

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended March 31, 2023

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____ to ____

Commission file number 001-37809

NeuroBo Pharmaceuticals, Inc.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

47-2389984
(IRS Employer Identification No.)

200 Berkeley Street, Office 19th Floor
Boston, Massachusetts
(Address of principal executive offices)

02116
(Zip Code)

(857) 702-9600
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange On Which Registered</u>
Common stock, \$0.001 par value	NRBO	The Nasdaq Stock Market LLC

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

The number of outstanding shares of the registrant's common stock, \$0.001 par value, as of May 11, 2023 was 27,241,685

NeuroBo Pharmaceuticals, Inc.
FORM 10-Q
INDEX

<u>PART I</u>	<u>FINANCIAL INFORMATION</u>	
<u>ITEM 1:</u>	<u>Financial Statements (unaudited):</u>	
	<u>Condensed Consolidated Balance Sheets as of March 31, 2023 (unaudited) and December 31, 2022</u>	3
	<u>Condensed Consolidated Statements of Operations and Comprehensive Loss for the three months ended March 31, 2023 and 2022 (unaudited).</u>	4
	<u>Condensed Consolidated Statements of Changes in Stockholders' Equity for the three months ended March 31, 2023 and 2022 (unaudited).</u>	5
	<u>Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2023 and 2022 (unaudited)</u>	6
	<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	7
<u>ITEM 2:</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	19
<u>ITEM 3:</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	25
<u>ITEM 4:</u>	<u>Controls and Procedures</u>	25
<u>PART II</u>	<u>OTHER INFORMATION</u>	26
<u>ITEM 1:</u>	<u>Legal Proceedings</u>	26
<u>ITEM 1A:</u>	<u>Risk Factors</u>	27
<u>ITEM 2:</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	27
<u>ITEM 3:</u>	<u>Default upon Senior Securities</u>	27
<u>ITEM 4:</u>	<u>Mine Safety Disclosures</u>	27
<u>ITEM 5:</u>	<u>Other Information</u>	27
<u>ITEM 6:</u>	<u>Exhibits</u>	28
<u>SIGNATURES</u>		29

PART I – FINANCIAL INFORMATION
ITEM 1 – FINANCIAL STATEMENTS

NeuroBo Pharmaceuticals, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except share amounts and par value)

	March 31, 2023 (unaudited)	December 31, 2022
Assets		
Current assets:		
Cash	\$ 30,813	\$ 33,364
Prepaid expenses	670	168
Total current assets	31,483	33,532
Property and equipment, net	5	2
Total assets	<u>\$ 31,488</u>	<u>\$ 33,534</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 1,119	\$ 708
Accrued liabilities	417	280
Warrant liabilities	9,444	10,796
Total current liabilities	10,980	11,784
Total liabilities	10,980	11,784
Commitments and contingencies (Note 4)		
Stockholders' equity		
Preferred stock, \$0.001 par value per share; 10,000,000 shares authorized as of March 31, 2023 and December 31, 2022; no shares issued or outstanding as of March 31, 2023 and December 31, 2022.	—	—
Common stock, \$0.001 par value per share, 100,000,000 shares authorized as of March 31, 2023 and December 31, 2022; 27,176,685 and 25,436,019 shares issued and outstanding as of March 31, 2023 and December 31, 2022, respectively.	27	25
Additional paid-in capital	118,880	117,520
Accumulated deficit	(98,399)	(95,795)
Total stockholders' equity	20,508	21,750
Total liabilities and stockholders' equity	<u>\$ 31,488</u>	<u>\$ 33,534</u>

See accompanying notes to condensed consolidated financial statements.

NeuroBo Pharmaceuticals, Inc.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(in thousands, except share and per share amounts)
(unaudited)

	For the Three Months Ended	
	March 31,	
	2023	2022
Operating expenses:		
Research and development	\$ 637	\$ 920
General and administrative	1,883	1,955
Total operating expenses	<u>2,520</u>	<u>2,875</u>
Loss from operations	(2,520)	(2,875)
Other expense		
Change in fair value of warrant liabilities	(84)	—
Loss before income taxes	<u>(2,604)</u>	<u>(2,875)</u>
Provision for income taxes	—	—
Net loss	<u>(2,604)</u>	<u>(2,875)</u>
Other comprehensive loss, net of tax	—	(1)
Comprehensive loss	<u>\$ (2,604)</u>	<u>\$ (2,876)</u>
Loss per share:		
Net loss per share, basic and diluted	<u>\$ (0.06)</u>	<u>\$ (3.24)</u>
Weighted average shares of common stock outstanding:		
Basic and diluted	<u>40,472,026</u>	<u>888,693</u>

See accompanying notes to condensed consolidated financial statements.

NeuroBo Pharmaceuticals, Inc.
Condensed Consolidated Statements of Changes in Stockholders' Equity
(in thousands, except share amounts)
(unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Comprehensive Income	Accumulated Deficit	Total Equity
	Shares	Amount				
Balance at December 31, 2021	888,693	\$ 1	\$ 96,420	\$ 4	\$ (81,828)	\$ 14,597
Stock-based compensation	—	—	207	—	—	207
Foreign currency translation adjustment	—	—	—	(1)	—	(1)
Net loss	—	—	—	—	(2,875)	(2,875)
Balance at March 31, 2022	<u>888,693</u>	<u>\$ 1</u>	<u>\$ 96,627</u>	<u>\$ 3</u>	<u>\$ (84,703)</u>	<u>\$ 11,928</u>
Balance at December 31, 2022	25,436,019	\$ 25	\$ 117,520	\$ —	\$ (95,795)	\$ 21,750
Issuance of stock from exercise of warrants	1,740,666	2	1,434	—	—	1,436
Stock-based compensation	—	—	(74)	—	—	(74)
Net loss	—	—	—	—	(2,604)	(2,604)
Balance at March 31, 2023	<u>27,176,685</u>	<u>\$ 27</u>	<u>\$ 118,880</u>	<u>\$ —</u>	<u>\$ (98,399)</u>	<u>\$ 20,508</u>

See accompanying notes to condensed consolidated financial statements.

NeuroBo Pharmaceuticals, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	For the Three Months Ended	
	March 31,	
	2023	2022
Operating activities		
Net loss	\$ (2,604)	\$ (2,875)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	(74)	207
Non-cash lease expense	—	6
Depreciation	1	12
Change in fair value of warrant liabilities	84	—
Change in operating assets and liabilities:		
Prepaid expenses and other assets	(502)	(1,510)
Accounts payable	411	(54)
Accrued and other liabilities	137	(615)
Net cash used in operating activities	<u>(2,547)</u>	<u>(4,829)</u>
Investing activities		
Purchases of property and equipment	(4)	—
Net cash used in investing activities	<u>(4)</u>	<u>—</u>
Financing activities		
Net cash provided by financing activities	—	—
Net decrease in cash	(2,551)	(4,829)
Net foreign exchange difference	—	(1)
Cash at beginning of period	33,364	16,387
Cash at end of period	<u>\$ 30,813</u>	<u>\$ 11,557</u>
<i>Supplemental non-cash investing and financing transactions:</i>		
Unpaid issuance costs	<u>\$ 80</u>	<u>\$ —</u>
Reclassification of warrant liabilities upon exercise of warrants	<u>\$ 1,436</u>	<u>\$ —</u>

See accompanying notes to condensed consolidated financial statements.

