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 December 31, 2021

☐ **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 1-13602

Veru Inc.

(Exact Name of Registrant as Specified in its Charter)

Wisconsin	**39-1144397**
(State of Incorporation)	(I.R.S. Employer Identification No.)
48 NW 25th Street, Suite 102, Miami, FL	**33127**
(Address of Principal Executive Offices)	(Zip Code)

305-509-6897
(Registrant's Telephone Number, Including Area Code)

N/A
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	VERU	NASDAQ Capital 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 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 determined by Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of February 7, 2022, the registrant had 80,050,349 shares of $0.01 par value common stock outstanding.

VERU INC.
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FORWARD LOOKING STATEMENTS

Certain statements included in this quarterly report on Form 10-Q which are not statements of historical fact are intended to be, and are hereby identified as, "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements about the anticipated or potential impact of COVID-19 and the global response thereto on our financial condition or business, future financial and operating results, plans, objectives, expectations and intentions, costs and expenses, debt repayments, outcome of contingencies, financial condition, results of operations, liquidity, cost savings, objectives of management, business strategies, clinical trial timing, plans and results, the achievement of clinical and commercial milestones, the advancement of our technologies and our products and drug candidates, and other statements that are not historical facts. Forward-looking statements can be identified by the use of forward-looking words or phrases such as "anticipate," "believe," "could," "expect," "intend," "may," "opportunity," "plan," "predict," "potential," "estimate," "should," "will," "would" or the negative of these terms or other words of similar meaning. These statements are based upon the Company's current plans and strategies and reflect the Company's current assessment of the risks and uncertainties related to its business and are made as of the date of this report. These statements are inherently subject to known and unknown risks and uncertainties. You should read these statements carefully because they discuss our future expectations or state other "forward-looking" information. There may be events in the future that we are not able to accurately predict or control and our actual results may differ materially from the expectations we describe in our forward-looking statements. Factors that could cause actual results to differ materially from those currently anticipated include the following:

- potential delays in the timing of and results from clinical trials and studies, including potential delays in the recruitment of patients and their ability to effectively participate in such trials and studies due to COVID-19 or other reasons, and the risk that such results will not support marketing approval and commercialization;
- potential delays in the timing of any submission to the U.S. Food and Drug Administration (the "FDA") and potential delays in, or failure to obtain, regulatory approval of products under development, including the risk of a delay or failure in reaching agreement with the FDA on the design of a clinical trial or in obtaining authorization to commence a clinical trial or commercialize a product candidate in the U.S.;
- clinical results or early data from clinical trials may not be replicated or continue to occur in additional trials or may not otherwise support further development in the specified product candidate or at all;
- risks related to our ability to obtain sufficient financing on acceptable terms when needed to fund product development and our operations, including our ability to secure timely grant or other funding to develop sabizabulin as a potential COVID-19 treatment;
- risks related to the development of our product portfolio, including clinical trials, regulatory approvals and time and cost to bring any of our product candidates to market, and risks related to efforts of our collaborators such as in the development of a companion diagnostic for enobosarm;
- risks related to the impact of the COVID-19 pandemic on our business, the nature and extent of which is highly uncertain and unpredictable;
- our pursuit of a COVID-19 treatment candidate is still in development and we may be unable to develop a drug that successfully treats the virus in a timely manner, if at all;
- risks related to our commitment of financial resources and personnel to the development of a COVID-19 treatment which may cause delays in or otherwise negatively impact our other development programs, despite uncertainties about the longevity and extent of COVID-19 as a global health concern and the possibility that as vaccines become widely distributed the need for new COVID-19 treatment candidates may be reduced or eliminated;
- government entities may take actions that directly or indirectly have the effect of limiting opportunities for sabizabulin as a COVID-19 treatment, including favoring other treatment alternatives or imposing price controls on COVID-19 treatments;
- product demand and market acceptance of our commercial product and our products in development, if approved;
- some of our products are in development and we may fail to successfully commercialize such products;
- risks related to any potential new telehealth platform developed or used by us in commercializing our current product or potential future products, including potential regulatory uncertainty around such platforms;
- risks related to intellectual property, including the uncertainty of obtaining intellectual property protections and in enforcing them, the possibility of infringing a third party's intellectual property, and licensing risks;

- competition from existing and new competitors including the potential for reduced sales, pressure on pricing and increased spending on marketing;
- risks related to compliance and regulatory matters, including costs and delays resulting from extensive government regulation and reimbursement and coverage under healthcare insurance and regulation as well as potential healthcare reform measures;
- the risk that we will be affected by regulatory and legal developments, including a reclassification of products or repeal or modification of part or all of the Patient Protection and Affordable Care Act (the "ACA");
- risks inherent in doing business on an international level, including currency risks, regulatory requirements, political risks, export restrictions and other trade barriers;
- the disruption of production at our manufacturing facilities or facilities of third parties on which we rely and/or of our ability to supply product due to raw material shortages, labor shortages, physical damage to our or third parties' facilities, COVID-19 (including the impact of COVID-19 on suppliers of key raw materials), product testing, transportation delays or regulatory or other governmental actions, and the duration and impact of any such disruptions;
- our reliance on major customers and risks related to delays in payment of accounts receivable by major customers;
- risks from rising costs of raw materials and our ability to pass along increased costs to our customers;
- risks related to our growth strategy;
- our continued ability to attract and retain highly skilled and qualified personnel;
- the costs and other effects of litigation, governmental investigations, legal and administrative cases and proceedings, settlements and investigations;
- government contracting risks, including the appropriations process and funding priorities, potential bureaucratic delays in awarding contracts, process errors, politics or other pressures, and the risk that government tenders and contracts may be subject to cancellation, delay, restructuring or substantial delayed payments;
- a governmental tender award indicates acceptance of the bidder's price rather than an order or guarantee of the purchase of any minimum number of units, and as a result government ministries or other public health sector customers may order and purchase fewer units than the full maximum tender amount;
- our ability to identify, successfully negotiate and complete suitable acquisitions or other strategic initiatives and to realize any potential benefits of such transactions or initiatives; and
- our ability to successfully integrate acquired businesses, technologies or products.

All forward-looking statements in this report should be considered in the context of the risks and other factors described above and in Part I, Item 1A, "Risk Factors," in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2021. The Company undertakes no obligation to make any revisions to the forward-looking statements contained in this report or to update them to reflect events or circumstances occurring after the date of this report except as required by applicable law.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

VERU INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2021	September 30, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 116,103,961	$ 122,359,535
Accounts receivable, net	8,071,541	8,794,224
Notes receivable	2,500,000	5,000,000
Inventory, net	4,899,868	5,574,253
Prepaid research and development costs	12,191,149	9,174,586
Prepaid expenses and other current assets	1,940,149	850,889
Total current assets	145,706,668	151,753,487
Plant and equipment, net	869,442	592,603
Operating lease right-of-use assets	869,017	969,839
Deferred income taxes	12,931,129	13,024,550
Intangible assets, net	4,030,952	4,048,810
Goodwill	6,878,932	6,878,932
Other assets	878,417	878,502
Total assets	$ 172,164,557	$ 178,146,723
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 4,087,708	$ 3,409,771
Accrued research and development costs	2,179,926	2,020,445
Accrued compensation	2,016,830	4,986,058
Accrued expenses and other current liabilities	1,589,111	1,615,922
Residual royalty agreement liability, short-term portion	3,601,007	3,237,211
Operating lease liability, short-term portion	465,921	497,903
Total current liabilities	13,940,503	15,767,310
Residual royalty agreement liability, long-term portion	9,618,698	9,397,136
Operating lease liability, long-term portion	522,709	609,921
Deferred income taxes	63,426	63,426
Other liabilities	14,986	14,986
Total liabilities	24,160,322	25,852,779
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock; no shares issued and outstanding at December 31, 2021 and September 30, 2021	—	—
Common stock, par value $0.01 per share; 154,000,000 shares authorized, 82,232,786 and 82,153,452 shares issued and 80,049,082 and 79,969,748 shares outstanding at December 31, 2021 and September 30, 2021, respectively	822,328	821,535
Additional paid-in-capital	243,748,215	241,658,711
Accumulated other comprehensive loss	(581,519)	(581,519)
Accumulated deficit	(88,178,184)	(81,798,178)
Treasury stock, 2,183,704 shares, at cost	(7,806,605)	(7,806,605)
Total stockholders' equity	148,004,235	152,293,944
Total liabilities and stockholders' equity	$ 172,164,557	$ 178,146,723

See notes to unaudited condensed consolidated financial statements.

VERU INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended December 31,	
	2021	2020
Net revenues	$ 14,135,132	$ 14,616,989
Cost of sales	2,293,050	3,780,356
Gross profit	11,842,082	10,836,633
Operating expenses:		
Research and development	10,081,161	5,677,754
Selling, general and administrative	6,723,206	4,381,880
Total operating expenses	16,804,367	10,059,634
Gain on sale of PREBOOST® business	—	18,410,158
Operating (loss) income	(4,962,285)	19,187,157
Non-operating expenses:		
Interest expense	(1,158,682)	(1,189,183)
Change in fair value of derivative liabilities	(209,000)	(604,000)
Other income (expense), net	64,616	(87,971)
Total non-operating expenses	(1,303,066)	(1,881,154)
(Loss) income before income taxes	(6,265,351)	17,306,003
Income tax expense	114,655	78,302
Net (loss) income	$ (6,380,006)	$ 17,227,701
Net (loss) income per basic common share outstanding	$ (0.08)	$ 0.25
Basic weighted average common shares outstanding	80,023,168	70,313,589
Net (loss) income per diluted common share outstanding	$ (0.08)	$ 0.23
Diluted weighted average common shares outstanding	80,023,168	75,799,037

See notes to unaudited condensed consolidated financial statements.

VERU INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Treasury Stock, at Cost	Total
	Shares	Amount					
Balance at September 30, 2021	82,153,452	$ 821,535	$ 241,658,711	$ (581,519)	$ (81,798,178)	$ (7,806,605)	$ 152,293,944
Share-based compensation	—	—	1,880,428	—	—	—	1,880,428
Issuance of shares pursuant to share-based awards	79,334	793	209,076	—	—	—	209,869
Net loss	—	—	—	—	(6,380,006)	—	(6,380,006)
Balance at December 31, 2021	82,232,786	$ 822,328	$ 243,748,215	$ (581,519)	$ (88,178,184)	$ (7,806,605)	$ 148,004,235
Balance at September 30, 2020	72,047,385	$ 720,474	$ 126,971,518	$ (581,519)	$ (89,192,552)	$ (7,806,605)	$ 30,111,316
Share-based compensation	—	—	785,297	—	—	—	785,297
Issuance of shares pursuant to share-based awards	468,611	4,686	619,133	—	—	—	623,819
Issuance of shares pursuant to common stock purchase warrants	1,574,611	15,746	(15,746)	—	—	—	—
Net income	—	—	—	—	17,227,701	—	17,227,701
Balance at December 31, 2020	74,090,607	$ 740,906	$ 128,360,202	$ (581,519)	$ (71,964,851)	$ (7,806,605)	$ 48,748,133

See notes to unaudited condensed consolidated financial statements.

