

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)
 ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2025
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ___ to ___
Commission file number 001-34785
XWELL, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization) 20-4988129
(I.R.S. Employer Identification No.)

254 West 31st Street, 11th Floor
New York, NY
(Address of principal executive offices) 10001
(Zip Code)

Registrant's telephone number, including area code: (212)-750-9595

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	XWEL	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the registrant's voting common stock held by non-affiliates of the registrant, as of June 30, 2025, the last business day of the registrant's most recently completed second quarter, was \$3,633,243 computed by reference to the closing sale price of \$0.92 per share on the Nasdaq Stock Market LLC on June 30, 2025. The registrant does not have any non-voting common stock.

As of March 26, 2026, 7,926,766 shares of the registrant's common stock are outstanding.

Table of Contents

PART I	4
ITEM 1. BUSINESS	4
ITEM 1A. RISK FACTORS	8
ITEM 1B. UNRESOLVED STAFF COMMENTS	31
ITEM 1C. CYBERSECURITY	31
ITEM 2. PROPERTIES	33
ITEM 3. LEGAL PROCEEDINGS	33
ITEM 4. MINE SAFETY DISCLOSURES	35
PART II	36
ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES	36
ITEM 6. [RESERVED]	36
ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	37
ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	50
ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	50
ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	50
PART III	51
ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE	51
ITEM 11. EXECUTIVE COMPENSATION	52
ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	52
ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	52
ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES	52
PART IV	53
ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES	53
ITEM 16. FORM 10-K SUMMARY	58
SIGNATURES	59

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate, among other matters, to our anticipated financial performance, future revenues or earnings, business prospects, projected ventures, new products and services, anticipated market performance and similar matters.

These risks and uncertainties, many of which are beyond our control, include, but are not limited to, the following:

- our ability to continue as a going concern;
- the adverse effects of public health epidemics, similar to the coronavirus outbreak, on our business, results of operations and financial condition;
- our material weaknesses we identified in our internal control over financial reporting, our efforts to remediate such material weaknesses and the timing of remediation;
- our ability to develop and offer new products and services;
- our ability to effectively deploy our available cash resources, as well as our ability raise additional capital to fund our operations and business plan, to the extent necessary;
- general economic conditions and level of consumer and corporate spending on health, wellness and travel;
- our ability to secure new locations, maintain XpresSpa, Naples Wax and Centers for Disease Control and Prevention (“CDC”) bio surveillance testing locations, and ensure continued customer traffic at those locations;
- our ability to hire a skilled labor force and the costs associated with that labor;
- our ability to accurately forecast the costs associated with opening new retail locations and maintaining or converting existing ones, and the revenue derived from our retail locations;
- performance by our Airport Concession Disadvantaged Business Enterprise partners on obligations set forth in our joint venture agreements;
- our ability to protect our confidential information and customers’ financial data and other personal information;
- failure or disruption to our information technology systems;
- our ability to retain key members of our management team;
- the loss of, or an adverse change with regard to, one or more of our significant suppliers, distributors, vendors or other business relationships;
- unexpected events and trends in the health, wellness and travel industries;
- market acceptance, quality, pricing, availability and useful life of our products and/or services, as well as the mix of our products and services sold;
- competitive conditions within our industries;

- our compliance with laws and regulations in the jurisdictions in which we do business and any new laws and regulations or changes in existing laws and regulations;
- further regulatory actions in the healthcare sector that could impact our ability to continue operations;
- the discontinuance of emergency use authorization (“EUA”) policies that could impact our business
- our ability to maintain compliance with the Nasdaq Capital Market’s (“Nasdaq”) listing standards;
- lawsuits, claims, and investigations that may be filed against us and other events that may adversely affect our reputation; and
- our ability to protect and maintain our intellectual property.

Forward-looking statements may appear throughout this Annual Report on Form 10-K, including, without limitation, the following sections: Item 1 “Business,” Item 1A “Risk Factors,” and Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” The statements contained herein that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements are often identified by the use of words such as, but not limited to, “anticipates,” “believes,” “can,” “continues,” “could,” “estimates,” “expects,” “intends,” “may,” “will,” “will be,” “will continue,” “will likely result,” “plans,” “predicts,” “projects,” “seeks,” “should,” “future,” “targets,” “continue,” “would,” or the negative of such terms, and similar or comparable terminology or expressions or variations intended to identify forward-looking statements. These statements are based on current expectations and assumptions based on information currently available to us. Such forward-looking statements are subject to risks, uncertainties, assumptions (that may never materialize or may prove incorrect) and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. These forward-looking statements are not guarantees of future performance, and actual results may vary materially from the results and expectations discussed. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in our Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and in this Annual Report on Form 10-K, and in particular, the risks discussed under the caption “Risk Factors” in Item 1A of this report and those discussed in other documents we file with the Securities and Exchange Commission (“SEC”). The forward-looking statements set forth herein speak only as of the date of this report. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements to reflect events or circumstances that may arise after the date of such forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

All references in this Annual Report on Form 10-K to “we,” “us” and “our” refer to XWELL, Inc. (prior to October 25, 2022 known as “XpresSpa Group, Inc.” and prior to January 5, 2018, known as “FORM Holdings Corp.”), a Delaware corporation, and its consolidated subsidiaries unless the context requires otherwise.

PART I

ITEM 1. BUSINESS

Overview

XWELL is a global wellness organization dedicated to delivering restorative and health-focused services to travelers through its three reportable operating segments: XpresSpa®, XpresTest®, and Naples Wax Center®. As of the date of this Annual Report on Form 10-K, XWELL currently has three reportable operating segments: XpresSpa®, XpresTest® and Naples Wax Center®.

On October 25, 2022, the Company changed its name to XWELL, Inc. (“XWELL” or the “Company”) from XpresSpa Group, Inc. The Company’s common stock, par value \$0.01 per share, which had previously been listed under the trading symbol “XSPA” on Nasdaq, now trades under the trading symbol “XWEL”. The Company filed an amended and restated certificate of incorporation with the Delaware Secretary of State on October 24, 2022 (as amended, the “Amended and Restated Certificate”) reflecting the name change. Rebranding to XWELL aligned the Company’s corporate strategy to build a pure-play wellness services company, in both the airport and off-airport marketplaces.

All amounts are in thousands, except share, per share, or as otherwise specifically noted.

XpresSpa

XWELL’s subsidiary, XpresSpa Holdings, LLC (“XpresSpa”) has been a global airport retailer of spa services through its XpresSpa spa locations, offering travelers premium spa services, including massage, nail and skin care, as well as spa and travel products.

As of December 31, 2025, there were 16 domestic XpresSpa locations in total. The Company also had 9 international locations operating as of December 31, 2025, including 2 XpresSpa locations in the Dubai International Airport in the United Arab Emirates, 1 XpresSpa location in the Zayed International Airport in Abu Dhabi, United Arab Emirates, 2 XpresSpa locations in the Schiphol Amsterdam Airport in the Netherlands and 4 XpresSpa locations in the Istanbul Airport in Turkey.

Treat, which is operating through XWELL’s subsidiary Treat, Inc. (“Treat”) is a wellness brand that provides access to wellness services for travelers at on-site centers. In April 2024, the decision was made to close the location in the Salt Lake City International Airport. In the first quarter of 2025, the decision was made to convert the final remaining Treat location at JFK International Airport in New York City to an XWELL location. As of December 31, 2025 all Treat locations have been converted to XWELL.

XpresTest

The Company, in partnership with certain COVID-19 testing partners, successfully launched its XpresCheck Wellness Centers, in June of 2020, through its XpresTest, Inc. subsidiary (“XpresTest”), which offered COVID-19 and other medical testing to the traveling public, as well as airline, airport and concessionaire employees, and TSA and U.S. Customs and Border Protection agents during the pandemic. As of December 31, 2023, the Company closed all XpresCheck locations and XpresTest no longer provides diagnostic testing services XpresTest began conducting bio surveillance monitoring with the Centers for Disease Control and Prevention (CDC) in collaboration with Concentric by Ginkgo Bioworks Holdings, Inc. (“Ginkgo Bioworks”) in 2021.

The program was renewed through August 2024. The revenue to XpresTest from such one-year extension totaled approximately \$7,044. In January 2024, the program funding and scope were expanded, a revenue increase of \$4,000, to an estimated \$11,044 in revenue for XpresTest with new collection locations at U.S. international airports and the roll out of multi-pathogen testing across the program. In July 2024, the contract was further amended to extend the time period for services by two weeks (extension period August 12, 2024 to August 25, 2024). An increase of \$293 in revenue for the two week extension brought total revenue to \$11,337. The program was again extended in August 2024 through February 25,

2025. The funding was expanded with a revenue increase of \$3,763, to an estimated \$15,100 in revenue for XpresTest. In February 2025, the program was extended through a three-year contract with a total base value of \$22,200 over three years, and a maximum ceiling value of \$24,800 within the same timeframe.

Naples Wax Center

XWELL's subsidiary Naples Wax, LLC, d/b/a Naples Wax Centers ("Naples Wax Center" or "Naples Wax") which was acquired on September 12, 2023, for a purchase price of \$1,624, operates a group of upscale hair removal locations with core products and service offerings from face and body waxing to a range of skincare and cosmetic products. The acquisition of Naples Wax Center is intended to enable us to move beyond our airport client base with a business that can be adapted to a larger wellness platform while also growing our retail footprint to serve our long-term financial goals.

Although we recognize four segments of business, we believe there is opportunity to leverage a segment of our products and services across our platform of brands. Additionally, we are expanding our retail strategy, not only adding more products for sale but aligning those products more efficiently to our service offerings. This product strategy includes, for example, adding muscle relaxation patches to a neck or back massage to continue treatment after the delivery of the service.

We also plan to build our capability for delivering health and wellness services outside of the airport. We believe operating outside of the airport complements our offering and represents the fastest way to scale the XWELL family of brands.

We will be looking to further expand internationally. We believe a strategy for international expansion further advances our ability to expand our other brands including bio surveillance outside of the US.

Our Strategy and Outlook

We believe our company is strategically positioned to capitalize on the growing consumer interest in travel, health, and wellness, as well as the increasing demand for related products and services. Our forward-looking plan focuses on expanding and integrating offerings across our brands, with a key emphasis on unifying airport and off-airport locations under the XWELL brand. This strategic alignment will enable the development of membership programs that provide seamless access to XWELL locations, fostering deeper customer relationships and enhancing brand loyalty. Additionally, a strong customer community will support targeted marketing initiatives and cross-promotional opportunities.

As part of our strategy, we will optimize our airport portfolio to create a leaner, more profitable business while leveraging the high foot traffic of airport locations to build brand recognition. Simultaneously, we will pursue an off-airport growth strategy through acquisitions, particularly in the expanding med spa sector, which includes health, wellness, and beauty services. Our plan includes both developing new locations and acquiring established med spas, strategically expanding XWELL's presence in key metropolitan areas that align with our existing airport locations. This approach will enhance membership accessibility and strengthen our brand's reach.

Additionally, our expertise from the XpresTest unit will allow us to expand bio-security services beyond the U.S. through partnerships with government clients. Domestically, we will continue growing our bio-security initiatives in collaboration with government agencies. These strategic efforts will serve as catalysts for future growth, support our international expansion goals, and ensure scalable, long-term success. By optimizing our cost structure, refining our existing operations, and pursuing strategic acquisitions, XWELL is positioning itself for sustainable financial and operational growth while maximizing shareholder value.

Competition

Our domestic units operate within many of the largest and most heavily trafficked airports in the United States. The balance of the domestic market is highly fragmented and is represented largely by small, privately-owned entities. The largest domestic competitor operated 9 locations in 7 airports in the United States.

Our Market

Airport retailers differ significantly from traditional retailers. Unlike traditional retailers, airport retailers benefit from a steady and predictable flow of traffic from a constantly changing customer base. Airport retailers also benefit from “dwell time,” the period after travelers have passed through airport security and before they board an aircraft. For over 21 years, increased security requirements have led travelers to spend more time at the airport. In addition, in anticipation of the long and often stressful security lines, travelers allow for more time to get through security and, as a result, often experience increased downtime prior to boarding. XWELL is uniquely positioned to address this gap focusing on an expedient experience that still allows its customers to escape the hectic confines of the airport.

To take advantage of growing demand for unique travel wellness products, XWELL has made significant investments in a new retail offering that addresses this growing consumer demand. Further, as more airports exchange services for more traditional food and beverage providers, XWELL is positioned to take advantage of passenger demand for healthier and bio-nutrient rich snack and food offerings as part of its grab and go strategy.

The competition for airplane landings has forced airports to lower landing fees, which in turn has necessitated augmenting their retail offerings to offset budget shortfalls. Infrastructure projects at airports across the country, again intended to make an airport more desirable to airlines, require funding from bond issuances that in turn rely upon, in part, the expected minimum rent guarantees and expected income from concessionaires.

Equally as important to the industry growth is XWELL’s flexible, valuable, and desirable retail format and footprint within the airport retail segment. XWELL historically opened multiple locations annually, which have ranged in size from 200 square feet to 2,600 square feet, with a typical size of approximately 800 square feet. XWELL has been able to adapt its operating model to almost any size location available in space constrained airports. This increased flexibility compared to other retail concepts has allowed and will continue to allow XWELL to operate multiple stores within an airport, including in some cases for different concepts.

The acquisition of Naples Wax Center was intended to support the Company’s strategy of expanding out-of-airport locations to diversify its portfolio and reduce reliance on in-airport operations. However, certain Naples Wax Center locations have experienced operating challenges, which resulted in the recognition of impairment charges during the year.

Although we have historically focused our growth on the airport space, our strategy continues to shift with further emphasis on growth outside the airport—in and out of travel focused centers. This shift includes taking our XpresSpa brand out of the airport and into other transit centers such as rail terminals. It also includes growth through acquisition such as Naples Wax Centers where we can apply our wellness pedigree to expand that business from both a location standpoint and from a diversification of products and services standpoint.

Our goal continues to be opportunistic expansion outside the airport and we believe our family of brands will help to serve that growth strategy.

Regulation

Our operations are subject to a range of laws and regulations adopted by national, regional, and local authorities from the various jurisdictions in which we operate, including those relating to, among others, licensing (e.g., massage, nail, and cosmetology), public health and safety and fire codes. Failure to obtain or retain required licenses and approvals, including those related to licensing, public health and safety and fire codes, would adversely affect our operations. Although we have not experienced, and do not anticipate, significant problems obtaining required licenses, permits or approvals, any difficulties, delays or failures in obtaining such licenses, permits or approvals could delay or prevent the opening, or adversely impact the viability, of our operations.

Airport authorities in the United States frequently require that our airport concessions meet minimum Airport Concession Disadvantaged Business Enterprise (“ACDBE”) participation requirements. The Department of Transportation’s (“DOT”) ACDBE program is implemented by recipients of DOT Federal Financial Assistance, including airport agencies that receive federal funding. The ACDBE program is administered by the Federal Aviation Administration (“FAA”), state and

local ACDBE certifying agencies and individual airports. The ACDBE program is designed to help ensure that small firms owned and controlled by socially and economically disadvantaged individuals can compete for airport contracting and concession opportunities in domestic passenger service airports. The ACDBE regulations require that airport recipients establish annual ACDBE participation goals, review the scope of anticipated large prime contracts throughout the year, and establish contract specific ACDBE participation goals. We generally meet the contract specific goals through an agreement providing for co-ownership of the retail location with a disadvantaged business enterprise. Frequently, and within the guidelines issued by the FAA, we may lend money to ACDBEs in connection with concession agreements in order to help the ACDBE fund the capital investment required under a concession agreement. The rules and regulations governing the certification of ACDBE participation in airport concession agreements are complex, and ensuring ongoing compliance is costly and time consuming. Further, if we fail to comply with the minimum ACDBE participation requirements in our concession agreements, we may be held responsible for breach of contract, which could result in the termination of a concession agreement and monetary damages. See “Item 1A. Risk Factors – Risks Related to our Business Operations – Failure to comply with minimum airport concession disadvantaged business enterprise participation goals and requirements could lead to lost business opportunities or the loss of existing business.”

We are subject to the Fair Labor Standards Act, the Immigration Reform and Control Act of 1986, the Occupational Safety and Health Act, the Family and Medical Leave Act, the Affordable Care Act and various federal and state laws governing matters such as minimum wages, overtime, unemployment tax rates, workers’ compensation rates, citizenship requirements and other working conditions. We are also subject to the Americans with Disabilities Act, which prohibits discrimination on the basis of disability in public accommodations and employment, which may require us to design or modify our concession locations to make reasonable accommodations for disabled persons.

We are also subject to certain truth-in-advertising, general customs, consumer and data protection, product safety, workers’ health and safety and public health rules that govern retailers in general, as well as the merchandise sold within the various jurisdictions in which we operate.

Employees

As of December 31, 2025, we had approximately 175 full-time and 105 part-time employees of XWELL. We consider our relationships with our employees to be good.

Corporate Information

Our common stock, par value \$0.01 per share, which was previously listed since January 8, 2018 under the trading symbol “XSPA” on Nasdaq, has been listed under the trading symbol “XWELL” since October 25, 2022. Our principal executive offices are located at 254 West 31st Street, 11th Floor, New York, New York 10001. Our telephone number is (212) 309-7549 and our website address is www.xwell.com. We also operate the websites www.xpresspa.com, www.xprescheck.com and www.napleswaxcenter.com.

References in this Annual Report on Form 10-K to our website address and websites we operate do not constitute incorporation by reference of the information contained on the websites. We make our filings with the Securities and Exchange Commission (the “SEC”), including our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, other reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, and amendments to the foregoing reports, available free of charge on or through our website as soon as reasonably practicable after we file these reports with, or furnish such reports to, the SEC. In addition, we post the following information on our website:

- our corporate code of conduct and our insider trading compliance manual; and
- charters for our audit committee, compensation committee, and nominating and corporate governance committee.

The SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers, including us, that file electronically with the SEC. The public can obtain any documents that we file with the SEC at <http://www.sec.gov>.

ITEM 1A. RISK FACTORS

We are subject to various risks that may materially harm our business, prospects, financial condition and results of operations. An investment in our common stock is speculative and involves a high degree of risk, and you should carefully consider the risks described below, together with the other information included in this Annual Report on Form 10-K, including the consolidated financial statements and related notes before making an investment decision regarding our common stock. Our business, financial condition, results of operations and the trading price of our common stock could be materially adversely affected by any of the following risks as well as the other risks highlighted elsewhere in this Annual Report on Form 10-K. Although this section discusses all of the material risks currently known to us, additional risks and uncertainties not presently known to us or that we currently deem immaterial also may materially affect our business, financial condition and results of operations.

If any of the events described in the following risk factors actually occurs, or if additional risks and uncertainties later materialize, that are not presently known to us or that we currently deem immaterial, then our business, prospects, results of operations and financial condition could be materially adversely affected. In that event, the trading price of our common stock could decline, and you may lose all or part of your investment in our shares. The risks discussed below include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements.

Risk Factor Summary

Below is a summary of the principal factors that make an investment in our common stock speculative or risky. This summary does not address all the risks that we face. Additional discussion of the risks summarized in this risk factor summary, and other risks that we face, can be found below following this summary, and should be carefully considered, together with other information in this Annual Report on Form 10-K, including the consolidated financial statements and related notes thereto, and our other filings with the SEC, before making an investment decision regarding our common stock.

Risks Related to our Financial Condition and Capital Requirements

- Our consolidated financial statements have been prepared on a going concern basis; we must raise additional capital to fund our operations in order to continue as a going concern;
- Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.
- Our business requires substantial capital expenditures, and we may not have access to the capital required to maintain and grow our operations.
- The bio surveillance monitoring activities conducted by XpresTest are funded partially by government contracts awards, which may not be available to us in the future, and such contracts awards are subject to guidelines regulating certain aspects of our operations.

Risks Related to our Business Operations

- We depend on third parties to provide services critical to our XpresTest bio surveillance business, and we depend on them to comply with applicable laws and regulations. Additionally, any breaches of the information technology systems of third parties could have a material adverse effect on our operations.
- Our business operations may be materially impaired if we do not comply with privacy laws or information security policies.
- We have identified certain material weaknesses in our internal controls over financial reporting, which could impair our ability to produce accurate consolidated financial statements on a timely basis and result in material

misstatements in our consolidated financial statements if not remediated. If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results and current and potential stockholders may lose confidence in our financial reporting.

- Hardware and software failures or delays in our information technology systems, including failures resulting from our systems conversions or otherwise, could disrupt our operations and cause the loss of confidential information, customers and business opportunities or otherwise adversely impact our business.
- We rely on international and domestic airplane travel, and the time that airline passengers spend in United States airports post-security. A decrease in the desire of customers to buy spa services and products, or decreased time spent in airports would negatively impact our operations.
- Negative social media regarding XWELL, XpresSpa, XpresTest or Naples Wax Center could result in decreased revenues and impact our ability to recruit worker.
- We source, develop, and sell products that may result in product liability defense costs and product liability payments.
- We and our subsidiaries have been, are, and may become involved in litigation that could divert management's attention and harm our businesses.
- Our failure or inability to protect the trademarks or other proprietary rights we use or claims of infringement by us of rights of third parties, could adversely affect our competitive position or the value of our brands.
- Our future acquisitions or business opportunities could involve unknown risks that could harm our business and adversely affect our financial condition and the results of operations.

Risks Related to Capital Stock

- Stock prices can be volatile, and this volatility may depress the price of our common stock.
- The Series H Certificate of Designations contains restrictive covenants and terms that may make it difficult to procure additional financing and that may affect our financial condition and results of operations.
- We have no current plans to pay dividends on our common stock, and our investors may not receive funds without selling their stock.
- Our failure to meet the continued listing requirements of Nasdaq could result in a delisting of our common stock.
- If securities analysts do not publish research or reports about our business, or if they publish negative evaluations, the price of our common stock could decline.
- Having availed ourselves of scaled disclosure available to smaller reporting companies, we cannot be certain if such reduced disclosure will make our common stock less attractive to investors.

Other Risk Factors

- Our confidential information may be disclosed by other parties.
- We may fail to meet publicly announced financial guidance or other expectations about our business, which would cause our stock to decline in value.

Risks Related to our Financial Condition and Capital Requirements

Our consolidated financial statements have been prepared on a going concern basis; we must raise additional capital to fund our operations in order to continue as a going concern.

Our consolidated financial statements have been prepared on a going-concern basis. Historically, we have incurred operating losses and used cash in operating activities. As of December 31, 2025, we had cash and cash equivalents of approximately \$2,716. Subsequent to year end, on February 24, 2026, we announced that we entered into a private placement of Series H Convertible Preferred Stock with accompanying warrants for expected gross proceeds of approximately \$31,300 before fees and expenses. \$9,000 of the proceeds was used to repurchase certain notes and redeem certain preferred stock and warrants, with the remainder available for working capital and general corporate purposes.

In light of the Series H financing and our current operating plan, management has concluded that the conditions that previously raised substantial doubt about our ability to continue as a going concern have been alleviated as of the date these financial statements are issued. Nevertheless, we expect to continue investing in our business and may seek additional financing to fund operations and strategic initiatives. There can be no assurance that additional financing, if needed, will be available on acceptable terms or at all. If we are unable to obtain sufficient capital when required, we may be forced to delay, reduce, or eliminate certain activities, implement additional cost-saving measures, or pursue strategic alternatives, any of which could adversely affect our business, financial condition, and results of operations.

The consolidated financial statements do not include any adjustments that might be necessary if we were unable to continue as a going concern.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

As of December 31, 2025, the Company's estimated aggregate total NOLs were \$150,926 for U.S. federal purposes, expiring 20 years from the respective tax years to which they relate, and \$127,912 for U.S. federal purposes with an indefinite life due to new regulations in the TCJA. of 2017. The NOL amounts are presented before Internal Revenue Code, Section 382 limitations ("Section 382"). The Tax Reform Act of 1986 imposed substantial restrictions on the utilization of NOL and tax credits in the event of an ownership change of a corporation. Thus, the Company's ability to utilize all such NOL and credit carryforwards may be limited. An IRC Section 382 Study has not yet been completed. The Coronavirus Aid, Relief, and Economic Security Act or "CARES Act" was enacted subsequent to the December 31, 2019 period, on March 27, 2020. The CARES act provided for favorable business provisions. However, the Company does not anticipate the income tax provision changes to materially benefit the Company.

Global economic and market conditions may adversely affect our business, financial condition, and operating results.

