regulatory approvals, are generally not considered probable of being achieved until those approvals are received.

Licensing Revenues – The Company recognizes revenues from licensing arrangements primarily associated with product license agreements that could contain development activity milestones and agreements to divest the licensing rights to products or product candidates. At the inception of each licensing agreement, the Company assesses the goods or services promised within the contract to identify performance obligations. If a license to the Company’s product rights is determined to be distinct from other promised goods or services, it is accounted for as a separate performance obligation. If a license grants the customer a right to use the Company’s product license, revenue is recognized at the point in time when the license is transferred to the customer and the customer has the ability to use and benefit from the product license. Additionally, revenue is recognized from product license agreements with development activity milestones when these development activities occur per the contractual terms of the agreement.

Royalties – For arrangements that include sales-based royalties, including milestone payments based on a level of sales, which are the result of a customer-vendor relationship and for which the license is deemed to be the predominant item to which the royalties relate, we will recognize revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied or partially satisfied.

Principal Versus Agent – Under the terms of the transitional services agreement (“TSA”) between us and Ipsen S.A, we evaluate whether our performance obligation is a promise to transfer product to a customer as the principal, or to arrange for product to be provided by another party using a control model as the agent. This evaluation determined that we are not in control of establishing the transaction price, managing all aspects of the shipment process and taking the risk of loss for delivery, collection and returns. Based on the our evaluation of the control model, we determined that our responsibilities under the TSA was as an agent and not the principal, and correspondingly, such revenue related to products sold by Ipsen S.A are reported on a net versus a gross basis.

Significant Financing Component – In determining the transaction price, we will adjust consideration for the effects of the time value of money if the expected period between payment by the licensees and the transfer of the promised goods or services to the licensees will be more than one year.

For its INCRELEX®, ALKINDI SPRINKLE®, KHINDIVI™, GALZIN®, PKU GOLIKE®, Carglumic Acid, Betaine Anhydrous, and Nitisinone products, the Company bills at the initial product list price which are subject to offsets for patient co-pay assistance and potential state Medicaid reimbursements which are recorded as a reduction of net revenues at the date of sale/shipment. INCRELEX®, ALKINDI SPRINKLE®, KHINDIVI™, GALZIN®, PKU GOLIKE®, Carglumic Acid, Betaine Anhydrous and Nitisinone sales are not subject to returns. Upon recognition of revenue from product sales, the estimated amounts of chargebacks, prompt payment discounts and state Medicaid are included in sales reserves, accrued liabilities and net accounts receivable.

The Company stores its INCRELEX®, ALKINDI SPRINKLE®, KHINDIVI™, GALZIN®, PKU GOLIKE®, Carglumic Acid, Betaine Anhydrous and Nitisinone inventory at its pharmacy distributor customer locations, and sales are recorded when stock is pulled and shipped to fulfill specific patient orders.

The state Medicaid rebate and related liability are estimated based on monthly sales, historical experience of claims submitted by the various states and jurisdictions, historical rebate rates and estimated lag time of the rebate invoices.

Acquisitions

The Company accounts for business acquisitions using the acquisition method of accounting. Under this method of accounting, assets acquired and liabilities assumed are recorded at their respective fair values at the date of the acquisition. When determining the fair values of assets acquired and liabilities assumed, management makes significant estimates and assumptions. The Company's estimates of fair value are based upon assumptions believed to be reasonable but that are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. The Company also uses best estimates and assumptions to determine the useful lives of those acquired intangible assets that have a finite life.

Critical estimates in valuing certain of the intangible assets acquired include:

- future expected cash flows from customer contracts and license agreements;
- historical and expected customer attrition rates and anticipated growth in revenues from acquired customers; and
- discount rates.

The Company accounts for stock-based compensation under the provisions of ASC 718 Compensation – Stock Compensation. The guidance under ASC 718 requires companies to estimate the fair value of the stock-based compensation awards on the date of grant and record expense over the related service periods, which are generally the vesting period of the equity awards. Compensation expense is recognized over the period during which services are rendered by consultants and non-employees until completed. At the end of each financial reporting period prior to completion of the service, the fair value of these awards is remeasured using the then-current fair value of our common stock and updated assumption inputs in the Black-Scholes option-pricing model ("BSM").

The Company estimates the fair value of stock-based option awards using the BSM. The BSM requires the input of subjective assumptions, including the expected stock price volatility, the calculation of expected term, forfeitures and the fair value of the underlying common stock on the date of grant, among other inputs. The risk-free interest rate was determined from the implied yields for zero-coupon U.S. government issues with a remaining term approximating the expected life of the options or warrants. Dividends on common stock are assumed to be zero for the BSM valuation of the stock options. The expected term of stock options granted is based on vesting periods and the contractual life of the options. Expected volatilities are based on the Company's historical volatility subsequent to our IPO, which we believe represents the most accurate basis for estimating expected future volatility. We account for forfeitures as they occur.