VERU INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended December 31,	
	2021	2020
OPERATING ACTIVITIES		
Net (loss) income	$ (6,380,006)	$ 17,227,701
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization	43,228	91,783
Noncash change in right-of-use assets	100,822	91,762
Noncash interest expense, net of interest paid	376,358	92,793
Share-based compensation	1,880,428	785,297
Gain on sale of PREBOOST® business	—	(18,410,158)
Deferred income taxes	93,421	37,502
Change in fair value of derivative liabilities	209,000	604,000
Other	(52,776)	9,138
Changes in current assets and liabilities:		
Decrease in accounts receivable	724,683	1,071,445
Decrease in inventory	725,161	29,088
Increase in prepaid expenses and other assets	(4,105,738)	(1,825,459)
Increase in accounts payable	677,937	462,183
(Decrease) increase in accrued expenses and other current liabilities	(2,831,116)	447,101
Decrease in operating lease liabilities	(119,194)	(54,935)
Net cash (used in) provided by operating activities	(8,657,792)	659,241
INVESTING ACTIVITIES		
Cash proceeds from sale of PREBOOST® business	2,500,000	15,000,000
Capital expenditures	(302,209)	(7,186)
Net cash provided by investing activities	2,197,791	14,992,814
FINANCING ACTIVITIES		
Proceeds from stock option exercises	209,869	623,819
Proceeds from premium finance agreement	—	1,061,442
Cash paid for debt portion of finance lease	(5,442)	(4,598)
Net cash provided by financing activities	204,427	1,680,663
Net (decrease) increase in cash	(6,255,574)	17,332,718
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	122,359,535	13,588,778
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 116,103,961	$ 30,921,496
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 782,324	$ 1,096,390
Schedule of non-cash investing and financing activities:		
Notes receivable for sale of PREBOOST® business	$ —	$ 5,000,000

See notes to unaudited condensed consolidated financial statements.

VERU INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements for Veru Inc. ("we," "our," "us," "Veru" or the "Company") have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) for reporting of interim financial information. Pursuant to these rules and regulations, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) have been condensed or omitted, although the Company believes that the disclosures made are adequate to make the information not misleading. Accordingly, these statements do not include all the disclosures normally required by U.S. GAAP for annual financial statements and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations contained in this report and the audited financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2021. The accompanying condensed consolidated balance sheet as of September 30, 2021 has been derived from our audited financial statements. The unaudited condensed consolidated statements of operations and cash flows for the three months ended December 31, 2021 are not necessarily indicative of the results to be expected for any future period or for the fiscal year ending September 30, 2022.

The preparation of our unaudited interim condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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. Actual results could differ from those estimates.

In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements contain all adjustments (consisting of only normally recurring adjustments) necessary to present fairly the financial position and results of operations as of the dates and for the periods presented.

Principles of consolidation and nature of operations: Veru Inc. is referred to in these notes collectively with its subsidiaries as "we," "our," "us," "Veru" or the "Company." The consolidated financial statements include the accounts of Veru and its wholly owned subsidiaries, Aspen Park Pharmaceuticals, Inc. (APP) and The Female Health Company Limited, and The Female Health Company Limited's wholly owned subsidiary, The Female Health Company (UK) plc (The Female Health Company Limited and The Female Health Company (UK) plc, collectively, the "U.K. subsidiary"), and The Female Health Company (UK) plc's wholly owned subsidiary, The Female Health Company (M) SDN.BHD (the "Malaysia subsidiary"). All significant intercompany transactions and accounts have been eliminated in consolidation. The Company is an oncology biopharmaceutical company with a focus on developing novel medicines for the management of breast and prostate cancers. The Company has two operating segments: the Pharmaceuticals segment (previously referred to as the Research and Development segment) and the FC2 segment (previously referred to as the Sexual Health Business segment). The Pharmaceuticals segment includes activities related to multiple drug products under clinical development and ENTADFI™, a new treatment for benign prostatic hyperplasia that was approved by the FDA in December 2021. The FC2 segment includes the FC2 Female Condom/FC2 Internal Condom® (FC2), an FDA-approved product for the dual protection against unplanned pregnancy and the transmission of sexually transmitted infections. All of the Company's net revenues during the three months ended December 31, 2021 and most of the Company's net revenues during the three months ended December 31, 2020 were derived from sales of FC2.

Reclassifications: Certain prior period amounts on the accompanying unaudited interim condensed consolidated financial statements have been reclassified to conform with the current period presentation. These reclassifications had no effect on the results of operations or financial position for any period presented.

Other comprehensive (loss) income: Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net (loss) income. Although certain changes in assets and liabilities, such as foreign currency translation adjustments, are reported as a separate component of the equity section of the accompanying unaudited condensed consolidated balance sheets, these items, along with net (loss) income, are components of other comprehensive loss. For the three months ended December 31, 2021 and 2020, comprehensive (loss) income is equivalent to the reported net (loss) income.

Recently adopted accounting pronouncements: In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740), Simplifying the Accounting for Income Taxes. The new guidance eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences. It also clarifies and simplifies other aspects of the accounting for income taxes. The Company adopted ASU 2019-12 on a prospective basis effective October 1, 2021. The adoption of ASU 2019-12 did not impact our consolidated financial statements and related disclosures.

Note 2 – Sale of PREBOOST® Business

On December 8, 2020, the Company entered into an Asset Purchase Agreement, pursuant to which the Company sold substantially all of the assets related to the Company's PREBOOST® business. PREBOOST® is a 4% benzocaine medicated individual wipe for the treatment of premature ejaculation and was a commercial product in the Company's Sexual Health Division until the date of the sale. The transaction closed on December 8, 2020. The purchase price for the transaction was $20.0 million, consisting of $15.0 million paid at closing, a $2.5 million note receivable due 12 months after closing and a $2.5 million note receivable due 18 months after closing. The Company collected $2.5 million on the note receivable due 12 months after closing during the three months ended December 31, 2021 and $2.5 million remains outstanding as of December 31, 2021. Total assets sold, consisting of intangible assets, had a net book value of approximately $1.6 million, resulting in a pre-tax gain on sale of approximately $18.4 million. The Company had income before income taxes of $327,000 during the three months ended December 31, 2020 related to the PREBOOST® business before the sale.

Note 3 – Fair Value Measurements

FASB Accounting Standards Codification (ASC) Topic 820 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 – Instruments with primarily unobservable value drivers.

As of December 31, 2021 and September 30, 2021, the Company's financial liabilities measured at fair value on a recurring basis, which consisted of embedded derivatives, were classified within Level 3 of the fair value hierarchy.

The following table provides a reconciliation of the beginning and ending liability balance associated with embedded derivatives measured at fair value using significant unobservable inputs (Level 3) as of December 31, 2021 and 2020:

	Three Months Ended December 31,	
	2021	2020
Beginning balance	$ 7,851,000	$ 4,182,000
Change in fair value of derivative liabilities	209,000	604,000
Ending balance	$ 8,060,000	$ 4,786,000

The expense associated with the change in fair value of the embedded derivatives is included as a separate line item on the accompanying unaudited condensed consolidated statements of operations.

The liabilities associated with embedded derivatives represent the fair value of the change of control provisions in the Credit Agreement and Residual Royalty Agreement. See Note 8 for additional information. There is no current observable market for these types of derivatives. The Company previously determined the fair value of the embedded derivatives using a Monte Carlo simulation model. Since the Credit Agreement has been satisfied as of September 30, 2021, the fair value of the embedded derivative within the Residual Royalty Agreement has been calculated by using a scenario-based method, whereby different scenarios are valued and probability weighted. The Company determined that with only the embedded derivative under the Residual Royalty Agreement remaining, there is no material difference between these two valuation models. The scenario-based valuation model incorporates transaction details such as the contractual terms of the instrument and assumptions including projected FC2 revenues, expected cash outflows, probability and estimated dates of a change of control, risk-free interest rates and applicable credit risk. A significant increase in projected FC2 revenues or a significant increase in the probability or acceleration of the timing of a change of control event, in isolation, would result in a significantly higher fair value measurement of the liability associated with the embedded derivative.

The following tables present quantitative information about the inputs and valuation methodologies used to determine the fair value of the embedded derivatives classified in Level 3 of the fair value hierarchy as of December 31, 2021 and September 30, 2021:

Valuation Methodology	Significant Unobservable Input	December 31, 2021
Scenario-Based	Estimated change of control dates	September 2022 to September 2025
	Discount rate	6.9% to 8.1%
	Probability of change of control	20% to 90%

Valuation Methodology	Significant Unobservable Input	September 30, 2021
Monte Carlo Simulation	Estimated change of control dates	September 2022 to September 2025
	Discount rate	6.6% to 7.9%
	Probability of change of control	20% to 90%

Note 4 – Revenue from Contracts with Customers

The Company generates nearly all its revenue from direct product sales. Revenue from direct product sales is generally recognized when the customer obtains control of the product, which occurs at a point in time, and may be upon shipment or upon delivery based on the contractual shipping terms of a contract. Sales taxes and other similar taxes that the Company collects concurrent with revenue-producing activities are excluded from revenue.

The amount of consideration the Company ultimately receives varies depending upon sales discounts, and other incentives that the Company may offer, which are accounted for as variable consideration when estimating the amount of revenue to recognize. The estimate of variable consideration requires significant judgment. The Company includes estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely upon an assessment of current contract sales terms and historical payment experience.

Product returns are typically not significant because returns are generally not allowed unless the product is damaged at time of receipt.

The Company's revenue is from sales of FC2 in the U.S. prescription channel and direct sales of FC2 in the global public health sector, and also included sales of PREBOOST® medicated wipes for prevention of premature ejaculation before the sale of the PREBOOST® business. The following table presents net revenues from these three categories:

	Three Months Ended December 31,	
	2021	2020
FC2		
U.S. prescription channel	$ 11,574,266	$ 9,101,739
Global public health sector	2,560,866	4,652,419
Total FC2	14,135,132	13,754,158
PREBOOST®	—	862,831
Net revenues	$ 14,135,132	$ 14,616,989

The following table presents net revenue by geographic area:

	Three Months Ended December 31,	
	2021	2020
United States	$ 11,908,525	$ 10,355,838
Other	2,226,607	4,261,151
Net revenues	$ 14,135,132	$ 14,616,989

The Company's performance obligations consist mainly of transferring control of products identified in the contracts which occurs either when: i) the product is made available to the customer for shipment; ii) the product is shipped via common carrier; or iii) the product is delivered to the customer or distributor, in accordance with the terms of the agreement. Some of the Company's contracts require the customer to make advanced payments prior to transferring control of the products. These advanced payments create a contract liability for the Company. The balances of the Company's contract liability, included in accrued expenses and other current liabilities on the accompanying unaudited condensed consolidated balance sheets, were approximately $38,000 and $132,000 at December 31, 2021 and September 30, 2021, respectively.

Note 5 – Accounts Receivable and Concentration of Credit Risk

The Company's standard credit terms vary from 30 to 120 days, depending on the class of trade and customary terms within a territory, so accounts receivable are affected by the mix of purchasers within the period. As is typical in the Company's business, extended credit terms may occasionally be offered as a sales promotion or for certain sales. For sales to the Company's distributor in Brazil, the Company has agreed to credit terms of up to 90 days subsequent to clearance of the product by the Ministry of Health in Brazil.

The components of accounts receivable consist of the following at December 31, 2021 and September 30, 2021:

	December 31, 2021	September 30, 2021
Trade receivables, gross	$ 8,174,710	$ 8,938,849
Less: allowance for doubtful accounts	(18,643)	(20,643)
Less: allowance for sales returns and payment term discounts	(84,526)	(123,982)
Accounts receivable, net	$ 8,071,541	$ 8,794,224

At December 31, 2021 and at September 30, 2021, no customers had a current accounts receivable balance that represented greater than 10% of current assets.