Our business plan depends significantly on worldwide economic conditions and our success is dependent on consumer spending, which is sensitive to, among others, trade disputes, the imposition of tariffs, and other protectionist policies enacted by various governments, economic downturns, inflation and any associated rise in unemployment, declines in consumer confidence, adverse changes in exchange rates, increases in interest rates, the impact of high energy, fuel, food and healthcare costs, deflation, direct or indirect taxes, increases in consumer debt levels; fears of war or actual conflicts, such as the Russian invasion of Ukraine and the armed conflicts in the Middle East, civil unrest, terrorism or violence, and increased stock market volatility. As a result, economic downturns may have a material adverse impact on our business, financial condition, and results of operations. Moreover, uncertainty about global economic conditions poses a risk as businesses and individuals may postpone spending in response to tighter credit, negative financial news and declines in income or asset values. This could have a negative effect on corporate and individual spending on health and wellness and travel. These factors, taken together or individually, could cause material harm to our business, financial condition, and results of operations.

Increasing inflation could adversely affect our business, financial condition, results of operations or cash flows.

Inflation and some of the measures taken by or that may be taken by the governments in countries where we operate to curb inflation may have negative effects on the economies of those countries generally. If the United States or other

countries where we operate experience substantial inflation in the future, our business may be adversely affected. In addition, we may not be able to adjust the prices we charge for our products and services to offset the impact of inflation on our expenses, leading to an increase in our operating expenses and a reduction in our margins. This could have a material adverse impact on our business, financial condition, results of operations or cash flows.

Our business requires substantial capital expenditures, and we may not have access to the capital required to maintain and grow our operations.

The development of our new branding concept in the travel health and wellness space, as well as maintaining and expanding our operations in our existing and new locations, are all capital-intensive activities. Specifically, the construction, redesign, and maintenance of our locations in airport terminals where we operate, technology costs, and compliance with applicable laws and regulations require substantial capital expenditures. Moreover, the creation of a digital platform in the travel health and wellness space will take substantial capital resources. In connection with all the foregoing, we will require significant capital to fund our operations and respond to potential strategic opportunities, such as investments, acquisitions and expansions.

We have historically relied, and expect to continue to rely, on a combination of existing cash resources and external financing to fund our operations, growth initiatives, and capital expenditures. While we have accessed the equity markets in the past, we may need to raise additional capital in the future to support the continued development and expansion of our travel health and wellness concept and other strategic initiatives. We may not be able to obtain such financing on acceptable terms, or at all. The availability and terms of additional financing may be affected by a number of factors, including our operating results, capital requirements, market conditions, and the trading price of our common stock. Any future equity financing could be dilutive to existing stockholders, and we may also be constrained in our ability to raise capital due to our stock price or market volatility. If we are unable to raise additional funds when needed, we could be required to delay, reduce, or eliminate certain operating or growth plans, which could adversely affect our business and results of operations.

We must continue to invest capital to maintain or to improve the success of our concessions and to meet refurbishment requirements in our concessions. Decisions to expand into new terminals could also affect our capital needs. Our actual capital expenditures in any year will vary depending on, among other things, the extent to which we are successful in renewing existing concessions and winning additional concession agreements.

The bio surveillance monitoring activities conducted by XpresTest are funded partially by government contract awards, which may not be available to us in the future, and such contract awards are subject to guidelines regulating certain aspects of our operations.

We have received and intend to continue to seek funding for the bio surveillance monitoring activities conducted by XpresTest under contract with Ginkgo Bioworks. However, funding by the CDC or other governmental agencies may be significantly reduced or eliminated in the future for several reasons. For example, some programs are subject to a yearly appropriations process overseen by the U.S. Congress. In addition, we may not receive full funding under current or future contracts because of the budgeting constraints of the CDC or the unsatisfactory performance of past contracts. Therefore, we cannot provide any assurance that we will receive any future funding under contracts from any government agencies, or, if received, we will realize the full value of the contract. Any such reductions failure to realize expected funds could delay the development of our business.

Our operations conducted under such federal contracts are subject to certain federal regulations regarding how we conduct our business, and we will be obligated to abide by the agreement terms relating to those contracts. Failure to follow the regulations and agreement terms could jeopardize our ability to realize the value of our government contracts and our ability to obtain future government contracts, which could have a material adverse effect on our results of operations and financial condition. In addition, any failure to comply with applicable laws or regulations affecting such contracts could harm our business and divert our management's attention.

Our ability to obtain funding for our bio surveillance monitoring activities from the CDC may be impacted by possible reductions in federal spending.

U.S. federal government agencies currently face potentially significant spending reductions. The U.S. federal budget remains in flux, however, which could, among other things, result in budget cuts to the CDC and otherwise affect federal spending on public health surveillance. Changing attitudes may lead to a decrease in funding available for bio surveillance monitoring activities. The full impact on our business and financial condition of any future budget cuts to the CDC or other programs is uncertain. In addition, we cannot predict any impact which the actions of President Trump's administration and the U.S. Congress may have on the federal budget, which may in turn affect federal funding on public health surveillance, which may have a negative impact on our business and financial condition.

We operate globally and changes in tax laws could adversely affect our results.

We operate globally and changes in tax laws could adversely affect our results. We have international operations and generate substantial revenues and profits in foreign jurisdictions. The domestic and international tax environments continue to evolve because of tax changes in various jurisdictions in which we operate and changes in the tax laws in certain countries, including the United States, could impact our future operating results. A significant increase in the U.S. corporate tax rate could negatively impact our financial results. The OECD's framework implements a global minimum corporate tax of 15% for companies with global revenues and profits above certain thresholds (referred to as "Pillar Two"). Certain jurisdictions in which the Company operates have enacted their respective tax laws to comply with Pillar Two. Starting in 2025, we have come within the scope of the Pillar Two rules. As of now, we do not expect Pillar Two to have a material impact on our effective tax rate or our consolidated results of operation, financial position, and cash flows. We will continue to monitor pending legislation and implementation by individual countries.

Risks Related to our Business Operations

If we fail to comply with the complex federal, state, local and foreign laws and regulations that apply to our businesses, we could suffer severe consequences that could materially and adversely affect our operating results and financial condition.

Our XpresTest operations may be subject to extensive federal, state, local and foreign laws and regulations, all of which are subject to change. These laws and regulations currently include, among other things:

- CLIA, which requires that laboratories obtain certification from the federal government, and state licensure laws;
- FDA laws and regulations;
- federal and state healthcare laws and regulations, including fraud and abuse laws such as the anti-kickback laws and false claims acts;
- state laws regulating genetic testing and protecting the privacy of genetic test results, as well as state laws protecting the privacy and security of personal data and mandating reporting of breaches to affected individuals and state regulators;
- state laws that impose reporting and other compliance-related requirements; and
- similar foreign laws and regulations that apply to us in the countries in which we operate.

These laws and regulations are complex and are subject to interpretation by the courts and by government agencies. Our failure to comply could lead to civil or criminal penalties, exclusion from participation in state and federal healthcare programs, or prohibitions or restrictions on our laboratory's ability to provide or receive payment for our services. We believe that we are in material compliance with all statutory and regulatory requirements, but there is a risk that one or more government agencies could take a contrary position, or that a private party could file suit under the qui tam provisions of the federal False Claims Act or a similar state law. Such occurrences, regardless of their outcome, could damage our reputation and adversely affect important business relationships with third parties.

We have identified certain material weaknesses in our internal controls over financial reporting, which could impair our ability to produce accurate consolidated financial statements on a timely basis and result in material misstatements in our consolidated financial statements if not remediated. If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results and current and potential stockholders may lose confidence in our financial reporting

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, the Sarbanes-Oxley Act and the rules and regulations of Nasdaq. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. As required by Section 404 of the Sarbanes-Oxley Act, we must perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on the effectiveness of our internal control over financial reporting in our Form 10-K filing for each fiscal year. This requires us to incur substantial additional professional fees and internal costs to expand our accounting and finance functions and we expend significant management efforts.

As of the fiscal year ended December 31, 2025, our management evaluated, with the participation of our chief executive officer and chief financial officer, the effectiveness of our disclosure controls and procedures, pursuant to Rule 13a-15(b) under the Exchange Act. A "material weakness" is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis. Based upon that evaluation, our management concluded that our disclosure controls and procedures were not effective as of December 31, 2025, due to the following material weaknesses:

- 1) The Company did not properly design, implement, and consistently operate effective controls over the completeness and accuracy of its accounting for leases under ASC 842.
- 2) The Company did not properly design or maintain effective entity level monitoring controls over the financial close and reporting process.
- 3) The Company did not design or maintain effective controls over its service organizations and IT vendors. More specifically, the Company did not have controls in place to review the applicable complementary user entity controls described in the service organizations' reports for their potential impact on the Company's financial reporting.
- 4) The Company did not design, implement, and consistently operate effective controls over the revenue process. The Company's controls surrounding the revenue reports and reconciliations were not designed and did not operate at a level of precision that would prevent or detect a material misstatement.
- 5) The Company did not design, implement, and consistently operate effective controls over its' foreign subsidiaries.

Our internal control over financial reporting will not prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected.

Management is committed to the remediation of the material weaknesses described above, as well as the continued improvement of the Company's internal control over financial reporting. Management has implemented, and continues to implement, the actions described below to remediate the underlying causes of the control deficiencies that gave rise to the material weaknesses. Until the remediation efforts described below, including any additional measures management identifies as necessary, are completed, the material weaknesses described above will continue to exist. We cannot provide any assurance that the below remediation efforts will be successful or that our internal control over financial reporting will be effective because of these efforts. Management has commenced the following actions and will continue to assess additional opportunities for remediation on an ongoing basis:

- 1) The Company has turned on the multi-currency features related to its cloud-based accounting systems.
- 2) The Company has engaged outside service providers to assist with the valuation, accounting, and recording of key reporting areas such as leases, revenue recognition and stock compensation expense.
- 3) The Company has contracted an independent consulting firm to assist with the preparation of the Financial Statements and U.S. GAAP accounting research.
- 4) The Company has engaged outside service providers to review the applicable complementary user entity controls described in the service organizations' reports for their potential impact on the Company's financial reporting.

We cannot assure you that any of our remedial measures will be effective in resolving our material weaknesses.

If we are not able to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner, or if we are unable to maintain proper and effective internal controls or remediate our material weaknesses, we may not be able to produce timely and or accurate financial statements, which may lead to material misstatements in our financial statements. This could result in a restatement of our consolidated financial statements, cause us to fail to meet our reporting obligations, reduce our ability to obtain financing or cause investors to lose confidence in our reported financial information. If that were to happen, the market price of our common stock could decline and we could be subject to sanctions or investigations by Nasdaq, the SEC, or other regulatory authorities.

We depend on third parties to provide services critical to our XpresTest bio surveillance business, and we depend on them to comply with applicable laws and regulations. Additionally, any breaches of the information technology systems of third parties could have a material adverse effect on our operations.

We depend on third parties to provide services critical to our XpresTest bio surveillance business, including supplies, research products, and people, among other services. Third parties that provide services to us are subject to similar risks related to security of customer-related information and compliance with U.S., state, local, or international environmental, health and safety, and privacy and security laws and regulations as those faced by us. Any failure by third parties to comply with applicable laws, or any failure of third parties to provide services more generally, could have a material impact on us, whether because of the loss of the ability to receive services from the third parties, our legal liability for the actions or inactions of third parties, or otherwise. In addition, third parties to whom we outsource certain services or functions may process personal data, or other confidential information belonging to us. A breach or attack affecting these third parties could also harm our business, results of operations and reputation.

Our business operations and reputation may be materially impaired if we do not comply with privacy laws or information security policies.

We collect, generate, process, or maintain sensitive information, such as patient data and other personal information. If we do not use or adequately safeguard that information in compliance with applicable requirements under federal, state, and international laws, or if it were disclosed to persons or entities that should not have access to it, our business could be materially impaired, our reputation could suffer, and we could be subject to fines, penalties, and litigation. In the event of a data security breach, we may be subject to notification obligations, litigation and governmental investigation or sanctions, and may suffer reputational damage, which could have an adverse impact on our business.

We are subject to laws and regulations regarding protecting the security and privacy of certain personal information, including state laws, including, among others, the California Consumer Privacy Act.

Hardware and software failures or delays in our information technology systems, including failures resulting from our systems conversions or otherwise, could disrupt our operations and cause the loss of confidential information, customers and business opportunities or otherwise adversely impact our business.

IT systems are used extensively in virtually all aspects of our business, including clinical testing, test reporting, billing, customer service, logistics and management of medical data. Our success depends, in part, on the continued and uninterrupted performance of our IT systems. A failure or delay in our IT systems could impede our ability to serve our customers and patients and protect their confidential personal data. Despite redundancy and backup measures and precautions that we have implemented, our IT systems may be vulnerable to damage, disruptions, and shutdown from a variety of sources, including telecommunications or network failures, system conversion or standardization initiatives, human acts, and natural disasters. These issues can also arise because of failures by third parties with whom we do business and for which we have limited control. Any disruption or failure of our IT systems could have a material impact on our ability to serve our customers and patients, including negatively affecting our reputation in the marketplace.

We must comply with complex and overlapping laws protecting the privacy and security of personal data.

We are required to collect and maintain personal information about our employees as well as receive and transfer certain payment information, to accept payments from our customers, including credit card information. Most states have adopted laws requiring notification of affected individuals and state regulators in the event of a breach of personal information. Many state laws impose significant data security requirements, such as encryption or mandatory contractual terms to ensure ongoing protection of personal information. Activities outside of the United States implicate local and national data protection standards, impose additional compliance requirements, and generate additional risks of enforcement for non-compliance. The collection and use of such information may be subject to contractual obligations as well. If the security and information systems that we or our outsourced third-party providers use to store or process such information are compromised or if we, or such third parties, otherwise fail to comply with these laws, regulations, and contractual obligations, we could face litigation and the imposition of penalties that could adversely affect our financial performance.

We must comply with all applicable privacy and data security laws to operate our business and may be required to expend significant capital and other resources to ensure ongoing compliance, to protect against security breaches and hackers or to alleviate problems caused by such breaches. Breaches of personal data may be extremely expensive to remediate, may prompt federal or state investigation, fines, civil and/or criminal sanctions, and significant reputational damage.

Our capital expenditures in Naples Wax locations may not generate a positive return and we will incur significant additional costs.

Our capital expenditures may not generate a positive return. Significant capital expenditures will be required to construct Naples Wax centers to accommodate our proposed new business model. No assurance can be given that our future capital expenditures will generate a positive return or that we will have adequate capital available to finance such construction or renovations. If we are unable to, or elect not to, pay for costs associated with such construction or renovations, our competitive position could be harmed. These developments, and others that are difficult or impossible to predict, could materially impact our business, financial results, cash flows, and financial position.

We rely on international and domestic airplane travel, and the time that airline passengers spend in United States airports post-security. A decrease in the desire of customers to buy spa services and products, or decreased time spent in airports would negatively impact our operations.

We depend upon a large number of airplane travelers with the propensity for health and wellness, and in particular spa treatments and products, spending significant time post-security clearance check points at airports. The number of airline travelers at any given time is volatile and subject to change. If the time that these travelers spend post-security clearance at airports decreases, and/or if travelers' ability or willingness to pay for our products and services diminishes, this could

have an adverse effect on our growth, business activities, cash flow, financial condition, and results of operations. Some reasons for these events could include:

- terrorist activities (including cyber-attacks) impacting either domestic or international travel through airports where we operate, causing fear of flying, flight cancellations, or an economic downturn, fears of war or actual conflicts, such as the Russian invasion of Ukraine, the armed conflict in the Middle East, civil unrest, terrorism or violence or any other events of a similar nature, even if not directly affecting the airline industry, may lead to a significant reduction in the number of airline passengers;
- a decrease in business spending that impacts business travel, such as a recession;
- a decrease in consumer spending that impacts leisure travel, such as a recession or a stock market downturn or a change in consumer lending regulations impacting available credit for leisure travel;
- an increase in airfare prices that impacts the willingness of air travelers to fly, such as an increase in oil prices or heightened taxation from federal or other aviation authorities;
- severe weather, ash clouds, airport closures, natural disasters, strikes or accidents (airplane or otherwise), causing travelers to decrease the amount that they fly and any of these events, or any other event of a similar nature, even if not directly affecting the airline industry, may lead to a significant reduction in the number of airline passengers;
- as to our spa business, scientific studies that malign the use of spa services or the products used in spa services, such as the impact of certain chemicals and procedures on health and wellness;
- streamlined security screening checkpoints, which could decrease the wait time at checkpoints and therefore the time air travelers' budget for spending time at the airport; or
- Customer preferences for services in general at the airport could change as dwell times in US airports continue to go down and more airports are focusing available concession space on quicker service food and beverage concepts.

Further, any disruption to, or suspension of services provided by airlines and the travel industry because of financial difficulties, labor disputes, military activity, construction work, increased security, changes to regulations governing airlines, mergers and acquisitions in the airline industry, higher fuel prices and challenging economic conditions causing airlines to reduce flight schedules or increase the price of airline tickets could negatively affect the number of airline passengers.

Additionally, the threat of terrorism and governmental measures in response thereto, such as increased security measures, recent executive orders in the United States impacting entry into the United States and changing attitudes towards the environmental impacts of air travel may in each case reduce demand for air travel and, as a result, decrease airline passenger traffic at airports.

Furthermore, the exit of an airline from a market or the bankruptcy of an airline could reduce the number of airline passengers in a terminal or airport where we operate and have a material adverse impact on our business, financial condition, and results of operations.

The effect that these factors would have on our business depends on their magnitude and duration, and a reduction in airline passenger numbers will result in a decrease in our sales and may have a materially adverse impact on our business, financial condition, and results of operations.

Our operations in United Arab Emirates can be negatively impacted by recent military conflict in the Middle East.

On February 28, 2026, Israel and the United States initiated a coordinated military operation in Iran. In response, Iran launched missiles and unmanned aerial vehicles toward Israel and other countries in the region, including United Arab Emirates. We currently operate two XpresSpa locations in the Dubai International Airport in the United Arab Emirates, and one XpresSpa location in the Zayad International Airport in Abu Dhabi, United Arab Emirates. Both airports have sustained minor damages from drone and missile strikes, resulting in a fatality and injuries. As a result of the conflict, many airlines have also cancelled their flights to the region and certain airports, including airports in United Arab Emirates, have had temporarily suspended their operations, which have since resumed, but are subject to further delays and/or suspensions.

Continued hostilities in the Middle East involving the United Arab Emirates could negatively impact our operations. The closure of airports or airspace, a reduction in airline operations, or decreased travel to the region could result in reduced passenger traffic at the airports where we operate, which could in turn reduce demand for our services and materially decrease our revenues. In addition, further military activity, missile or drone attacks, or the threat of such attacks could disrupt airport operations, damage infrastructure, or result in additional security restrictions imposed by governmental authorities or airport operators.

Any escalation of the conflict or additional attacks affecting aviation infrastructure in the region could lead to prolonged airport disruptions, increased operating costs, reduced customer traffic, or temporary or permanent closures of our locations in the United Arab Emirates, which could materially and adversely affect our business, financial condition and results of operations.

We rely on a limited number of distributors and suppliers for certain of our products, and events outside our control may disrupt our supply chain, which could result in an inability to perform our obligations under our concession agreements and cause us to lose our concessions.

We rely on a small number of suppliers for our products. As a result, these suppliers may have increased bargaining power, and we may be required to accept less favorable purchasing terms. In the event of a dispute with a supplier, the delivery of a significant amount of merchandise may be delayed or cancelled, or we may be forced to purchase merchandise from other suppliers on less favorable terms. Such events could cause turnover to fall or costs to increase, adversely affecting our business, financial condition, and results of operations. We have publicized our sale of certain brands of products in our stores – our failure to sell these brands may adversely affect our business.

Further, damage or disruption to our supply chain due to any of the following could impair our ability to sell our products: adverse weather conditions or natural disaster, government action, fire, terrorism, cyber-attacks, the outbreak or escalation of armed hostilities (such as the Russian invasion of Ukraine and the armed conflict between Israel and Palestine), pandemics, industrial accidents or other occupational health and safety issues, strikes and other labor disputes, customs or import restrictions or other reasons beyond our control or the control of our suppliers and business partners. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, could adversely affect our business, financial condition, and results of operations, as well as require additional resources to restore our supply chain.

Our operating results may fluctuate significantly due to certain factors, some of which are beyond our control.

Our operating results may fluctuate from period to period significantly because of numerous factors, including:

- the timing and size of new unit openings, particularly the launch of new terminals;
- passenger traffic and seasonality of air travel;
- changes in the price and availability of supplies;
- macroeconomic conditions, nationally, locally and internationally;

- changes in consumer preferences and competitive conditions;
- expansion to new markets and new locations; and
- increases in infrastructure costs, including those costs associated with the build-out of new concession locations and renovating existing concession locations.

Our operating results may fluctuate significantly because of the factors discussed above. Accordingly, results for any period are not necessarily indicative of results to be expected for any other period or for any year.

Our expansion into new airports or off-airport locations may present increased risks due to unfamiliarity with those areas.

Our growth strategy depends upon developing our off-airport locations which will include travel health and wellness mini locations and the expansion of Naples Wax. Those markets and locations may have demographic characteristics, consumer tastes and discretionary spending patterns that are different from those in the markets where our existing spa and testing operations are located. As a result, new airport terminal and/or off-airport operations may be less successful than existing concession locations in current airport terminals. We may find it more difficult in new markets to hire, motivate and keep qualified employees who can project our vision, passion, and culture. We may also be unfamiliar with local laws, regulations, and administrative procedures, including the procurement of spa services retail licenses, in new markets which could delay the build-out of new concession locations and prevent it from achieving its target revenues on a timely basis. Operations in new markets may also have lower average revenues or enplanements than in the markets where we currently operate. Operations in new markets may also take longer to ramp up and reach expected sales and profit levels, and may never do so, thereby negatively affecting the results of operations.

Our growth strategy is dependent in part on our ability to successfully identify and open new locations.

Our growth strategy is, among others, dependent in part on our ability to successfully identify and open new locations. We will need to assess and mitigate the risk of any new locations, to open the location on favorable terms and to successfully integrate their operations with ours. We may not be able to successfully identify opportunities that meet these criteria, or, if we do, we may not be able to successfully negotiate and open new locations on a timely basis. If we are unable to identify and open new locations in accordance with its operating plan, our revenue growth rate and financial performance may fall short of our expectations.

Our profitability relating to our operations depends on the number of airline passengers in the terminals in which we have concessions. Changes by airport authorities or airlines that lower the number of airline passengers in any of these terminals could affect our business, financial condition, and results of operations.

The number of airline passengers that visit the terminals in which we have concessions is dependent in part on decisions made by airlines and airport authorities relating to flight arrivals and departures. A decrease in the number of flights and a resulting decrease in airline passengers could result in fewer sales, which could lower our profitability and negatively impact our business, financial condition, and results of operations. Concession agreements generally provide for a minimum annual guaranteed payment (“MAG”) payable to the airport authority or landlord regardless of the amount of sales at the concession. Currently, most of our concession agreements provide for a MAG that is either a fixed dollar amount or an amount that is variable based upon the number of travelers using the airport or other location, retail space used, estimated sales, past results, or other metrics. If there are fewer airline passengers than expected or if there is a decline in the sales per airline passenger at these facilities, we will nonetheless be required to pay the MAG or fixed rent and our business, financial condition and results of operations may be materially adversely affected.

Furthermore, the exit of an airline from a market or the bankruptcy of an airline could reduce the number of airline passengers in a terminal or airport where we operate and have a material adverse impact on our business, financial condition, and results of operations.

We may not be able to execute our growth strategy to expand and integrate new concessions, our recently acquired entity or future acquisitions into our business or remodel existing concessions. Any new concessions, future acquisitions or remodeling of existing concessions may divert management resources, result in unanticipated costs, or dilute the ownership of our stockholders.

Part of our growth strategy is to expand and remodel our existing facilities and to seek new concessions through tenders, direct negotiations, or other acquisition opportunities. In this regard, our future growth will depend upon several factors, such as our ability to identify any such opportunities, structure a competitive proposal and obtain required financing and consummate an offer. Our growth strategy will also depend on factors that may not be within our control, such as the timing of any concession or acquisition opportunity.

We must also strategically identify which airport terminals and concession agreements to target based on numerous factors, such as airline passenger numbers, airport size, the type, location and quality of available concession space, level of anticipated competition within the terminal, potential future growth within the airport and terminal, rental structure, financial return, and regulatory requirements. We cannot provide assurance that this strategy will be successful.

In addition, we may encounter difficulties integrating expanded or new concessions or any acquisitions. Such expanded or new concessions or acquisitions may not achieve anticipated turnover and earnings growth or synergies and cost savings. Delays in the commencement of new projects and the refurbishment of concessions can also affect our business. In addition, we will expend resources to remodel our concessions and may not be able to recoup these investments. A failure to grow successfully may materially adversely affect our business, financial condition, and results of operations.