NeuroBo Pharmaceuticals, Inc.
Notes to Condensed Consolidated Financial Statements
(Dollar amounts in thousands, except per share amounts) (unaudited)

1. The Company and Basis of Presentation

NeuroBo Pharmaceuticals, Inc. (together with its subsidiaries, the “Company” or “NeuroBo”), is a clinical-stage biotechnology company with two primary programs focused on treatment of nonalcoholic steatohepatitis (“NASH”) obesity, and type 2 diabetes mellitus (“T2D”):

- DA-1241 is a novel G-Protein-Coupled Receptor 119 (GPR119) agonist that in preclinical studies demonstrated therapeutic potential for both NASH and T2D. Furthermore, in Phase 1a and 1b trials, DA-1241 was well tolerated in both healthy volunteers as well as in T2D patients. We submitted to the U.S Food and Drug Administration (“FDA”), and FDA cleared, an Investigational New Drug (“IND”) application to support a Phase 2a clinical trial of DA-1241 in NASH patients. In the third quarter of 2023, the Company intends to initiate the Phase 2a study with the goal of establishing efficacy of DA-1241 in NASH patients with confirmed pre-diabetes or T2D.
- DA-1726 is a novel oxyntomodulin (“OXM”) analogue that acts as a glucagon-like peptide-1 receptor (GLP1R) and glucagon receptor (GCGR) dual agonist, currently in development for the treatment of obesity, with the potential to address NASH. In the second half of 2023, the Company intends to file an IND application for DA-1726 and initiate Phase 1 clinical trials, with the goal of establishing the safety of DA-1726 in human subjects.

The Company had previously focused its efforts on four therapeutic programs: ANA001, NB-01, NB-02 and gemcabene.

The Company’s operations have consisted principally of performing research and development activities, clinical development and raising capital. The Company’s activities are subject to significant risks and uncertainties, including failing to secure additional funding before sustainable revenues and profit from operations are achieved.

Basis of presentation and consolidation principles

The accompanying condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) have been condensed or omitted pursuant to such rules and regulations. The condensed consolidated financial statements may not include all disclosures required by GAAP; however, the Company believes that the disclosures are adequate to make the information presented not misleading. These unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements and the notes thereto for the fiscal year ended December 31, 2022 included in the Company’s Annual Report on Form 10-K filed with the SEC on March 30, 2023. The condensed consolidated balance sheet as of December 31, 2022 was derived from the audited financial statements.

In the opinion of management, all adjustments, consisting of only normal recurring adjustments that are necessary to present fairly the financial position, results of operations, and cash flows for the interim periods, have been made. The results of operations for the interim periods are not necessarily indicative of the operating results for the full fiscal year or any future periods.

The condensed consolidated financial statements of the Company include a South Korean subsidiary, NeuroBo Co., LTD., which is fully owned by the Company. All significant intercompany accounts and transactions have been eliminated in the preparation of the financial statements.

Reverse Stock Split

The Company’s Board of Directors approved a one-for-thirty reverse stock split of the Company’s issued and outstanding

NeuroBo Pharmaceuticals, Inc.
Notes to Condensed Consolidated Financial Statements -continued
(Dollar amounts in thousands, except per share amounts) (unaudited)

shares of common stock (the “Reverse Stock Split”). The Reverse Stock Split became effective as of 5:00 p.m. Eastern Time on September 12, 2022.

All issued and outstanding common stock and per share amounts contained in the condensed consolidated financial statements have been retroactively adjusted to reflect this Reverse Stock Split for all periods presented. In addition, a proportionate adjustment was made to the per share exercise price and the number of shares issuable upon the exercise of all outstanding stock options and warrants to purchase shares of common stock. A proportionate adjustment was also made to the number of shares reserved for issuance pursuant to the Company’s equity incentive compensation plans to reflect the Reverse Stock Split. Any fraction of a share of common stock that was created as a result of the Reverse Stock Split was rounded down to the next whole share and the stockholder received cash equal to the market value of the fractional share, determined by multiplying such fraction by the closing sales price of the Company’s common stock as reported on Nasdaq on the last trading day before the Reverse Stock Split becomes effective (on a split-adjusted basis). The authorized shares and par value of the common stock and preferred stock were not adjusted as a result of the Reverse Stock Split.

Liquidity

The accompanying consolidated financial statements have been prepared on the basis that the Company will continue as a going concern. From its inception, the Company has devoted substantially all of its efforts to drug discovery and development and conducting clinical trials.

As of March 31, 2023, the Company had \$30.8 million in cash. The Company believes that its existing cash will be sufficient to fund its operations for at least the next 12 months from the date these financial statements are issued. The Company will need to continue to raise additional funds until it is able to generate sufficient revenues to fund its development activities. The Company’s future operating activities, coupled with its plans to raise capital or issue debt financing, may provide additional liquidity in the future, however these actions are not solely within the control of the Company and the Company is unable to predict the ultimate outcome of these actions to generate the liquidity ultimately required.

2. Summary of Significant Accounting Policies

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, liabilities, expenses, and related disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of expenses during the reporting period. The most significant estimates in the Company’s condensed consolidated financial statements relate to accrued expenses and the fair value of stock-based compensation and warrant issuances. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgements about the carrying values of assets and liabilities. Actual results could differ from those estimates. Changes in estimates are reflected in reported results in the period in which they become known.

General and Administrative Expenses

General and administrative expenses consist primarily of personnel-related costs, including salaries, fees and stock-based compensation costs, for personnel in functions not directly associated with research and development activities. Other significant costs include legal fees related to intellectual property and corporate matters and professional fees for accounting and other services.

NeuroBo Pharmaceuticals, Inc.
Notes to Condensed Consolidated Financial Statements -continued
(Dollar amounts in thousands, except per share amounts) (unaudited)

Research and Development Costs

Research and development (“R&D”) costs are charged to expense as incurred. Research and development expenses are comprised of costs incurred in performing research and development activities, including clinical trial costs, manufacturing costs for both clinical and pre-clinical materials as well as other contracted services, license fees, and other external costs. Nonrefundable advance payments for goods and services that will be used in future research and development activities are expensed when the activity is performed or when the goods have been received, rather than when payment is made, in accordance with Accounting Standards Codification (“ASC”) 730, *Research and Development*.

Fair Value of Financial Instruments

The Company’s financial instruments principally include cash, prepaid expenses, right of use assets, accounts payable, accrued liabilities, lease liabilities and warrant liabilities. The carrying amounts of cash, prepaid expenses and other current assets, accounts payable, and accrued liabilities are reasonable estimates of their fair value because of the short maturity of these items. See Note 9 - *Fair Value Measurements*.

Warrant Liabilities

The Company accounts for its warrants as liabilities at fair value if equity accounting treatment is precluded due to provisions existing within the warrants. The change in fair value of the warrant liabilities are recognized as a fair value change in warrant liabilities in the consolidated statements of operations and comprehensive loss and as an operating item in the statement of cash flows.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with the provisions of ASC 718, *Compensation — Stock Compensation* (“ASC 718”). Accordingly, compensation costs related to equity instruments granted are recognized at the grant-date fair value. The Company records forfeitures when they occur. Stock-based compensation arrangements to non-employees are accounted for in accordance with the applicable provisions of ASC 718 using a fair value approach.

Recent Accounting Pronouncements Adopted

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (“FASB”) or other standard setting bodies that are adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company believes that the impact of recently issued standards that are not yet effective will not have a material impact on its consolidated financial position or results of operations upon adoption.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses*. The ASU sets forth a “current expected credit loss” (CECL) model which requires the Company to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost and applies to some off-balance sheet credit exposures. This ASU is effective for calendar year 2023 for smaller reporting companies. The Company adopted this new guidance on January 1, 2023, and the adoption did not have a material impact on the Company’s consolidated financial statements.