At December 31, 2021, three customers had an accounts receivable balance greater than 10% of net accounts receivable, representing 86% of net accounts receivable in the aggregate. At September 30, 2021, three customers had an accounts receivable balance greater than 10% of net accounts receivable, representing 90% of net accounts receivable in the aggregate.

For the three months ended December 31, 2021, there were two customers whose individual net revenue to the Company exceeded 10% of the Company's net revenues, representing 80% of the Company's net revenues in the aggregate. For the three months ended December 31, 2020, there were two customers whose individual net revenue to the Company exceeded 10% of the Company's net revenues, representing 61% of the Company's net revenues in the aggregate.

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments on accounts receivable. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Management also periodically evaluates individual customer receivables and considers a customer's financial condition, credit history, and the current economic conditions. Accounts receivable are charged-off when deemed uncollectible. There was no material change in the allowance for doubtful accounts for the three months ended December 31, 2021 and 2020.

Recoveries of accounts receivable previously charged off are recorded when received. In the global public health sector, the Company's customers are primarily large global agencies, non-government organizations, ministries of health and other governmental agencies, which purchase and distribute FC2 for use in HIV/AIDS prevention and family planning programs. In the U.S., the Company's customers include telemedicine providers who sell into the prescription channel.

Note 6 – Balance Sheet Information

Inventory

Inventories are valued at the lower of cost or net realizable value. The cost is determined using the first-in, first-out (FIFO) method. Inventories are also written down for management's estimates of product which will not sell prior to its expiration date. Write-downs of inventories establish a new cost basis which is not increased for future increases in the net realizable value of inventories or changes in estimated obsolescence.

Inventory consisted of the following at December 31, 2021 and September 30, 2021:

	December 31, 2021	September 30, 2021
Raw material	$ 1,293,536	$ 1,371,133
Work in process	55,285	112,915
Finished goods	4,043,959	4,547,690
Inventory, gross	5,392,780	6,031,738
Less: inventory reserves	(492,912)	(457,485)
Inventory, net	$ 4,899,868	$ 5,574,253

Fixed Assets

We record equipment, furniture and fixtures, and leasehold improvements at historical cost. Expenditures for maintenance and repairs are recorded to expense. Depreciation and amortization are primarily computed using the straight-line method. Depreciation and amortization are computed over the estimated useful lives of the respective assets. Leasehold improvements are depreciated on a straight-line basis over the lesser of the remaining lease term or the estimated useful lives of the improvements.

Plant and equipment consisted of the following at December 31, 2021 and September 30, 2021:

	Estimated Useful Life	December 31, 2021	September 30, 2021
Plant and equipment:			
Manufacturing equipment	5 - 8 years	$ 2,876,800	$ 2,875,744
Office equipment, furniture and fixtures	3 - 10 years	1,147,209	991,146
Leasehold improvements	3 - 8 years	443,976	298,886
Total plant and equipment		4,467,985	4,165,776
Less: accumulated depreciation and amortization		(3,598,543)	(3,573,173)
Plant and equipment, net		$ 869,442	$ 592,603

Depreciation expense was approximately $25,000 and $32,000 for the three months ended December 31, 2021 and 2020, respectively. Plant and equipment includes $484,000 and $210,000 at December 31, 2021 and September 30, 2021, respectively, for deposits on equipment, furniture, and leasehold improvements, which have not been placed into service; therefore, the Company has not started to record depreciation expense.

Note 7 – Intangible Assets and Goodwill

Intangible Assets

The gross carrying amounts and net book value of intangible assets were as follows at December 31, 2021:

	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Intangible asset with finite life:			
Covenants not-to-compete	$ 500,000	$ 369,048	$ 130,952
Indefinite-lived intangible assets:			
Acquired in-process research and development assets	3,900,000	—	3,900,000
Total intangible assets	$ 4,400,000	$ 369,048	$ 4,030,952

The gross carrying amounts and net book value of intangible assets were as follows at September 30, 2021:

	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Intangible asset with finite life:			
Covenants not-to-compete	$ 500,000	$ 351,190	$ 148,810
Indefinite-lived intangible assets:			
Acquired in-process research and development assets	3,900,000	—	3,900,000
Total intangible assets	$ 4,400,000	$ 351,190	$ 4,048,810

Amortization expense was approximately $18,000 and $60,000 for the three months ended December 31, 2021 and 2020, respectively.

Goodwill

The carrying amount of goodwill at December 31, 2021 and September 30, 2021 was $6.9 million. There was no change in the balance during the three months ended December 31, 2021 and 2020.

Note 8 – Debt

SWK Credit Agreement

On March 5, 2018, the Company entered into a Credit Agreement (as amended, the "Credit Agreement") with the financial institutions party thereto from time to time (the "Lenders") and SWK Funding LLC, as agent for the Lenders (the "Agent"), for a synthetic royalty financing transaction. On and subject to the terms of the Credit Agreement, the Lenders provided the Company with a term loan of $10.0 million, which was advanced to the Company on the date of the Credit Agreement. After payment by the Company of certain fees and expenses of the Agent and the Lenders as required in the Credit Agreement, the Company received net proceeds of approximately $9.9 million from the $10.0 million loan under the Credit Agreement.

The Lenders were entitled to receive quarterly payments on the term loan based on the Company's product revenue from net sales of FC2 as provided in the Credit Agreement until the Company paid 176.5% of the aggregate amount advanced to the Company under the Credit Agreement. The Company repaid the loan and return premium specified in the Credit Agreement in August 2021, and as a result has no further obligations under the Credit Agreement. The Agent has released its security interest in Company collateral previously pledged to secure its obligations under the Credit Agreement.

In connection with the Credit Agreement, the Company and the Agent also entered into a Residual Royalty Agreement, dated as of March 5, 2018 (as amended, the "Residual Royalty Agreement"), which provides for an ongoing royalty payment of 5% of product revenue from net sales of FC2, which commenced after the Company paid 175% of the aggregate amount advanced to the Company under the Credit Agreement based on a calculation of revenue-based payments under the Credit Agreement. The Residual Royalty Agreement will terminate upon (i) a change of control or sale of the FC2 business and the payment by the Company of the amount due in connection therewith pursuant to the Residual Royalty Agreement, or (ii) mutual agreement of the parties. If a change of control or sale of the FC2 business occurs, the Agent will receive a payment that is the greater of (A) $2.0 million or (B) the product of (x) 5% of the product revenue from net sales of FC2 for the most recently completed 12-month period multiplied by (y) five.

For accounting purposes, the $10.0 million advance under the Credit Agreement was allocated between the Credit Agreement and the Residual Royalty Agreement on a relative fair value basis. A portion of the amount allocated to the Credit Agreement and a portion of the amount allocated to the Residual Royalty Agreement, in both cases equal to the fair value of the respective change of control provisions, was allocated to the embedded derivative liabilities. The derivative liabilities are adjusted to fair market value at each reporting period. For financial statement presentation, the embedded derivative liabilities have been included with their respective host instruments as noted in the following tables. The debt discounts were amortized to interest expense over the term of the Credit Agreement using the effective interest method. Additionally, the Company recorded deferred loan issuance costs of approximately $267,000 for legal fees incurred in connection with the Credit Agreement. The deferred loan issuance costs were presented as a reduction of the Credit Agreement obligation and were amortized to interest expense over the term of the Credit Agreement using the effective interest method.

At December 31, 2021 and September 30, 2021, the Residual Royalty Agreement liability consisted of the following:

	December 31, 2021	September 30, 2021
Residual royalty agreement liability, fair value at inception	$ 346,000	$ 346,000
Add: accretion of liability using effective interest rate	6,740,792	5,582,110
Less: cumulative payments	(1,927,087)	(1,144,763)
Residual royalty agreement liability, excluding embedded derivative liability	5,159,705	4,783,347
Add: embedded derivative liability at fair value (see Note 3)	8,060,000	7,851,000
Total residual royalty agreement liability	13,219,705	12,634,347
Residual royalty agreement liability, short-term portion	(3,601,007)	(3,237,211)
Residual royalty agreement liability, long-term portion	$ 9,618,698	$ 9,397,136

As the Company has repaid the original principal of $10.0 million advanced in connection with the Credit Agreement and the Residual Royalty Agreement, payments under the Residual Royalty Agreement are classified as interest payments and included in operating activities on the accompanying unaudited condensed consolidated statements of cash flows. The short-term portion of the Residual Royalty Agreement liability represents the aggregate of the estimated quarterly payments on the Residual Royalty Agreement payable during the 12-month period subsequent to the balance sheet date.

Interest expense related to the Credit Agreement and the Residual Royalty Agreement consisted of amortization of the discounts, accretion of the liability for the Residual Royalty Agreement and amortization of the deferred issuance costs. For the three months ended December 31, 2021 and 2020, interest expense related to the Credit Agreement and Residual Royalty Agreement was as follows:

	Three Months Ended December 31,	
	2021	2020
Amortization of discounts	$ —	$ 572,860
Accretion of residual royalty agreement	1,158,682	602,858
Amortization of deferred issuance costs	—	13,465
Interest expense	$ 1,158,682	$ 1,189,183

Premium Finance Agreement

On November 1, 2020, the Company entered into a Premium Finance Agreement to finance $1.1 million of its directors and officers liability insurance premium at an annual percentage rate of 3.94%. The financing was payable in three quarterly installments of principal and interest, beginning on January 1, 2021. The last payment was made in June 2021 and there was no balance outstanding as of September 30, 2021.

Note 9 – Stockholders' Equity

Preferred Stock

The Company has 5,000,000 authorized shares designated as Class A Preferred Stock with a par value of $0.01 per share. There are 1,040,000 shares of Class A Preferred Stock – Series 1 authorized; 1,500,000 shares of Class A Preferred Stock – Series 2 authorized; 700,000 shares of Class A Preferred Stock – Series 3 authorized; and 548,000 shares of Class A Preferred Stock – Series 4 (the "Series 4 Preferred Stock") authorized. There were no shares of Class A Preferred Stock of any series issued and outstanding at December 31, 2021 and September 30, 2021. The Company has 15,000 authorized shares designated as Class B Preferred Stock with a par value of $0.50 per share. There were no shares of Class B Preferred Stock issued and outstanding at December 31, 2021 and September 30, 2021, and there was no activity during the three-month periods then ended.

Common Stock Offering

On February 22, 2021, we completed an underwritten public offering of 7,419,354 shares of our common stock, which included the exercise in full of the underwriters' option to purchase additional shares, at a public offering price of $15.50 per share. Net proceeds to the Company from this offering were approximately $108.0 million after deducting underwriting discounts and commissions and costs paid by the Company. All of the shares sold in the offering were by the Company. The offering was made pursuant to the Company's shelf registration statement on Form S-3 (File No. 333-239493).

Common Stock Purchase Warrants

In connection with the closing of the acquisition of APP (the "APP Acquisition") on October 31, 2016, the Company issued warrants to purchase up to 2,585,379 shares of the Company's common stock to Torreya Capital, the Company's then financial advisor (the "Financial Advisor Warrants"). The Financial Advisor Warrants had a five-year term expiring October 31, 2021, a cashless exercise feature and a strike price equal to $1.93 per share. The Financial Advisor Warrants vested upon issuance. During the first quarter of fiscal 2021, the remaining outstanding Financial Advisor Warrants to purchase 2,326,841 shares of the Company's common stock were exercised using the cashless exercise feature, resulting in the issuance of 1,574,611 shares of common stock. As of December 31, 2021, there were no outstanding common stock purchase warrants.