New concessions and acquisitions, and in some cases future expansions and remodeling of existing concessions, could pose numerous risks to our operations, including that we may:

- have difficulty integrating operations or personnel;
- incur substantial unanticipated integration costs;
- experience unexpected construction and development costs and project delays;
- face difficulties associated with securing required governmental approvals, permits and licenses (including construction permits) in a timely manner and responding effectively to any changes in federal, state or local laws and regulations that adversely affect our costs or ability to open new concessions;
- have challenges identifying and engaging local business partners to meet ACDBE requirements in concession agreements;
- not be able to obtain construction materials or labor at acceptable costs;
- face engineering or environmental problems associated with our new and existing facilities;
- experience significant diversion of management attention and financial resources from our existing operations in order to integrate expanded, new or acquired businesses, which could disrupt our ongoing business;
- lose key employees, particularly with respect to acquired or new operations;
- have difficulty retaining or developing acquired or new business customers;
- impair our existing business relationships with suppliers or other third parties as a result of acquisitions;
- fail to realize the potential cost savings or other financial benefits and/or the strategic benefits of acquisitions, new concessions, or remodeling; and

- incur liabilities from the acquired businesses and we may not be successful in seeking indemnification for such liabilities.

In connection with acquisitions or other similar investments, we could incur debt or amortization expenses related to intangible assets, suffer asset impairments, assume liabilities, or issue stock that would dilute the percentage of ownership of our then-current stockholders. We may not be able to complete acquisitions or integrate the operations, products, technologies, or personnel gained through any such acquisition, which may have a materially adverse impact on our business, financial condition, and results of operations.

If the estimates and assumptions we use to determine the size of our market are inaccurate, our future growth rate may be impacted.

Market opportunity estimates and growth forecasts are subject to uncertainty and are based on assumptions and estimates that may not prove to be accurate. The estimates and forecasts in this Annual Report on Form 10-K relating to the size and expected reemergence of the travel retail market may prove to be inaccurate. Even if the market in which we compete meets our size estimates and rate of return to normalized travel activity, our business could fail to reemerge or grow at similar rates, if at all. The principal assumptions relating to our market opportunity include projected reemergence and growth in the travel retail market and our share of the market. If these assumptions prove inaccurate, our business, financial condition and results of operations could be adversely affected.

We currently rely on a skilled, licensed labor force to provide our services, and the supply of this labor force is finite. If we cannot hire adequate staff for our locations, we will not be able to operate.

As of December 31, 2025, we had approximately 175 full-time and 105 part-time employees. Excluding some dedicated retail staff, most of our employees in our locations are licensed to perform spa services, and hold such licenses as masseuses, nail technicians, and aestheticians. The demand for these licensed technicians has been increasing as more consumers gravitate to health and wellness treatments such as spa services. We compete not only with other airport-based spa companies but also with spa companies outside of the airport for this skilled labor force. In addition, all staff hired by us must pass the background checks and security clearances necessary to work in airport locations. If we are unable to attract and retain qualified staff to work in our airport locations, our ability to operate in such locations, and our business and financial condition will be impacted negatively.

Our business is subject to various laws and regulations, and changes in such laws and regulations, or failure to comply with existing or future laws and regulations, could adversely affect us.

We are subject to various laws and regulations in the United States, Netherlands, Turkey, and United Arab Emirates that affect the operation of our concessions. The impact of current laws and regulations, the effect of changes in laws or regulations that impose additional requirements and the consequences of litigation relating to current or future laws and regulations, or our inability to respond effectively to significant regulatory or public policy issues, could increase our compliance and other costs of doing business and, therefore, have an adverse impact on our results of operations.

Failure to comply with the laws and regulatory requirements of governmental authorities could result in, among other things, revocation of required licenses, administrative enforcement actions, fines, and civil and criminal liability. In addition, certain laws may require us to expend significant funds to make modifications to our concessions to comply with applicable standards. Compliance with such laws and regulations can be costly and can increase our exposure to litigation or governmental investigations or proceedings.

Our labor force could unionize, putting upward pressure on labor costs.

Major players in labor organizations could target our locations for its unionization efforts. In the event of the successful unionization of all our labor force, we would likely incur additional costs in the form of higher wages, more benefits such as vacation and sick leave, and potentially also higher health care insurance costs.

We compete for new locations in airports and may not be able to secure new locations.

We participate in the highly competitive and lucrative airport concessions industry, and as a result compete for retail leases with a variety of larger, better capitalized concessions companies as well as smaller, mid-tier and single unit operators. Frequently, an airport includes only one similar travel health and wellness concept per terminal within its retail offering and, in those instances, we compete primarily with these other concessionaires.

We may not be able to predict accurately or fulfill customer preferences or demands.

We derive a significant amount of our revenue from the sale of massage, cosmetic and luxury products which are subject to rapidly changing customer tastes. The availability of new products and changes in customer preferences has made it more difficult to predict sales demand for these types of products accurately. Our success depends in part on our ability to predict and respond to quickly changing consumer demands and preferences, and to translate market trends into appropriate merchandise offerings. Additionally, due to our limited sales space relative to other retailers, the proper selection of salable merchandise is an important factor in revenue generation. We cannot provide assurance that our merchandise selection will correspond to actual sales demand. If we are unable to predict or rapidly respond to sales demand or to changing styles or trends, or if we experience inventory shortfalls on popular merchandise, our revenue may be lower, which could have a materially adverse impact on our business, financial condition, and results of operations.

Our leases may be terminated, either for convenience by the landlord or because of a XpresSpa or Naples Wax default.

We have stores and kiosks in several airports and off airport locations in which the landlord, with prior written notice to us, can terminate our lease, including for convenience or as necessary for operations. If a landlord elects to terminate a lease, we may have to shut down one or more affected locations.

Additionally, our leases have numerous provisions governing the operation of our stores. Violation of one or more of these provisions, even unintentionally, may result in the landlord finding that we are in default of the lease. Violation of lease provisions may result in fines and, in some cases, termination of a lease.

Our ability to operate depends on the traffic patterns of the terminals in which we operate, and the cessation or disruption of air traveler traffic in these terminals would negatively impact XpresSpa's and XpresTest's addressable market.

We depend on a high volume of air travelers in its terminals. It is possible that a terminal in which we operate could become subject to a lower volume of air travelers, which would significantly impact traffic near and around our locations and therefore its total addressable market. Lower volume in a terminal could be caused by:

- terminal construction that results in the temporary or permanent closure of a unit, or adversely impacts the volume or pattern of traffic flows within an airport;
- an airline utilizing an airport in which we operate could abandon that airport or an individual terminal in favor of other airports or terminals, or because it is contracting operations; or
- adverse weather conditions could cause damage to the terminal or airport in which we operate, resulting in the temporary or permanent closure of a unit.

We are dependent on our local partners.

Our local partners, including our ACDBE partners, maintain ownership interests in certain of our locations. Our participation in these operating entities differs from market to market. While the precise terms of each relationship vary, our local partners may have control over certain portions of the operations of these concessions. The stores are operated pursuant to the applicable joint venture agreement governing the relationship between us and our local partner. Generally, these agreements also provide that strategic decisions are to be made by a committee comprised of us and our local partner.

These concessions involve risks that are different from the risks involved in operating a concession independently, and include the possibility that our local partners:

- are in a position to take action contrary to our instructions, our requests, our policies, our objectives or applicable laws;
- take actions that reduce our return on investment;
- go bankrupt or are otherwise unable to meet their capital contribution obligations;
- have economic or business interests or goals that are or become inconsistent with our business interests or goals; or
- take actions that harm our reputation or restrict our ability to run our business.

Failure to comply with minimum airport concession disadvantaged business enterprise participation goals and requirements could lead to lost business opportunities or the loss of existing business.

Pursuant to ACDBE participation requirements, we are often required to meet, or use good faith efforts to meet, certain minimum ACDBE participation requirements when bidding on or submitting proposals for new concession contracts. If we are unable to find and/or partner with an appropriate ACDBE, we may lose opportunities to open new locations. In addition, several of our existing leases contain minimum ACDBE participation requirements which require the ACDBE to own a significant portion of the business being operated under those leases. The level of ACDBE participation requirements may affect our profitability and/or its ability to meet financial forecasts.

Further, if we fail to comply with the minimum ACDBE participation requirements, we may be held responsible for a breach of contract, which could result in the termination of a lease and impairment of our ability to bid on or obtain future concession contracts. To the extent that our leases are terminated, and we are required to shut down one or more store locations, there could be a material adverse impact on our business and results of operations.

Continued minimum wage increases could negatively impact our cost of labor.

An increase in the minimum wage could increase our cost of labor and have an adverse impact on our business, financial condition, and results of operations.

Information technology systems failure or disruption, or changes to information technology related to payment systems, could impact our day-to-day operations.

Our information technology systems are used to record and process transactions at our point-of-sale interfaces and to manage our operations. These systems provide information regarding most aspects of our financial and operational performance, statistical data about our customers, our sales transactions, and our inventory management. Fire, natural disasters, power-loss, telecommunications failure, break-ins, terrorist attacks (including cyber-attacks), computer viruses, electronic intrusion attempts from both external and internal sources and similar events or disruptions may damage or impact our information technology systems at any time. These events could cause system interruption, delays or loss of critical data and could disrupt our acceptance and fulfillment of customer orders, as well as disrupt our operations and management. For example, although our point-of-sales systems are programmed to operate and process customer orders independently from the availability of our central data systems and even of the network, if a problem were to disable electronic payment systems in our stores, credit card payments would need to be processed manually, which could result in fewer transactions. Significant disruption to systems could have a material adverse impact on our business, financial condition, and results of operations.

We also continually enhance or modify the technology used for our operations. We cannot be sure that any enhancements or other modifications we make to our operations will achieve the intended results or otherwise be of value to our

customers. Future enhancements and modifications to our technology could consume considerable resources. We may be required to enhance our payment systems with new technology, which could require significant expenditures. If we are unable to maintain and enhance our technology to process transactions, we may experience a materially adverse impact on our business, financial condition, and results of operations.

If we are unable to protect our customers' credit card data and other personal information, we could be exposed to data loss, litigation and liability, and our reputation could be significantly harmed.

Privacy protection is increasingly demanding, and the use of electronic payment methods and collection of other personal information, including order history, travel history and other preferences, exposes us to increased risk of privacy and/or security breaches as well as other risks. Our sales are by credit or debit cards. Additionally, we collect and store personal information from individuals, including our customers and employees.

In the future, we may experience security breaches in which credit and debit card information or other personal information is stolen. Although we use secure private networks to transmit confidential information, third parties may have the technology or know-how to breach the security of the customer information transmitted in connection with credit and debit card sales, and its security measures and those of technology vendors may not effectively prohibit others from obtaining improper access to this information. The techniques used to obtain unauthorized access, disable, or degrade service, or sabotage systems change frequently and are often difficult to detect for long periods of time, which may cause a breach to go undetected for an extensive period. Advances in computer and software capabilities, new tools, and other developments may increase the risk of such a breach. Further, the systems currently used for transmission and approval of electronic payment transactions, and the technology utilized in electronic payments themselves, all of which can put electronic payment at risk, are determined and controlled by the payment card industry, not by us. In addition, contractors, or third parties with whom we do business or to whom we outsource business operations may attempt to circumvent its security measures to misappropriate such information and may purposefully or inadvertently cause a breach involving such information. If a person can circumvent our security measures or those of third parties, he or she could destroy or steal valuable information or disrupt our operations. We may become subject to claims for purportedly fraudulent transactions arising out of the actual or alleged theft of credit or debit card information, and we may also be subject to lawsuits or other proceedings relating to these types of incidents. Any such claim or proceeding could cause us to incur significant unplanned expenses, which could have an adverse effect on its business or results of operations. Further, adverse publicity resulting from these allegations could significantly harm its reputation and may have a material adverse effect on it. Although we carry cyber liability insurance to protect against these risks, there can be no assurance that such insurance will provide adequate levels of coverage against all potential claims.

Negative social media regarding XWELL, XpresSpa, XpresTest or Naples Wax Center could result in decreased revenues and impact our ability to recruit workers.

Our affinity among consumers is highly dependent on their positive feelings about our brands, our customer service and the range and quality of services and products that we offer. A negative customer experience that is posted to social media outlets and is distributed virally could tarnish each of the XpresSpa, XpresTest or Naples Wax Center brands and our customers may opt to no longer engage with that particular brand, or any of our brands.

We employ people in multiple different jurisdictions, and the employment laws of those jurisdictions are subject to change. In addition, our services are regulated through government-issued operating licenses. Noncompliance with applicable laws could result in employee lawsuits or legal action taken by government authorities.

We must comply with a variety of employment and business practices laws across the United States, Netherlands, Turkey, and United Arab Emirates. We monitor the laws governing our activities, but in the event we do not become aware of a new regulation or fail to comply with a regulation, we could be subject to disciplinary action by governing bodies and potentially employee lawsuits.

We source, develop, and sell products that may result in product liability defense costs and product liability payments.

Our products contain ingredients that are deemed to be safe by the FDA and the Federal Food, Drug and Cosmetics Act. However, there is no guarantee that these ingredients will not cause adverse health effects to some consumers given the wide range of ingredients and allergies amongst the general population. We may face substantial product liability exposure for products we sell to the public or that we use in our services. Product liability claims, regardless of their merits, could be costly and divert management's attention, and adversely affect our reputation and the demand for our products and services. To date, we have not been named as a defendant in any product liability action.

We and our subsidiaries have been, are, and may again become involved in litigation that could divert management's attention and harm our businesses.

Litigation is often expensive and diverts management's attention and resources, which could adversely affect our businesses. We may be exposed to claims against us even if no wrongdoing has occurred. Responding to such claims, regardless of their merit, can be time-consuming, costly to defend, disruptive to our management's attention and to our resources, damaging to our reputation and brand, and may cause us to incur significant expenses. Even if we have the right to be indemnified against such costs, the indemnifying party may be unable to uphold its contractual obligations.

New legislation, regulations or court rulings related to enforcing patents could harm our business and operating results.

Intellectual property is the subject of intense scrutiny by the courts, legislatures, and executive branches of governments around the world. Various patent offices, governments or intergovernmental bodies may implement new legislation, regulations or rulings that impact the patent enforcement process, or the rights of patent holders and such changes could negatively affect licensing efforts and/or litigations. For example, limitations on the ability to bring patent enforcement claims, limitations on potential liability for patent infringement, lower evidentiary standards for invalidating patents, increases in the cost to resolve patent disputes and other similar developments could negatively affect our ability to assert our patent or other intellectual property rights.

It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any of the proposals will become enacted as laws. Compliance with any new or existing laws or regulations could be difficult and expensive, affect the way we conduct our business and negatively impact our business, prospects, financial condition, and results of operations.

Our failure or inability to protect the trademarks or other proprietary rights we use or claims of infringement by us of the rights of third parties, could adversely affect our competitive position or the value of our brands.

We believe that our trademarks and other proprietary rights are important to our success and our competitive position. However, any actions that we take to protect the intellectual property we use may not prevent unauthorized use or imitation by others, which could have an adverse impact on our image, brand, or competitive position. If we commence litigation to protect our interests or enforce our rights, we could incur significant legal fees. We also cannot provide assurance that third parties will not claim infringement by us of their proprietary rights. Any such claim, whether or not it has merit, could be time consuming and distracting for our management, result in costly litigation, cause changes to existing retail concepts or delays in introducing retail concepts, or require us to enter into royalty or licensing agreements. As a result, any such claim could have a material adverse impact on our business, financial condition, and results of operations.

Any future acquisitions or business opportunities could involve unknown risks that could harm our business and adversely affect our financial condition and the results of operations.

We have in the past, and may in the future, acquire businesses or make investments, directly or indirectly through our subsidiaries, that involve unknown risks, some of which will be particular to the industry in which the investment or acquisition targets operate, including risks in industries with which we are not familiar or experienced. Although we intend to conduct appropriate business, financial and legal due diligence in connection with the evaluation of future investment or acquisition opportunities, our due diligence investigations may not identify every matter that could have a material adverse effect on us. We may be unable to adequately address the financial, legal, and operational risks raised by such

investments or acquisitions, especially if we are unfamiliar with the relevant industry. The realization of any unknown risks could expose us to unanticipated costs and liabilities and prevent or limit us from realizing the projected benefits of the investments or acquisitions, which could adversely affect our financial condition, liquidity, results of operations, and trading price.

Risks associated with international operations could result in additional costs and inefficiencies.

In addition to many of the risks we face in our U.S. operations, international operations present a unique set of risks and challenges, including local laws and customs, various and potentially complex international tax regulations and compliance requirements, U.S. laws applicable to foreign operations, and political and socio-economic conditions. Our ability to operate effectively and grow in international markets could be impacted by these risks resulting in legal liabilities, additional costs, and the distraction of management's attention. Compliance with the Foreign Corrupt Practices Act and protection of intellectual property rights surrounding items such as trade names and trademarks in foreign jurisdictions can pose significant challenges.

In addition, our operations in international markets are conducted primarily in the local currency of those countries. Given that our Consolidated Financial Statements are denominated in U.S. dollars, amounts of assets, liabilities, net sales, and other revenues and expenses denominated in local currencies must be translated into U.S. dollars using exchange rates for the current period. As a result, foreign currency exchange rates and fluctuations in those rates may adversely impact our financial performance.

Risks Related to our Capital Stock

Stock prices can be volatile, and this volatility may depress the price of our common stock.

The stock market has experienced significant price and volume fluctuations, which have affected the market price of many companies in ways that may have been unrelated to those companies' operating performance. Furthermore, we believe that our stock price may reflect certain future growth and profitability expectations. If we fail to meet these expectations, then our stock price may significantly decline, which could have an adverse impact on investor confidence. We believe that various factors may cause the market price of our common stock to fluctuate, perhaps substantially, including, among others, the following:

- additions to or departures of our key personnel, or our overall ability to retain key personnel;
- announcements of innovations by us or our competitors;
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, capital commitments, or new technologies;
- new regulatory pronouncements and changes in regulatory guidelines;
- developments or disputes concerning intellectual property rights generally;
- lawsuits, claims, and investigations that may be filed against us, and other events that may adversely affect our reputation;
- changes in financial estimates or recommendations by securities analysts;
- general and industry-specific economic conditions;
- our ability to develop and introduce new products and services;

- our ability to raise additional capital to fund our operations and business plan and the effects that such financing may have on the value of the equity instruments held by our stockholders;
- our ability to hire a skilled labor force and the costs associated;
- our ability to secure new retail locations, maintain existing ones, and ensure continued customer traffic at those locations;
- the loss of one or more of our significant suppliers;
- unexpected trends in the health and wellness and travel industries and potential technology and service obsolescence; and
- market acceptance, quality, pricing, availability, and useful life of our products and/or services, as well as the mix of our products and services sold.

We have no current plans to pay dividends on our common stock, and our investors may not receive funds without selling their stock.

We have not declared or paid any cash dividends on our common stock, nor do we expect to pay any cash dividends on our common stock for the foreseeable future. Additionally, so long as any shares of our Series H Preferred Stock are outstanding, as they are at this time, we are not able to, without the prior written consent of the Required Holders (as defined in the Series H Certificate of Designations), directly or indirectly, redeem, repurchase or declare or pay any cash dividend or distribution on any of our capital stock. Investors seeking cash dividends should not invest in our common stock for that purpose. We currently intend to retain any additional future earnings to finance our operations and growth and, therefore, we have no plans to pay cash dividends on our common stock currently. Any future determination to pay cash dividends on our common stock will be at the discretion of our Board of Directors and will be dependent on our earnings, financial condition, operating results, capital requirements, any contractual restrictions, and other factors that our Board of Directors deems relevant.

Accordingly, our investors may have to sell some or all of their common stock to generate cash from their investment. You may not receive a gain on your investment when you sell our common stock and may lose the entire amount of your investment.

Our failure to meet the continued listing requirements of Nasdaq could result in a delisting of our common stock.

The continued listing standards of Nasdaq provide, among other things, that a company may be delisted if the bid price of its stock drops below \$1.00 for a period of 30 consecutive business days or if stockholders' equity is less than \$2,500,000. As of the date of this Annual Report on Form 10-K, we are now in compliance with the Minimum Bid Price Rule (as defined herein). In the past, we have failed to meet the continued listing requirements of Nasdaq. For example, on December 1, 2025, we received a letter from the Listing Qualifications Department of the Nasdaq Stock Market indicating that, based upon the closing bid price of our common stock for the 30 consecutive business days between October 17, 2025, to November 28, 2025, we did not meet the minimum bid price of \$1.00 per share required for continued listing on the Nasdaq pursuant to Nasdaq Rule 5550(a)(2) (the "Minimum Bid Price Rule"). The letter also indicated that we will be provided with a compliance period of 180 days (until June 1, 2026) (the "Compliance Period"), in which to regain compliance pursuant to Nasdaq Listing Rule 5810(c)(3)(A). On March 11, 2026, we received a letter from the Listing Qualifications Department of Nasdaq stating that for the last 10 consecutive business days, from February 25, 2026, to March 10, 2026, the closing bid price of our common stock had been at or greater than \$1.00 per share. Accordingly, we have regained compliance with the Minimum Bid Price Rule and per the Letter, the matter is now closed.

If in the future we seek to implement a reverse stock split to remain listed on Nasdaq, the announcement and/or implementation of a reverse stock split could significantly negatively affect the price of our common stock. We may be unable to regain compliance in the future if our stock price again falls below the minimum bid price. Additionally, if we fail to comply with any other continued listing standards of Nasdaq, our common stock would also be subject to delisting. If that were to occur, our common stock would be subject to rules that impose additional sales practice requirements on broker-dealers who sell our securities. The additional burdens imposed upon broker-dealers by these requirements could discourage broker-dealers from effecting transactions in our common stock. This would significantly and negatively affect the ability of investors to trade our securities and would significantly and negatively affect the value and liquidity of our common stock. These factors could contribute to lower prices and larger spreads in the bid and ask prices for our common stock. The delisting of our common stock also would likely have a negative effect on the price of our common stock and would impair your ability to sell or purchase our common stock when you wish to do so. Further, if we were to be delisted from Nasdaq, our common stock would cease to be recognized as covered securities, and we would be subject to regulation in each state in which we offer our securities.

Should a delisting occur, an investor would likely find it significantly more difficult to dispose of, or to obtain accurate quotations as to the value of our shares, and our ability to raise future capital through the sale of our common stock could be severely limited. Delisting from Nasdaq could adversely affect our ability to raise additional financing through the public or private sale of equity securities, would significantly affect the ability of investors to trade our securities and would negatively affect the value and liquidity of our common stock. Delisting could also have other negative results, including the potential loss of confidence by employees, the loss of institutional investor interest and fewer business development opportunities.

The Series H Certificate of Designations contains restrictive covenants and terms that may make it difficult to procure additional financing and that may affect our financial condition and results of operations.

The Series H Certificate of Designations contains certain restrictive covenants including but not limited to, restrictions on directly or indirectly, redeeming, repurchasing or declaring or paying any cash dividend or distribution on any of our capital stock. Additionally, the Series H Preferred Stock also contains certain purchase rights (the "Purchase Rights") permitting the holders of the Series H Preferred Stock to acquire upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which such holder could have acquired if such holder had held the number of shares of common stock acquirable upon complete conversion of all of its shares of Series H Preferred Stock. These restrictive covenants may limit our flexibility in raising capital or incurring any indebtedness, which may have an adverse effect on our financial condition.

In connection with February 2026 Private Placement, we are subject to certain restrictive covenants that may make it difficult to procure additional financing.

The securities purchase agreement, dated as of February 24, 2026, by and between us and the investor named therein (the “February 2026 Purchase Agreement”), pursuant to which we issued in a private placement (the “February 2026 Private Placement”) the shares of Series H Preferred Stock, and warrants to purchase shares of common stock (the “February 2026 Warrants”), contains customary representations, warranties and agreements by the Company, customary conditions to closing and indemnification obligations of the Company, including for liabilities under the Securities Act and other obligations of the parties and termination provisions, including reservation requirements. In addition, pursuant to the placement agency agreement with Dominari Securities LLC (the “Placement Agent”), dated February 24, 2026, we agreed not to offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of capital stock of the Company or any securities in a Variable Rate Transaction (as defined therein) for period of six (6) month after the Closing of the February 2026 Private Placement.