Off Balance Sheet Transactions

We do not have any off-balance sheet transactions.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The primary objective of our investment activities is to preserve capital. We do not utilize hedging contracts or similar instruments. We are exposed to certain market risks relating primarily to interest rate risk on our cash and cash equivalents and risks relating to the financial viability of the institutions which hold our capital and through which we have invested our funds. We manage such risks by investing in short-term, liquid, highly rated instruments. As of September 30, 2025, our cash equivalents only included cash deposits and a high-grade money market fund at our bank. From time to time, we do have cash investments in short-term money market or U.S. treasury bills. We do not believe that we have any material exposure to interest rate risk in the current interest rate environment and the short duration of the invested funds we hold. Declines in interest rates would reduce our investment income but would not have a material effect on our financial condition or results of operations. We do not currently have exposure to foreign currency risk.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (“Exchange Act”), which are controls and other procedures that are designed to provide reasonable assurance that information required to be disclosed by a company in the reports that it files or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures also include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions required disclosure.

Management recognizes, however, that a controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls systems are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud or error, if any, within a company have been detected.

In connection with our existing disclosure controls and procedures, in March 2025, we determined that a Current Report on Form 8-K/A was required to be filed in connection with the acquisition of INCRELEX® during the first quarter of 2025. Such Form 8-K/A has not been filed prior to the filing of this Quarterly Report on Form 10-Q. The Company has deemed the delinquent filing to be an isolated incident.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated, as of September 30, 2025, the effectiveness of our disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e) and Rule 15d-15(e), taking into account the circumstances relating to the delinquent Form 8-K/A, and our Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2025, our disclosure controls and procedures were effective. Notwithstanding the fact that the delinquent Form 8-K/A was detected in connection with our existing disclosure controls and procedures, we have nonetheless instituted additional procedures designed to ensure timely filing in the future.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal controls over financial reporting (as defined in Rules 13a-15(f) of the Exchange Act) that occurred during the quarter ended September 30, 2025 that have materially affected, or are reasonable likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

We operate in a dynamic and rapidly changing environment that involves numerous risks and uncertainties. Certain factors may have a material adverse effect on our business, financial condition, and results of operations, and you should carefully consider them. Other events that we do not currently anticipate or that we currently deem immaterial may also affect our results of operations and financial condition.

You should carefully consider the factors discussed in Part I, Item 1A. “Risk Factors” in our 2024 10-K, which could materially affect our business, financial condition, cash flows or future results. The risk factors described in our 2024 10-K, are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, or future results.

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

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Rule 10b-5(1) Trading Plans. During the three-month period ended September 30, 2025, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

The exhibits listed on the Exhibit Index are either filed or furnished with this report or incorporated herein by reference.

EXHIBIT INDEX

Exhibit No.	Description
31.1	Certification of President and Chief Executive Officer (Principal Executive Officer), pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer (Principal Financial Officer), pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certifications of President and Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2025 formatted in Inline Extensible Business Reporting Language (iXBRL): (i) the Condensed Balance Sheet, (ii) the Condensed Statements of Operations, (iii) the Condensed Statements of Stockholders' Equity, (iv) the Condensed Statements of Cash Flows and (v) Notes to Condensed Financial Statements.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* These certifications are being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

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

November 6, 2025

ETON PHARMACEUTICALS, INC.

By: /s/ Sean E. Brynjelsen
Sean E. Brynjelsen
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ James R. Gruber
James R. Gruber
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Sean E. Brynjelsen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Eton Pharmaceuticals, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: November 6, 2025

By: /s/ Sean E. Brynjelsen
Sean E. Brynjelsen
Principal Executive Officer

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James R. Gruber, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Eton Pharmaceuticals, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: November 6, 2025

By: /s/ James R. Gruber

James R. Gruber

Principal Financial and Accounting Officer

**ETON PHARMACEUTICALS, INC.
 PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
 PURSUANT TO 18 U.S.C. SECTION 1350,
 AS ADOPTED PURSUANT TO
 SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Sean E. Brynjelsen, President and Chief Executive Officer of Eton Pharmaceuticals, Inc. (the "Company"), and James R. Gruber, Chief Financial 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 period 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 Exchange Act; 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.

IN WITNESS WHEREOF, the undersigned have set their hands hereto as of the 6th day of November, 2025.

/s/ Sean E. Brynjelsen

 Sean E. Brynjelsen
 President and Chief Executive Officer
(Principal Executive Officer)

/s/ James R. Gruber

 James R. Gruber
 Chief Financial Officer
(Principal Financial and Accounting Officer)

* This certification accompanies the Form 10-Q 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 the Company under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.