Aspire Capital Purchase Agreement

On June 26, 2020, the Company entered into a common stock purchase agreement (the "2020 Purchase Agreement") with Aspire Capital Fund, LLC (Aspire Capital) which provides that, upon the terms and subject to the conditions and limitations set forth therein, the Company has the right, from time to time in its sole discretion during the 36-month term of the 2020 Purchase Agreement, to direct Aspire Capital to purchase up to $23.9 million of the Company's common stock in the aggregate. Concurrently with entering into the 2020 Purchase Agreement, the Company also entered into a registration rights agreement with Aspire Capital (the "Registration Rights Agreement"), in which the Company agreed to prepare and file under the Securities Act of 1933 one or more prospectus supplement for the sale or potential sale of the shares of the Company's common stock that have been and may be issued to Aspire Capital under the 2020 Purchase Agreement.

Under the 2020 Purchase Agreement, on any trading day selected by the Company, the Company has the right, in its sole discretion, to present Aspire Capital with a purchase notice (each, a "Purchase Notice"), directing Aspire Capital (as principal) to purchase up to 200,000 shares of the Company's common stock per business day at a per share price (the "Purchase Price") equal to the lesser of the lowest sale price of the Company's common stock on the purchase date or the average of the three lowest closing sale prices for the Company's common stock during the ten consecutive trading days ending on the trading day immediately preceding the purchase date.

In addition, on any date on which the Company submits a Purchase Notice to Aspire Capital in an amount equal to 200,000 shares and the closing sale price of our common stock is equal to or greater than $0.50 per share, the Company also has the right, in its sole discretion, to present Aspire Capital with a volume-weighted average price purchase notice (each, a "VWAP Purchase Notice") directing Aspire Capital to purchase an amount of common stock equal to up to 30% of the aggregate shares of the common stock traded on its principal market on the next trading day (the "VWAP Purchase Date"), subject to a maximum number of shares the Company may determine. The purchase price per share pursuant to such VWAP Purchase Notice is generally 97% of the volume-weighted average price for the Company's common stock traded on its principal market on the VWAP Purchase Date.

Since inception of the 2020 Purchase Agreement, we have sold 1,644,737 shares of common stock to Aspire Capital resulting in proceeds to the Company of $5.0 million. As of December 31, 2021, the amount remaining under the 2020 Purchase Agreement was $18.9 million, which is registered under the Company's shelf registration statement on Form S-3 (File No. 333-239493).

In consideration for entering into the 2020 Purchase Agreement and concurrently with the execution of the 2020 Purchase Agreement, the Company issued to Aspire Capital 212,130 shares of the Company's common stock. The shares of common stock issued as consideration were valued at $681,000, based on the closing price per share of the Company's common stock on the date the shares were issued. This amount and related expenses of $50,000, which total approximately $731,000, were recorded as deferred costs. The unamortized amount of deferred costs related to the 2020 Purchase Agreement of $578,000 at December 31, 2021 and September 30, 2021 is included in other assets on the accompanying unaudited condensed consolidated balance sheets.

Note 10 – Share-based Compensation

We allocate share-based compensation expense to cost of sales, selling, general and administrative expense, and research and development expense based on the award holder's employment function. For the three months ended December 31, 2021 and 2020, we recorded share-based compensation expenses as follows:

	Three Months Ended December 31,	
	2021	2020
Cost of sales	$ 21,076	$ 16,212
Selling, general and administrative	1,395,558	561,484
Research and development	463,794	207,601
Share-based compensation	$ 1,880,428	$ 785,297

We have issued share-based awards to employees and non-executive directors under the Company's approved equity plans. Upon the exercise of share-based awards, new shares are issued from authorized common stock.

Equity Plans

In March 2018, the Company's stockholders approved the Company's 2018 Equity Incentive Plan (as amended, the "2018 Plan"). A total of 11.0 million shares are authorized for issuance under the 2018 Plan. As of December 31, 2021, 666,254 shares remain available for issuance under the 2018 Plan.

In July 2017, the Company's stockholders approved the Company's 2017 Equity Incentive Plan (the "2017 Plan"). A total of 4.7 million shares are authorized for issuance under the 2017 Plan. As of December 31, 2021, 18,767 shares remain available for issuance under the 2017 Plan. The 2017 Plan replaced the Company's 2008 Stock Incentive Plan (the "2008 Plan"), and no further awards will be made under the 2008 Plan.

Stock Options

Each option grants the holder the right to purchase from us one share of our common stock at a specified price, which is generally the closing price per share of our common stock on the date the option is issued. Options generally vest on a pro-rata basis on each anniversary of the issuance date within three years of the date the option is issued. Options may be exercised after they have vested and prior to the specified expiry date provided applicable exercise conditions are met, if any. The expiry date can be for periods of up to ten years from the date the option is issued. The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model based on the assumptions established at that time. The Company accounts for forfeitures as they occur and does not estimate forfeitures as of the option grant date.

The following table outlines the weighted average assumptions for options granted during the three months ended December 31, 2021 and 2020:

	Three Months Ended December 31,	
	2021	2020
Weighted Average Assumptions:		
Expected volatility	77.39%	65.81%
Expected dividend yield	0.00%	0.00%
Risk-free interest rate	1.33%	0.51%
Expected term (in years)	6.0	5.9
Fair value of options granted	$ 5.60	$ 1.58

During the three months ended December 31, 2021 and 2020, the Company used historical volatility of our common stock over a period equal to the expected life of the options to estimate their fair value. The dividend yield assumption is based on the Company's recent history and expectation of future dividend payouts on the common stock. The risk-free interest rate is based on the implied yield available on U.S. treasury zero-coupon issues with an equivalent remaining term.

The following table summarizes the stock options outstanding and exercisable at December 31, 2021:

		Weighted Average		
	Number of Shares	Exercise Price Per Share	Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at September 30, 2021	10,600,680	$ 2.84		
Granted	2,207,100	$ 8.35		
Exercised	(79,334)	$ 2.65		
Forfeited and expired	(1,334)	$ 2.25		
Outstanding at December 31, 2021	12,727,112	$ 3.79	7.89	$ 38,307,597
Exercisable at December 31, 2021	7,441,743	$ 1.82	7.04	$ 30,275,121

The aggregate intrinsic values in the table above are before income taxes and represent the number of in-the-money options outstanding or exercisable multiplied by the closing price per share of the Company's common stock on the last trading day of the quarter ended December 31, 2021 of $5.89, less the respective weighted average exercise price per share at period end.

The total intrinsic value of options exercised during the three months ended December 31, 2021 and 2020 was approximately $447,000 and $2.4 million, respectively. Cash received from options exercised during the three months ended December 31, 2021 and 2020 was approximately $210,000 and $624,000, respectively.

As of December 31, 2021, the Company had unrecognized compensation expense of approximately $19.7 million related to unvested stock options. This expense is expected to be recognized over a weighted average period of 2.1 years.

Stock Appreciation Rights

In connection with the closing of the APP Acquisition, the Company issued stock appreciation rights based on 50,000 and 140,000 shares of the Company's common stock to an employee and an outside director, respectively, that vested on October 31, 2018. The stock appreciation rights have a ten-year term and an exercise price per share of $0.95, which was the closing price per share of the Company's common stock as quoted on NASDAQ on the trading day immediately preceding the date of the completion of the APP Acquisition. Upon exercise, the stock appreciation rights will be settled in common stock issued under the 2017 Plan. As of December 31, 2021, vested stock appreciation rights based on 50,000 shares of common stock remain outstanding.

Note 11 – Leases

The Company has operating leases for its office, manufacturing and warehouse space, and office equipment. The Company has a finance lease for office equipment, furniture, and fixtures. The Company's leases have remaining lease terms of less than one year to five years, which include the option to extend a lease when the Company is reasonably certain to exercise that option. Certain of our lease agreements include variable lease payments for common area maintenance, real estate taxes, and insurance or based on usage for certain equipment leases. For one of our office space leases, the Company entered into a sublease, for which it receives sublease income. Sublease income is recognized as a reduction to operating lease costs as the sublease is outside of the Company's normal business operations. This is consistent with the Company's recognition of sublease income prior to the adoption of FASB ASC Topic 842.

In June 2021, the Company executed a lease for its new corporate headquarters in Miami, Florida. The Company will be leasing approximately 12,000 square feet of office space for an eight year term commencing on the later of March 1, 2022 or the date the landlord substantially completes tenant improvements. The space will replace the Company's current corporate headquarters in Miami, Florida when the existing lease terminates at the end of February 2022. Annual base rent payments will be $58.00 per square foot and are subject to a 3% annual escalation. Based on the terms of the lease agreement, the Company paid a security deposit of approximately $117,000, which is included in other assets on the accompanying unaudited condensed consolidated balance sheets as of December 31, 2021 and as of September 30, 2021. The Company does not have any other leases that have not yet commenced as of December 31, 2021.

The components of the Company's lease cost were as follows for the three months ended December 31, 2021 and 2020:

	Three Months Ended December 31,	
	2021	**2020**
Finance lease cost:		
Amortization of right-of-use assets	$ 2,178	$ 2,178
Interest on lease liabilities	256	939
Operating lease cost	131,110	135,326
Short-term lease cost	12,771	1,863
Variable lease cost	46,019	36,683
Sublease income	(44,844)	(44,845)
Total lease cost	$ 147,490	$ 132,144

The Company paid cash of $153,000 and $143,000 for amounts included in the measurement of operating lease liabilities during the three months ended December 31, 2021 and 2020, respectively.

The Company's operating lease right-of-use assets and the related lease liabilities are presented as separate line items on the accompanying unaudited condensed consolidated balance sheets as of December 31, 2021 and September 30, 2021.

Other information related to the Company's leases as of December 31, 2021 and September 30, 2021 was as follows:

	December 31, 2021	September 30, 2021
Operating Leases		
Weighted-average remaining lease term	2.8	2.9
Weighted-average discount rate	11.5%	11.5%
Finance Leases		
Weighted-average remaining lease term	0.4	0.4
Weighted-average discount rate	13.9%	13.9%

The Company's lease agreements do not provide a readily determinable implicit rate. Therefore, the Company estimates its incremental borrowing rate based on information available at lease commencement in order to discount lease payments to present value.

Note 12 – Contingent Liabilities

The testing, manufacturing and marketing of consumer products by the Company and the clinical testing of our product candidates entail an inherent risk that product liability claims will be asserted against the Company. The Company maintains product liability insurance coverage for claims arising from the use of its products. The coverage amount is currently $20.0 million.

License and Purchase Agreements

From time to time, we license or purchase rights to technology or intellectual property from third parties. These licenses and purchase agreements require us to pay upfront payments as well as development or other payments upon successful completion of preclinical, clinical, regulatory or revenue milestones. In addition, these agreements may require us to pay royalties on sales of products arising from the licensed or acquired technology or intellectual property. Because the achievement of future milestones is not reasonably estimable, we have not recorded a liability on the accompanying unaudited condensed consolidated financial statements for any of these contingencies.

Note 13 – Income Taxes

The Company accounts for income taxes using the liability method, which requires the recognition of deferred tax assets or liabilities for the tax-effected temporary differences between the financial reporting and tax bases of its assets and liabilities, and for net operating loss (NOL) and tax credit carryforwards.