If we require additional funding while these restrictive covenants remain in effect, we may be unable to effect a financing transaction on terms acceptable to us, or at all, while also remaining in compliance with the terms of the February 2026 Purchase Agreement, or we may be forced to seek a waiver from the investors party to the February 2026 Purchase Agreement and/or the Placement Agent, which such investors and/or the Placement Agent are not obligated to grant to us.

Substantial future sales or other issuances of our common stock could depress the market for our common stock.

Sales of a substantial number of shares of our common stock and any future sales of a substantial number of shares of common stock in the public market, including the issuance of shares or any shares issuable upon conversion of the shares of Series H Preferred Stock or exercise of the February 2026 Warrants, among others, or the perception by the market that those sales could occur, could cause the market price of our common stock to decline or could make it more difficult for us to raise funds through the sale of equity and equity-related securities in the future at a time and price that our management deems acceptable, or at all. In addition, as opportunities present themselves, we may enter into financing or similar arrangements in the future, including the issuance of debt securities, preferred stock or common stock, which could also depress the market for our common stock. We cannot predict the effect, if any, that market sales of those shares of common stock or the availability of those shares for sale will have on the market price of our common stock.

You may experience future dilution as a result of future equity offerings and other issuances of our securities.

In order to raise additional capital, we may in the future offer additional shares of common stock or other securities convertible into or exchangeable for our common stock prices that may not be the same as the price per share paid by the investors in this offering. We may not be able to sell shares or other securities in any other offering at a price per share that is equal to or greater than the price per share paid by the investors in this offering, and investors purchasing shares or other securities in the future could have rights superior to existing stockholders. The price per share at which we sell additional shares of common stock or securities convertible into shares of common stock in future transactions may be higher or lower than the price per share paid to the selling stockholders. Our stockholders will incur dilution upon exercise of any outstanding stock options, warrants or other convertible securities or upon the issuance of shares of common stock under our stock incentive programs.

Future issuances of preferred stock may adversely affect the market price for our common stock.

Additional issuances and sales of preferred stock, or the perception that such issuances and sales could occur, may cause prevailing market prices for common stock to decline and may adversely affect our ability to raise additional capital in the financial markets at times and prices favorable to us.

Any additional capital raised through the sale of equity or equity-backed securities may dilute our stockholders' ownership percentages and could also result in a decrease in the market value of our equity securities.

The terms of any securities issued by us in future capital transactions may be more favorable to new investors, and may include preferences, superior voting rights and the issuance of warrants or other derivative securities, which may have a further dilutive effect on the holders of any of our securities then outstanding.

In addition, we may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we issue, such as convertible notes and warrants, which may adversely impact our financial condition.

We may be unable to raise capital by offering shares of our common stock because we do not currently have enough authorized shares available for such a transaction.

Under our Amended and Restated Certificate of Incorporation, as amended (the "Charter") we currently have only 1,896,776 authorized and unissued shares of common stock that would be available for offering in a capital-raising transaction. This number of shares would not be sufficient for raising a significant amount of capital by means of an offering of shares. In order to increase the number of authorized shares of common stock, our Charter would need to be amended, which may only be done by the vote of our stockholders. Calling a meeting of our stockholders involves a significant amount of time and expense and, in any event, should such a meeting be called for the purpose of increasing the number of authorized shares of common stock, there can be no assurance that our stockholders would vote in favor of such a proposal. The fact that we do not currently have enough authorized shares available for a capital-raising transaction may make us dependent on alternative means of raising capital in order to continue our operations, and there can be no assurance that such alternative means may be available to us on acceptable terms or at all.

Our common stock has historically traded in low volumes. We cannot predict whether an active trading market for our common stock will ever develop. Even if an active trading market develops, the market price of our common stock may be significantly volatile.

Historically, our common stock has experienced a lack of consistent trading liquidity. In the absence of an active trading market you may have difficulty buying and selling our common stock at all or at the price you consider reasonable; and market visibility for shares of our common stock may be limited, which may have a depressive effect on the market price for shares of our common stock and on our ability to raise capital or make acquisitions by issuing our common stock.

Anti-takeover provisions of Delaware law, provisions in our charter and bylaws, and our stockholder rights plan could prevent or frustrate attempts by stockholders to change our Board of Directors or current management and could delay, discourage, or make more difficult a third-party acquisition of control of us.

We are a Delaware corporation and, as such, certain provisions of Delaware law could prevent or frustrate attempts by stockholders to change the Board of Directors or current management, or could delay, discourage, or make more difficult a third-party acquisition of control of us, even if the change in control would be beneficial to stockholders or the stockholders regard it as such. We are subject to the provisions of Section 203 of the DGCL, which prohibits certain "business combination" transactions (as defined in Section 203) with an "interested stockholder" (defined in Section 203 as a 15% or greater stockholder) for a period of three years after a stockholder becomes an "interested stockholder," unless the attaining of "interested stockholder" status or the transaction is pre-approved by our Board of Directors, the transaction results in the attainment of at least an 85% ownership level by an acquirer or the transaction is later approved by our Board of Directors and by our stockholders by at least a 66²/₃ percent vote of our stockholders other than the "interested stockholder," each as specifically provided in Section 203.

Our certificate of incorporation and our bylaws, each as currently in effect, also contain certain provisions that may delay, discourage, or make it more difficult for a third-party acquisition of control of us. Such provisions include a provision that any vacancies on our Board of Directors may only be filled by a majority of the directors then serving, although not a quorum, and not by the stockholders and the ability of our Board of Directors to issue preferred stock, without stockholder

approval, that could dilute the stock ownership of a potential unsolicited acquirer and hinder an acquisition of control of us that is not approved by our Board of Directors, including through the use of preferred stock in connection with a stockholder rights plan.

We have also adopted a stockholder rights plan in the form of a Section 382 Rights Plan, designed to help protect and preserve our substantial tax attributes primarily associated with our NOLs under Section 382 of the Internal Revenue Code and research tax credits under Sections 382 and 383 of the Internal Revenue Code and related United States Treasury regulations, which was approved by our stockholders in December 2016 and expires in March 2022. Although this is not its purpose, the Section 382 Rights Plan could have the effect of making it uneconomical for a third party to acquire us on a hostile basis.

These provisions of the DGCL, our certificate of incorporation and bylaws, and our Section 382 Rights Plan may delay, discourage, or make more difficult certain types of transactions in which our stockholders might otherwise receive a premium for their shares over the current market price, and might limit the ability of our stockholders to approve transactions that they think may be in their best interest.

If securities analysts do not publish research or reports about our business, or if they publish negative evaluations, the price of our common stock could decline.

The trading market for our common stock relies in part on the availability of research and reports that third-party industry or financial analysts publish about us. There are many large, publicly traded companies active in the life sciences and biopharmaceutical industries, which may mean it will be less likely that we receive widespread analyst coverage. Furthermore, if one or more of the analysts who do cover our company (if any) downgrades our stock, our stock price would likely decline. If one or more of these analysts cease coverage of our company, we could lose visibility in the market, which in turn could cause our stock price to decline. Additionally, if securities analysts publish negative evaluations of competitors in the life sciences and biopharmaceutical industries, the comparative effect could cause our stock price to decline.

Having availed ourselves of scaled disclosure available to smaller reporting companies, we cannot be certain if such reduced disclosure will make our common stock less attractive to investors.

Under Section 12b-2 of the Exchange Act, a “smaller reporting company” is a company that is not an investment company, an asset-backed issuer, or a majority-owned subsidiary of a parent company that is not a smaller reporting company, and (i) has a public float of less than \$250 million as measured on the last business day of our second fiscal quarter, or (ii) has annual revenues of less than \$100 million during the most recently completed fiscal year and whose value of common stock held by non-affiliates is less than \$700 million as measured on the last business day of the second fiscal quarter. Similar to emerging growth companies, smaller reporting companies are permitted to provide simplified executive compensation disclosure in their filings; they are exempt from the provisions of Section 404(b) of the Sarbanes-Oxley Act requiring that independent registered public accounting firms provide an attestation report on the effectiveness of internal controls over financial reporting; and they have certain other decreased disclosure obligations in their SEC filings, including, among other things, only being required to provide two years of audited financial statements in annual reports. Decreased disclosure in our SEC filings because of our having availed ourselves of scaled disclosure may make it harder for investors to analyze our results of operations and financial prospects.

Furthermore, we are a non-accelerated filer as defined by Rule 12b-2 of the Exchange Act, and, as such, are not required to provide an auditor attestation of management’s assessment of internal control over financial reporting, which is generally required for SEC reporting companies under Section 404(b) of the Sarbanes-Oxley Act. Because we are not required to, and have not, had our auditor provide an attestation of our management’s assessment of internal control over financial reporting, a material weakness in internal controls may remain undetected for a longer period.

We cannot predict if investors will find our securities less attractive because we may rely on these exemptions. If some investors find our securities less attractive as a result, there may be a less active trading market for our securities and the price of our securities may be more volatile.

Other Risk Factors

Our confidential information may be disclosed by other parties.

We routinely enter into non-disclosure agreements with other parties, including but not limited to vendors, law firms, parties with whom we are engaged in negotiations, and employees. However, there exists a risk that those other parties will not honor their contractual obligations to not disclose our confidential information. This may include parties who breach such obligations in the context of confidential settlement offers and/or negotiations. In addition, there exists a risk that, upon such breach and subsequent dissemination of our confidential information, third parties and potential licensees may seek to use such confidential information to their advantage and/or to our disadvantage including in legal proceedings in which we are involved. Our ability to act against such third parties may be limited, as we may not be in privity of contract with such third parties.

We may fail to meet publicly announced financial guidance or other expectations about our business, which would cause our stock to decline in value.

From time to time, we provide preliminary financial results or forward-looking financial guidance to our investors. Such statements are based on our current views, expectations and assumptions that may not prove to be accurate and may vary from actual results and involve known and unknown risks and uncertainties that may cause actual results, performance, achievements or share prices to be materially different from any future results, performance, achievements or share prices expressed or implied by such statements. Such risks and uncertainties include the risk factors contained herein. If we fail to meet our projections and/or other financial guidance for any reason, our stock price could decline.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 1C. CYBERSECURITY

We operate in the health and wellness sector, which faces various cybersecurity risks that could adversely impact our business, financial condition, and operations. These risks include, but are not limited to, potential attacks to steal intellectual property, commit fraud or extortion, harm employees or customers, violate privacy laws, or damage our reputation. Recognizing the importance of cybersecurity, we have measures in place to protect sensitive information and prevent data loss or other security breaches. Management is actively involved in continuously assessing and addressing privacy and compliance cybersecurity threats through prevention, detection, and response.

Our current program was established in 2022 and is based on the NIST Cybersecurity Framework (“NIST CSF”), outlining governance, policies, procedures, and technologies to identify and manage cyber risks. Our Director of Data Privacy & Security and the Privacy & Compliance Committee (“Committee”) oversee day-to-day cybersecurity activities, supported by our managed service provider (“MSP”) partner. The Director of Data Privacy & Security is a highly qualified cybersecurity governance practitioner with industry credentials such as Certified Information Systems Security Professional (CISSP), Certified Cloud Security Professional (CCSP), Project Management Professional (PMP), and Certified Secure Software Lifecycle Professional (CSSLP) amongst others. The Committee provides oversight and receives regular updates on program status, capabilities, objectives, and evolving threats. The Committee members include our Director of Data Privacy & Security and Director of Technology Operations. In the event of a cybersecurity incident, the Committee would then be expanded to include our General Counsel. Data is collected and reviewed as needed and reviewed weekly by our Director of Technology Operations. The Committee reviews all potential incidents as well as all remediation and future mitigation measures. Formal updates regarding potential incidents and/or other cybersecurity initiatives are provided to our CEO on an as-needed basis, and our CEO communicates such incidents and/or cybersecurity initiatives to the Audit Committee of the Board of Directors (the “Audit Committee”). Depending on the materiality of a potential incident and/or cybersecurity initiatives, the Committee will present all information directly to the Audit Committee.

Our cybersecurity program implements a defense-in-depth strategy, ensuring comprehensive safeguards are in place across various security domains. These include Intrusion Detection Firewalls (IPS/IDS) with Advanced malware prevention (AMP), Azure Conditional Access Policies, Multi-Factor Authentication (MFA), Identity and Access Management (IAM), Vulnerability Management, Endpoint Detection and Response (EDR) using CrowdStrike Falcon Complete with Managed Detection and Response (MDR), Data Loss Prevention (DLP), Barracuda XDR for Security Information Event Management (SIEM) and ongoing Security Awareness and Phishing Simulation exercises via KnowBe4 aimed at mitigating the risk of social engineering attacks, and Mobile Device Security Management. A robust incident response system is in place via our MSP partner to handle all security incidents including email (malware, phishing, etc.), cloud, endpoint, data loss prevention alerts and incidents across the organization. Our information security governance is underpinned by standards and policies documents that are reviewed by the Committee and updated annually by the Director of Data Privacy & Security.

Selection of domain areas for monitoring was based on a risk-based approach aligned with the NIST CSF and accounted for the current threat landscape. Through risk assessments evaluating threats, vulnerabilities, and potential impacts, domains are prioritized by severity and likelihood. This allows us to focus our monitoring strategy and resources on the highest risk areas while adapting to the evolving cybersecurity environment.

When a security threat is detected, we follow an established process of threat identification and validation: assessment of the severity based on affected assets and potential impacts; evaluation of overall risk as it relates to our risk tolerance; planning and executing a response plan with mitigating actions; continuous monitoring and adjustment of the response; and conducting a post-incident review to identify lessons learned from such event and preventative measures.

Key risks that have been deemed material include, but are not limited to, the potential for data exfiltration from unmanaged devices, insufficient staffing, and tools due to recent budgetary reductions, increased risk of managing of personal information, potentially ineffective cybersecurity governance due to singular reporting structure, and lack of visibility and protection for the remote workforce.

While no major incident has significantly impacted our business, operations or financial condition, a breach could damage our reputation, disrupt operations, and trigger legal or regulatory actions, among others. We currently have cyber insurance to help cover potential impacts. Our disclosure outlines program highlights while summarizing key risks and plans to continue maturing cybersecurity capabilities to safeguard the business.

The Audit Committee is responsible for oversight of risks from cybersecurity threats in conjunction with the Committee. The Audit Committee receives quarterly reports and updates from the Committee with respect to the management of risks from cybersecurity threats. Such reports cover our information technology security program, including its status, capabilities, objectives, and plans, as well as the evolving cybersecurity threat landscape. Additionally, the Audit Committee considers risks from cybersecurity threats as part of its oversight of our business strategy, risk management, and financial oversight by reviewing our incident and response matrix, as well as unmediated threats. In addition, The Committee will provide a mitigation and remediation roadmap based on threat criticality for review by the Audit Committee.

We leverage the advice of our MSP partner to actively monitor our networks and software through their dedicated security operations center. We also have policies and procedures to oversee and identify the risks from cybersecurity threats associated with our use of third-party service providers.

A third-party risk management program was established in 2022, defining four vendor risk tiers based on data sensitivity, regulatory requirements, and service criticality. All vendors undergo risk assessments, with Tier 1 and 2 high-risk vendors facing more rigorous reviews during onboarding, offboarding, and annual recertifications. Vendors complete risk control surveys, with additional documentation like SOC reports requested from Tier 1 and 2 vendors depending on their risk profile. Each vendor is scored based on service type and data and their responses to the questionnaire. This risk-based approach ensures proper oversight of vendor relationships and informs decisions on both who and how we choose to partner.

ITEM 2. PROPERTIES

As of December 31, 2025, besides our Global Support Center at 254 West 31st Street in New York City, XWELL had 35 spas and wellness centers in 31 airport and off-airport locations, in the United States, Netherlands, Turkey, and the United Arab Emirates. All of the locations as of that date were leased, typically with one or two renewal options after the initial term. Economic terms vary by type and location of store, and on average, the lease terms are 5-10 years with several locations operating on a month-to-month basis. We believe that our facility and our leases are adequate to accommodate our business needs.

ITEM 3. LEGAL PROCEEDINGS

Litigation and legal proceedings

Certain of our outstanding legal matters include speculative claims for substantial or indeterminate amounts of damages. We regularly evaluate developments in our legal matters that could affect the amount of any potential liability and adjust as appropriate. Significant judgment is required to determine both the likelihood of there being any potential liability and the estimated amount of a loss related to our legal matters.

With respect to our outstanding legal matters, based on our current knowledge, our management believes that the amount or range of a potential loss will not, either individually or in the aggregate, have a material adverse effect on our business, consolidated financial position, results of operations or cash flows. However, the outcome of such legal matters is inherently unpredictable and subject to significant uncertainties. We evaluated the outstanding legal matters and assessed the probability and likelihood of the occurrence of liability. Based on management's estimates, we did not record a liability for all outstanding legal matters as of December 31, 2025. Related legal fees are recorded in the period in which they are incurred.

November 2025 Employment Litigation

On November 10, 2025, a former employee filed a complaint in the Circuit Court of the Eleventh Judicial Circuit in and for Miami-Dade County, Florida, against XpresSpa Holdings, LLC. The action was subsequently removed to the United States District Court for the Southern District of Florida on January 15, 2026.

The complaint alleged claims for age discrimination and retaliation under the Age Discrimination in Employment Act and the Florida Civil Rights Act, disability discrimination under the Americans with Disabilities Act and the Florida Civil Rights Act, and retaliation under Title VII and the Florida Civil Rights Act. The plaintiff alleged, among other things, that they were subjected to age-based and disability-related harassment and that their employment was terminated on July 25, 2024, in retaliation for complaints of discrimination. The complaint sought compensatory and punitive damages, backpay, front pay or reinstatement, injunctive relief, and attorneys' fees.

The Company denied the allegations and any liability. In order to avoid the expense and uncertainty of further litigation, the parties entered into a confidential settlement agreement. Under the terms of the agreement, the Company agreed to pay a de minimis settlement amount, allocated among alleged lost wages, non-wage damages, and attorneys' fees. In exchange, the plaintiff agreed to dismiss the action with prejudice and to provide a general release of claims against the Company and related parties. The agreement includes customary provisions regarding confidentiality, non-disparagement, and no admission of liability.

The Company does not expect this matter to have a material adverse effect on its financial condition, results of operations, or cash flows.

OTG Management PHL B v. XpresSpa Philadelphia Terminal B et al.

On May 9, 2022, a lawsuit was filed in the Philadelphia Court of Common Pleas by OTG Management at Philadelphia International Airport, claiming that XWELL improperly backed out of its sublease for space at Terminal B and now owes between \$864 and \$2,250 in accelerated rent for the 12-year contract. They claim that by refusing to complete the project,

failing to commence and maintain operations, refusing to pay rent and improperly purporting to terminate the lease (among other acts and omissions), XWELL breached the lease. On June 20, 2024, an Order to Settle, Discontinue and End with Prejudice was filed as to all claims.

CPC Pain & Wellness SPV, LLC

On July 19, 2024, CPC Pain & Wellness SPV, LLC (“CPC”), a recently formed special purpose vehicle that announced it had acquired a 9.42% stake in XWELL in June 2024, filed suit in the Court of Chancery of the State of Delaware against the Company, Chairman Bruce T. Bernstein, and directors Michael Lebowitz, Robert Weinstein, Gaëlle Wizenberg, and Scott R. Milford (the “Action”). In the Action, CPC alleged, in pertinent part, that the Board of Directors breached their fiduciary duties and that the Company and Board of Directors engaged in an unlawful, unenforceable, and inequitable application of the Company’s Third Amended and Restated Bylaws to reject CPC’s notice of intent to propose its own slate of directors for election at the 2024 annual meeting of stockholders. On August 2, 2024, the Court set the Action for trial on September 18-19, 2024. The Company has vigorously defended these claims. As a result of the Company’s efforts, on August 9, 2024, CPC dismissed all claims in the Action, agreed to irrevocably withdraw its nominations, and agreed not assert any claims related to the 2024 annual meeting.

Settlement Agreement

On August 5, 2024, the Company, XpresSpa Middle East B.V., and certain parties thereto (such parties, the “Settlor Parties”) entered into a Settlement Agreement (the “Settlement Agreement”), pursuant to which the Company agreed to issue an aggregate of 416,000 shares of common stock (the “Settlement Shares”) which were issued on August 6, 2024, and have a fair market value of \$2.26 per share to the Settlor Parties in consideration for their entry into the Settlement Agreement. The Settlement Shares were not registered under the Securities Act of 1933, as amended (the “Securities Act”), and were issued in reliance on one or more exemptions from registration under the Securities Act, including pursuant to Rule 903 of Regulation S under the Securities Act.

XpresSpa Holdings, LLC (“XpresSpa”) v. Cordial Endeavor Concessions of Atlanta, LLC (“Cordial”), et al., Arbitration Case No. 2126399.

The Company’s subsidiary, XpressSpa Holdings, LLC, is party to an arbitration proceeding (the “Arbitration”) which was mandated by the City of Atlanta, Georgia related to the Operating Agreements by and between Cordial and XpresSpa for the operation of the XpresSpa locations in Hartsfield-Jackson Atlanta International Airport (“ATL”) in ATL Terminal A and ATL Terminal C. The City of Atlanta filed an application to compel arbitration in the Superior Court of Fulton County, and on November 5, 2024, the court granted that application and ordered the parties to arbitrate their disagreements.

This dispute arises out of the alleged breaches of various contracts between the parties as well as other improper conduct relating to the Operating Agreements. The matter is currently in the closing stages of arbitration. The evidentiary proceedings have concluded, and while the arbitrator has not yet issued a decision, a final judgment remains pending.

Other Arrangements

On May 16, 2025, the Company entered into a sales and marketing agreement with a vendor that obligates the Company to make payments totaling \$662 over the next three years.

In addition to those matters specifically set forth herein, the Company and its subsidiaries are involved in various other claims and legal actions that arise in the ordinary course of business. The Company does not believe that the ultimate resolution of these actions will have a material adverse effect on the Company’s financial position, results of operations, liquidity, or capital resources. However, a significant increase in the number of these claims, or one or more successful claims under which the Company incurs greater liabilities than the Company currently anticipates, could materially adversely affect the Company’s business, financial condition, results of operations and cash flows.

In the event that an action is brought against the Company or one of its subsidiaries, the Company will investigate the allegation and vigorously defend itself.

In addition to those matters specifically set forth herein, the Company and its subsidiaries are involved in various other claims and legal actions that arise in the ordinary course of business. The Company does not believe that the ultimate resolution of these actions will have a material adverse effect on the Company's financial position, results of operations, liquidity, or capital resources. However, a significant increase in the number of these claims, or one or more successful claims under which the Company incurs greater liabilities than the Company currently anticipates, could materially adversely affect the Company's business, financial condition, results of operations and cash flows.

In the event that an action is brought against the Company or one of its subsidiaries, the Company will investigate the allegation and vigorously defend itself.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

On October 25, 2022, the Company changed its name to XWELL, Inc. from XpresSpa Group, Inc. The Company’s common stock, par value \$0.01 per share, which had previously been listed under the trading symbol “XSPA” on the Nasdaq Capital Market, now trades under the trading symbol “XWEL” since the opening of the trading market on October 25, 2022. The Company filed an amended and restated certificate of incorporation with the Delaware Secretary of State on October 24, 2022, reflecting the name change. Rebranding to XWELL aligned the Company’s corporate strategy to build a pure-play wellness services company, in both the airport and off-airport marketplaces.

Stockholders

As of March 26, 2026, we had 90 stockholders of record of the 7,926,766 outstanding shares of our common stock and 1 stockholder of record of the 31,333 outstanding shares of our Series H Preferred Stock. This does not reflect persons or entities that hold their stock in nominee or “street” name through various brokerage firms.

Dividend Policy

We have never declared or paid any cash dividends on our capital stock, and do not anticipate paying any cash dividends on our capital stock in the foreseeable future. Additionally, so long as any shares of our Series H Preferred Stock are outstanding, as they are at this time, we are not able to, without the prior written consent of the Required Holders (as defined in the Series H Certificate of Designations), directly or indirectly, redeem, repurchase or declare or pay any cash dividend or distribution on any of our capital stock (other than as required by the Series H Certificate of Designations). We currently intend to retain future earnings, if any, to finance our operations and to expand our business. Any future determination to pay cash dividends will be at the discretion of our Board of Directors and will be dependent upon our financial condition, operating results, capital requirements and other factors that our Board of Directors considers appropriate.