NeuroBo Pharmaceuticals, Inc.
Notes to Condensed Consolidated Financial Statements -continued
(Dollar amounts in thousands, except per share amounts) (unaudited)

3. Balance Sheet Detail

Property and Equipment

Property and equipment consist of the following as of:

	March 31, 2023	December 31, 2022
Office equipment	\$ 34	\$ 30
Less accumulated depreciation	(29)	(28)
Property and equipment, net	<u>\$ 5</u>	<u>\$ 2</u>

Accrued liabilities

Accrued liabilities consist of the following as of:

	March 31, 2023	December 31, 2022
External research and development expenses	\$ 326	\$ 109
Payroll related	49	100
Professional services	23	23
Other	19	48
Total	<u>\$ 417</u>	<u>\$ 280</u>

4. Commitments and Contingencies

Operating Lease

On May 14, 2021, the Company entered into a non-cancelable operating lease for its corporate headquarters located in Boston Massachusetts. The agreement, effective August 1, 2021, had a six month term, and rental costs of approximately \$3 per month prior to the application of certain rent concessions granted by the landlord in the amount of approximately \$2 over the term of the lease. The Company has since entered into amendments to the lease which reduced the size of the office space and extended the lease term, which expired in March 2023, for rental costs of approximately \$2 per month. Subsequent to March 2023, the Company is on a month-to-month term for the lease.

No assets and liabilities were recognized for the corporate headquarters leases at March 31, 2023 and December 31, 2022. Due to the short-term nature of the leases, the Company recognized lease payments as an expense on a straight-line basis over the remaining lease term. For the three months ended March 31, 2023 and 2022, expense under the corporate headquarters lease was in the aggregate \$5 and \$4, respectively.

License Agreement with Dong-A ST

On September 14, 2022, the Company and Dong-A ST Co., Ltd. ("Dong-A"), a related party and greater than 5% shareholder, entered into a license Agreement, pursuant to which the Company received an exclusive global license (other than in the Republic of Korea) to two proprietary compounds for specified indications (the "2022 License Agreement"). The 2022 License Agreement covers the rights to DA-1241 for treatment of NASH and T2D and DA-1726 for treatment of obesity and NASH. Under the 2022 License Agreement, Dong-A will be eligible to receive (i) regulatory milestone payments of up to \$178 million for DA-1726 and \$138 million for DA-1241, dependent upon the achievement of specific

NeuroBo Pharmaceuticals, Inc.
Notes to Condensed Consolidated Financial Statements -continued
(Dollar amounts in thousands, except per share amounts) (unaudited)

regulatory developments; (ii) commercial-based milestone payments, dependent upon the achievement of specific commercial developments; and (iii) single digit royalties on net sales received by the Company from the commercial sale of products covering DA-1241 or DA-1726.

As of March 31, 2023, no milestone or royalty payments had been accrued as there were no potential milestones yet considered probable.

ANA Merger Milestone Payments

On December 31, 2020, the Company acquired 100% of ANA Therapeutics, Inc., a Delaware corporation (“ANA”), pursuant to an Agreement and Plan of Merger, dated December 31, 2020 (the “2020 Merger Agreement” or “2020 Merger”). Pursuant to the 2020 Merger Agreement, following the closing of the 2020 Merger, the Company is obligated to pay milestone payments (each, a “Milestone Payment”) to certain persons identified in the 2020 Merger Agreement (each a “Stakeholder” and collectively, the “Stakeholders”) in the form, time and manner as set forth in the 2020 Merger Agreement, upon the achievement of the following milestone events set forth below by the Company or any of its affiliates (each, a “Milestone Event”):

Milestone Event	Milestone Payment
First receipt of Marketing Approval (as defined in the 2020 Merger Agreement) from the FDA for any Niclosamide Product (as defined in the 2020 Merger Agreement)	\$ 45.0 million

Sales Milestones:

Milestone Event – Worldwide Cumulative Net Sales of a Niclosamide Product equal to or greater than:	Milestone Payment
\$500 million	\$ 9.0 million
\$1 billion	\$ 13.5 million
\$3 billion	\$ 36.0 million
\$5 billion	\$ 72.0 million

Additionally, pursuant to the 2020 Merger Agreement, the Company is obligated to pay a royalty of two and a half percent (2.5%) of annual worldwide net sales of each Niclosamide Product (as defined in the 2020 Merger Agreement) (each such payment, a “Royalty Payment”) to the Stakeholders in the form, time and manner as set forth in the 2020 Merger Agreement, following the first commercial sale of each Niclosamide Product (as defined in the 2020 Merger Agreement) on a country by-country and Niclosamide Product-by-Niclosamide Product basis.

As of March 31 2023, no Royalty Payments had been accrued as there were no potential milestones yet considered probable.

NeuroBo Pharmaceuticals, Inc.
Notes to Condensed Consolidated Financial Statements -continued
(Dollar amounts in thousands, except per share amounts) (unaudited)

YourChoice License Agreement

In connection with the 2020 Merger, the Company assumed the license agreement between ANA and Your Choice Therapeutics, Inc. (the “YourChoice Agreement”). Prior to the 2020 Merger, YourChoice Therapeutics, Inc. granted to ANA, during the term of the YourChoice Agreement, an exclusive, worldwide, fee-bearing license derived from the licensed intellectual property throughout the world. The fees due under the YourChoice Agreement include royalty payments of 0.5% of annual worldwide net sales of each Niclosamide Product (as defined in the 2020 Merger Agreement) and milestone payments in the aggregate of \$19.5 million. The first milestone payment due is \$5 million upon first receipt of Marketing Approval (as defined in the 2020 Merger Agreement) from the U.S. Food and Drug Administration (“FDA”) for any Niclosamide Product (as defined by the 2020 Merger Agreement), followed by sales milestones of \$1 million, \$1.5 million, \$4 million, and \$8 million if worldwide cumulative net sales of a Niclosamide Product are equal to or greater than \$500 million, \$1, billion, \$3, billion, and \$5 billion, respectively. The term of the YourChoice Agreement will expire on the expiration or invalidation of the last of the licensed patents under the YourChoice Agreement. As of March 31, 2023, there was sufficient uncertainty with regard to both the outcome of the clinical trials and the ability to obtain sufficient funding to support any of the cash milestone payments under the YourChoice Agreement, and as such, no liabilities were recorded.

Gemphire Contingent Value Rights Agreement.

On December 30, 2019, the Company was party to a definitive merger agreement (the “2019 Merger”) with Gemphire Therapeutics, Inc. (“Gemphire”). In connection with the 2019 Merger, Gemphire entered into the Contingent Value Rights Agreement (the “CVR Agreement”) with Grand Rapids Holders’ Representative, LLC, as representative of Gemphire’s stockholders prior to the 2019 Merger (the “Holders’ Representative”), and Computershare Inc. and Computershare Trust Company, N.A. as the rights agents (collectively, the “Rights Agent”). Under the CVR Agreement, which NeuroBo assumed in connection with the 2019 Merger, the holders of Gemphire shares at the time of the 2019 Merger (collectively, the “CVR Holders”) were entitled to receive 80% of the proceeds from the grant, sale, or transfer of rights to Gemcabene.

On March 23, 2021, NeuroBo, the Holders’ Representative, and the Rights Agent entered into the First Amendment to Contingent Value Rights Agreement (the “CVR Amendment”) to amend the CVR Agreement. Pursuant to the CVR Amendment, (i) the CVR Holders will continue to have the right to receive 80% of the proceeds from the grant, sale, or transfer of rights to Gemcabene as a treatment for cardiovascular conditions and (ii) the CVR Holders will now also receive 10% of the proceeds from the grant, sale, or transfer of rights to Gemcabene as a treatment for any indication outside of treating cardiometabolic diseases, including COVID-19.

As of March 31, 2023, no obligations had been accrued as there were no potential payments under the CVR Agreement or the CVR Amendment that were yet considered probable.

Pfizer License Agreement

Upon the close of the 2019 Merger, an exclusive license agreement with Pfizer, Inc. (“Pfizer”) for the clinical product candidate Gemcabene (the “Pfizer Agreement”) was assumed by the Company. Under the Pfizer Agreement, in exchange for this worldwide exclusive right and license to certain patent rights to make, use, sell, offer for sale and import the clinical product Gemcabene, the Company has agreed to certain milestone and royalty payments on future sales.