As of September 30, 2021, the Company had U.S. federal and state NOL carryforwards of $38.6 million and $24.9 million, respectively, for income tax purposes with $29.5 million and $22.5 million, respectively, expiring in years 2022 to 2040 and $9.1 million and $2.4 million, respectively, which can be carried forward indefinitely. As of September 30, 2021, the Company also had U.S. federal research and development tax credit carryforwards of $4.2 million, expiring in 2038 to 2041. The Company's U.K. subsidiary has U.K. NOL carryforwards of $63.5 million as of September 30, 2021, which can be carried forward indefinitely to be used to offset future U.K. taxable income.

A reconciliation of income tax expense and the amount computed by applying the U.S. statutory rate of 21% to (loss) income before income taxes is as follows:

	Three Months Ended December 31,	
	2021	2020
Income tax (benefit) expense at U.S. federal statutory rates	$ (1,315,724)	$ 3,634,260
State income tax (benefit) expense, net of federal (benefit) expense	(101,875)	281,396
Non-deductible expenses	257,196	—
Effect of stock options exercised	(23,350)	(64,290)
Effect of common stock purchase warrants exercised	—	(2,038,919)
Effect of Paycheck Protection Program funds	—	(95,886)
U.S. research and development tax credit	(1,963,430)	—
Effect of foreign income tax rates	(29,761)	(32,570)
Effect of global intangible low taxed income	88,267	125,145
Change in valuation allowance	3,089,596	(1,732,786)
Other, net	113,736	1,952
Income tax expense	$ 114,655	$ 78,302

Significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31, 2021	September 30, 2021
Deferred tax assets:		
Federal net operating loss carryforwards	$ 8,615,379	$ 8,209,224
State net operating loss carryforwards	1,690,488	1,646,827
Foreign net operating loss carryforwards – U.K.	15,782,126	15,875,889
Foreign capital allowance – U.K.	117,709	117,709
U.S. research and development tax credit carryforwards	4,724,845	2,761,415
Share-based compensation	2,417,046	2,071,838
Interest expense	1,630,267	1,368,042
Change in fair value of derivative liabilities	1,072,714	1,025,425
Other, net – U.K.	83,344	83,344
Other, net – Malaysia	100,995	100,654
Other, net – U.S.	220,825	203,237
Gross deferred tax assets	36,455,738	33,463,604
Valuation allowance for deferred tax assets	(22,669,607)	(19,580,011)
Net deferred tax assets	13,786,131	13,883,593
Deferred tax liabilities:		
In-process research and development	(882,427)	(882,427)
Covenant not-to-compete	(29,630)	(33,671)
Other, net – U.S.	(6,371)	(6,371)
Net deferred tax liabilities	(918,428)	(922,469)
Net deferred tax asset	$ 12,867,703	$ 12,961,124

The deferred tax amounts have been classified on the accompanying unaudited condensed consolidated balance sheets as follows:

	December 31, 2021	September 30, 2021
Deferred tax asset – U.K.	$ 12,830,135	$ 12,923,896
Deferred tax asset – Malaysia	100,994	100,654
Total deferred tax asset	$ 12,931,129	$ 13,024,550
Deferred tax liability – U.S.	$ (63,426)	$ (63,426)
Total deferred tax liability	$ (63,426)	$ (63,426)

Note 14 – Net (Loss) Income Per Share

Basic net (loss) income per common share is computed by dividing net (loss) income by the weighted average number of common shares outstanding for the period. Diluted net (loss) income per share is computed by dividing net (loss) income by the weighted average number of common shares outstanding during the period after giving effect to all dilutive potential common shares that were outstanding during the period. Dilutive potential common shares consist of the incremental common shares issuable upon the exercise of stock options, stock appreciation rights and common stock purchase warrants as determined under the treasury stock method.

The following table provides a reconciliation of the net (loss) income per basic and diluted common share outstanding:

	Three Months Ended December 31,	
	2021	2020
Net (loss) income	$ (6,380,006)	$ 17,227,701
Basic weighted average common shares outstanding	80,023,168	70,313,589
Net effect of dilutive instruments:		
Stock options	—	4,421,341
Stock appreciation rights	—	38,527
Common stock purchase warrants	—	1,025,580
Total net effect of dilutive instruments	—	5,485,448
Diluted weighted average common shares outstanding	80,023,168	75,799,037
Net (loss) income per basic common share outstanding	$ (0.08)	$ 0.25
Net (loss) income per diluted common share outstanding	$ (0.08)	$ 0.23

For the three months ended December 31, 2020, approximately 1.4 million potentially dilutive instruments were excluded from the computation of net income per diluted weighted average common share outstanding because their effect would have been antidilutive. Due to our net loss for the three months ended December 31, 2021, all potentially dilutive instruments were excluded because their inclusion would have been anti-dilutive. See Notes 9 and 10 for a discussion of our potentially dilutive instruments.

Note 15 – Industry Segments

The Company currently operates in two reporting segments: FC2 and Pharmaceuticals. The FC2 segment consists of the Company's commercial product, FC2. The Pharmaceuticals segment includes activities related to multiple drug products under clinical development and ENTADFI™, a new treatment for benign prostatic hyperplasia that was approved by the FDA in December 2021. There are no significant inter-segment sales. We evaluate the performance of each segment based on operating profit or loss. There is no inter-segment allocation of non-operating expenses and income taxes. Our chief operating decision-maker (CODM) is Mitchell S. Steiner, M.D., our Chairman, President and Chief Executive Officer.

The Company's operating (loss) income by segment was as follows:

	Three Months Ended December 31,	
	2021	2020
FC2*	$ 10,858,751	$ 9,914,936
Pharmaceuticals	(11,648,249)	(5,858,837)
Corporate	(4,172,787)	15,131,058
Operating (loss) income	$ (4,962,285)	$ 19,187,157

*The FC2 segment, previously referred to as the Sexual Health Business segment, for the three months ended December 31, 2020 included $415,000 related to the PREBOOST® business before the sale in December 2020.

All of our net revenues, which are primarily derived from the sale of FC2, are attributed to the FC2 reporting segment. See Note 4 for additional information regarding our net revenues. Costs related to the office located in London, England are fully dedicated to FC2 and are presented as a component of the FC2 segment. Drug commercialization costs are included in the Pharmaceuticals segment. Certain expenses in the three months ended December 31, 2020 have been reclassified to conform to the current period presentation. The gain on sale of the PREBOOST® business and depreciation and amortization related to long-lived assets that are not utilized in the production of FC2 are not reported as part of the reporting segments or reviewed by the CODM. These amounts are included in Corporate in the reconciliations above. Total assets are not presented by reporting segment as they are not reviewed by the CODM when evaluating the reporting segments' performance.

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

Overview

Veru is principally an oncology biopharmaceutical company with a focus on developing novel medicines for the management of breast and prostate cancers. One of our anticancer drugs, sabizabulin, also has dual antiviral and anti-inflammatory effects and is also being developed for the treatment of hospitalized COVID-19 patients at high risk for acute respiratory distress syndrome (ARDS). The Company has a commercial Sexual Health Division which includes two FDA-approved products: ENTADFI™, a new treatment for benign prostatic hyperplasia (BPH), and the FC2 Female Condom® (Internal Condom) (FC2), for the dual protection against unplanned pregnancy and the transmission of sexually transmitted infections.

The Biopharmaceutical Business:

The Company's breast cancer drug pipeline has four clinical development programs for two drugs: enobosarm, an oral selective androgen receptor targeting agonist, and sabizabulin, an oral cytoskeleton disruptor.

ER+ HER2- metastatic breast cancer:

Phase 3 clinical study – Enobosarm monotherapy as a 3rd line treatment of AR+ER+HER2- metastatic breast cancer (AR nuclei staining ≥40%). We are enrolling the Phase 3 multicenter, international, open label, and randomized (1:1) ARTEST registration clinical trial design to evaluate the efficacy and safety of enobosarm monotherapy versus physician's choice of either exemestane ⌖ everolimus or a SERM as the active comparator for the treatment of AR+ ER+ HER2- metastatic breast cancer in approximately 210 patients with AR nuclei staining ≥40% in their breast cancer tissue who have previously received a nonsteroidal aromatase inhibitor, fulvestrant, and a CDK4/6 inhibitor. We have identified that patients who have greater than 40% androgen receptor nuclei staining in their breast cancer tissue are most likely to respond to enobosarm. Based on the recommendation of the FDA to have a companion diagnostic test to determine the patient's AR status, we have partnered with Roche/Ventana Diagnostics, a global oncology diagnostics company, who will develop and commercialize a companion diagnostic AR immunohistochemistry test. In January 2022, our enobosarm program received a Fast Track designation by the FDA.

Phase 2b clinical study – Sabizabulin monotherapy as a 3rd line treatment of AR+ER+HER2- metastatic breast cancer (AR nuclei staining <40%). We also intend to conduct a Phase 2b clinical study of sabizabulin, a novel oral cytoskeleton disruptor, for the treatment of AR+ ER+ HER2- metastatic breast cancer in patients with an AR nuclei staining <40%. The Phase 2b clinical trial will be an open label, multicenter, and randomized (1:1) study evaluating the efficacy and safety of sabizabulin 32mg monotherapy versus physician's choice of either exemestane ⌖ everolimus or a SERM as the active comparator for the treatment of ER+ HER2- metastatic breast cancer in approximately 200 patients with AR nuclei staining <40% in their breast cancer tissue who have previously received a nonsteroidal aromatase inhibitor, fulvestrant, and a CDK4/6 inhibitor. The Phase 2b study is expected to commence during the first quarter of calendar year 2022.

Phase 3 clinical study – Enobosarm + abemaciclib combination as a 2nd line treatment of AR+ER+HER2- metastatic breast cancer (AR nuclei staining ≥40%). We intend to conduct a Phase 3 multicenter, open label, randomized (1:1), active control clinical study, named ENABLAR-2 to evaluate the efficacy and safety of enobosarm plus abemaciclib combination therapy versus an alternative estrogen blocking agent (fulvestrant or an aromatase inhibitor) in subjects with AR+ ER+ HER2- metastatic breast cancer who have previously received first line palbociclib (a CDK4/6 inhibitor) plus an estrogen blocking agent (non-steroidal aromatase inhibitor or fulvestrant) and have an AR nuclei staining ≥ 40% in their breast cancer tissue. We plan to enroll approximately 186 subjects in this Phase 3 clinical study which is expected to commence during the first quarter of calendar year 2022.

Metastatic triple negative breast cancer:

Phase 2b clinical study - Sabizabulin + enobosarm combination therapy for the treatment of patients who have AR+ metastatic triple negative breast cancer and who have tumor progression after receiving at least 2 systemic chemotherapies. The Company had been planning to commence a single arm, sabizabulin plus enobosarm combination therapy Phase 2b clinical study in early calendar year 2022, but has now decided to suspend further work on this metastatic triple negative breast cancer Phase 2b clinical study at this time.

The Company's prostate cancer drug pipeline includes sabizabulin, VERU-100 and zuclomiphene citrate.

Sabizabulin 32mg for the treatment of metastatic castration resistant and androgen receptor targeting agent resistant prostate cancer-

Phase 1b/2 clinical studies to determine maximum tolerated dose and recommended dosing of sabizabulin. We are completing the Phase 1b open label clinical trial of sabizabulin in 39 men with metastatic castration resistant and androgen receptor targeting agent resistant prostate cancer ± taxane chemotherapy and the Phase 2 clinical study in 41 men with metastatic castration resistant prostate cancer who have also become resistant to at least one androgen receptor targeting agent, but prior to proceeding to IV chemotherapy. In the Phase 1b/2 studies, sabizabulin was both well tolerated and demonstrated promising preliminary efficacy data.