Unregistered Sales of Equity Securities

All sales of unregistered securities during the year ended December 31, 2025, were previously disclosed in a Quarterly Report on Form 10-Q or a Current Report on Form 8-K.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless otherwise stated, dollar amounts are provided in thousands, except share and per share data.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with, and is qualified in its entirety by, our consolidated financial statements (including notes to the consolidated financial statements) and the other consolidated financial information appearing elsewhere in this Annual Report on Form 10-K. In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Some of the information contained in this discussion and analysis, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. Actual results and timing of events could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Overview

Our Strategy and Outlook

We believe that our company is well positioned to benefit from consumers’ growing interest and pent-up demand in travel health and wellness and increasing demand for health and wellness related services and products. Our go-forward plan includes the expansion and integration of products and services across our brands; the right-sizing of our existing airport portfolio to a leaner and more profitable business; the execution of an ‘off-airport’ strategy through acquisition to deliver more products and services, which will serve as a catalyst for our future growth; the implementation of an international expansion plan; and ensuring we can scale our growth in a responsible way that drives shareholder value. Through right sizing our existing business, optimizing our cost structure, and making acquisitions that further leverage the strength of our brand portfolio, XWELL is positioning itself for both financial and operational growth now and in the future. However, these plans are not finalized or fully within the Company’s control, and there is uncertainty regarding their execution and effectiveness. As noted previously in these financial statements, management has concluded that substantial doubt exists about the Company’s ability to continue as a going concern for at least one year from the date these financial statements are issued. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Recent Developments

January 2025 Private Placement

On January 14, 2025, the Company entered into a securities purchase agreement with the investors named therein (the “January 2025 Investors”), pursuant to which the Company issued and sold on January 14, 2025, in a private placement (the “January 2025 Private Placement”), (i) an aggregate of 4,000 shares of the Company’s newly-designated Series G Convertible Preferred Stock, par value \$0.01 per share and stated value of \$1,000 per share (the “Stated Value”) (the “Series G Preferred Stock”), initially convertible into up to 2,673,797 shares of common stock at a conversion price of \$1.496 per share (the “Series G Preferred Stock”), (ii) Series A warrants (the “Series A Warrants”) to acquire up to an aggregate of 2,673,797 shares of common stock at an exercise price of \$1.496 per share, and (iii) Series B warrants (the “Series B Warrants” and collectively, with the Series A Warrants, the “Warrants”) to acquire up to an aggregate of 2,673,797 shares of common stock at an exercise price of \$1.7952 per share. Each share of Series G Preferred Stock and accompanying Warrants were sold together at a combined offering price of \$1,000. The January 2025 Private Placement closed on January 14, 2025.

May 2025 Warrant Amendment

On May 16, 2025, the Company entered into an omnibus amendment (the “Warrant Amendment”) with each of the holders of the Series A Warrants and Series B Warrants. The Warrant Amendment makes certain adjustments to the definition of a “Fundamental Transaction” in each of the Warrants, as described in the Warrant Amendment, including changing the scope of the definition applicable to tender or exchange offers that the Company makes, allows one or more Subject Entities (as defined in the Warrant Agreement) to make, or allows the Company to be subject to, to require such a tender or exchange offer to represent more than 50% of the outstanding voting power of the Company. Further, the Warrant Amendment modifies certain terms of the Warrants relating to the rights of the holders in the event of a Fundamental Transaction (as defined in each of the Series A Warrants and Series B Warrants, and as each amended by the Warrant Amendment) that is not within the Company’s control, including that upon a Fundamental Transaction not being approved by the Company’s Board of Directors, the holders of the Warrants shall only be entitled to receive from the Company or any successor entity the same type or form of consideration (and in the same proportion), at the Black Scholes Value (as defined in each of the Series A Warrants and Series B Warrants and as each amended by the Warrant Amendment, as described below) of the unexercised portion of such Warrants, that is being offered and paid to the holders of the Company’s Common Stock. In addition, the Amendment revises the definition of Black Scholes Value related to the volatility input which is now an expected volatility equal to the 30 day volatility obtained from the “HVT” function on Bloomberg (determined utilizing a 365 day annualization factor) as of the trading day immediately following the earliest to occur of (1) the public disclosure of the applicable Fundamental Transaction and (2) the date of a holder’s request.

November 2025 Exchange Agreement

On November 3, 2025, the Company entered into a Securities Exchange and Amendment Agreement (the “Exchange Agreement”) with the January 2025 Investors, pursuant to which, the Company exchanged a portion of the Company’s outstanding shares of Series G Preferred Stock, including all accrued and unpaid dividends thereon equal to \$1,800 in aggregate Stated Value, held by the January 2025 Investors, for senior secured convertible notes (collectively, the “Notes”) in the aggregate principal amount of \$3,387 (collectively, the “Exchange”). The Notes were convertible into shares of the Company’s Common Stock in accordance with their terms and were secured by a first priority security interest in the assets of the Company and its subsidiaries. The Exchange closed on November 10, 2025 (the “Closing Date”).

In connection with the Exchange, the Company and the January 2025 Investors agreed to (A) amend certain terms of the Company’s Series G Preferred Stock as set forth in a Certificate of Amendment (the “Certificate of Amendment”) to the Certificate of Designations of the Series G Convertible Preferred Stock (the “Certificate of Designations”) as described below, and (B) amend and restate the January 2025 Investors’ (i) Series A warrants (the “Amended and Restated Series A Warrants”) and (ii) Series B Warrants (the “Amended and Restated Series B Warrants”) and, collectively with the Amended and Restated Series A Warrants, the “Amended and Restated Warrants”) to (A) reduce the exercise price of the Warrants to \$1.00, and (B) add certain anti-dilution provisions such that the exercise price of the Warrants will be subject to price-based adjustment in the event of any issuances of Common Stock, or securities convertible, exercisable or exchangeable for Common Stock, at a price below the then-applicable exercise price.

February 2026 Private Placement

On February 24, 2026, the Company entered into the February 2026 Purchase Agreement with the a certain accredited investor (the “February 2026 Purchaser”) for the issuance and sale in a private placement of an aggregate of (i) 31,333 shares of the Company’s newly-designated Series H Convertible Preferred Stock, par value of \$0.01 per share and a stated value of \$1,000 per share (the “Series H Preferred Stock”), initially convertible into up to 66,665,957 shares of common stock, at an initial conversion price of \$0.47 per share, subject to adjustment for certain customary adjustments, and (ii) the warrants (the “February 2026 Warrants”) to purchase up to 66,665,957 shares of common stock, at an initial exercise price of \$0.345 per share, subject to adjustment for certain customary adjustments, for aggregate gross proceeds of approximately \$31,300. The February 2026 Warrants expire three years from the date of issuance. The February 2026 Private Placement closed on February 27, 2026.

In connection with the February 2026 Private Placement, pursuant to a placement agency agreement (the “Placement Agency Agreement”), dated as of February 24, 2026, by and between the Company and Dominari Securities LLC (the “Placement Agent”), the Company engaged the Placement Agent to act as an exclusive placement agent in connection with the February 2026 Private Placement and agreed to (i) pay to the Placement Agent (a) a cash fee equal to 8% of the gross proceeds of the February 2026 Private Placement and (b) reimbursements and payments of certain expenses, including non-accountable expense allowance equal to 1% of the gross proceeds raised in the February 2026 Private Placement and reasonable out-of-pocket expenses, not to exceed \$250, and (ii) issue to the Placement Agent warrants (the “Placement Agent Warrants”) to purchase up to an aggregate number of shares of Common Stock equal to 8% of the aggregate number of shares of common stock underlying the securities issued in the February 2026 Private Placement, with terms identical to the February 2026 Warrants, except that the Placement Agent Warrants have a term of five (5) years from the date of issuance. The Placement Agency Agreement contains customary representations, warranties and agreements of the parties, and customary indemnification obligations of the Company.

In connection with the February 2026 Private Placement, the Company entered into a registration rights agreement (the “Registration Rights Agreement”) with the February 2026 Purchaser and the Placement Agent, pursuant to which the Company has agreed to prepare and file a registration statement with the SEC registering the resale of the shares of common stock underlying the Series H Preferred Stock and shares of common stock underlying the February 2026 Warrants and the Placement Agent Warrants no later than the earlier of (a) 50 days after the later of (1) the closing date of the February 2026 Private Placement or (2) the Escrow Release Date (as defined in the Registration Rights Agreement) and (b) the second trading day following the date on which the Company files its Annual Report on Form 10-K for the year ended December 31, 2025 (the “Filing Deadline”), and to use best efforts to have the registration statement declared effective as promptly as practical thereafter, and in any event no later than 60 days following the Filing Deadline (or 90 days following the Filing Deadline in the event of a “full review” by the SEC).

The Company used the net proceeds from the February 2026 Private Placement, in part, to repurchase certain outstanding indebtedness, redeem previously issued preferred equity and warrants in the Repurchase (see below February 2026 Omnibus Agreement).

February 2026 Omnibus Agreement

On February 24, 2026, the Company entered into the Omnibus Agreement, by and between the Company and January 2025 Investors, pursuant to which, the Company agreed to (i) repurchase from the January 2025 Investors \$5,673 of aggregate principal amount of the Notes, representing the entire outstanding principal amounts of the Notes and any accrued and unpaid interest thereon, (ii) redeem 196 shares of Series G Preferred Stock held by the January 2025 Investors, including \$283 of accrued and unpaid dividends thereon, representing all outstanding shares of Series G Preferred Stock, and (iii) redeem all Amended and Restated Warrants held by the January 2025 Investors, representing all outstanding Series A Warrants and Series B Warrants, for an aggregate cash purchase price of \$9,000 (collectively, the “Repurchase”). The Repurchase closed on March 2, 2026.

On March 4, 2026, the Company filed a Certificate of Elimination (the “Certificate of Elimination”) with respect to its Series G Preferred Stock, with the Delaware Secretary of State. The Certificate of Elimination (i) eliminates the previous designation of 4,000 shares of Series G Preferred Stock, none of which were outstanding at the time of filing, (ii) causes such shares of Series G Preferred Stock to resume the status of authorized but unissued shares of preferred stock of the Company and (iii) eliminates all reference to the Series G Preferred Stock from the Company’s Amended and Restated Certificate of Incorporation, as amended.

Preferred Stock

The terms of the Preferred Stock are set forth in the respective Certificate of Designations. The shares of Series H Preferred Stock are convertible into the Conversion Shares at the election of the holders of the Series H Preferred Stock (the “Holders”) at any time at an initial conversion price of \$0.47 per share (the “Conversion Price”). The Conversion Price is subject to customary adjustments for stock dividends, stock splits, reclassifications, stock combinations and the like.

A Holder of the Series H Preferred Stock may not convert any portion of the Preferred Stock to the extent that the Holder, together with its affiliates, would beneficially own more than 4.99% of the Company's outstanding shares of Common Stock immediately after conversion, except that upon at least 61 days' prior notice from the Holder to the Company, the Holder may increase the beneficial ownership limitation to up to 9.99% of the number of shares of Common Stock outstanding immediately after giving effect to the conversion.

Pursuant to the Certificate of Designations, so long as any shares of the Series H Preferred Stock are outstanding, the Company may not, directly or indirectly, redeem, or declare or pay any cash dividend or distribution on, any securities of the Company without the prior express written consent of the Required Holders (as defined in the Certificate of Designations). In the event that dividends are consented to by the Required Holders, the Holders of the Series H Preferred Stock shall be entitled to receive dividends on shares of the Series H Preferred Stock equal (on an as-if-converted-to-Common-Stock basis) to and in the same form as dividends actually paid on shares of the Common Stock when, as and if such dividends are paid on shares of the Common Stock. No other dividends may be paid on shares of the Series H Preferred Stock.

Except as otherwise provided in the Certificate of Designations or as otherwise required by law, the Series H Preferred Stock will have no voting rights except as provided by law. However, as long as any shares of Preferred Stock are outstanding, the Company may not, without the affirmative vote at a meeting duly called for such purpose, or the written consent without a meeting, of the Required Holders, voting together as a single class, (a) amend or repeal any provision of, or add any provision to, its charter documents, including, without limitation, its Certificate of Incorporation or bylaws, the Certificate of Designation, or file any certificate of designations or articles of amendment of any series of shares of preferred stock, in each case, only if such action would adversely alter or change in any respect the preferences, rights, privileges or powers, or restrictions provided for the benefit, of the Series H Preferred Stock, regardless of whether any such action shall be by means of amendment to the Certificate of Incorporation or by merger, consolidation or otherwise; (b) increase or decrease (other than by conversion) the authorized number of shares of the Preferred Stock; (c) create or authorize (by reclassification or otherwise) any new class or series of shares that has a preference over the Preferred Stock with respect to dividends or the distribution of assets on the liquidation, dissolution or winding up of the Company; (d) pay dividends or make any other distribution on any shares of any capital stock of the Company junior in rank to the Preferred Stock; or (e) whether or not prohibited by the terms of the Preferred Stock, circumvent a right of the Preferred Stock.

There is no established public trading market for the Preferred Stock and the Company does not intend to list the Series H Preferred Stock on any national securities exchange or nationally recognized trading system.

Warrants

The exercise price of the Warrants is subject to customary adjustments for stock dividends, stock splits, reclassifications and the like. A holder of the Warrants may not exercise any portion of such holder's Warrants to the extent that the holder, together with its affiliates, would beneficially own more than 4.99% of the Company's outstanding shares of Common Stock immediately after exercise, except that upon at least 61 days' prior notice from the holder to the Company, the holder may increase the beneficial ownership limitation to up to 9.99% of the number of shares of Common Stock outstanding immediately after giving effect to the exercise.

There is no established public trading market for the Warrants and the Company does not intend to list the Warrants on any national securities exchange or nationally recognized trading system.

Pro Forma Financial Statements

The Private Placement and Repurchase (collectively, the "Restructuring") represent a significant restructuring of the Company's capital including a significant repayment of debt. The accompanying unaudited pro forma consolidated balance sheet as of December 31, 2025 is presented as if the Restructuring had occurred on December 31, 2025. The Restructuring is not expected to have an impact on the Company's consolidated statements of operations and thus no pro forma consolidated statement of operations is presented.

These unaudited pro forma condensed consolidated financial statements have been prepared in accordance with Article 11 of Regulation S-X and do not include all of the information and note disclosures required by generally accepted accounting principles of the United States.

The unaudited pro forma condensed consolidated financial information is subject to the assumptions and adjustments described in the accompanying notes. These assumptions and adjustments are based on information presently available. Actual adjustments may differ materially from the information presented. The unaudited pro forma consolidated financial statements are based on the historical financial statements of the Company for each period presented and in the opinion of the Company's management, all adjustments and disclosures necessary for a fair presentation of the pro forma data have been made. These unaudited pro forma consolidated financial statements are presented for illustrative purposes only and are not necessarily indicative of the results of operations or financial condition that would have been achieved had events reflected been completed as of the dates indicated and may not be useful in predicting the impact of the reflected transactions on the future financial condition and results of operations of the Company due to a variety of factors.

The pro forma adjustments are based upon available information and certain assumptions that we believe are reasonable. The unaudited pro forma consolidated financial statements are for illustrative and informational purposes only and do not purport to represent what our financial position or results of operations would have been if the proposed transactions had actually occurred as of the dates indicated, nor does it project our financial position at any future date or our results of operations or cash flows for any future period.

The adjustments in the unaudited pro forma consolidated financial information have been identified and presented to provide relevant information necessary for an illustrative understanding of XWELL, Inc. upon consummation of the Restructuring. The unaudited pro forma transaction accounting adjustments presented in the accompanying notes represent management's estimates based on information available as of the date of these unaudited pro forma consolidated financial statements and are subject to change as additional information becomes available and analyses are performed.

XWELL, Inc. and Subsidiaries

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2025

(In thousands, except share and per share data)

	Historical	Adjustments - Private Placement	Adjustments - Repurchase	Pro Forma
Assets				
Current assets:				
Cash and cash equivalents	\$ 2,617	\$ 28,047 (a)	\$ (9,000)(b)	\$ 21,664
Marketable Securities	7	—	—	7
Accounts receivable	1,560	—	—	1,560
Inventory	509	—	—	509
Other current assets	1,217	—	—	1,217
Total current assets	5,910	28,047	(9,000)	24,957
Restricted cash	251	—	—	251
Property and equipment, net	1,665	—	—	1,665
Intangible assets, net	101	—	—	101
Operating lease right of use assets, net	1,039	—	—	1,039
Goodwill	—	—	—	—
Security deposits	2,127	—	—	2,127
Other assets	124	—	—	124
Total assets	\$ 11,217	\$ 28,047	\$ (9,000)	\$ 30,264
Liabilities and Stockholders' Equity				
Current liabilities:				
Accounts payable	\$ 2,836	\$ —	\$ —	\$ 2,836
Accrued expenses and other current liabilities	2,940	—	(35)(b)	2,905
Accrued Series G Convertible Preferred payable	538	—	(538)(b)	—
Current portion of operating lease liabilities	1,862	—	—	1,862
Deferred revenue	1,126	—	—	1,126
Convertible senior secured note, net	3,590	—	(3,590)(b)	—
Total current liabilities	12,892	—	(4,163)	8,729
Long-term liabilities:				
Derivative liability	3,870	—	(3,870)(b)	—
Operating lease liabilities	7,035	—	—	7,035
Total liabilities	23,797	—	(8,033)	15,764
Temporary Equity				
Series G Convertible Preferred Stock, \$0.01 par value per share and \$1,000 stated value per share, 4,000 shares authorized; 196 shares issued and outstanding as of December 31, 2025; Liquidation preference of \$380 as of December 31, 2025	224	—	(224)(b)	—
Stockholders' Equity:				
Common Stock, \$0.01 par value per share, 150,000,000 shares authorized; 6,071,324 shares issued and outstanding as of December 31, 2025	61	—	—	61
Series H Convertible Preferred Stock, \$0.01 par value per share and \$1,000 stated value per share, 35,000 shares authorized; 31,333 shares issued and outstanding on a pro forma basis as of December 31, 2025; Liquidation preference of \$31,333 as of December 31, 2025.	—	— (a)	—	—
Additional paid-in capital	468,915	28,047 (a)	(743)(b)	496,219
Accumulated deficit	(489,697)	—	—	(489,697)
Accumulated other comprehensive loss	(1,541)	—	—	(1,541)
Total deficit attributable to XWELL, Inc.	(22,262)	28,047	(743)	5,042
Noncontrolling interests	9,458	—	—	9,458
Total equity	(12,804)	28,047	(743)	14,500
Total Liabilities and Stockholders' Equity	\$ 11,217	\$ 28,047	\$ (9,000)	\$ 30,264

See accompanying notes to the consolidated financial statements.

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

- (a) Adjustment reflects the Private Placement Closing. The Company incurred an estimated \$3,286 in cash transaction costs directly attributable to the Private Placement, resulting in total net proceeds of \$28,047. The Preferred Stock, Warrants, and Placement Agent Warrants were determined to meet the criteria to be classified in equity pursuant to Accounting Standards Codification (“ASC”) Topic 815 – Derivatives and Hedging and ASC Topic 480 – Distinguishing Liabilities from Equity.
- (b) Adjustment reflects the Repurchase. The Repurchase represents an extinguishment of the Notes (including all accrued interest and the settlement of the bifurcated derivative liability) which were held by a related party and concurrent redemption of the Series G Preferred Shares (including the settlement of the bifurcated derivative liability) and Series Warrants. The excess of the \$9,000 cash purchase price over the aggregate carrying value of the instruments is recognized as an equity distribution from additional paid-in capital.

Nasdaq Minimum Bid Price Requirement

On December 1, 2025, we received a letter (the “Letter”) from the Listing Qualifications Department of the Nasdaq Stock Market indicating that, based upon the closing bid price of our common stock for the 30 consecutive business days between October 17, 2025, to November 28, 2025, we did not meet the minimum bid price of \$1.00 per share required for continued listing on the Nasdaq pursuant to Nasdaq Listing Rule 5550(a)(2) (the “Minimum Bid Price Rule”). The letter also indicated that we will be provided with a compliance period of 180 days (until June 1, 2026) (the “Compliance Period”), in which to regain compliance pursuant to Nasdaq Listing Rule 5810(c)(3)(A). On March 11, 2026, we received a letter from the Listing Qualifications Department of Nasdaq stating that for the last 10 consecutive business days, from February 25, 2026, to March 10, 2026, the closing bid price of our common stock had been at or greater than \$1.00 per share. Accordingly, we have regained compliance with the Minimum Bid Price Rule and per the Letter, the matter is now closed.

Year ended December 31, 2025, compared to the year ended December 31, 2024**Revenue**

	Year ended December 31,		
	2025	2024	Inc/(Dec)
Total revenue, net	\$ 29,210	\$ 33,897	\$ (4,687)

During the year ended December 31, 2025, total revenues decreased \$4,687, or 14%. The decrease was driven primarily by a decline in revenues within the XpresTest segment, reflecting reduced testing volumes. This decrease was partially offset by modest growth in service revenues from newly opened Naples Wax locations.

Cost of sales

	Year ended December 31,		
	2025	2024	Inc/(Dec)
Total cost of sales	\$ 21,704	\$ 24,978	\$ (3,274)

During the year ended December 31, 2025, total cost of sales decreased \$3,274, or 13%. The decrease in total cost of sales was primarily driven by the closure of the Treat business and 3 XpresSpa locations that were under performing. The largest components in the cost of sales for that segment are labor costs at the location-level. Total cost of sales also includes rent and related occupancy costs, which primarily includes rent based on percentage of sales, as well as other product costs directly associated with the procurement of retail inventory, and other operating costs.

Depreciation and amortization

	Year ended December 31,		
	2025	2024	Inc/(Dec)
Depreciation and amortization	\$ 862	\$ 938	\$ (76)

During the year ended December 31, 2025, depreciation and amortization expense decreased \$76, or 8%, compared to the depreciation and amortization expense recorded during the year ended December 31, 2024. The decrease was primarily due to fewer long-lived assets available for depreciation and amortization in 2025 as compared to 2024 due the impairment of long-lived assets which occurred in the latter half of fiscal year 2024.

Impairment /loss on disposal of assets

The following table summarizes impairment charges for the years ended December 31, 2025 and 2024, recorded on the consolidated statement of operations and comprehensive loss:

	Year ended December 31,		
	2025	2024	Inc/(Dec)
Impairment of long-lived assets	\$ 3,149	\$ 1,711	\$ 1,438
Impairment of operating lease right-of-use assets	1,736	2,805	(1,069)
Loss on disposal of assets, net	40	90	(50)
Goodwill impairment	1,389	—	1,389

The Company identified triggering events and completed an assessment of the Company's property and equipment, intangible assets and right of use lease assets for impairment as of December 31, 2025 and 2024. As of December 31, 2025, the Company recorded an impairment of property and equipment, intangible assets, and right of use lease assets of approximately \$2,529, \$620 and \$1,736, respectively, as compared to December 31, 2024 of approximately \$1,706, \$5, and \$2,805 impairment of property and equipment, intangible assets, and right of use lease assets, respectively.

As of December 31, 2025, after recording ASC 360 long-lived asset impairments, the Company evaluated goodwill for impairment under ASC 350 using a qualitative assessment. In the absence of a contemporaneous quantitative valuation, and considering persistent losses, negative projected cash flows, and other adverse indicators, management concluded it was more-likely-than-not that the reporting unit's fair value did not exceed its carrying amount. The Company therefore recorded a full impairment as of December 31, 2025, related to the Goodwill associated with the Naples Wax business, and as a result recognized an impairment charge of \$1,389.

No impairment for goodwill was recognized as of December 31, 2024.

General and administrative

	Year ended December 31,		
	2025	2024	Inc/(Dec)
General and administrative	\$ 16,000	\$ 20,082	\$ (4,082)

During the year ended December 31, 2025, general and administrative expenses decreased by \$4,082 or 20%, which was primarily due to rightsizing our existing business and optimizing our cost structure. We have significantly reduced operating and overhead expenses while we continue to focus on returning to overall profitability.

Gain on investments, realized and unrealized

	Year ended December 31,		
	2025	2024	Inc/(Dec)
Gain on investments, realized and unrealized	\$ 61	\$ 356	\$ (295)

As of December 31, 2025, the decrease is primarily driven by the decrease in marketable securities balance in 2025 as compared to 2024. Gain on investments is affected by the adjustments to the fair value of our equity investments, which could fluctuate materially from period to period. The fair value of these instruments depends on a variety of assumptions.

Other non-operating expenses, net

	Year ended December 31,		
	2025	2024	Inc/(Dec)
Foreign exchange loss	\$ (654)	\$ (259)	\$ (395)
Other non-operating expense, net	(167)	(211)	44

The increase in foreign exchange loss of \$395 was primarily due to the fluctuation of the foreign exchange rate in Turkey, creating a remeasurement loss on our lease liability. The decrease in other non-operating expense of \$44, net was primarily driven by a decrease in finance expenses related to bank fees and charges.