The Company agreed to make milestone payments totaling up to \$37 million upon the achievement of certain milestones, including the first new drug application (or its foreign equivalent) in any country, regulatory approval in each of the United States, Europe and Japan, the first anniversary of the first regulatory approval in any country, and upon achieving

NeuroBo Pharmaceuticals, Inc.
Notes to Condensed Consolidated Financial Statements -continued
(Dollar amounts in thousands, except per share amounts) (unaudited)

certain aggregate sales levels of Gemcabene. Future milestone payments under the Pfizer Agreement, if any, are not expected to begin for at least several years and extend over a number of subsequent years.

The Company also agreed to pay Pfizer tiered royalties on a country-by-country basis based upon the annual amount of net sales, as specified in the Pfizer Agreement, until the later of: (a) five (5) years after the first commercial sale in such country; (b) the expiration of all regulatory or data exclusivity for Gemcabene in such country; and (c) the expiration or abandonment of the last valid claim of the licensed patents, including any patent term extensions or supplemental protection certificates in such country (collectively, the “Royalty Term”). Under the Pfizer Agreement, the Company is obligated to use commercially reasonable efforts to develop and commercialize Gemcabene.

As of March 31, 2023, there was sufficient uncertainty with regard to both the outcome of the clinical trials and the ability to obtain sufficient funding to support any of the cash milestone payments, and as such, no liabilities were recorded related to the Pfizer Agreement.

Contingencies

From time to time, the Company may be subject to various claims and suits arising in the ordinary course of business. The Company does not expect that the resolution of these matters will have a material adverse effect on its financial position or results of operations.

5. License and Collaboration Agreement

Beijing SL License and Collaboration Agreement

Upon the close of the 2019 Merger, the License and Collaboration Agreement (the “Beijing SL Agreement”) with Beijing SL Pharmaceutical Co., Ltd. (“Beijing SL”) was assumed by the Company, pursuant to which the Company granted Beijing SL an exclusive royalty-bearing license to research, develop, manufacture and commercialize pharmaceutical products comprising, as an active ingredient, Gemcabene in mainland China, Hong Kong, Macau and Taiwan. The terms of the Beijing SL Agreement include payments based upon achievement of milestones and royalties on net product sales. Under the Beijing SL Agreement, the Company has variable consideration in the form of milestone payments. As of March 31, 2023, no revenue under the Beijing SL Agreement has been recognized.

6. Stockholders’ Equity

Warrants

The following warrants were outstanding as of March 31, 2023 and December 31, 2022:

Warrant Issuance	March 31, 2023	December 31, 2022	Exercise Price
July 2018	48	48	\$ 5,602.50
April 2020	1,252	1,252	\$ 375.00
January 2021	83,338	83,338	\$ 180.90
October 2021	143,597	143,597	\$ 112.50
November 2022 Series A	6,423,504	6,768,837	\$ 0.00
November 2022 Series B	6,871,837	8,267,170	\$ 0.00
Total	13,523,576	15,264,242	

NeuroBo Pharmaceuticals, Inc.
Notes to Condensed Consolidated Financial Statements -continued
(Dollar amounts in thousands, except per share amounts) (unaudited)

The November 2022 Series A Warrants and November 2022 Series B Warrants have a cashless exercise provision whereby one warrant can be exchanged for one share of common stock for no additional consideration, which renders the \$3.00 per share stated exercise price to be \$0.00. During the three months ended March 31, 2023, 345,333 Series A Warrants and 1,395,333 Series B Warrants were exchanged for shares of the Company’s common stock.

7. Stock-based Compensation

Stock-based compensation expense was included in general and administrative and research and development costs as follows in the accompanying statements of comprehensive loss:

	Three Months Ended	
	March 31,	
	2023	2022
General and administrative	\$ (85)	\$ 207
Research and development	11	-
Total stock-based compensation	<u>\$ (74)</u>	<u>\$ 207</u>

Stock Options

In December 2019, the Company adopted the 2019 Equity Incentive Plan (the “2019 Plan”), and in November 2021 and December 2022, the Company adopted the 2021 Inducement Plan and 2022 Equity Incentive Plan (“the 2022 Plan”), respectively. The stock option plans provide for the grant of stock options, restricted stock and other equity awards of the Company’s common stock to employees, officers, consultants, and directors. Options expire within a period of not more than ten years from the date of grant.

The following table summarizes the Company’s activity related to its stock options for the three months ended March 31, 2023:

	Number of	Weighted	Weighted-	Aggregate
	Options	Average	Average	Intrinsic
		Exercise	Remaining	Value
		Price	Contractual	(in thousands)
			Term (years)	
Outstanding at December 31, 2022	36,493	\$ 99.62	8.5	\$ —
Granted	25,000	\$ 0.67	—	\$ —
Exercised	-	\$ —	—	\$ —
Forfeited/Cancelled	(12,333)	\$ 75.38	—	\$ —
Outstanding at March 31, 2023	<u>49,160</u>	<u>\$ 59.57</u>	<u>9.1</u>	<u>\$ 1</u>
Vested and expected to vest at March 31, 2023	<u>49,160</u>	<u>\$ 59.57</u>	<u>9.1</u>	<u>\$ 1</u>
Options exercisable at March 31, 2023	<u>43,349</u>	<u>\$ 62.55</u>	<u>9.1</u>	<u>\$ 1</u>

During the three months ended March 31, 2023, 25,000 stock options were granted to non-employee consultant that vested in March 2023 upon the Company’s filing of an IND with the FDA for DA-1241. During the three months ended March 31, 2022, there were 1,333 stock options granted to a non-employee director that vest over a three year period. The weighted average fair value per share of options granted during the three months ended March 31, 2023 and March 31, 2022 was \$0.45 and \$20.93, respectively.

NeuroBo Pharmaceuticals, Inc.
Notes to Condensed Consolidated Financial Statements -continued
(Dollar amounts in thousands, except per share amounts) (unaudited)

The Company measures the fair value of stock options on the date of grant using the Black-Scholes option pricing model. The Company does not have history to support a calculation of volatility and expected term. As such, the Company has used a weighted-average volatility considering the volatilities of several guideline companies.

For purposes of identifying similar entities, the Company considered characteristics such as industry, length of trading history, and stage of life cycle. The assumed dividend yield was based on the Company's expectation of not paying dividends in the foreseeable future. The average expected life of the options was determined based on the mid-point between the vesting date and the end of the contractual term according to the "simplified method" as described in Staff Accounting Bulletin 110. The risk-free interest rate is determined by reference to implied yields available from U.S. Treasury securities with a remaining term equal to the expected life assumed at the date of grant. The Company records forfeitures when they occur.

The assumptions used in the Black-Scholes option-pricing model are as follows:

	Three Months Ended	
	March 31,	
	2023	2022
Expected stock price volatility	82.9 %	80.7 %
Expected life of options (years)	5.0	5.8
Expected dividend yield	— %	— %
Risk free interest rate	3.54 %	1.72 %

During the three months ended March 31, 2023 and 2022, 25,446 and 797 stock options vested, respectively. During the three months ended March 31, 2023 and 2022, 12,333 and 1,111 stock options were forfeited, respectively.

As of March 31, 2023, 5,078,833 shares in the aggregate were available for future issuance under the 2021 Inducement Plan, and the 2022 Plan. Unrecognized stock-based compensation cost for the stock options issued under all stock incentive plans was \$0.1 million as of March 31, 2023. The unrecognized stock-based expense is expected to be recognized over a weighted average period of 0.6 years.