Phase 3 VERACITY clinical study. We are currently enrolling the Phase 3 VERACITY registration study evaluating sabizabulin 32mg in approximately 245 men who have metastatic castration resistant prostate cancer and who had tumor progression while receiving at least one androgen receptor targeting agent, but prior to IV chemotherapy.

VERU-100, long acting GnRH antagonist subcutaneous depot, for the treatment of advanced hormone sensitive prostate cancer-

Phase 2 dose finding clinical study. We are currently enrolling a study to determine optimal dose of VERU-100 in men with advance hormone sensitive prostate cancer. Phase 2 clinical results are expected in the first half of calendar year 2022.

Phase 3 registration clinical study. If the Phase 2 trial is successful, and as discussed with and agreed upon by the FDA, the Phase 3 clinical trial will be a single arm, multicenter, open-label study in approximately 100 men with hormone sensitive advanced prostate cancer using the achievement and maintenance of castration levels of testosterone as the primary endpoint. The Phase 3 registration study is planned to initiate in the second half of calendar year 2022.

Zuclomiphene citrate, estrogen receptor agonist, for the treatment of hot flashes caused by prostate cancer hormonal therapies in men with advanced prostate cancer-

Phase 2b zuclomiphene clinical study. The Company reported positive dose finding Phase 2 study in January 2020. The Company plans to further optimize the dosing schedule of zuclomiphene citrate in a Phase 2b study.

The Company is opportunistically developing sabizabulin 9mg, which has both broad anti-inflammatory and anti-viral properties as a two-pronged approach to the treatment of COVID-19 virus infection.

Phase 3 COVID-19 registration trial: Sabizabulin 9mg for the treatment of hospitalized moderate to severe COVID-19 patients at high risk for acute respiratory distress syndrome- We are enrolling a global Phase 3 COVID-19 clinical registration trial which is a double-blind randomized (2:1) placebo-controlled trial evaluating daily oral doses of 9 mg sabizabulin for up to 21 days versus placebo in approximately 300 moderate to severe COVID-19 hospitalized subjects who are at high risk for developing ARDS, which remains an unmet medical need. The Company anticipates having results for the Phase 3 clinical trial in the first half of calendar year 2022. In January 2022, our COVID-19 registration program received a Fast Track designation by the FDA.

Sexual Health Division

The Company has a commercial Sexual Health Division, which includes two FDA-approved products: ENTADFI™, a new treatment for BPH, which is included in the Company's Pharmaceutical segment, and FC2 for the dual protection against unplanned pregnancy and the transmission of sexually transmitted infections, which is included in the Company's FC2 segment.

ENTADFI™ (Finasteride and Tadalafil) capsules was approved by FDA in December 2021 as a new treatment for BPH, or an enlarged prostate gland. The co-administration of tadalafil and finasteride has been shown to be more effective for the treatment of benign prostatic hyperplasia than finasteride alone without causing sexual adverse effects. We plan to market and distribute ENTADFI™ by our own "direct to patient" telemedicine and telepharmacy platform. We have also partnered with GoodRx, a digital resource for healthcare, to reach their almost 20 million monthly visitors, which include both consumers and healthcare providers, and offer a unique cash price to ensure our treatment is more affordable and accessible. We will augment our marketing and sales efforts by seeking partners in the U.S. and ex-U.S. Commercialization activities are already underway and we expect to achieve first commercial sale in the first half of calendar year 2022.

The Company sells FC2 in both the commercial sector and in the public health sector both in the U.S. and globally. In the U.S., FC2 is available by prescription through multiple telemedicine and internet pharmacy channels as well as retail pharmacies. The Company is establishing its own dedicated direct to patient telemedicine and pharmacy services portal/platform to continue to drive sales growth. FC2 is also available to public health sector entities such as state departments of health and 501(c)(3) organizations. In the global public health sector, the Company markets FC2 to entities, including ministries of health, government health agencies, U.N. agencies, nonprofit organizations and commercial partners, that work to support and improve the lives, health and well-being of women around the world.

All of the Company's net revenues are currently derived from sales of FC2 in the commercial and public health sectors.

Sales of FC2 in the public health and commercial sectors

FC2 Commercial Sector. In 2017, the Company began expanding access to FC2 in the U.S. by making it available by prescription. With a prescription, FC2 is covered by most insurance companies with no copay under the ACA and the laws of 20+ states prior to enactment of the ACA. In 2018, we dissolved our small-scale marketing and sales program to focus our efforts in accessing fast-growing, highly reputable telemedicine firms to bring our much-needed FC2 product to patients with a prescription in a cost-effective and highly convenient manner. As a result of these efforts, the Company now supplies FC2 to telemedicine providers in the U.S. prescription channel. The Company is working to develop supply and distributor relationships with additional telemedicine and other providers.

FC2 Global Public Health Sector. FC2's use is for the prevention of HIV/AIDS and the transmission of other sexually transmitted diseases and prevention of unintended pregnancies, and the global public health sector has been an important market for FC2. Within the global public health sector, various organizations supply critical products such as FC2, at no cost or low cost, to those who need but cannot afford to buy such products for themselves.

FC2 has been distributed in the U.S. and 149 other countries. A significant number of countries with the highest demand potential are in the developing world. The incidence of HIV/AIDS, other sexually transmitted infections and unintended pregnancy in these countries represents a remarkable potential for significant sales of a product that benefits some of the world's most underprivileged people. However, conditions in these countries can be volatile and result in unpredictable delays in program development, tender applications and processing orders.

The Company is working to further develop a global market and distribution network for FC2 by maintaining relationships with global public health sector groups and completing strategic arrangements with companies with the necessary marketing and financial resources and local market expertise.

The Company currently has a limited number of customers for FC2 in the global public health sector who generally purchase in large quantities. Over the past few years, significant customers have included large global agencies, such as UNFPA, USAID, the Brazil Ministry of Health through Semina Indústria e Comércio Ltda (Semina), the Company's distributor in Brazil, and the Republic of South Africa health authorities that purchase through the Company's various local distributors. Other customers include ministries of health or other governmental agencies, which either purchase directly or via in-country distributors, and NGOs.

Purchasing patterns for FC2 in the public health sector vary significantly from one customer to another and may reflect factors other than simple demand. For example, some governmental agencies purchase FC2 through a formal procurement process in which a tender (request for bid) is issued for either a specific or a maximum unit quantity. Tenders also define the other elements required for a qualified bid submission (such as product specifications, regulatory approvals, clearance by the World Health Organization, unit pricing and delivery timetable). Bidders have a limited period of time in which to submit bids. Bids are subjected to an evaluation process which is intended to conclude with a tender award to the successful bidder. The entire tender process, from publication to award, may take many months to complete, including administrative actions or appeals. A tender award indicates acceptance of the bidder’s price rather than an order or guarantee of the purchase of any minimum number of units. Many governmental tenders are stated to be “up to” the maximum number of units, which gives the applicable government agency discretion to purchase less than the full maximum tender amount. Orders are placed after the tender is awarded; there are often no set dates for orders in the tender and there are no guarantees as to the timing or amount of actual orders or shipments. Orders received may vary from the amount of the tender award based on a number of factors including vendor supply capacity, quality inspections and changes in demand. Administrative issues, politics, bureaucracy, exchange rate risk, process errors, changes in leadership, funding priorities and/or other pressures may delay or derail the process and affect the purchasing patterns of public health sector customers. As a result, the Company may experience significant quarter-to-quarter sales variances in the global public health sector due to the timing and shipment of large orders of FC2.

On August 27, 2018, the Company announced that through six of its distributors in the Republic of South Africa, the Company had received a tender award to supply 75% of a tender covering up to 120 million female condoms over three years. The tender was extended until January 2022. The Company began shipping units under this tender award in the third quarter of fiscal 2019 and we have shipped approximately 16.1 million units through December 31, 2021. In October 2020, the Company was awarded up to 20 million units through its distributor in Brazil under the new Brazil female condom tender. The Company began shipping units under this tender award in the first quarter of fiscal 2021 and we have shipped approximately 9.7 million units through December 31, 2021.

FC2 Unit Sales. Details of the quarterly unit sales of FC2 for the last five fiscal years were as follows:

Period	**2022**	**2021**	**2020**	**2019**	**2018**
October 1 — December 31	6,260,484	12,318,988	10,070,700	7,382,524	4,399,932
January 1 — March 31		8,189,552	6,884,472	9,792,584	4,125,032
April 1 — June 30		11,201,588	10,532,048	10,876,704	10,021,188
July 1 — September 30		6,095,332	5,289,908	9,842,020	6,755,124
Total	6,260,484	37,805,460	32,777,128	37,893,832	25,301,276

Revenues. Most of the Company's net revenues during the three months ended December 31, 2021 and 2020 were derived from sales of FC2 in the U.S. prescription channel and global public health sector. The Company also had revenues from sales of PREBOOST® (Roman Swipes) during the three months ended December 31, 2020 through the date the PREBOOST® business was sold on December 8, 2020. These sales are recognized upon shipment or delivery of the product to the customers depending on contract terms.

The Company’s most significant customers have been telemedicine providers in the U.S. who sell into the prescription channel and global public health sector agencies who purchase and/or distribute FC2 for use in preventing the transmission of HIV/AIDS and/or family planning.

The Company manufactures FC2 in a leased facility located in Selangor D.E., Malaysia, resulting in a portion of the Company's operating costs being denominated in foreign currencies. While a significant portion of the Company's future unit sales are likely to be in foreign markets, all sales are denominated in the U.S. dollar. Effective October 1, 2009, the Company’s U.K. and Malaysia subsidiaries adopted the U.S. dollar as their functional currency, further reducing the Company’s foreign currency risk.

Operating Expenses. The Company manufactures FC2 at its Malaysian facility. The Company's cost of sales consists primarily of direct material costs, direct labor costs and indirect production and distribution costs. Direct material costs include raw materials used to make FC2, principally a nitrile polymer. Indirect production costs include logistics, quality control and maintenance expenses, as well as costs for electricity and other utilities. All the key components for the manufacture of FC2 are essentially available from either multiple sources or multiple locations within a source.

We have recently seen an increase in the cost of the nitrile polymer used to produce FC2 and may experience increases in other material costs due to the impact of COVID-19 and increased inflation. Our costs of sales and gross margins may be adversely impacted if we are unable to pass along cost increases to our customers.

On August 7, 2021, the Company learned that a fire had occurred at the manufacturing site used by our supplier to produce component sheaths for FC2. The supplier has repaired the line and supply resumed in January 2022. We had robust levels of inventory of FC2 in our U.S. warehouses and of FC2 and component sheaths in our facility in Malaysia. As a result, this supply disruption had no significant impact on sales of FC2 through December 31, 2021 and, based on current orders, there will be no disruptions to U.S. supplies and no significant impact on sales of FC2 for the global public health sector in future periods.

Conducting research and development is central to our business model. The Company’s Research and Development segment includes multiple products and management routinely evaluates each product in its portfolio of products. Advancement is limited to available working capital and management’s understanding of the prospects for each product. If future prospects do not meet management’s strategic goals, advancement may be discontinued. We have invested and expect to continue to invest significant time and capital in our research and development operations. Our research and development expenses were $10.1 million and $5.7 million for the three months ended December 31, 2021 and 2020, respectively. We expect to continue this trend of increased expenses relating to research and development due to advancement of multiple drug candidates.