The following is a summary of the transactions included in other non-operating expenses, net for the years ended December 31, 2025 and 2024:

	Year ended December 31,	
	2025	2024
Bank fees and financing charges	\$ (134)	\$ (179)
Other	(33)	(32)
Total	\$ (167)	\$ (211)

Change in fair value of warrants and derivatives

	Year ended December 31,	
	2025	2024
Change in fair value of derivative liability	\$ (80)	\$ —
Change in fair value of warrant liability	3,215	—
Loss on issuance of Series G Preferred Stock	(3,443)	—

The change in fair value of derivatives and warrant liabilities during the year ended December 31, 2025 primarily reflects changes in the Company's stock price and the impact of amendments to certain outstanding warrant agreements entered into in November 2025 in connection with the Securities Exchange and Amendment Agreement with holders of the Company's Series G Convertible Preferred Stock. As part of this transaction, certain warrants were amended and restated and a portion of the outstanding Series G Convertible Preferred Stock was exchanged for senior secured convertible notes. These modifications affected the valuation assumptions used in measuring the related derivative and warrant liabilities at fair value. The loss on issuance is due to the initial fair value of the Series G Preferred Stock exceeding the fair value of the proceeds received.

Interest income, net

	Year ended December 31,		
	2025	2024	Inc/(Dec)
Interest income, net	\$ 661	\$ 380	\$ 281

The increase of \$281 was primarily driven by the recognition of \$473 in interest income associated with the employee retention credit, partially offset by lower interest earned on cash balances during the period.

Income Taxes

As of December 31, 2025, the Company's estimated aggregate total NOLs were \$150,926 for U.S. federal purposes, expiring 20 years from the respective tax years to which they relate, and \$127,912 for U.S. federal purposes with an indefinite life due to new regulations in the TCJA. of 2017. The NOL amounts are presented before Internal Revenue Code, Section 382 limitations ("Section 382"). The Tax Reform Act of 1986 imposed substantial restrictions on the utilization of NOL and tax credits in the event of an ownership change of a corporation. Thus, the Company's ability to utilize all such NOL and credit carryforwards may be limited. An IRC Section 382 Study has not yet been completed.

We did not have any material unrecognized tax benefits as of December 31, 2025. We do not expect to record any additional material provisions for unrecognized tax benefits within the next year.

Going Concern and Liquidity

As of December 31, 2025, the Company had cash and cash equivalents of approximately \$2,617, marketable securities of \$7, total current assets of \$5,910, total current liabilities of \$12,892, and long term operating lease liabilities of \$7,035. The Company's working capital was in a deficit position at December 31, 2025, compared with a working capital surplus of \$6,113 at December 31, 2024. These conditions, together with historical operating losses and negative cash flows from operations, previously raised substantial doubt about the Company's ability to continue as a going concern within one year after the issuance of these financial statements.

On February 24, 2026, the Company announced it had entered into a securities purchase agreement for a private placement of Series H Convertible Preferred Stock and accompanying warrants, which is expected to result in gross proceeds of approximately \$31,300 before fees and expenses. The private placement was priced at-the-market under Nasdaq rules and closed on February 26, 2026. As described in the announcement, the Company intends to use a portion of the proceeds to repurchase certain outstanding notes, redeem the Company's Series G Preferred Stock and certain warrants, with the remainder used for general corporate purposes and working capital needs.

Management evaluated the impact of this financing, together with the Company's current operating plan, on the Company's liquidity and capital resources for the twelve months following the issuance of these financial statements. The expected net proceeds from the Series H transaction are anticipated to eliminate the Company's working capital deficit and provide sufficient liquidity to fund operations for at least the next twelve months. On this basis, management has concluded that the conditions that previously raised substantial doubt about the Company's ability to continue as a going concern have been alleviated as of the date these financial statements are issued.

The consolidated financial statements have been prepared assuming the Company will continue as a going concern and do not include any adjustments that might result if the Company were unable to continue as a going concern.

Cash flows

	Year ended December 31,		
	2025	2024	Change
Net cash used in operating activities	\$ (8,713)	\$ (11,005)	\$ 2,292
Net cash provided by investing activities	\$ 4,332	\$ 5,895	\$ (1,563)
Net cash provided by financing activities	\$ 1,942	\$ 1,359	\$ 583

Operating activities

During the year ended December 31, 2025, net cash used in operating activities was \$8,713 compared to net cash used in operating activities during the year ended December 31, 2024 of \$11,005. The decrease in net cash used in operating

activities was primarily due the Company's reduction of operating and overhead expenses such as lower occupancy costs in 2025 as compared to 2024.

Investing activities

During the year ended December 31, 2025, net cash provided by investing activities was \$4,332, compared to net cash provided by investing activities during the year ended December 31, 2024 of \$5,895. Cash provided in 2025 came primarily from the sale of marketable securities of approximately \$7,391, partially offset by the purchase of \$2,964 of property and equipment. Cash provided in 2024 came primarily from the sale of marketable securities of approximately \$7,986, partially offset by the purchase of 1,783 of property and equipment.

Financing activities

During the year ended December 31, 2025, net cash provided by financing activities increased by \$583, primarily reflecting \$4,000 of net proceeds from the January 2025 Private Placement, partially offset by financing cash outflows. During the year ended December 31, 2024, net cash provided by financing activities increased by \$1,359 primarily due to the net proceeds received from the August 2024 Registered Direct Offering (as defined below).

Sources of Liquidity

August 2024 Registered Direct Offering

On August 6, 2024, we entered into a securities purchase agreement with certain institutional and accredited investors, pursuant to which we agreed to sell and issue in a registered direct offering (the "August 2024 Registered Direct Offering"), an aggregate of 652,705 shares (the "August 2024 Shares") of our common stock. The gross proceeds to us from the August 2024 Registered Direct Offering, prior to deducting estimated fees and expenses of \$100, were approximately \$1,400. The August 2024 Registered Direct Offering closed on August 8, 2024.

The August 2024 Shares were offered and sold pursuant to a shelf registration statement on Form S-3 (File No. 333-273726), previously filed with the SEC on August 4, 2023, and declared effective by the SEC on September 29, 2023, and the base prospectus included therein.

January 2025 Private Placement

On January 14, 2025, we entered into a January 2025 Purchase Agreement with the January 2025 Investors, pursuant to which we sold to the January 2025 Investors: (i) an aggregate of 4,000 shares of Series G Preferred Stock, initially convertible into up to 2,673,797 shares of the Company's common stock at a conversion price of \$1.496 per share, (ii) Series A Warrants to acquire up to an aggregate of 2,673,797 shares of common stock at an exercise price of \$1.496 per share, and (iii) Series B Warrants to acquire up to an aggregate of 2,673,797 shares of common stock at an exercise price of \$1.7952 per share.

The closing of the Private Placement occurred on January 14, 2025 (the "Closing Date"). The aggregate gross proceeds from the Private Placement were \$4,000.

February 2026 Private Placement of Preferred Shares and Warrants

On February 24, 2026, the Company entered into the February 2026 Purchase Agreement with the February 2026 Purchaser for the issuance and sale in a private placement of an aggregate of (i) 31,333 shares of the Company's newly-designated Series H Convertible Preferred Stock, with a par value of \$0.01 per share and a stated value of \$1,000 per share, initially convertible into up to 66,665,957 shares of Common Stock, at an initial conversion price of \$0.47 per share, subject to adjustment for certain customary adjustments, and (ii) the February 2026 Warrants to purchase up to 66,665,957 shares of Common Stock, at an initial exercise price of \$0.345 per share, subject to adjustment for certain customary adjustments. The February 2026 Warrants expire three years from the date of issuance. The February 2026 Private

Placement closed on February 27, 2026. Gross proceeds from the issuance are expected to be approximately \$31,300 before fees and expenses.

Nasdaq Minimum Bid Price Requirement

On December 1, 2025, we received the Letter from the Listing Qualifications Department of the Nasdaq Stock Market indicating that, based upon the closing bid price of our common stock for the 30 consecutive business days between October 17, 2025, to November 28, 2025, we did not meet the minimum bid price of \$1.00 per share required for continued listing on the Nasdaq pursuant to the Minimum Bid Price Rule. The letter also indicated that we will be provided with a compliance period of 180 days (until June 1, 2026), in which to regain compliance pursuant to Nasdaq Listing Rule 5810(c)(3)(A). On March 11, 2026, we received a letter from the Listing Qualifications Department of Nasdaq stating that for the last 10 consecutive business days, from February 25, 2026, to March 10, 2026, the closing bid price of our common stock had been at or greater than \$1.00 per share. Accordingly, we have regained compliance with the Minimum Bid Price Rule and per the Letter, the matter is now closed.

Off-Balance Sheet Arrangements

We have no obligations, assets or liabilities that would be considered off-balance sheet arrangements. We do not participate in transactions that create relationships with unconsolidated entities or financial partnerships, often referred to as variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements.

Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with U.S. generally accepted accounting principles, which require our management to make estimates that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the balance sheet dates, as well as the reported amounts of revenues and expenses during the reporting periods. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations would be affected. We base our estimates on our own historical experience and other assumptions that we believe are reasonable after taking account of our circumstances and expectations for the future based on available information. We evaluate these estimates on an ongoing basis. We consider an accounting estimate to be critical if: (i) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and (ii) changes in the estimate that are reasonably likely to occur from period to period or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations. There are items within our financial statements that require estimation but are not deemed critical, as defined above.

We believe the following accounting estimates to be the most critical estimates we used in preparing our consolidated financial statements for the year ended December 31, 2025.

Derivative Financial Instruments

The Company measures the fair value of financial assets and liabilities in accordance with GAAP, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. The Company does not use derivative financial instruments to hedge exposures to cash-flow, market or foreign-currency risks. However, the Company has entered into certain financial instruments and contracts, such as debt financing arrangements and the issuance of preferred stock with detachable common stock warrants features that are either i) not afforded equity classification, ii) embody risks not clearly and closely related to host contracts, or iii) may be net-cash settled by the counterparty. These instruments are required to be recognized as derivative liabilities, at fair value. The fair value of the bifurcated embedded derivative related to the convertible preferred stock was estimated using a Monte Carlo simulation model, which uses as inputs the fair value of the Company's common stock and estimates for the equity volatility of the Company's common stock, the time to maturity of the convertible preferred stock, the risk-free interest rate for a period that approximates the time to maturity, dividend rate, a penalty dividend rate, and our probability of default. The fair value of the bifurcated embedded derivative related to the convertible notes was also estimated using a Monte Carlo simulation model, which uses as inputs the fair value of the Company's common stock and estimates for the equity volatility of the

Company's common stock, the time to maturity of the convertible notes, the risk-free interest rate for a period that approximates the time to maturity, the stated interest rate, and our probability of default.

Intangible assets

Intangible assets include customer relationships, trade names, and technology, which were primarily acquired as part of the acquisition of XpresSpa in December 2016 and Naples Wax Center in 2023 and were recorded based on the estimated fair value in purchase price allocation. The intangible assets are amortized over their estimated useful lives, which are periodically evaluated for reasonableness.

The Company's intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The fair value is then compared to the carrying value and an impairment charge is recognized by the amount in which the carrying value exceeds the fair value of the asset. In assessing the recoverability of the Company's intangible assets, the Company must make estimates and assumptions regarding future cash flows and other factors to determine the fair value of the respective assets. These estimates and assumptions could have a significant impact on whether an impairment charge is recognized and the magnitude of any such charge. Fair value estimates are made at a specific point in time, based on relevant information. During the year ended December 31, 2025, the Company recorded \$620 of intangible impairment loss. During the year ended December 31, 2024, the Company recorded \$5 of intangible impairment loss.

Recently adopted accounting pronouncements

Please refer Note 2 to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

Known Trends, Events and Uncertainties

Ongoing conflicts in Russia, Ukraine, and the Middle East, including related sanctions and countermeasures and involvement of the United States and other countries, are difficult to predict, and could adversely impact geopolitical and macroeconomic conditions, the global economy, and contribute to increased market volatility, which may in turn adversely affect our business and operations. We may not be able to raise sufficient additional capital and may tailor our business and operations based on the amount of funding we are able to raise in the future. Nevertheless, there is no assurance that these initiatives will be successful. Additionally, our ability to operate depends upon a large number of airplane travelers with the propensity for health and wellness, and in particular spa treatments and products, spending significant time post-security clearance check points at airports. The number of airline travelers at any given time is volatile and subject to change based on various conditions, including but not limited to market and other conditions, prices of travel fare, and oil and gas prices.

Other than as discussed above and elsewhere in this report, we are not aware of any trends, events or uncertainties that are likely to have a material effect on our financial condition.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required as we are a smaller reporting company.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements required by this Item are set forth in Item 15 beginning on page F-1 of this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our “disclosure controls and procedures,” as such term is defined in Rule 13a-15(e) or Rule 15d-15(e) promulgated under the Exchange Act as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this Report to provide reasonable assurance that material information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms due to the material weaknesses described below.

Management’s Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Internal control over financial reporting is a process designed by, or under the supervision of, our principal executive officer and principal financial officer, or persons performing similar functions, and effected by our board of directors to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. Our management evaluated, with the participation of our chief executive officer and chief financial officer (our “Certifying Officers”), the effectiveness of our disclosure controls and procedures as of December 31, 2025, pursuant to Rule 13a-15(b) under the Exchange Act. Based upon that evaluation, management, including our Chief Executive Officer and Chief Financial Officer, our Certifying Officers concluded that, as of December 31, 2025, the evaluation date, our disclosure controls and procedures were not effective due to the following material weaknesses:

- The Company did not properly design, implement, and consistently operate effective controls over the completeness and accuracy of its accounting for leases under ASC 842.
- The Company did not properly design or maintain effective entity level monitoring controls over the financial close and reporting process.
- The Company did not design or maintain effective controls over its service organizations and IT vendors. More specifically, the Company did not have controls in place to review the applicable complementary user entity controls described in the service organizations’ reports for their potential impact on the Company’s financial reporting.

- The Company did not design, implement, and consistently operate effective controls over the revenue process. The Company's controls surrounding the revenue reports and reconciliations were not designed and did not operate at a level of precision that would prevent or detect a material misstatement.
- The Company did not design, implement, and consistently operate effective controls over its' foreign subsidiaries.

Remediation Plan for Material Weaknesses in Internal Control over Financial Reporting

Management is committed to the remediation of the material weaknesses described above, as well as the continued improvement of the Company's internal control over financial reporting. Management has implemented, and continues to implement, the actions described below to remediate the underlying causes of the control deficiencies that gave rise to the material weaknesses. Until the remediation efforts described below, including any additional measures management identifies as necessary, are completed, the material weaknesses described above will continue to exist. We cannot provide any assurance that the remediation efforts below will be successful or that our internal control over financial reporting will be effective because of these efforts. Management has commenced the following actions and will continue to assess additional opportunities for remediation on an ongoing basis:

- 1) The Company has turned on the multi-currency features related to its cloud-based accounting systems.
- 2) The Company has engaged outside service providers to assist with the valuation, accounting, and recording of key reporting areas such as leases, revenue recognition and stock compensation expense.
- 3) The Company has contracted an independent consulting firm to assist with the preparation of the Financial Statements and U.S. GAAP accounting research.
- 4) The Company has engaged outside service providers to review the applicable complementary user entity controls described in the service organizations' reports for their potential impact on the Company's financial reporting.

Changes in Internal Control over Financial Reporting

Other than as set forth in the foregoing paragraph, there have been no changes in our internal control over financial reporting that occurred during the year ended December 31, 2025, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Notwithstanding the material weaknesses in our internal control over financial reporting, our management has determined that the consolidated financial statements for the periods covered by and included in this Annual Report fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with U.S. GAAP.

ITEM 9B. OTHER INFORMATION

Not Applicable

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not Applicable

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information called for by this Item will be included in an amendment to this Annual Report on Form 10-K to be filed with the SEC and is incorporated by reference in this Item 10.

Information called for by this Item will be included in an amendment to this Annual Report on Form 10-K to be filed with the SEC and is incorporated by reference in this Item 11.

ITEM 11. EXECUTIVE COMPENSATION

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information called for by this Item will be included in an amendment to this Annual Report on Form 10-K to be filed with the SEC and is incorporated by reference in this Item 12.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Information called for by this Item will be included in an amendment to this Annual Report on Form 10-K to be filed with the SEC and is incorporated by reference in this Item 13.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information called for by this Item will be included in an amendment to this Annual Report on Form 10-K to be filed with the SEC and is incorporated by reference in this Item 14.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) *Consolidated Financial Statements.* For the financial statements included in this Annual Report on Form 10-K, see “Index to the Financial Statements” on page F-1.

(a)(2) *Consolidated Financial Statement Schedules.* All schedules are omitted because they are not applicable or because the required information is included in the financial statements or notes thereto.

(a)(3) *Exhibits.* The following exhibits are filed as part of, or incorporated by reference into, this Annual Report on Form 10-K.

Exhibits Index

<u>Exhibit No.</u>	<u>Description</u>
2.1	<u>Agreement and Plan of Merger by and among FORM Holdings Corp., FHXMS, LLC, XpresSpa Holdings, LLC, the unitholders of XpresSpa who are parties thereto and Mistral XH Representative, LLC, as representative of the unitholders, dated as of August 8, 2016 (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed with the SEC on August 8, 2016)</u>
2.2	<u>Amendment No. 1 to Agreement and Plan of Merger by and among FORM Holdings Corp., FHXMS, LLC, XpresSpa Holdings, LLC and Mistral XH Representative, LLC, as representative of the unitholders, dated September 8, 2016 (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed with the SEC on September 9, 2016)</u>
2.3	<u>Amendment No. 2 to Agreement and Plan of Merger by and among FORM Holdings Corp., FHXMS, LLC, XpresSpa Holdings, LLC and Mistral XH Representative, LLC, as representative of the unitholders, dated October 25, 2016 (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed with the SEC on October 25, 2016)</u>
2.4	<u>Amendment No. 3 to Agreement and Plan of Merger, dated October 1, 2019, by and between the Company, XpresSpa Holdings, LLC, and Mistral XH Representative LLC (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on October 3, 2019).</u>
3.1	<u>Certificate of Elimination of Series A Convertible Preferred Stock, Series D Convertible Preferred Stock, Series E Convertible Preferred Stock and Series F Convertible Preferred Stock, as filed with Secretary of State of Delaware, effective on October 24, 2022 (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed with the SEC on October 24, 2022).</u>
3.2	<u>Amended and Restated Certificate of Incorporation of XWELL, Inc., effective on October 25, 2022 (incorporated by reference to Exhibit 3.2 to our Current Report on Form 8-K filed with the SEC on October 24, 2022).</u>
3.3	<u>Third Amended and Restated Bylaws of XWELL, Inc., (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed with the SEC on May 21, 2024).</u>
3.4	<u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation, effective as of September 27, 2023 (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed with the SEC on September 27, 2023).</u>

[Table of Contents](#)

Exhibit No.	Description
3.5	Certificate of Designation of Series A Junior Participating Preferred Stock, filed with the Secretary of State of the State of Delaware on August 16, 2024 (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed with the SEC on August 16, 2024).
3.6	Certificate of Designations of Series G Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed with the SEC on January 15, 2025).
3.7	First Amendment to Third Amended and Restated Bylaws of XWELL, Inc. (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the SEC on July 25, 2025).
3.8	Certificate of Amendment of Certificate of Designations of Series G Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on November 4, 2025).
3.9	Certificate of Designations of Series H Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on March 4, 2026).
3.10	Certificate of Elimination of Series G Convertible Preferred Stock (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on March 4, 2026).
4.1	Description of the Registrant's Securities (incorporated by reference from Exhibit 4.22 to our Annual Report on Form 10-K filed with the SEC on April 20, 2020).
4.2	Tax Benefits Preservation Plan, dated as of August 16, 2024, between XWELL, Inc. and Equiniti Trust Company, LLC, as Rights Agent (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on August 16, 2024).
4.3	Form of Series A Warrant issued on January 14, 2025 (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on January 15, 2025).
4.4	Form of Series B Warrant issued on January 14, 2025 (incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed with the SEC on January 15, 2025).
4.5	Form of Senior Secured Convertible Note (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on November 4, 2025).
4.6	Form of Amended and Restated Series A Warrant (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on November 4, 2025).
4.7	Form of Amended and Restated Series B Warrant (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the SEC on November 4, 2025).
4.8	Form of Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on February 25, 2026).
4.9	Form of Placement Agent Warrant (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on February 25, 2026).
10.1†	Form of Management Option Agreement (incorporated by reference from our Registration Statement on Form S-1 filed on March 29, 2010).

[Table of Contents](#)

<u>Exhibit No.</u>	<u>Description</u>
10.2†	Form of Stock Option Agreement (incorporated by reference from our Registration Statement on Form S-8 filed on July 26, 2012).
10.3†	Form of Restricted Stock Unit Agreement (incorporated by reference from our Registration Statement on Form S-8 filed on July 26, 2012).
10.4†	Form of Indemnification Agreement, dated January 31, 2013, by and between Vringo, Inc. and each of its Directors and Executive Officer (incorporated by reference from our Annual Report on Form 10-K for the period ended December 31, 2012, filed on March 21, 2013)
10.5†	Stock Option Grant under the XpresSpa Group Inc. 2020 Equity Incentive Plan (incorporated by reference to Exhibit 10.35 to the Company's Annual Report on Form 10-K filed with the SEC on March 31, 2021)
10.6†	Notice of Restricted Stock Unit Award under the XpresSpa Group Inc. 2020 Equity Incentive Plan (incorporated by reference to Exhibit 10.36 to the Company's Annual Report on Form 10-K filed with the SEC on March 31, 2021)
10.7†	XpresTest, Inc. 2020 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 28, 2020)
10.8†	XpresSpa Group, Inc. 2020 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 30, 2020)
10.9†	Form of XpresTest, Inc. Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.45 to the Company's Amendment No. 1 to Annual Report on Form 10-K/A filed with the SEC on April 30, 2021)
10.11†	Executive Employment Agreement dated January 9, 2022, between the Company and Ezra T. Ernst (incorporated by reference from Exhibit 10.2 to our Quarterly Report on Form 10-Q filed with the SEC on November 14, 2022)
10.12†	Stock Option Agreement between XpresSpa Group, Inc. and Ezra Ernst dated January 14, 2022 (incorporated by reference from Exhibit 10.1 to our Registration Statement on Form S-8 filed on March 31, 2022).
10.13†	Executive Employment Agreement dated March 28, 2022, between the Company and Scott Milford (incorporated by reference from Exhibit 10.48 to our Annual Report on Form 10-K filed with the SEC on March 31, 2022)
10.14†	XWELL, Inc. (formerly known as XpresSpa Group, Inc.) 2020 Equity Incentive Plan, as amended October 4, 2022 (incorporated by reference to Exhibit 10.1 to our Registration Statement on Form S-8 filed with the SEC on October 25, 2022).
10.15†	Offer letter dated June 26, 2023, between the Company and Suzanne A. Scrabis (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on June 28, 2023).
10.16†	Executive Employment Agreement by and between XWELL, Inc. and Ezra T. Ernst, effective as of September 4, 2024 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on September 5, 2025).
10.17†	Transition and Severance Agreement, by and between XWELL, Inc. and Scott R. Milford, effective as of September 4, 2024 (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on September 5, 2025).

[Table of Contents](#)

Exhibit No.	Description
10.18†	Resignation, Separation Agreement and Release with Suzanne A. Scrabis, effective as of January 8, 2025 (incorporated by reference to Exhibit 10.1 our Current Report on Form 8-K filed with the SEC on January 7, 2025).
10.19†	Executive Employment Agreement with Thomas Ian Brown, effective as of January 6, 2025 (incorporated by reference to Exhibit 10.2 our Current Report on Form 8-K filed with the SEC on January 7, 2025).
10.20+	Form of Securities Purchase Agreement, dated as of August 6, 2024, by and among the Company and the purchasers signatory thereto (incorporated by reference to Exhibit 10.1 our Current Report on Form 8-K filed with the SEC on August 7, 2024).
10.21	Form of Securities Purchase Agreement, dated as of January 14, 2025, by and among the Company and the purchasers signatory thereto (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on January 15, 2025).
10.22	Form of Registration Rights Agreement dated as of January 14, 2025, by and among the Company and the investors signatory thereto (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on January 15, 2025).
10.23†	Amendment to the XWELL, Inc. 2020 Equity Incentive Plan, effective as of February 13, 2025 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on April 11, 2025).
10.24	Form of Omnibus Amendment, by and among XWELL, Inc. and the investor listed on the signature page thereto (incorporated by reference from Exhibit 10.4 to our Quarterly Report on Form 10-Q filed with the SEC on May 20, 2025).
10.25	Form of Securities Exchange and Amendment Agreement, dated as of November 3, 2025, by and among the Company and the investors signatory thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on November 4, 2025).
10.26+	Securities Purchase Agreement, dated February 24, 2026, by and among the Company and the investor signatory thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 25, 2026).
10.27	Form of Registration Rights Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on February 25, 2026).
10.28	Placement Agency Agreement, dated February 24, 2026, by and between the Company and Dominari Securities LLC (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on February 25, 2026).
10.29	Form of Lock-Up Agreement (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on February 25, 2026).
10.30	Omnibus Agreement, dated February 24, 2026, by and among the Company and the investors signatory thereto (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the SEC on February 25, 2026).
19.1*	Insider Trading Policy of XWELL, Inc. (incorporated by reference to Exhibit 19.1 to the Company's Annual Report on Form 10-K filed with the SEC on April 15, 2025).