8. Net Loss Per Common Share

Basic net loss per share is computed by dividing the net loss by the weighted-average number of common shares outstanding for the period, without consideration for potentially dilutive securities if their effect is antidilutive. Diluted net loss per share is computed by dividing the net loss by the weighted average number of shares of common stock and dilutive common stock equivalents outstanding for the period determined using the treasury stock method. Dilutive common stock equivalents are comprised of options outstanding under the Company's stock incentive plans and warrants. For all periods presented, there is no difference in the number of shares used to calculate basic and diluted shares outstanding as inclusion of the potentially dilutive securities would be antidilutive.

The basic net loss per share calculation includes the 2022 Series A Warrants and 2022 Series B Warrants given that these instruments are exchangeable into common stock for which no additional consideration is required from the holder. The following potential shares of common stock were not considered in the computation of diluted net loss per share as

NeuroBo Pharmaceuticals, Inc.
Notes to Condensed Consolidated Financial Statements -continued
(Dollar amounts in thousands, except per share amounts) (unaudited)

their effect would have been anti-dilutive.

	Three Months Ended	
	March 31	
	2023	2022
Stock options	49,160	32,719
Warrants (excluding 2022 Series A Warrants and 2022 Series B Warrants)	228,235	228,235

9. Fair Value Measurements

The Company follows accounting guidance that emphasizes that fair value is a market-based measurement, not an entity specific measurement. Fair value is defined as “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 measurements are defined on a three level hierarchy:

Level 1 inputs: Unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 inputs: Quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active, or inputs which are observable, whether directly or indirectly, for substantially the full term of the asset or liability;

Level 3 inputs: Unobservable inputs that reflect the Company’s own assumptions about the assumptions market participants would use in pricing the asset or liability in which there is little, if any, market activity for the asset or liability at the measurement date.

The fair value of financial instruments measured on a recurring basis as of March 31, 2023 and December 31, 2022 are as follows:

Description	As of March 31, 2023			
	Total	Level 1	Level 2	Level 3
Liabilities:				
Warrant liabilities	\$ 9,444	\$ —	\$ 9,444	\$ —
Total liabilities at Fair Value	\$ 9,444	\$ —	\$ 9,444	\$ —

Description	As of December 31, 2022			
	Total	Level 1	Level 2	Level 3
Liabilities:				
Warrant liabilities	\$ 10,796	\$ —	\$ —	\$ 10,796
Total liabilities at Fair Value	\$ 10,796	\$ —	\$ —	\$ 10,796

The fair value of the 2022 Series A Warrants and 2022 Series B Warrants (collectively, the “2022 Warrants”) was determined using a Monte Carlo simulation at December 31, 2022. This valuation technique involved a significant amount of estimation and judgment. In general, the assumptions used in calculating the fair value of the common stock warrant liability represent management’s best estimate, but the estimate involves inherent uncertainties and the application of significant management judgment. At December 31, 2022, these warrant liabilities fell within Level 3 of the fair value hierarchy.

However, due to the cashless exercise provision of the 2022 Warrants rendering the exercise price effectively at zero, the calculated price per share of the 2022 Warrants was equal to that of a share of common stock. Based on this result, the Company changed its valuation methodology during the three months ended March 31, 2023 and determined that the fair value of the warrants are equal to the underlying stock price at March 31, 2023. Therefore, as of March 31, 2023, these

NeuroBo Pharmaceuticals, Inc.
Notes to Condensed Consolidated Financial Statements -continued
(Dollar amounts in thousands, except per share amounts) (unaudited)

warrant liabilities fell within Level 2 of the fair value hierarchy.

The following table provides a roll-forward of the warrant liabilities measured at fair value for the three months ended March 31, 2023:

	<u>Three Months Ended</u> <u>March 31,</u> <u>2023</u>
Balance at beginning of period	\$ 10,796
Change in fair value of warrant liabilities	84
Reclass of warrant liabilities upon exercise of warrants	(1,436)
Balance at end of period	<u>\$ 9,444</u>

10. Income Taxes

The effective tax rate for the three months ended March 31, 2023 and 2022 was zero percent. As a result of the analysis of all available evidence as of March 31, 2023 and December 31, 2022, the Company recorded a full valuation allowance on its net deferred tax assets. Consequently, the Company reported no income tax benefit for the three months ended March 31, 2023 and 2022. If the Company's assumptions change and the Company believes that it will be able to realize these deferred tax assets, the tax benefits relating to any reversal of the valuation allowance on deferred tax assets will be recognized as a reduction of future income tax expense. If the assumptions do not change, each period the Company could record an additional valuation allowance on any increases in the deferred tax assets.

11. Related Party Transactions

Manufacturing Agreement with Dong-A ST

On September 28, 2018, the Company entered into a five year manufacturing and supply agreement with Dong-A for manufacturing and supply of NB-01 drug substance and placebos for the purpose of research and development to be used in Phase 3 clinical trials (the "Manufacturing Agreement"). There were no manufacturing related costs under the Manufacturing Agreement for the three months ended March 31, 2023 and 2022. The product manufacturing related costs, when incurred, are reflected as research and development expenses.

On June 7, 2020, the Company entered into a manufacturing and supply agreement (the "Manufacturing and Supply Agreement") with Dong-A for the manufacturing and supply of NB-02 drug product and placebo for the purpose of research and development of NB-02, including but not limited to, the use in the first NB-02 human clinical trial to be conducted by the Company. Under the terms of the Manufacturing and Supply Agreement, upon receipt of a purchase order from the Company no later than 270 days prior to the requested delivery date, Dong-A has agreed to produce for the Company tablets of the NB-02 drug substance and placebos at a specified supply price. The Company is obligated to manufacture, or have manufactured, and supply to Dong-A the active pharmaceutical ingredients which are necessary to manufacture the NB-02 drug product. The Manufacturing and Supply Agreement has a five year term, subject to earlier termination under certain circumstances. The Company recognized no product manufacturing related costs under the Manufacturing and Supply Agreement for during the three months ended March 31, 2023 and 2022. None of the costs incurred under the Manufacturing Agreement remained unpaid as of March 31, 2023 or December 31, 2022.

Shared Services Agreement

On September 14, 2022, in conjunction with the Dong-A License Agreement, the Company entered into a shared services agreement with Dong-A (the "Shared Services Agreement"). The Shared Services Agreement provides that Dong-A may

NeuroBo Pharmaceuticals, Inc.
Notes to Condensed Consolidated Financial Statements -continued
(Dollar amounts in thousands, except per share amounts) (unaudited)

provide technical support, pre-clinical development, and clinical trial support services on terms and conditions acceptable to both parties. In addition, the Shared Services Agreement provides that Dong-A will manufacture all of the Company's clinical requirements of DA-1241 and DA-1726.

Either party may terminate the Shared Services Agreement for the other party's material breach that is not cured within 30 days of notice. Dong-A may also terminate the Shared Services Agreement in part on a service-by-service or product-by-product basis upon a breach by the Company which is not cured within 30 days.

As of March 31, 2023, the table below summarizes the statements of work (the "SOW"s) executed between the Company and Dong-A pursuant to the Shared Services Agreement:

SOW	Description	SOW amount (1)	R&D expense for the three months ended March 31, 2023	Accrued research and development as of March 31, 2023
SOW 3	Manufacture of DA-1241 and DA-1726	\$ -	\$ -	\$ -
SOW 4	Preclinical and Research Overhead for DA-1241 and DA-1726	1,105	326	326
Total		<u>\$ 1,105</u>	<u>\$ 326</u>	<u>\$ 326</u>

- (1) SOW 3 does not reflect the cost to manufacture DA-1241 and DA-1726, which is to be provided by Dong-A closer to completion. The Company has determined that the SOW amount and R&D expense for the three months ended March 31, 2023 are not currently estimable due to uncertainty within the terms of the SOW.