COVID-19 Environment

In December 2019, a novel strain of coronavirus was reported to have emerged in Wuhan, China. COVID-19, the disease caused by the coronavirus, has since spread to over 100 countries, including every state in the United States. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, and on March 13, 2020, the United States declared a national emergency with respect to the COVID-19 outbreak.

In an effort to contain and mitigate the spread of COVID-19, many countries, including the United States, the United Kingdom and Malaysia, have imposed unprecedented restrictions on travel, and there have been business closures and a substantial reduction in economic activity in countries that have had significant outbreaks of COVID-19. In addition, and in an attempt to slow the rapid growth of the COVID-19 infection rate, many governments around the world, including in the United States at the federal, state and local levels as well as in the United Kingdom and Malaysia, have from time to time imposed mandatory sheltering in place and social distancing restrictions that severely limit the ability of its citizens to travel freely and to conduct activities.

The COVID-19 pandemic has substantially impacted the global healthcare system, including the conduct of clinical trials. Many healthcare systems have restructured operations to prioritize caring for those suffering from COVID-19 and to limit or cease other activities. The severe burden on healthcare systems caused by this pandemic has also impaired the ability of many research sites to start new clinical trials or to enroll new patients in clinical trials. The imposed mandatory sheltering in place and social distancing restrictions may delay the recruitment of patients and impede their ability to effectively participate in such trials. Significant fees may also be owed to contract research organizations associated with starting and stopping clinical trials, typically more so than delaying the start of a clinical trial.

To date, COVID-19 has not impacted the Company's ability to supply product demand for FC2. Since the start of the pandemic, we have, from time to time, experienced some temporary disruptions to our manufacturing facility due to the implementation of government policies. Most recently, on June 1, 2021, the Malaysian government issued a nationwide lockdown order placing limitations on social and economic activity in the country. The Company was able to secure the required approvals, as a health product, to continue to partially operate by reducing the number of employees physically allowed in the facilities to 60% of the total workforce. On July 3, 2021, the lockdown was strengthened in the region in which the Company operates and the Company entered into a two-week period ceasing all operations, in common with similar manufacturing businesses. On July 19, 2021, after allowing some time for staff testing, operations resumed at the required levels of 60% of the total workforce. The Company has partially mitigated the disruption to production by changing staffing patterns. From time to time, we have temporarily paused operations as part of our contact tracing protocols and to allow for cleaning and disinfection of our production facility.

The Company has enrolled manufacturing staff in a vaccination program. More than 95% of the staff have received two doses of vaccination and more than 75% of staff have also received a booster. This has allowed shift patterns to return to normal and the facility is allowed to operate at 100% capacity under the current Malaysia control orders.

The Company has had and believes it continues to have a sufficient quantity of FC2 inventory both inside and outside of Malaysia to satisfy expected customer demand. The recent closure and reduced operating capacity did not have a material impact to the Company's consolidated operating results in fiscal 2021 or the first quarter of fiscal 2022 and we do not expect them to have a material impact on the Company's consolidated operating results in foreseeable future periods. The Company continues to operate enhanced health and safety protocols to protect the employees at its Malaysian facility, to respond in the event an employee at the facility is determined to have tested positive for COVID-19, and to mitigate the impact of COVID-19 on the Company's Malaysian manufacturing operations. However, no such measures can eliminate risks relating to the COVID-19 pandemic, and if the Company's Malaysian manufacturing facility is subject to future government mandates to counter COVID-19 or encounters labor or raw material shortages, transportation delays or other issues, our ability to supply product to our customers could be disrupted.

The sole supplier of the nitrile polymer sheath for FC2 also produces surgical gloves and has at times prioritized their production during the COVID-19 pandemic and may continue to do so, which could disrupt the Company's supply of a critical raw material. Malaysian ports are currently open for shipment but at reduced capacity, and the Company may also encounter issues shipping product into key markets or through freight or other carriers. To mitigate these factors, the Company continues to build strategic stock to ensure supply is available during a period of potential disruption. The COVID-19 pandemic and related economic disruption may also adversely affect customer demand for FC2. For example, sales of FC2 could be impacted in the U.S. prescription channel if insurance coverage is affected by job losses and in the global public health sector if governments delay future tenders or reduce spending on female condoms due to financial strains or changed spending priorities caused by the COVID-19 pandemic. The COVID-19 pandemic did not have a material net impact on our consolidated operating results during the three months ended December 31, 2021.

To protect the health and safety of our workforce, we closed our offices in the United States and the United Kingdom temporarily. Offices have reopened but non-essential staff and our personnel have largely continued to work remotely. Travel between our facilities in the United States, the United Kingdom and Malaysia has also been restricted. As of the date of this report, our operations have not been significantly impacted by such remote work requirements and travel restrictions.

Significant uncertainty remains as to the potential impact of the COVID-19 pandemic on our operations, and on the global economy. It is currently not possible to predict how long the pandemic will last or the time that it will take for economic activity to return to prior levels as a result of uncertainties, including the extent and rate of the spread of the virus that continue to fluctuate, the potential for additional peaks in infection rates, and the timing and availability of vaccines, treatments or cures to slow and eventually stop the spread. We do not yet know the full extent of any impact on our business or our operations; however, we will continue to monitor the COVID-19 situation and its impact on our business closely and expect to reevaluate the timing of our anticipated clinical trials as the impact of COVID-19 on our industry becomes clearer.

Results of Operations

THREE MONTHS ENDED DECEMBER 31, 2021 COMPARED TO THREE MONTHS ENDED DECEMBER 31, 2020

The Company generated net revenues of $14.1 million and net loss of $6.4 million, or $(0.08) per basic and diluted common share, for the three months ended December 31, 2021, compared to net revenues of $14.6 million and net income of $17.2 million, or $0.25 per basic common share and $0.23 per diluted common share, for the three months ended December 31, 2021. Net revenues decreased 3% over the prior period.

FC2 net revenues increased 3% year over year. There was a 49% decrease in total FC2 unit sales and an increase in FC2 average sales price per unit of 102%. The principal factor for the increase in the FC2 average sales price per unit compared to prior period was the change in the sales mix with the U.S. prescription channel representing 82% of total FC2 net revenues in the current year period compared to 66% of total FC2 net revenues in the prior year period. The Company experienced an increase compared to the prior year period of 27% in FC2 net revenues in the U.S. prescription channel and a decrease compared to the prior year period of 45% in FC2 net revenues in the global public health sector. The reduction in the global public health sector is primarily due to sales in the fiscal 2021 period related to the Brazil and South Africa tenders. Results for the three month period ended December 31, 2020 included net revenues of $0.9 million related to the PREBOOST® business before the sale of such business in December 2020.

Cost of sales decreased to $2.3 million in the three months ended December 31, 2021 from $3.8 million in the three months ended December 31, 2020 due to the decrease in unit sales.

Gross profit increased to $11.8 million in the three months ended December 31, 2021 from $10.8 million in the three months ended December 31, 2020. Gross profit margin for the fiscal 2022 period was 84% of net revenues, compared to 74% of net revenues for the fiscal 2021 period. The increase in the gross profit and gross profit margin is primarily due to the increase in FC2 sales in the U.S. prescription channel with higher profit margins.

Significant quarter-to-quarter variances in the Company's results have historically resulted from the timing and shipment of large orders rather than from any fundamental changes in the business or the underlying demand for FC2. The Company is also currently seeing pressure on pricing for FC2 by large global agencies and donor governments in the developed world. As a result, the Company may continue to experience challenges for revenue from sales of FC2 in the global public health sector. The Company is experiencing a significant increase in revenue from sales in the U.S. prescription channel, which is helping grow net revenues year to year.

Research and development expenses increased to $10.1 million in the three months ended December 31, 2021 from $5.7 million in the same period in fiscal 2020. The increase is primarily due to increased costs associated with the multiple in-process research and development projects and increased personnel costs. During the first quarter of fiscal 2022, the Company had three Phase 3 clinical trials and one Phase 2 clinical trial ongoing with additional clinical trial initiations planned. During the first quarter of fiscal 2021, the Company had two Phase 2 clinical trials ongoing with additional trials planned. This clinical trial activity has resulted in increased costs.

Selling, general and administrative expenses increased to $6.7 million in the three months ended December 31, 2021 from $4.4 million in the three months ended December 31, 2020. The increase is due primarily to increased compensation costs, resulting from increased personnel, and increased share-based compensation costs, resulting from an increase in headcount and the fair value of stock options, and costs associated with the commercialization of ENTADFI™.

During the first quarter of fiscal 2021, we recorded a pre-tax gain on sale of the Company's PREBOOST® business of $18.4 million. See Note 2 to the financial statements included in this report for additional information.

Interest expense, which consists of items related to the Credit Agreement and Residual Royalty Agreement, was $1.2 million in the three months ended December 31, 2021, which is consistent with the three months ended December 31, 2020.

Expense associated with the change in fair value of the embedded derivatives related to the Credit Agreement and Residual Royalty Agreement was $0.2 million in the three months ended December 31, 2021, compared to expense of $0.6 million in the three months ended December 31, 2020. The liabilities associated with embedded derivatives represent the fair value of the change of control provisions in the Credit Agreement and Residual Royalty Agreement. See Note 3 and Note 8 to the financial statements included in this report for additional information.

Income tax expense in the first quarter of fiscal 2022 was $115,000, compared to income tax expense of $78,000 in the first quarter of fiscal 2021. The slight increase in the income tax expense is due primarily due to an increase in taxable income in the U.K. The U.S. continues to have a full valuation allowance on deferred tax assets; therefore, activity in the U.S. has no effect on income tax expense.

Liquidity and Sources of Capital

Liquidity

Our cash and cash equivalents on hand at December 31, 2021 was $116.1 million, compared to $122.4 million at September 30, 2021. At December 31, 2021, the Company had working capital of $131.8 million and stockholders' equity of $148.0 million compared to working capital of $136.0 million and stockholders' equity of $152.3 million as of September 30, 2021. The decrease in working capital is primarily due to the decrease in cash on hand, partially offset by an increase in prepaid research and development costs.

We anticipate that we will continue to consume cash as we develop our drug candidates. Because of the numerous risks and uncertainties associated with the development of pharmaceutical products, we are unable to estimate the exact amounts of capital outlays and operating expenditures necessary to fund development of our drug candidates and obtain regulatory approvals. Our future capital requirements will depend on many factors. See Part I, Item 1A, "Risk Factors - Risks Related to Our Financial Position and Need for Capital" in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2021 for a description of certain risks that will affect our future capital requirements.

The Company believes its current cash position and cash expected to be generated from sales of the Company's commercial products, FC2 and ENTADFI, are adequate to fund planned operations of the Company for the next 12 months. To the extent the Company may need additional capital for its operations or the conditions for raising capital are favorable, the Company may access financing alternatives that may include debt financing, common stock offerings, or financing involving convertible debt or other equity-linked securities and may include financings under the Company's current effective shelf registration statement on Form S-3 (File No. 333-239493) or under a new registration statement.

Operating activities

Operating activities used cash of $8.7 million in the three months ended December 31, 2021. Cash used in operating activities included net loss of $6.4 million, adjustments to reconcile net loss to net cash used in operating activities totaling an increase of $2.7 million and changes in operating assets and liabilities resulting in a reduction of $4.9 million. Adjustments to net loss primarily consisted of $1.9 million of share-based compensation, interest expense in excess of interest paid of $0.4 million, and $0.2 million for the change in fair value of derivative liabilities. The decrease in cash from changes in operating assets and liabilities included an increase in prepaid expenses and other assets of $4.1 million and a decrease in accrued expenses and other current liabilities of $2.8 million, partially offset by a decrease in accounts receivable of $0.7 million, a decrease in inventory of $0.7 million, and an increase in accounts payable of $0.7 million.