[Table of Contents](#)

Exhibit No.	Description
21.1	List of Subsidiaries of XWELL, Inc. (incorporated by reference to Exhibit 21.1 to the Company's Annual Report on Form 10 - K filed with the SEC on April 16, 2024).
23.1*	Consent of CBIZ CPAs P.C., independent registered public accounting firm
23.2*	Consent of Marcum LLP, independent registered public accounting firm
24.1*	Power of Attorney (attached to the signature page hereto).
31.1*	Certification of Principal Executive Officer pursuant to Exchange Act, Rules 13a – 14(a) and 15d – 14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2**	Certification of Principal Financial Officer pursuant to Exchange Act, Rules 13a – 14(a) and 15d – 14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32*	Certifications of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
97	XWELL, INC Incentive Compensation Recovery Policy (incorporated by reference to Exhibit 97 to the Company's Annual Report on Form 10 - K filed with the SEC on April 16, 2024).
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL documents)

* Filed herewith.

** Furnished herewith.

† Management contract or compensatory plan or arrangement.

†† Certain portions have been omitted pursuant to a confidential treatment request. Omitted information has been filed separately with the SEC.

+ Certain of the schedules (and similar attachments) to this exhibit have been omitted in accordance with Item 601(a)(5) of Regulation S-K under the Securities Act because they do not contain information material to an investment or voting decision and that information is not otherwise disclosed in the exhibit or the disclosure document. The registrant hereby agrees to furnish a copy of all omitted schedules (or similar attachments) to the SEC upon its request.

ITEM 16. FORM 10-K SUMMARY

None.

XWELL, Inc. and Subsidiaries

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
Report of Independent Registered Public Accounting Firm (CBIZ CPAs P.C. PCAOB ID #199)	F-2
Report of Independent Registered Public Accounting Firm (Marcum LLP PCAOB ID #688)	F-4
Consolidated Balance Sheets	F-5
Consolidated Statements of Operations and Comprehensive Loss	F-6
Consolidated Statements of Changes in Equity	F-7
Consolidated Statements of Cash Flows	F-9
Notes to the Consolidated Financial Statements	F-10

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of
XWELL, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of XWELL, Inc. (the “Company”) as of December 31, 2025, the related consolidated statements of operations and comprehensive loss, changes in temporary equity and stockholders’ deficit and cash flows for the year ended December 31, 2025, and the related notes (collectively referred to as the “financial statements”). In our opinion, based on our audit, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025, and the results of its operations and its cash flows for the year ended December 31, 2025, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which they relate.

Fair Value of Financial Instruments

Critical Audit Matter Description As described in Notes 2, 9, 10 and 11 to the financial statements, the Company records certain financial instruments at fair value on a recurring basis, including derivative liabilities associated with the Series G convertible preferred stock and convertible debt, as well as convertible debt instruments on a non-recurring basis, which are classified as level 3 as they contain one or more inputs to valuation which are unobservable and significant to their fair value measurement.

The principal considerations for our determination that performing procedures relating to the fair value of certain level 3 financial instruments is a critical audit matter are (i) the significant judgment and estimation by management and their third party valuation experts in determining the inputs to estimate fair value, which in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and in evaluating audit evidence obtained related to the fair value of these financial instruments, and (ii) the audit effort involved the use of professionals with specialized skill and knowledge.

How We Addressed the Matter in Our Audit Addressing this matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the financial statements. These procedures included reviewing the terms of the underlying agreements that gave rise to the financial instruments. These procedures also included, among others, the involvement of professionals with specialized skill and knowledge to assist in the testing and evaluation of the valuation models prepared by management's third-party valuation experts. This included assessing the appropriateness of the methodologies used in the valuation process and developing an independent estimate of fair value for these financial instruments and comparing management's estimate to the independently developed estimate of fair value. Developing the independent estimate involved testing the completeness, accuracy, and relevance of underlying data used in the models, and testing the reasonableness of significant assumptions, including expected dividend yield, expected volume volatility, probability of default, probability and date of a change in control, equity volatility, discount rate, market interest rate, recovery rate, risk-free rate, as applicable.

/s/ CBIZ CPAs P.C.

CBIZ CPAs P.C.

We have served as the Company's auditor since 2020 (such date takes into account the acquisition of the attest business of Marcum LLP by CBIZ CPAs P.C. effective November 1, 2024).

Morristown, New Jersey
April 1, 2026

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of
XWELL, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of XWELL, Inc. (the “Company”) as of December 31, 2024 the related consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the year ended December 31, 2024, and the related notes (collectively referred to as the “financial statements”). In our opinion, based on our audits, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024, and the results of its operations and its cash flows for the year ended December 31, 2024 in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph – Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 1 the Company has incurred significant losses and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Marcum LLP

We have served as the Company’s auditor from 2020 to 2025.

Morristown, New Jersey
April 15, 2025

XWELL, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	December 31, 2025	December 31, 2024
Current assets		
Cash and cash equivalents	\$ 2,617	\$ 4,550
Marketable Securities	7	7,247
Accounts receivable, net of allowance for credit losses	1,560	1,793
Inventory	509	501
Other current assets	1,217	1,246
Total current assets	<u>5,910</u>	<u>15,337</u>
Restricted cash	251	751
Property and equipment, net	1,665	1,809
Intangible assets, net	101	1,023
Operating lease right of use assets, net	1,039	3,409
Goodwill	-	1,389
Security deposits	2,127	1,535
Other assets	124	99
Total assets	<u>\$ 11,217</u>	<u>\$ 25,352</u>
Current liabilities		
Accounts payable	\$ 2,836	\$ 1,612
Accrued expenses and other current liabilities	2,940	4,088
Accrued Series G Convertible Preferred payable	538	—
Current portion of operating lease liabilities	1,862	2,381
Deferred revenue	1,126	1,143
Convertible senior secured note, net	3,590	-
Total current liabilities	<u>12,892</u>	<u>9,224</u>
Long-term liabilities		
Derivative liabilities	3,870	—
Operating lease liabilities	7,035	8,386
Total liabilities	<u>23,797</u>	<u>17,610</u>
Commitments and contingencies (see Note 17)		
Temporary equity		
Series G Convertible Preferred Stock, \$0.01 par value per share and \$1,000 stated value per share, 4,000 shares authorized; 196 and 0 shares issued and outstanding as of December 31, 2025 and December 31, 2024, respectively; Liquidation preference of \$380 as of December 31, 2025	224	—
Equity (Deficit)		
Common Stock, \$0.01 par value per share, 150,000,000 shares authorized; 6,071,324 and 5,261,024 shares issued and outstanding as of December 31, 2025 and December 31, 2024, respectively	61	53
Additional paid-in capital	468,915	473,824
Accumulated deficit	(489,697)	(472,706)
Accumulated other comprehensive loss	(1,541)	(1,959)
Total deficit attributable to XWELL, Inc.	<u>(22,262)</u>	<u>(788)</u>
Noncontrolling interests	9,458	8,530
Total equity (deficit)	(12,804)	7,742
Total liabilities and equity (deficit)	<u>\$ 11,217</u>	<u>\$ 25,352</u>

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

XWELL, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(In thousands, except share and per share data)

	Year ended December 31,	
	2025	2024
Revenue, net		
Services	\$ 26,268	\$ 30,660
Products	2,942	3,237
Total revenue, net	<u>29,210</u>	<u>33,897</u>
Cost of sales		
Labor	15,337	17,477
Occupancy	3,625	3,712
Products and other operating costs	2,742	3,789
Total cost of sales	<u>21,704</u>	<u>24,978</u>
Gross Profit	7,506	8,919
Depreciation and amortization	862	938
Impairment of long-lived assets	3,149	1,711
Goodwill impairment	1,389	—
Loss on disposal of assets, net	40	90
Impairment of operating lease right-of-use assets	1,736	2,805
General and administrative	16,000	20,082
Total operating expenses	<u>23,176</u>	<u>25,626</u>
Operating loss	(15,670)	(16,707)
Change in fair value of derivative liabilities	(80)	—
Change in fair value of warrant liability	3,215	—
Loss on issuance of Series G Preferred Stock	(3,443)	—
Interest income, net	661	380
Foreign exchange loss	(654)	(259)
Gain on investments, realized and unrealized	61	356
Other non-operating expense, net	(167)	(211)
Loss before income taxes	<u>(16,077)</u>	<u>(16,441)</u>
Income tax expense	(29)	(49)
Net loss	(16,106)	(16,490)
Net loss attributable to noncontrolling interests	(885)	(363)
Net loss attributable to XWELL, Inc.	<u>\$ (16,991)</u>	<u>\$ (16,853)</u>
Net loss	(16,106)	(16,490)
Other comprehensive income (loss) from operations	467	69
Comprehensive loss	<u>\$ (15,639)</u>	<u>\$ (16,421)</u>
Loss per share		
Preferred stock dividends	(509)	—
Preferred stock accretion	(4,000)	—
Deemed dividend on warrant exchange	(2,334)	—
Deemed dividend on Exchange of Series G Preferred Stock	(4,399)	—
Net loss attributable to XWELL, Inc. common stockholders	<u>\$ (28,233)</u>	<u>\$ (16,853)</u>
Basic and diluted loss per share	<u>\$ (5.08)</u>	<u>\$ (3.66)</u>
Weighted-average number of shares outstanding		
Basic	5,560,015	4,610,940
Diluted	<u>5,560,015</u>	<u>4,610,940</u>

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

XWELL, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN TEMPORARY EQUITY AND STOCKHOLDERS' EQUITY (DEFICIT)
(In thousands, except share data)

	Common stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Total Company equity	Non-controlling interests	Total equity
	Shares	Amount						
January 1, 2024	4,179,631	\$ 42	\$ 470,737	\$ (455,853)	\$ (1,924)	\$ 13,002	\$ 7,969	\$ 20,971
Issuance of restricted stock units	4,688	—	—	—	—	—	—	—
Stock-based compensation	—	—	799	—	—	799	94	893
Exercise of stock options	8,000	—	4	—	—	4	—	4
Stock issued related to legal settlement	416,000	4	936	—	—	940	—	940
Proceeds from registered offering	652,705	7	1,348	—	—	1,355	—	1,355
Foreign currency translation	—	—	—	—	(35)	(35)	104	69
Net loss attributable to the Company	—	—	—	(16,853)	—	(16,853)	363	(16,490)
December 31, 2024	<u>5,261,024</u>	<u>\$ 53</u>	<u>\$ 473,824</u>	<u>\$ (472,706)</u>	<u>\$ (1,959)</u>	<u>\$ (788)</u>	<u>\$ 8,530</u>	<u>\$ 7,742</u>

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

XWELL, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN TEMPORARY EQUITY AND STOCKHOLDERS' EQUITY (DEFICIT)
(In thousands, except share data)

	Series G Convertible Preferred stock		Common stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Total Company equity (deficit)	Non-controlling interests	Total equity (deficit)
	Shares	Amount	Shares	Amount						
January 1, 2025	—	\$ —	5,261,024	\$ 53	\$ 473,824	\$ (472,706)	\$ (1,959)	\$ (788)	\$ 8,530	\$ 7,742
Issuance of restricted stock units	—	—	505,679	5	(5)	—	—	—	—	—
Stock-based compensation	—	—	—	—	1,079	—	—	1,079	3	1,082
Issuance of common stock for Series G preferred stock installment redemption	—	—	304,621	3	174	—	—	177	—	177
Issuance of Series G Preferred Stock in private placement, net of transaction costs	4,000	—	—	—	—	—	—	—	—	—
Series G Preferred Stock accretion	—	4,000	—	—	(4,000)	—	—	(4,000)	—	(4,000)
Series G Preferred Stock dividends	—	267	—	—	(509)	—	—	(509)	—	(509)
Accrual of Series G Preferred Stock and dividend redemption	(2,000)	(2,359)	—	—	93	—	—	93	—	93
Exchange of Series G Preferred Stock for Senior Secured Convertible Notes	(1,804)	(1,684)	—	—	—	—	—	—	—	—
Deemed dividends on Preferred Stock and Warrant exchange	—	—	—	—	(4,399)	—	—	(4,399)	—	(4,399)
Reclass of warrant liability upon warrant modification	—	—	—	—	2,658	—	—	2,658	—	2,658
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(9)	(9)
Foreign currency translation	—	—	—	—	—	—	396	396	58	454
Other comprehensive income, net	—	—	—	—	—	—	22	22	(9)	13
Net loss attributable to the Company	—	—	—	—	—	(16,991)	—	(16,991)	885	(16,106)
December 31, 2025	<u>196</u>	<u>\$ 224</u>	<u>6,071,324</u>	<u>\$ 61</u>	<u>\$ 468,915</u>	<u>\$ (489,697)</u>	<u>\$ (1,541)</u>	<u>\$ (22,262)</u>	<u>\$ 9,458</u>	<u>\$ (12,804)</u>

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

XWELL, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year ended December 31,	
	2025	2024
Cash flows from operating activities		
Net loss	\$ (16,106)	\$ (16,490)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	862	938
Impairment of long-lived assets	2,529	1,706
Impairment of goodwill	1,389	—
Impairment of intangible assets	620	5
Impairment of operating lease right-of-use assets	1,736	2,805
Unrealized gain on marketable securities	(33)	(321)
Foreign currency remeasurement loss	654	259
Gain on lease termination	(410)	(655)
Loss on disposal of assets, net	29	90
Amortization of operating lease right of use asset	916	1,335
Provision for credit losses	-	50
Stock-based compensation	1,082	893
(Gain) on equity investment	(27)	(35)
Change in fair value of derivative liability	80	—
Change in fair value of warrant liability	(3,215)	—
Loss on issuance of Series G Preferred Stock	3,443	—
Changes in assets and liabilities:		
(Increase) decrease in inventory	(8)	399
(Increase) decrease in accounts receivable	247	(193)
(Decrease) increase in deferred revenue	(17)	281
(Increase) in other assets, current and non-current	(596)	(103)
(Decrease) in other liabilities, current and non-current	(3,094)	(2,356)
Increase in accounts payable	1,206	387
Net cash used in operating activities	<u>(8,713)</u>	<u>(11,005)</u>
Cash flows from investing activities		
Acquisition of property and equipment	(2,964)	(1,783)
Investment in marketable securities	(95)	(299)
Sale of marketable securities	7,391	7,986
Acquisition of intangibles	—	(9)
Net cash provided by investing activities	<u>4,332</u>	<u>5,895</u>
Cash flows from financing activities		
Stock option exercised	—	4
Proceeds from registered offering, net of offering costs	3,745	—
Net proceeds from stock sale	—	1,355
Redemption of preferred stock	(1,794)	—
Distributions to noncontrolling interests	(9)	—
Net cash provided by financing activities	<u>1,942</u>	<u>1,359</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	6	(136)
Decrease in cash, cash equivalents and restricted cash	(2,433)	(3,887)
Cash, cash equivalents, and restricted cash at beginning of the year	5,301	9,188
Cash, cash equivalents, and restricted cash at end of the period	<u>\$ 2,868</u>	<u>\$ 5,301</u>
Cash paid for		
Income taxes	\$ 58	\$ 59
Non-cash investing and financing transactions		
Issuance of shares of Common Stock for legal settlement	\$ —	\$ 940
Capital expenditures included in Accounts payable, accrued expenses and other current liabilities	(14)	152
Accrual of Series convertible preferred stock dividends	267	—
Accretion of Series G convertible preferred stock to redemption value	4,000	—
Initial fair value of warrant liability	5,873	—
Initial fair value of derivative liability	1,315	—
Accrued Series G convertible preferred stock redemption payable	538	—
Noncash conversion of Series G convertible preferred stock	177	—
Deemed dividend on Exchange of Series G Preferred Stock	4,399	—
Deemed dividend on warrant exchange	2,334	—
Initial fair value of derivative liability on convertible debt	3,105	—
Extinguishment of convertible preferred stock with bifurcated embedded derivative	630	—
Fair value of convertible note on exchange	6,689	—
Reclass of warrant liability upon modification	2,658	—
Lease liability remeasurement due to modification	79	—
Right-of-use asset and lease liability recognized for new operating lease	204	3,257

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

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except for share and per share data)

Note 1. General and Liquidity

Overview

XWELL (“XWELL” or the “Company”) is a global wellness organization dedicated to delivering restorative and healthfocused services to travelers through its three reportable operating segments: XpresSpa®, XpresTest®, and Naples Wax Center®. XpresSpa operates spa service locations in major airports, offering massage, skincare, and travel products. XpresTest transitioned from providing COVID-19 testing to supporting public health efforts through bio-surveillance programs at international airports. XWELL’s former subsidiary, gcg Connect, LLC, operating as HyperPointe, provided direct to business marketing support across a number of health and health-related channels and ceased operations during 2025. Naples Wax Center provides upscale hair removal and skincare services through its branded locations.

Liquidity Analysis

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As of December 31, 2025, the Company had cash and cash equivalents of approximately \$2,617, marketable securities of \$7, total current assets of \$5,910, total current liabilities of \$12,892, and long term operating lease liabilities of \$7,035. The Company’s working capital was in a deficit position at December 31, 2025, compared with a working capital surplus of \$6,113 at December 31, 2024. In light of these conditions and the Company’s historical operating losses, management evaluated whether substantial doubt existed about the Company’s ability to continue as a going concern within one year after the date these consolidated financial statements are issued.

Subsequent to year end, on February 24, 2026, the Company announced it had entered into a private placement of Series H Convertible Preferred Stock with accompanying warrants for expected gross proceeds of approximately \$31,300 before fees and expenses, which closed on February 26, 2026. The Company used \$9,000 of the proceeds to repurchase certain notes, redeem the Company’s Series G Preferred Stock and certain warrants, with the remainder for general corporate purposes and working capital needs.

Management considered the expected net cash proceeds from the Series H transaction, the planned uses of proceeds, and the Company’s current operating plan in assessing liquidity for the twelve-month period following the issuance of these financial statements. Based on this evaluation, management concluded that the conditions that previously raised substantial doubt have been alleviated as of the issuance date of these consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going-concern basis and do not include any adjustments that might result if the Company were unable to continue as a going concern.

Note 2. Accounting and Reporting Policies

Basis of presentation and principles of consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The consolidated financial statements include the accounts of the Company, all entities that are wholly owned by the Company, and all entities in which the Company has a controlling financial interest. All significant intercompany balances and transactions have been eliminated in consolidation.

Reclassification

Certain balances in the consolidated financial statements for the year ended December 31, 2024 have been reclassified to conform to the presentation in the consolidated financial statements for the year ended December 31, 2025. In the prior year, the Company separately disclosed salaries and benefits and in the current year the Company has reclassified these

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

costs on the consolidated statement of operations within general and administrative expenses. In addition, security deposits previously included within other assets have been reclassified and presented separately on the consolidated balance sheets. These reclassifications had no effect on the Company's previously reported results of operations, changes in temporary and stockholders' equity, or cash flows.

Use of estimates

The preparation of the accompanying consolidated financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses for the periods presented. Actual results may differ from such estimates. Significant items subject to such estimates and assumptions include the Company's long-lived assets, intangibles assets, the useful lives of the Company's intangible assets, the valuation of stock-based compensation, warrant liabilities, derivative liabilities, deferred tax assets and liabilities, income tax uncertainties, and other contingencies.

Cash and cash equivalents

The Company maintains cash in checking and money market accounts with financial institutions. The Company has established guidelines relating to the diversification and maturities of its investments in order to minimize credit risk and maintain high liquidity of funds. The Company considers all highly liquid investments purchased with an original maturity of three months or less from the time they are acquired to be cash equivalents. The Company had \$7 and \$11 of such investments as of December 31, 2025 and 2024, respectively.

Accounts Receivables

Accounts receivables are reported at their outstanding unpaid principal balances, net of allowances for credit loss. The Company periodically assesses its accounts and other receivables for collectability on a specific identification basis. The Company provides for an allowance for credit loss based on management's estimate of uncollectible amounts considering age, collection history, and any other factors considered appropriate. Payments are generally due within 30 days of invoice. The Company writes off accounts receivable against the allowance for credit loss when a balance is determined to be uncollectible. During the years ended December 31, 2025 and 2024, write-offs and recoveries of accounts receivable were de minimis. The allowance for credit losses on accounts receivable was also de minimis as of December 31, 2025 and 2024.

The Company estimates its allowance for credit losses using a historical loss rate approach, adjusted for current economic conditions and forward-looking information when relevant. The methodology considers the aging of receivables, the creditworthiness of customers, and macroeconomic trends. There were no significant changes to estimation techniques or assumptions during the periods presented.

Inventory

All inventory, which are all finished goods, is valued at the lower of cost or net realizable value. Cost is determined using a weighted-average cost method.

Intangible assets

Intangible assets include customer relationships, trade names, and technology, which were primarily acquired as part of the acquisition of XpresSpa in December 2016 and Naples Wax Center in 2023 and were recorded based on the estimated fair value in purchase price allocation.

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

The Company's intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The fair value is then compared to the carrying value and an impairment charge is recognized by the amount in which the carrying value exceeds the fair value of the asset. In assessing the recoverability of the Company's intangible assets, the Company must make estimates and assumptions regarding future cash flows and other factors to determine the fair value of the respective assets. These estimates and assumptions could have a significant impact on whether an impairment charge is recognized and the magnitude of any such charge. Fair value estimates are made at a specific point in time, based on relevant information. During the years ended December 31, 2025 and 2024, the Company recognized impairment of intangible assets of \$620 and \$5 respectively.

Property and Equipment

Property and equipment are recorded at historical cost and primarily consists of leasehold improvements, furniture and fixtures, and other operating equipment. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are depreciated over the lesser of the lease term or economic useful life. Maintenance and repairs are charged to expense, and renovations or improvements that extend the service lives of the Company's assets are capitalized over the lesser of the extension period or life of the improvement.

Impairment of long-lived assets

Long-lived assets are tested for impairment at the lowest level at which there are identifiable operating cash flows, which is at the individual airport location for the XpresSpa, XpresTest and Naples Wax businesses. The Company's long-lived assets consist primarily of leasehold improvements and the right to use lease assets for each of its airport locations and off-airport Naples Wax locations (considered the asset groups). The Company reviews its long-lived assets for recoverability when events or changes in circumstances indicate that the carrying value of long-lived assets may not be recoverable. If indicators are present, the Company performs a recoverability test by comparing the sum of the estimated undiscounted future cash flows attributable to the asset group in question to its carrying amount. An impairment loss is recognized if it is determined that the long-lived asset group is not recoverable and is calculated based on the excess of the carrying amount of the long-lived asset group over the long-lived asset groups fair value. The Company estimates the fair value of long-lived assets using present value income approach. Future cash flow was calculated based on forecasts over the estimated remaining useful life of the asset group, which for each of the Company's locations is the remaining term of the operating lease.

The Company identified triggering events and completed an assessment of long-lived assets for impairment. Based upon the results of the impairment test, the Company recorded an impairment expense related to property and equipment and right of use lease assets during the year ended December 31, 2025 of \$2,529, and \$1,736 respectively, which is recorded in Impairment of long-lived assets and Impairment of operating lease right-of-use assets, respectively, on the consolidated statements of operations and comprehensive loss related to the Company's Naples Wax and Spa locations.

The Company recorded impairment expense related to property and equipment and intangibles of \$1,711 during the year ended December 31, 2024. Additionally, the Company recorded an impairment expense related to operating lease right of use assets of \$2,805 during the year ended December 31, 2024. The impairment charges are recorded in Impairment of long-lived assets and Impairment of operating lease right-of-use assets, respectively, on the consolidated statements of operations and comprehensive loss. The expense was primarily related to the impairment of leasehold improvements made to the Company's Treat and Spa locations and its operating lease right of use assets where management determined that the locations discounted future cash flows were not sufficient to recover the carrying value of these assets over the remaining lease term.