12. Subsequent Events

Since March 31, 2023, 65,000 2022 Series B Warrants were exchanged for shares of the Company's common stock.

NeuroBo Pharmaceuticals, Inc.
Form 10-Q

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

The following discussion of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and related notes included elsewhere in this report and the audited financial statements and related notes for the fiscal year ended December 31, 2022 included in our Annual Report on Form 10-K (“2022 Form 10-K”) filed by the Company with the SEC on March 30, 2023.

Forward-Looking Statements

Certain statements in this Quarterly Report on Form 10-Q are forward-looking statements within the meaning of the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (“Exchange Act”), that are based on management’s beliefs, assumptions and expectations and information currently available to management. All statements that address future operating performance, events or developments that we expect or anticipate will occur in the future are forward-looking statements, including without limitation, our expectations regarding our ability to execute on our commercial strategy, the timeline for regulatory submissions, regulatory steps and potential regulatory approval of our current and future product candidates, the ability to realize the benefits of the license agreement with Dong-A ST Co. Ltd., including the impact on future financial and operating results of NeuroBo; the ability to integrate the new product candidates into our business in a timely and cost-efficient manner; the cooperation of our contract manufacturers, clinical study partners and others involved in the development of our current and future product candidates; our ability to initiate clinical trials on a timely basis; our ability to recruit subjects for our clinical trials; costs related to the license agreement, known and unknown, including costs of any litigation or regulatory actions relating to the license agreement; changes in applicable laws or regulations; effects of changes to our stock price on the terms of the license agreement and any future fundraising and other risks and uncertainties described in our filings with the SEC.

In some cases, you can identify forward-looking statements by the following words: “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “ongoing,” “plan,” “potential,” “predict,” “project,” “should,” “will,” “would” or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words. Management believes that these forward-looking statements are reasonable as and when made. However, you should not place undue reliance on forward-looking statements because they speak only as of the date when made. We undertake no obligation to revise any forward-looking statements in order to reflect events or circumstances that might subsequently arise.

Forward-looking statements are subject to a number of risks and uncertainties that could cause actual events to adversely differ from the expectations indicated in these forward-looking statements, including without limitation, the risks and uncertainties described in our 2022 Form 10-K. We operate in an evolving environment. New risk factors and uncertainties may emerge from time to time, and it is not possible for us to predict all risk factors and uncertainties. We may not actually achieve the plans, projections or expectations disclosed in forward-looking statements, and actual results, developments or events could differ materially from those disclosed in the forward-looking statements. Forward-looking statements are subject to a number of risks and uncertainties, including without limitation, the possibility that regulatory authorities do not accept our application or approve the marketing of our products, the possibility we may be unable to raise the funds necessary for the development and commercialization of our products, and those described in our filings with the SEC.

Overview

NeuroBo Pharmaceuticals, Inc. (the “Company,” “NeuroBo,” “we,” “us” or “our”) is a clinical-stage biotechnology company focused primarily on developing and commercializing novel pharmaceuticals to treat cardiometabolic diseases. NeuroBo has two primary programs focused on treatment of nonalcoholic

NeuroBo Pharmaceuticals, Inc.
Form 10-Q

steatohepatitis (“NASH”), obesity and type 2 diabetes mellitus (“T2D”):

- *DA-1241* is a novel G-Protein-Coupled Receptor 119 (GPR119) agonist that has demonstrated therapeutic potential for both NASH and T2D. In preclinical studies, DA-1241 demonstrated that GPR-119 agonism promotes release of the key gut peptides GLP-1, GIP, and PYY, which have a beneficial effect on liver inflammation, lipid metabolism, weight loss, and glucose metabolism. The therapeutic potential of DA-1241 has been demonstrated in multiple pre-clinical animal models of NASH and T2D whereby DA-1241 reduced hepatic steatosis, hepatic inflammation, and liver fibrosis, while also improving glucose control. Furthermore, in Phase 1a and 1b trials, DA-1241 was well tolerated in both healthy volunteers and those with T2D. We submitted to the U.S Food and Drug Administration (“FDA”), and FDA cleared, an Investigational New Drug (“IND”) application to support a Phase 2a clinical trial of DA-1241 in NASH patients with T2D. In the third quarter of 2023, we intend to initiate the Phase 2a study with the goal of establishing efficacy of DA-1241 in NASH patients with confirmed T2D.
- *DA-1726* is a novel oxyntomodulin (“OXM”) analogue that acts as a glucagon-like peptide-1 receptor (GLP1R) and glucagon receptor (GCGR) dual agonist. The once-weekly, subcutaneous drug candidate is in development for the treatment of obesity, with the potential to address other co-morbidities, including NASH. DA-1726 has demonstrated superior body weight loss in preclinical studies compared with other selective GLP1R agonists. OXM is a naturally-occurring gut hormone that activates GLP1R and GCGR, which decrease food intake while increasing energy expenditure, thus potentially resulting in superior body weight loss compared to selective GLP1R agonists. In the second half of 2023, we intend to file an IND application for DA-1726 and initiate Phase 1 clinical trials, with the goal of establishing the safety of DA-1726 in human subjects.

While we are primarily focused on development of DA-1241 and DA-1726, we also have four legacy therapeutics programs

- ANA001 is a proprietary oral niclosamide formulation being developed as a treatment for patients with moderate COVID-19. Niclosamide is a potential oral antiviral and anti-inflammatory agent with a long history of use and well-understood safety in humans.
- NB-01 was being developed as a treatment for painful diabetic neuropathy (PDN) as a first-line pain management therapy for PDN.
- NB-02 was being developed to treat the symptoms of cognitive impairment and modify the progression of neurodegenerative diseases associated with the malfunction of a protein called tau, and with amyloid beta plaque deposition.
- Gemcabene was being developed for the treatment of dyslipidemia, a serious medical condition that increases the risk of life-threatening cardiovascular disease, and was focused on orphan indications such as homozygous familial hypercholesterolemia (HoFH), as well as severe hypertriglyceridemia (SHTG) and we are currently exploring various acute therapeutic indications.

For more information on our business and our product candidates, see “Business-Overview” in Part I, Item 1 of our Annual Report on Form 10-K filed on March 30, 2023.

Our Board of Directors has determined to focus our financial resources and management attention on development of DA-1241 for NASH and T2D and DA-1726 for NASH and obesity. We will continue to consider licensing and acquisition opportunities with respect to our legacy programs designed to impact a range of indications in

NeuroBo Pharmaceuticals, Inc.
Form 10-Q

viral, neurodegenerative and cardiometabolic diseases:

Current Scientific Activity

Following consummation of the License Agreement between Dong-A ST Co, Ltd, and us, dated September 14, 2022, we have two primary programs focused on treatment of NASH, obesity and T2D:

DA-1241

DA-1241 is a novel chemical drug candidate selectively activating G protein-coupled receptor 119 (GPR119) which has shown consistent target-related mechanisms and glucose-lowering effects from nonclinical studies to a Phase 1b exploratory clinical trials in patients with T2D in the US. GPR119 is known to be a regulator of both blood glucose and lipid levels. Non-clinical studies suggest DA-1241 selectively activates GPR119, thus stimulating the secretion of insulin and incretin hormones such as GLP-1, GIP, and PYY. Extensive non-clinical studies have shown DA-1241 has therapeutic potential for the reduction in hepatic steatosis, inflammation, fibrosis, improved lipid metabolism, and glucose control regardless of body weight reduction. Other preclinical tests have suggested these therapeutic effects are augmented when co-treated with other oral anti-diabetic agents such as metformin, SGLT2 inhibitors, and DPP4 inhibitors which are widely used for treating patients with T2D in the clinic. Moreover, impaired insulin action and lipid metabolism which are frequently observed in T2D patients are highly associated with the pathogenesis of steatosis and inflammation in NASH. In Phase 1a and 1b human trials DA-1241 was well tolerated in both healthy volunteers and those with T2D.