Net cash from operating activities was $0.7 million in the three months ended December 31, 2020. Cash from operating activities included net income of $17.2 million, adjustments to reconcile net income to net cash provided by operating activities totaling a reduction of $16.7 million and changes in operating assets and liabilities of $0.1 million. Adjustments to net income primarily consisted of $18.4 million related to the gain on sale of the PREBOOST® business, $0.8 million of share-based compensation, and $0.6 million for the change in fair value of derivative liabilities. The increase in cash from changes in operating assets and liabilities included a decrease in accounts receivable of $1.1 million, an increase in accounts payable of $0.5 million, and an increase in accrued expenses and other current liabilities of $0.4 million, partially offset by an increase in prepaid expenses and other assets of $1.8 million.

Investing activities

Net cash from investing activities was $2.2 million in the three months ended December 31, 2021, attributed to $2.5 million collected on notes receivable from the sale of the Company's PREBOOST® business, partially offset by $0.3 million associated with capital expenditures primarily at our U.S. location.

Net cash from investing activities was $15.0 million in the three months ended December 31, 2020, attributed to $15.0 million received from the sale of the Company's PREBOOST® business.

Financing activities

Net cash provided by financing activities in the three months ended December 31, 2021 was $0.2 million and primarily consisted of proceeds from stock option exercises of $0.2 million.

Net cash provided by financing activities in the three months ended December 31, 2020 was $1.7 million and consisted proceeds from the Premium Finance Agreement of $1.1 million, which were used to finance the Company's directors and officers liability insurance premium, and proceeds from stock option exercises of $0.6 million.

Sources of Capital

Common Stock Offering

On February 22, 2021, we completed an underwritten public offering of 7,419,354 shares of our common stock, which included the exercise in full of the underwriters' option to purchase additional shares, at a public offering price of $15.50 per share. Net proceeds to the Company from this offering were $108.0 million after deducting underwriting discounts and commissions and costs incurred by the Company. All of the shares sold in the offering were by the Company. The offering was made pursuant to the Company's shelf registration statement on Form S-3 (File No. 333-239493).

SWK Credit Agreement

On March 5, 2018, the Company entered into a Credit Agreement (as amended, the "Credit Agreement") with the financial institutions party thereto from time to time (the "Lenders") and SWK Funding LLC, as agent for the Lenders (the "Agent"), for a synthetic royalty financing transaction. On and subject to the terms of the Credit Agreement, the Lenders provided the Company with a term loan of $10.0 million, which was advanced to the Company on the date of the Credit Agreement. Under the Credit Agreement, the Company is required to make quarterly payments on the term loan based on the Company's product revenue from net sales of FC2 until the earlier of receipt by the Lenders of a return premium specified in the Credit Agreement or a required payment upon termination of the Credit Agreement on March 5, 2025 or an earlier change of control of the Company or sale of the FC2 business. The Company repaid the loan and return premium specified in the Credit Agreement in August 2021, and as a result has no further obligations under the Credit Agreement. The Agent has released its security interest in Company collateral previously pledged to secure its obligations under the Credit Agreement.

In connection with the Credit Agreement, Veru and the Agent also entered into a Residual Royalty Agreement, dated as of March 5, 2018 (as amended, the "Residual Royalty Agreement"), which provides for an ongoing royalty payment of 5% of product revenue from net sales of FC2, which continues after the repayment of the loan and return premium under the Credit Agreement. The Residual Royalty Agreement will terminate upon (i) a change of control or sale of the FC2 business and the payment by the Company of the amount due in connection therewith pursuant to the Residual Royalty Agreement, or (ii) mutual agreement of the parties.

The Company made total payments under the Credit Agreement of $1.1 million during the three months ended December 31, 2020 and made total payments under the Residual Royalty Agreement of $0.8 million during the quarter ended December 31, 2021. The Company currently estimates the aggregate amount of quarterly revenue-based payments payable during the 12-month period subsequent to December 31, 2021 will be approximately $3.6 million under the Residual Royalty Agreement.

Aspire Capital Purchase Agreement

On June 26, 2020, the Company entered into a common stock purchase agreement (the "2020 Purchase Agreement") with Aspire Capital Fund, LLC (Aspire Capital) which provides that, upon the terms and subject to the conditions and limitations set forth therein, the Company has the right, from time to time in its sole discretion during the 36-month term of the 2020 Purchase Agreement, to direct Aspire Capital to purchase up to $23.9 million of the Company's common stock in the aggregate. Upon execution of the 2020 Purchase Agreement, the Company issued and sold to Aspire Capital under the 2020 Purchase Agreement 1,644,737 shares of common stock at a price per share of $3.04, for an aggregate purchase price of $5,000,000. Other than the 212,130 shares of common stock issued to Aspire Capital in consideration for entering into the 2020 Purchase Agreement and the initial sale of 1,644,737 shares of common stock, the Company has no obligation to sell any shares of common stock pursuant to the 2020 Purchase Agreement and the timing and amount of any such sales are in the Company's sole discretion subject to the conditions and terms set forth in the 2020 Purchase Agreement. The Company has not sold shares to Aspire Capital under the 2020 Purchase Agreement since June 2020. As of December 31, 2021, the amount remaining under the 2020 Purchase Agreement was $18.9 million, which is registered under the Company's shelf registration statement on Form S-3 (File No. 333-239493).

Fair Value Measurements

As of December 31, 2021 and September 30, 2021, the Company's financial liabilities measured at fair value on a recurring basis, which consisted of embedded derivatives, represent the fair value of the change of control provisions in the Credit Agreement and Residual Royalty Agreement. See Note 8 to the financial statements included in this report for additional information.

The fair values of these liabilities were estimated based on unobservable inputs (Level 3 measurement), which requires highly subjective judgment and assumptions. The Company previously determined the fair value of the embedded derivatives using a Monte Carlo simulation model. Since the Credit Agreement has been satisfied as of September 30, 2021, the fair value of the embedded derivative within the Residual Royalty Agreement has been calculated by using a scenario-based method, whereby different scenarios are valued and probability weighted. The Company determined that with only the embedded derivative under the Residual Royalty Agreement remaining, there is no material difference between these two valuation models. The scenario-based valuation model incorporates transaction details such as the contractual terms of the instrument and assumptions including projected FC2 revenues, expected cash outflows, probability and estimated dates of a change of control, risk-free interest rates and applicable credit risk. As a result, the use of different estimates or assumptions would result in a higher or lower fair value and different amounts being recorded in the Company's financial statements. Material changes in any of these inputs could result in a significantly higher or lower fair value measurement at future reporting dates, which could have a material effect on our results of operations. See Note 3 to the financial statements included in this report for additional information.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's exposure to market risk was discussed in the “Quantitative and Qualitative Disclosures About Market Risk” section contained in the Company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2021. There have been no material changes to such exposures since September 30, 2021.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective. It should be noted that in designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The Company has designed its disclosure controls and procedures to reach a level of reasonable assurance of achieving desired control objectives and, based on the evaluation described above, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at reaching that level of reasonable assurance.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) during the Company's most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Neither the Company nor any of its subsidiaries is a party to any material pending legal proceedings at the date of filing of this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risks and uncertainties relating to the Company's business disclosed in Part I, Item 1A, "Risk Factors," in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2021. There have been no material changes from the risk factors previously disclosed in Part I, Item 1A, "Risk Factors," in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2021.

Item 6. Exhibits

Exhibit Number	Description
2.1	Asset Purchase Agreement, dated as of December 8, 2020, between the Company and Roman Health Ventures Inc. (incorporated by reference to Exhibit 2.2 to the Company's Form 10-K (File No. 1-13602) filed with the SEC on December 10, 2020).
3.1	Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Form SB-2 Registration Statement (File No. 333-89273) filed with the SEC on October 19, 1999).
3.2	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company increasing the number of authorized shares of common stock to 27,000,000 shares (incorporated by reference to Exhibit 3.2 to the Company's Form SB-2 Registration Statement (File No. 333-46314) filed with the SEC on September 21, 2000).
3.3	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company increasing the number of authorized shares of common stock to 35,500,000 shares (incorporated by reference to Exhibit 3.3 to the Company's Form SB-2 Registration Statement (File No. 333-99285) filed with the SEC on September 6, 2002).
3.4	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company increasing the number of authorized shares of common stock to 38,500,000 shares (incorporated by reference to Exhibit 3.4 to the Company's Form 10-QSB (File No. 1-13602) filed with the SEC on May 15, 2003).
3.5	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company designating the terms and preferences for the Class A Preferred Stock – Series 3 (incorporated by reference to Exhibit 3.5 to the Company's Form 10-QSB (File No. 1-13602) filed with the SEC on May 17, 2004).
3.6	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company designating the terms and preferences for the Class A Preferred Stock – Series 4 (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K (File No. 1-13602) filed with the SEC on November 2, 2016).
3.7	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company changing the corporate name to Veru Inc. and increasing the number of authorized shares of common stock to 77,000,000 shares (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K (File No. 1-13602) filed with the SEC on August 1, 2017).
3.8	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company increasing the number of authorized shares of common stock to 154,000,000 shares (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K (File No. 1-13602) filed with the SEC on March 29, 2019).
3.9	Amended and Restated By-Laws (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K (File No. 1-13602) filed with the SEC on May 4, 2018).
4.1	Amended and Restated Articles of Incorporation, as amended (same as Exhibits 3.1, 3.2, 3.3, 3.4, 3.5, 3.6, 3.7 and 3.8).
4.2	Articles II, VII and XI of the Amended and Restated By-Laws (included in Exhibit 3.9).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *

32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002). *, **
101	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2021, formatted in iXBRL (Inline Extensible Business Reporting Language): (1) the Unaudited Condensed Consolidated Balance Sheets, (2) the Unaudited Condensed Consolidated Statements of Operations, (3) the Unaudited Condensed Consolidated Statements of Stockholders' Equity, (4) the Unaudited Condensed Consolidated Statements of Cash Flows and (5) the Notes to the Unaudited Condensed Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as iXBRL and contained in Exhibit 101).

* Filed herewith

** This certification is not "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

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.

VERU INC.

DATE: February 9, 2022

/s/ Mitchell S. Steiner
Mitchell S. Steiner
Chairman, Chief Executive Officer and President

DATE: February 9, 2022

/s/ Michele Greco
Michele Greco
Chief Financial Officer and Chief Administrative Officer

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mitchell S. Steiner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Veru 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; and

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 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: February 9, 2022

/s/Mitchell S. Steiner
Mitchell S. Steiner
Chairman, Chief Executive Officer and President

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michele Greco, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Veru 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; and

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 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: February 9, 2022

/s/Michele Greco
Michele Greco
Chief Financial Officer and Chief Administrative Officer

Exhibit 32.1

Certification of Periodic Financial Report
Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Veru Inc. (the "Company") certifies that the Quarterly Report on Form 10-Q of the Company for the quarter ended December 31, 2021 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and information contained in that Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 9, 2022

/s/Mitchell S. Steiner
Mitchell S. Steiner
Chairman, Chief Executive Officer and President

Date: February 9, 2022

/s/Michele Greco
Michele Greco
Chief Financial Officer and
Chief Administrative Officer

This certification is made solely for purpose of 18 U.S.C. Section 1350, subject to the knowledge standard contained therein, and not for any other purpose.