Phase 2 Study

In March, 2023, we submitted an Investigational New Drug (IND) application to the FDA to support a Phase 2a clinical trial of DA-1241 in NASH patients with pre-diabetes or T2D. The FDA cleared the IND application in May, 2023, and we plan to initiate the study in the third quarter of 2023.

The two-part, Phase 2a trial is designed to be a 16-week, multicenter, randomized, double-blind, placebo-controlled, parallel clinical study to evaluate the efficacy and safety of DA-1241 in subjects with presumed NASH and confirmed pre-diabetes or T2D.

Part 1 will explore the efficacy of DA-1241 versus placebo, and is expected to enroll 49 subjects, with a planned maximum of 55 subjects to account for early discontinuations. Subjects will be randomized in a 1:2:1 ratio into 3 treatment groups: DA-1241 50 mg, DA-1241 100 mg, or placebo.

Part 2 will explore the efficacy of DA-1241 in combination with sitagliptin, versus placebo, and will begin after completion of a confirmatory preclinical safety study of DA-1241 in combination with sitagliptin. It is expected to enroll 37 subjects, with a planned maximum of 43 subjects to account for early discontinuations, and subjects will be randomized in 2:1 ratio into 2 treatment groups: DA-1241 100 mg/sitagliptin 100 mg or placebo.

Randomization of both Part 1 and Part 2 will be stratified by T2D status at baseline.

The primary endpoint for both part 1 and part 2 is the change from baseline in alanine transaminase (ALT) levels at Week 16. Secondary efficacy endpoints include the proportion of subjects with normalization of ALT, relative percent change in liver fat fraction from baseline, absolute change in liver fat from baseline, and proportion of subjects with a 30% or more reduction in liver fat from baseline, among others. Safety will be evaluated by monitoring adverse

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Form 10-Q

events (AEs), serious adverse events (SAEs) and AEs leading to discontinuation and laboratory abnormalities.

DA-1726

DA-1726 is a novel OXM analogue functioning as a GLP1R/GCGR dual agonist for the treatment of NASH and obesity. Activation of GLP-1R contributes to central anorexic effect (appetite suppression) and activation of GCGR peripherally enhances basal metabolic rate. Accordingly, non-clinical studies have shown DA-1726 not only reduces food intake but also increases energy expenditure even at the basal resting state, leading to persistent weight loss in diet-induced obese animals. In preclinical mice models administration of DA-1726 resulted in improved weight loss, as well as reduced hepatic steatosis, inflammation, and fibrosis compared to semaglutide as well as another OXM analogue in development. Having stabilized the fragile peptide through several unique modifications, DA-1726 is predicted to be available as a once-weekly regimen to humans. We intend to advance DA-1726 through an IND application and initiation of human clinical trials.

Results of Operations

The following table summarizes our operating results for the periods indicated:

	For the Three Months Ended		
	March 31,		
	2023	2022	Change
Operating expenses:			
Research and development	\$ 637	\$ 920	\$ (283)
General and administrative	1,883	1,955	(72)
Total operating expenses	<u>2,520</u>	<u>2,875</u>	<u>(355)</u>
Loss from operations	(2,520)	(2,875)	355
Change in fair value of warrant liabilities	(84)	—	(84)
Loss before income taxes	<u>(2,604)</u>	<u>(2,875)</u>	<u>271</u>
Provision for income taxes	—	—	—
Net loss	<u>\$ (2,604)</u>	<u>\$ (2,875)</u>	<u>\$ 271</u>

Comparison of Three Months Ended March 31, 2023 and 2022

Research and Development Expenses

Research and development expenses consist primarily of costs incurred in connection with the development of our product candidates. We expense research and development costs to operations as incurred.

Research and development expenses were approximately \$0.6 million for the three months ended March 31, 2023 as compared to approximately \$0.9 million for the three months ended March 31, 2022. The approximate \$0.3 million decrease was primarily related to reduced clinical trial activity and drug manufacturing costs of approximately \$0.5 as we completed enrollment of our ANA 001 clinical trial and reduced payroll, consulting and overhead costs of approximately \$0.2 million, offset by increased professional fee costs related to the filing of our IND for DA-1241 of \$0.1 million, and increases in toxicology and research studies incurred pursuant to the shared services agreement related to the DA-1241 and DA-1726 of \$0.3 million.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and related costs, including stock-based

NeuroBo Pharmaceuticals, Inc.
Form 10-Q

compensation, for personnel in executive, finance and administrative functions. General and administrative expenses also include direct and allocated facility-related costs as well as professional fees for legal, patent, consulting, investor and public relations, accounting, and audit services.

General and administrative expenses were approximately \$1.9 million for the three months ended March 31, 2023, compared to approximately \$2.0 million for the three months ended March 31, 2022. The decrease of approximately \$0.1 million in the current period was primarily due to a decrease in insurance costs of approximately \$0.2 million, and a decrease in stock-based compensation of \$0.3 million, offset largely by an increase in legal and professional fees of approximately \$0.2 million, and by increases in payroll, and executive consultants in the aggregate of \$0.2 million.

Change in fair value of warrant liabilities

The change in fair value of warrant liabilities resulted in a loss of \$0.1 million for the three months ended March 31, 2023, primarily resulting from the fluctuation of the underlying stock price of our common stock at issuance at March 31, 2023 compared to December 31, 2022.

Liquidity and Capital Resources

Cash Flows

The following table summarizes our cash flows for the periods indicated:

	For the Three Months Ended March 31,	
	2023	2022
	(in thousands)	
Net cash used in operating activities	\$ (2,547)	\$ (4,829)
Net cash used in investing activities	(4)	—
Net cash provided by financing activities	—	—
Net decrease in cash	<u>\$ (2,551)</u>	<u>\$ (4,829)</u>

Operating Activities

During the three months ended March 31, 2023, cash used from operating activities was approximately \$2.5 million, consisting of our net loss of approximately \$2.6 million, offset by net changes in working capital cash usage and non-cash expenses in the amount of approximately \$0.1 million.

During the three months ended March 31, 2022, cash used in operating activities was approximately \$4.8 million, consisting of our net loss of \$2.9 million, changes in working capital cash usage in the amount of approximately \$2.2 million, offset by non-cash expenses related primarily to stock-based compensation of \$0.2 million,

Investing Activities

Cash used in investing activities during the three months ended March 31, 2023 was approximately \$4,000 related to the purchase of equipment. There was no cash used in investing activities during the three months ended March 31, 2022.

Financing Activities

There was no cash provided by or used in financing activities during the three months ended March 31, 2023 or

NeuroBo Pharmaceuticals, Inc.
Form 10-Q

2022.

Sources of Liquidity and Funding Requirements

We have incurred significant operating losses since inception. Our ability to generate product revenue sufficient to achieve profitability will depend on the successful development and eventual commercialization of one or more of our current or future product candidates. To date, we have not generated any revenue from product sales, collaborations with other companies, government grants or any other source, and do not expect to generate any revenue in the foreseeable future, and have been dependent on funding operations through the public and private sale of equity securities.

We have devoted substantially all of our resources to the development of our product candidates, including the conduct of our clinical trials, and general and administrative operations, including the protection of our intellectual property.

As of March 31, 2023, we had an accumulated deficit of \$98.4 million. Our net losses were \$2.6 million and \$2.9 million for the three months ended March 31, 2023 and 2022, respectively. We expect that our expenses and capital requirements will increase substantially in connection with our ongoing activities, particularly if and as we:

- pursue clinical development for any of our current product candidates;
- initiate preclinical studies and clinical trials with respect to any additional indications for our current product candidates and any future product candidates that we may pursue;
- acquire or in-license other product candidates and/or technologies;
- develop, maintain, expand and protect our intellectual property portfolio;
- hire additional clinical, scientific and commercial personnel;
- establish a commercial manufacturing source and secure supply chain capacity sufficient to provide commercial quantities of any product candidates for which we may obtain regulatory approval;
- seek regulatory approvals for any product candidates that successfully complete clinical trials;
- establish a sales, marketing and distribution infrastructure and/or enter into partnership arrangements to commercialize any products for which we may obtain regulatory approval; or
- add administrative, operational, financial and management information systems and personnel, including personnel to support our product development and planned future commercialization efforts, and to support our being a public reporting company

We are currently developing DA-1241 and DA-1726 through various stages of clinical and preclinical development. Developing pharmaceutical products, including conducting preclinical studies and clinical trials, is expensive. As part of our longer-term strategy, we anticipate that we will incur significant expenses in connection with our research and development efforts and the maintenance of our general and administrative infrastructure. We may also engage in business development activities that involve potential in- or out-licensing of products or technologies or acquisitions of other products, technologies or businesses. If DA-1241 or DA-1726 or any of our other product candidates fails in clinical trials or does not gain or maintain regulatory approval, or if DA-1241 or DA-1726 or any of our other product candidates does not achieve market acceptance, we may never become profitable.

As of March 31, 2023, we had cash of \$30.8 million. We expect to continue to incur significant operating expenses in the fiscal year ending December 31, 2023 and beyond to support our planned continued clinical development of DA-1241 and DA-1726. We expect that our cash will be adequate to fund operations into 2024 and for at least 12 months following the issuance of the financial statements contained in this Quarterly Report. We will need to continue to raise additional funds until we are able to generate sufficient revenues to fund our development activities. Our future operating activities, coupled with our plans to raise capital or issue debt financing, may provide additional liquidity in the future, however these actions are not solely within our control and we are unable to predict the ultimate outcome of these actions to generate the liquidity ultimately required.

NeuroBo Pharmaceuticals, Inc.
Form 10-Q

Our forecasts regarding the period of time that our existing capital resources will be sufficient to meet our operating requirements and the timing of our future funding requirements, both near and long-term, will depend on a variety of factors, many of which are outside of our control. Such factors include, but are not limited to, those factors listed above under “Forward-Looking Statements”.

Critical Accounting Estimates

Our financial statements are prepared in accordance with GAAP. These accounting principles require us to make estimates and judgments that can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenue and expense during the periods presented. We believe that the estimates and judgments upon which we rely are reasonably based upon information available to us at the time that we make these estimates and judgments. To the extent that there are material differences between these estimates and actual results, our financial results will be affected. The accounting policies that reflect our more significant estimates and judgments and which we believe are the most critical to aid in fully understanding and evaluating our reported financial results are described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, included in our 2022 Form 10-K filed on March 30, 2023.

During the three months ended March 31, 2023, there were no material changes to our critical accounting estimates disclosed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our 2022 Form 10-K filed on March 30, 2023.

Recent Accounting Pronouncements

Refer to Note 2— *Summary of Significant Accounting Policies* to our condensed consolidated financial statements included elsewhere in this report for a discussion of recently issued accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information we are required to disclose in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our principal executive and financial officer, as appropriate to allow timely decisions regarding required disclosure.

We designed and evaluate our disclosure controls and procedures recognizing that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance and not absolute assurance of achieving the desired control objectives. Also, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. The design of any system of controls is based, in part, upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

NeuroBo Pharmaceuticals, Inc.
Form 10-Q

Under the supervision of and with the participation of our management, including our principal executive and financial officer, we evaluated the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15(d)- 15(e) promulgated under the Exchange Act as of March 31, 2023. Based on this evaluation, our principal executive and financial officer concluded that our disclosure controls and procedures were not effective as a result of the material weaknesses described below.

In connection with the preparation of the financial statements included in our 2022 Form 10-K, management identified material weaknesses resulting from a lack of segregation of duties over cash disbursements and financial reporting, a material weakness related to logical access over computer applications, and a material weakness due to lack of supervision and review over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Specifically, there was a lack of segregation of duties involved in the execution of wire transfers, preparing journal entries, and review over clinical trial accruals, and certain individuals in the accounting department have administrative access to the financial reporting systems. See “Remediation Efforts to Address the Material Weaknesses” below for steps we are taking to correct these material weaknesses.

Changes in Internal Control Over Financial Reporting

Except as provided below under “Remediation Efforts to Address Material Weaknesses,” there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) or 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2023, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Remediation Efforts to Address Material Weaknesses

We are in the process of remediating, but have not yet remediated, the material weaknesses described above. Under the oversight of the audit committee, management is developing a detailed plan and timetable for the implementation of appropriate remedial measures to address the material weaknesses. As of the date of this quarterly report, we have taken the following actions and are in the process of making the following changes in our internal control environment to help remediate the material weaknesses:

- we will enhance the controls over disbursements, separating the functions of initiating and approving to two separate individuals;
- we will implement enhanced controls relative to the review and oversight of the accounting for review of journal entries, cash disbursements and financial reporting.
- we will restrict administrator rights to only those individuals who require access.

Management may decide to take additional measures to remediate the material weaknesses as necessary.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may be involved in various claims and legal proceedings relating to claims arising out of our operations. We are not currently a party to any legal proceedings that, in the opinion of our management, are likely to have a material adverse effect on our business. Regardless of outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

NeuroBo Pharmaceuticals, Inc.
Form 10-Q

ITEM 1A. RISK FACTORS

Not applicable

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable

NeuroBo Pharmaceuticals, Inc.
Form 10-Q

ITEM 6. EXHIBITS

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
31.1*	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a), as Adopted Pursuant to Section 302 of The Sarbanes Oxley Act of 2002.
32.1**	Certification of 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.
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)
*	Filed herewith
**	Furnished herewith. The certification attached as Exhibit 32.1 that accompanies this Quarterly Report on Form 10-Q is deemed furnished and not filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of NeuroBo Pharmaceuticals, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

**NeuroBo Pharmaceuticals, Inc.
Form 10-Q**

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.

Registrant: NeuroBo Pharmaceuticals, Inc.

<u>SIGNATURE</u>	<u>DATE</u>
<u>/s/ Joseph Hooker</u> Joseph Hooker Interim President and Chief Executive Officer (Principal Financial Officer and duly authorized to sign on behalf of the registrant)	May 12, 2023

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO EXCHANGE ACT RULE 13a-14(a) OR 15d-14(a), AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES OXLEY ACT OF 2002**

I, Joseph Hooker certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of NeuroBo Pharmaceuticals, Inc. for the quarterly period ended March 31, 2023;
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. I am 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 my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me 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 my 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 my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my 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: May 12, 2023

/s/ JOSEPH HOOKER

Name: Joseph Hooker

Title: Interim President and Chief Executive Officer
(Principal Executive Officer and Principal
Financial Officer)

**CERTIFICATION OF 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) or Rule 15d-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, Joseph Hooker, Interim President and Chief Executive Officer of NeuroBo Pharmaceuticals, Inc. (the “Company”) hereby certifies that, to the best of his knowledge:

1. The Company’s Quarterly Report on Form 10-Q for the period ended March 31, 2023, to which this certification is attached as Exhibit 32.1 (the “Quarterly 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 Quarterly Report fairly presents, in all material respects, the financial condition of the Company at the end of the period covered by the Quarterly Report and results of operations of the Company for the period covered by the Quarterly Report.

/s/ JOSEPH HOOKER
Interim President and Chief Executive Officer
(Principal Executive Officer and Principal Financial Officer)

Dated: May 12, 2023

* This certification accompanies the report 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 NeuroBo Pharmaceuticals, Inc. under the Securities Act of 1933, as amended, or the Exchange Act made before or after the date of the report, irrespective of any general incorporation language contained in such filing.