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

Leases

The right of use asset (“ROU”) on the Company’s consolidated balance sheets represents a lessee’s right to use an asset over the life of a lease. Operating lease ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term, plus any lease payments made to the lessor before the lease commencement date, plus any initial direct costs incurred, minus any lease incentives received. The amortization period for the right of use asset is from the lease commencement date to the earlier of the end of the lease term or the end of the useful life of the asset. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company has elected to exclude all short-term leases (i.e. leases with terms of 12 months or less) from recognition on the balance sheet.

The Company’s lease liabilities are determined by calculating the present value of all future lease payments using the rate implicit in the lease if it can be readily determined, or the lessee’s incremental borrowing rate. The Company uses its incremental borrowing rate at the inception of the lease to determine the present value of future lease payments as the rate implicit in its leases cannot be readily determined

Certain leases provide for contingent rents that are not measurable at inception. These contingent rents are primarily based on a percentage of sales that are in excess of a predetermined level, an increase based on a change in the consumer price index or fair market value. These amounts are excluded from the calculation of the right of use asset and lease liability under ASC 842. Minimum rent under these leases is included in the determination of rent expense when it is probable that the expense has been incurred and the amount can be reasonably estimated.

Restricted cash

Restricted cash, which is listed as a separate line item in the consolidated balance sheets, represents balances at financial institutions to secure bonds and letters of credit as required by the Company’s various lease agreements.

Equity investments

Equity investments are carried at fair value with the changes in fair value recorded in the consolidated statement of operations and other comprehensive loss in accordance with ASU 2016-01. The Company performs a qualitative assessment on an annual basis and recognizes impairment if there are sufficient indicators that the fair value of the investment is less than the carrying value. As of the year ended December 31, 2025 and 2024, there were no indicators of impairment.

Revenue recognition

XpresSpa and Naples Wax Center

The Company recognizes revenue from the sale of products and services when the services are rendered at XpresSpa and Naples Wax Centers locations and from the sale of products at the time products are purchased at the Company’s stores or online usually by credit card, net of discounts and applicable sales taxes. Accordingly, the Company recognizes revenue for the Company’s single performance obligation related to both in-store and online sales at the point at which the service has been performed or the control of the merchandise has passed to the customer. The Company recognizes revenue from Priority Pass services when an invoice is generated to Priority Pass detailing the number of services performed multiplied by the agreed upon price.

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

XpresTest

XpresTest began conducting bio surveillance monitoring in 2021 in collaboration with the Centers for Disease Control and Prevention (“CDC”) and Concentric by Ginkgo Bioworks Holdings, Inc. (“Ginkgo Bioworks”). The program was renewed through August 2024. Revenue recognized from such one-year extension totaled approximately \$7,044. In January 2024, the program funding and scope were expanded, resulting in an additional \$4,000 of revenue, including new collection locations at U.S. international airports and the roll out of multi-pathogen testing across the program. In July 2024, the contract was further amended to extend the time period for services by two weeks (extension period August 12, 2024 to August 25, 2024). An increase of \$293 in revenue for the two week extension brought total revenue to \$11,337. The program was again extended in August 2024 through February 25, 2025. The funding was expanded with a revenue increase of \$3,763. In February 2025, the program was extended through a three-year contract with a total base value of \$22,200 over three years, and a maximum ceiling value of \$24,800 within the same timeframe, which represents the amount of consideration that we are entitled. The Company recognizes revenue ratably (straight line basis) over the term of the contract (three years).

The Company recorded \$6,984 and \$11,123, in revenue for the years ended December 31, 2025 and 2024, respectively, related to sample collection performance obligations because the Company’s efforts towards satisfying each of the performance obligations are expended evenly throughout the period of performance. As of December 31, 2025, the Company had \$289 of revenue billed in advance related to XpresTest services, which was recorded as deferred revenue on the Company’s consolidated balance sheets.

HyperPointe

The Company’s HyperPointe business provided a broad range of services and support options for HyperPointe’s customers, including technical support services and advanced services. Technical support services represent the majority of these offerings which are distinct performance obligations that are satisfied over time. The Company applied the right-to-invoice practical expedient and recognizes revenue in the amount it is entitled to invoice when that amount corresponds directly with the value of the performance to date. Advanced services are distinct performance obligations that are satisfied over time with revenue recognized as services are delivered. Revenue billed in advance are treated as deferred revenue which was \$0 and \$181 as of December 31, 2025 and 2024, respectively. As of December 31, 2025, the HyperPointe unit was no longer operating. The Company excludes all sales taxes assessed to our customers from revenue. Sales taxes assessed on revenues are included in Accrued expenses and other current liabilities on the Company’s consolidated balance sheets until remitted to state agencies.

Gift cards, customer rewards and prepaid packages

XWELL offers no-fee, non-expiring gift cards to its customers. No revenue is recognized upon issuance of a gift card and a liability is established for the gift card’s cash value. The liability is relieved, and revenue is recognized upon redemption by the customer. As the gift cards have no expiration date, there is no provision for the reduction in the value of unused card balances.

In addition, XWELL maintains a rewards program in which customers earn loyalty points, which can be redeemed for future services. Loyalty points are rewarded upon joining the loyalty program, for customer birthdays, and based upon customer spending. When a customer redeems loyalty points, the Company recognizes revenue for the redeemed cash value and reduces the related loyalty program liability. In 2023, the Company adopted a formal expiration policy whereby any loyalty members with inactivity for an 18-month period will forfeit any unused loyalty rewards.

The costs associated with gift cards and reward points are accrued as the rewards are earned by the cardholder and are included in Accrued expenses and other current liabilities in the consolidated balance sheets until used.

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

Naples Wax Center offers prepaid wax packages that are either unlimited for one year or a set number of services. When the packages are purchased, the sales are recorded as deferred revenue. As services related to prepaid packages are used, revenue is recognized as income. The deferred revenue was \$837 and \$956 for the year ended December 31, 2025 and 2024, respectively.

Segment reporting

ASC 280, Segment Reporting, establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker ("CODM") is the Chief Executive Officer, who reviews the financial performance and the results of operations of the segments prepared in accordance with U.S. GAAP when making decisions about allocating resources and assessing performance of the Company. The Company currently has three reportable operating segments: XpresSpa, XpresTest and Naples Wax Center. See Note 13. Segment Information.

There are currently no intersegment revenues. Asset information by operating segment is presented below Note 13 since the chief operating decision maker reviews this information by segment. The reporting segments follow the same accounting policies used in the preparation of the Company's audited consolidated financial statements.

Pre-opening costs

Pre-opening and start-up activity costs, which include rent and occupancy, supplies, advertising, and other direct expenses incurred prior to the opening of a new store, are expensed in the period in which they are incurred.

Cost of sales

Cost of sales consists of location operating costs. These costs include all costs that are directly attributable to the location's operations and include:

- payroll and related benefits for the location's operations and management;
- rent, percentage rent and occupancy costs;
- the cost of merchandise and testing supplies;
- freight, shipping and handling costs;
- production costs;
- inventory shortage and valuation adjustments; and
- costs associated with sourcing operations.

Stock-based compensation

Stock-based compensation is recognized as an expense in the consolidated statements of operations and comprehensive loss and such cost is measured at the grant-date fair value of the equity-settled award. The fair value of stock options is estimated as of the date of grant using the Black-Scholes-Merton ("Black-Scholes") option-pricing model. The fair value

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

of Restricted Stock Units (“RSUs”) is calculated as of the date of grant using the grant date closing share price multiplied by the number of RSUs granted. The expense is recognized on a straight-line basis, over the requisite service period. The Company uses the simplified method to estimate the expected term of options due to insufficient history and high turnover in the past. Expected volatility is estimated based on a weighted average historical volatility of the Company. The risk-free rate for the expected term of the option is based on the United States Treasury yield curve as of the date of grant. The Company recognizes forfeitures as they occur. The Company issues new stock to deliver shares under its Equity Plan.

Preferred Stock

The Company records shares of convertible preferred stock at their respective fair values on the dates of issuance, net of issuance costs. The Company concluded that the Company’s Series G Convertible Preferred Stock, par value \$0.01 per share (“Series G Preferred Stock”), is more akin to a debt-type instrument than an equity-type instrument, therefore certain embedded features were deemed to not be clearly and closely related to the debt host instrument and were bifurcated as a derivative under ASC 815. The Company has applied the guidance in ASC 480-10-S99-3A, SEC Staff Announcement: Classification and Measurement of Redeemable Securities and has therefore classified the Series G convertible preferred stock as mezzanine equity as it redeemable in quarterly installments. The Company adjusts the carrying values of the convertible preferred stock by accreting the discount and accruing dividends to state the convertible preferred stock at redemption value each reporting period.

Modifications and Exchanges of Preferred Stock

Changes to the terms of the Company’s convertible preferred stock or exchanges of shares of the Company’s convertible preferred stock are assessed to determine whether the changes or exchange should be accounted for as a modification or an extinguishment. This assessment can be done either qualitatively or quantitatively based upon the significance of the change.

If the assessment results in an extinguishment, then the difference between the fair value of the new or modified preferred stock and other consideration exchanged and the carrying value of the original preferred stock is recognized in equity as a deemed dividend. The difference is also recognized as an adjustment to earnings available to common stockholders for purposes of calculating earnings per share.

Convertible Debt

The Company accounts for convertible debt in accordance with ASC 470-20, Debt - Debt with Conversion and Other Options (“ASC 470-20”). Convertible debt instruments are evaluated at issuance to determine whether they contain embedded features that require bifurcation as derivatives or equity components. If an embedded feature meets the criteria for derivative accounting under ASC 815 it is bifurcated and recorded separately at fair value, with subsequent changes in fair value recognized in earnings.

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

Derivative Financial Instruments

The Company evaluates its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives in accordance with ASC 815, Derivatives and Hedging (“ASC 815”). For derivative financial instruments that are accounted for as assets or liabilities, the derivative instrument is initially recorded at its fair value on the grant date and is then re-valued at each reporting date, with changes in the fair value reported in the consolidated statements of operations. The classification of derivative instruments, including whether such instruments should be recorded as assets, liabilities or as equity, is evaluated at the end of each reporting period. Derivative liabilities are classified in the consolidated balance sheets as current or non-current based on whether or not net-cash settlement or conversion of the instrument could be required within 12 months of the consolidated balance sheet date.

Warrants

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant’s specific terms and applicable authoritative guidance in ASC 480, Distinguishing Liabilities from Equity (“ASC 480”) and ASC 815. The assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, meet the definition of a liability pursuant to ASC 480, and whether the warrants meet all of the requirements for equity classification under ASC 815, including whether the warrants are indexed to the Company’s own Common Stock and whether the warrant holders could potentially require “net cash settlement” in a circumstance outside of the Company’s control, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent quarterly period end date while the warrants are outstanding. For issued or modified warrants that meet all of the criteria for equity classification, the warrants are required to be recorded as a component of additional paid-in capital at the time of issuance. For issued or modified warrants that do not meet all the criteria for equity classification, the warrants are required to be liability classified and recorded at their initial fair value on the date of issuance and remeasured at fair value and each balance sheet date thereafter. Changes in the estimated fair value of the warrants are recognized as a non-cash gain or loss on the consolidated statements of operations.

Modification of warrants

The Company applies the guidance in ASC 815-40 to account for warrants that are liability classified that are subsequently modified resulting in a reclassification to equity. The warrants are remeasured at fair value on the modification date, the change in fair value is recognized as a non-cash gain or loss on the consolidated statements of operations, and the warrants are reclassified to additional paid-in capital.

Basic and Diluted Net Loss per Common Share

The Company computes basic and diluted net loss per share under the two-class method required for participating securities. The two-class method of computing earnings per share is an earnings allocation formula that determines earnings per share for common stock and any participating securities according to dividends declared (whether paid or unpaid) and participation rights in undistributed earnings. Basic and diluted net loss for common stock equivalents is computed by dividing the net loss attributable to common stockholders by the weighted average number of shares of common stock outstanding for the period. Diluted net loss per share includes potentially dilutive securities outstanding for the period. Because the impact of these items is anti-dilutive during periods of net loss, there was no difference between the Company’s basic and diluted net loss per stock of Common Stock for the years ended December 31, 2025 and 2024.

Distinguishing Liabilities from Equity

The Company relies on the guidance provided by FASB ASC Topic 480, Distinguishing Liabilities from Equity (“ASC 480”), to classify certain redeemable and/or convertible instruments. The Company first determines whether a financial

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

instrument should be classified as a liability. The Company will determine the liability classification if the financial instrument is mandatorily redeemable, or if the financial instrument, other than outstanding shares, embodies a conditional obligation that the Company must or may settle by issuing a variable number of its equity shares.

Once the Company determines that a financial instrument should not be classified as a liability, the Company determines whether the financial instrument should be presented between the liability section and the equity section of the consolidated balance sheet. The Company will determine temporary equity classification if the redemption of the financial instrument is outside the control of the Company (i.e. at the option of the holder). Otherwise, the Company accounts for the financial instrument as permanent equity.

Translation into United States dollars

The Company conducts certain transactions in foreign currencies, such as the Euro, Turkish Lira and United Arab Emirates Dirham, which are recorded at the exchange rate as of the transaction date. All exchange gains and losses occurring from the remeasurement of monetary balance sheet items denominated in non-dollar currencies are deemed non-operating income in the consolidated statements of operations and comprehensive loss. During the years ended December 31, 2025 and 2024, the Company recorded \$654 and \$259 respectively, in exchange losses occurring from the remeasurement of monetary balance sheet items denominated in non-dollar currencies.

Accounts of the foreign subsidiaries of XpresSpa are translated into United States dollars. Assets and liabilities have been translated primarily at year end exchange rates and revenues and expenses have been translated at average monthly rates for the year. The translation adjustments arising from the use of different exchange rates are included as foreign currency translation within the consolidated statements of operations and comprehensive loss and consolidated statements of changes in stockholders' equity.

Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases as well as operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, are not more likely than not to be realized. Tax benefits related to excess deductions on stock-based compensation arrangements are recognized when they reduce taxes payable.

In assessing the need for a valuation allowance, the Company looks at cumulative losses in recent years, estimates of future taxable earnings, feasibility of tax planning strategies, the ability to realize tax benefit carryforwards, and other relevant information. Valuation allowances related to deferred tax assets can be impacted by changes to tax laws, changes to statutory tax rates and future taxable earnings. Ultimately, the actual tax benefits to be realized will be based upon future taxable earnings levels, which are very difficult to predict. If actual results differ from these estimates in future periods, the Company will be required to adjust the valuation allowance.

The Company recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company had no uncertain tax positions as of December 31, 2025 and 2024.

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

The Company recognizes interest and penalties related to unrecognized tax benefits on the income tax expense line in the accompanying consolidated statement of operations. As of December 31, 2025 and 2024, no accrued interest or penalties are included on the related tax liability line in the consolidated balance sheets.

Noncontrolling interests

Noncontrolling interests represent the noncontrolling holders' percentage share of earnings or losses from; i) the subsidiaries, in which the Company holds a majority, but less than 100%, ownership interest, ii) Variable Interest Entities, where the Company is a primary beneficiary and the results of which are included in the Company's consolidated statements of operations and comprehensive loss. Net loss attributable to noncontrolling interests represents the proportionate share of the noncontrolling holders' ownership in certain subsidiaries of XpresSpa and of XpresTest.

Commitments and contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur.

The Company assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or un-asserted claims that may result in such proceedings, the Company evaluates the perceived merits of any legal proceedings or un-asserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, and an estimate of the range of possible losses, if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed. Legal costs expected to be incurred in connection with a loss contingency are expensed as incurred.

Goodwill

Goodwill represents the cost of a business acquisition in excess of the fair value of the net assets acquired. Goodwill is not amortized and is reviewed for impairment annually, or more frequently if facts and circumstances indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the company performs a quantitative test to identify and measure the amount of goodwill impairment loss. The Company compares the fair value of the reporting unit with its carrying amount. If the carrying amount exceeds fair value, goodwill of the reporting unit is considered impaired, and that excess is recognized as a goodwill impairment loss.

During the year ended December 31, 2025, the Company recorded \$1,389 of goodwill impairment loss. During the year ended December 31, 2024, the Company did not record any goodwill impairment loss.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses amounted to approximately \$707 and \$550 for the years ended December 31, 2025 and 2024, respectively.

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

Fair value measurements

The Company measures fair value in accordance with ASC 820-10, Fair Value Measurements and Disclosures. ASC 820-10 clarifies that fair value is an exit price, representing the amount that would be received by selling an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, ASC 820-10 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.

Level 2: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Recently adopted accounting pronouncements

ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (ASU 2023-09), which improves the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the effective tax rate reconciliation and income taxes paid disaggregated by jurisdiction. It also includes certain other amendments to improve the effectiveness of income tax disclosures. This guidance will be effective for the annual periods beginning the year ended December 31, 2025. Early adoption is permitted. Upon adoption, the guidance can be applied prospectively or retrospectively. The Company adopted ASU 2023-09 for the year ended December 31, 2025 on a prospective basis; adoption did not affect the amounts recognized in the consolidated financial statements, and the Company has updated its income tax disclosures to reflect the new requirements, including expanded effective tax rate reconciliation categories and disaggregation of income taxes paid by jurisdiction.

Recently Issued Accounting Standards

ASU 2024-03, Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures

In November 2024, the FASB issued ASU 2024-03, which requires public business entities to disclose, on an annual and interim basis, disaggregated information about certain income statement expense line items in the notes to the financial statements. Public business entities are required to apply the guidance prospectively and may elect to apply it retrospectively. This ASU is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. The Company is currently evaluating the effect of adopting this new accounting pronouncement.

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

ASU 2025-05, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets

In July 2025, the FASB issued ASU 2025-05, which amends ASC 326-20 to provide a practical expedient related to the estimation of expected credit losses for current accounts receivable and current contract assets that arise from transactions accounted for under ASC 606. The practical expedient permits all entities to assume that current conditions as of the balance sheet date do not change for the remaining life of the asset. The amendments are effective for annual periods beginning after December 15, 2025. Early adoption is permitted. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements and related disclosures.

ASU 2025-11, Interim Reporting (Topic 270) Narrow-Scope Improvements

In December 2025, the FASB issued ASU 2025-11, which is intended to clarify the applicability of interim reporting guidance and addresses the form and content of interim financial statements and interim disclosure requirements. ASU 2025-11 is effective for interim reporting periods within annual reporting periods beginning after December 15, 2027, and early adoption is permitted. The Company is currently evaluating the impact of this ASU on its consolidated financial statements and related disclosures.

Note 3. Net earnings/(loss) per Share of Common Stock

The table below presents the computation of basic and diluted (losses)/net earnings per common share:

	Year ended December 31,	
	2025	2024
Basic numerator:		
Net loss attributable to XWELL, Inc.	\$ (16,991)	\$ (16,853)
Less: preferred stock dividends	(509)	—
Less: preferred stock accretion	(4,000)	—
Less: deemed dividend on warrant exchange	(2,334)	—
Less: deemed dividend on Exchange of Series G Preferred Stock	(4,399)	—
Net loss attributable to common shareholders	<u>\$ (28,233)</u>	<u>\$ (16,853)</u>
Basic denominator:		
Basic weighted average shares outstanding	<u>5,560,015</u>	<u>4,610,940</u>
Basic loss per share	<u>\$ (5.08)</u>	<u>\$ (3.66)</u>

Net loss per share data presented above excludes from the calculation of diluted net loss, the following potentially dilutive securities, having an anti-dilutive impact, in case of net loss

Both vested and unvested options to purchase an equal number of shares of Common Stock	921,267	539,799
Unvested RSUs to issue an equal number of shares of Common Stock	55,000	30,000
Series A and Series B warrants to purchase shares of Common Stock	9,045,000	—
Series G Convertible Preferred Stock on an as converted basis	379,640	—
Convertible notes payable on an as converted basis	<u>4,303,880</u>	<u>—</u>
Total number of potentially dilutive securities excluded from the calculation of loss per share attributable to common shareholders	<u>14,704,787</u>	<u>569,799</u>

In accordance with ASC 260, 35,000 RSUs that were fully vested on December 31, 2025 were included in basic and dilutive earnings per share as there were no remaining contingencies for these shares to be issued as of December 31, 2025.

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

Note 4. Cash, Cash Equivalents, and Restricted Cash

	December 31, 2025	December 31, 2024
Cash denominated in United States dollars	\$ 1,100	\$ 2,145
Cash denominated in currency other than United States dollars	1,451	2,160
Restricted cash	251	751
Credit and debit card receivables	66	245
Total cash, cash equivalents and restricted cash	\$ 2,868	\$ 5,301

The Company places its cash and temporary cash investments with credit quality institutions. At times, such cash denominated in United States dollars may be in excess of the Federal Deposit Insurance Corporation (“FDIC”) insurance limit. If the Company were to distribute the amounts held overseas, the Company would need to follow an approval and distribution process as defined in its operating and partnership agreements, which may delay and/or reduce the availability of that cash to the Company.

Note 5. Other Current Assets

As of December 31, 2025 and 2024, the Company’s other current assets were comprised of the following:

	December 31, 2025	December 31, 2024
Prepaid expenses	\$ 1,217	\$ 1,190
Other	—	56
Total other current assets	\$ 1,217	\$ 1,246

Prepaid expenses are predominantly comprised of financed and prepaid insurance policies and IT hosting services, which have terms of one year or less.

Note 6. Property and Equipment

Property and equipment are comprised of three categories: leasehold improvements, furniture and fixtures, and other operating equipment as of December 31, 2025 and 2024 as follows:

	December 31, 2025	December 31, 2024	Useful Life
Leasehold improvements	\$ 6,094	\$ 4,566	Average 5-8 years
Furniture and fixtures	468	359	3-4 years
Other operating equipment	1,028	722	Maximum 5 years
	7,590	5,647	
Accumulated depreciation	(5,925)	(3,838)	
Total property and equipment, net	\$ 1,665	\$ 1,809	

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are depreciated over the shorter of the remaining lease term or economic useful life, which is on average 5 to 8 years.

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

The fair values of the Company’s asset groups were determined using the income approach. The income approach incorporated the use of a discounted cash flow method in which the estimated future cash flows and terminal values for the Company were discounted to the present value using a discount rate. Cash flow projections are based on management’s estimates of economic and market conditions which drive key assumptions of revenue growth rates, operating margins, capital expenditures and working capital requirements. The discount rate in turn is based on the specific risk characteristics of the Company, the weighted average cost of capital and its underlying forecast.

The Company performed assessments of its property and equipment for impairment for the years ended December 31, 2025 and 2024 and based upon the results of the impairment tests, the Company recorded impairment of approximately \$2,529, and \$1,706, respectively, which is included in Impairment of long-lived assets on the consolidated statements of operations and comprehensive loss. The impairment expense is primarily related to the underperformance of the Company’s various Naples Wax locations in 2025 and the Company’s various Spa locations in domestic and international airports in 2024. The impairment related to property and equipment is included within the accumulated amortization of the above schedule.

During the years ended December 31, 2025 and 2024, the Company recorded depreciation expense of \$560 and \$622, respectively.

Note 7. Intangible Assets

The following table provides information regarding the Company’s intangible assets, which consist of the following:

	December 31, 2025			December 31, 2024		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trade names	\$ 200	\$ (200)	\$ —	\$ 200	\$ (29)	\$ 171
Customer relationships	1,012	(1,012)	—	1,012	(441)	571
Software	2,583	(2,482)	101	2,583	(2,302)	281
Total intangible assets	<u>\$ 3,795</u>	<u>\$ (3,694)</u>	<u>\$ 101</u>	<u>\$ 3,795</u>	<u>\$ (2,772)</u>	<u>\$ 1,023</u>

The Company’s trade names and customer relationships relate to the Naples Wax Center, software relates to certain capitalized third-party costs related to a new website and a point-of-sale system, and licenses relate to certain capitalized costs of foreign acquisition.

In the year ended December 31, 2025, the Company recorded an impairment of \$620 related to trade names and customer relationships which is included in Impairment of long-lived assets on the consolidated statement of operations and comprehensive loss. The impairment expense primarily relates to intangible assets of Naples Wax. The impairment related to intangibles is included within the accumulated amortization of the above schedule. In the year ended December 31, 2024, the Company identified a triggering event and recorded an impairment of \$5 related to Licenses which is included in Impairment of long-lived assets on the consolidated statement of operations and comprehensive loss.

The fair values of the Company’s long-lived assets were determined using the income approach. The income approach incorporated the use of a discounted cash flow method in which the estimated future cash flows and terminal values for the Company were discounted to the present value using a discount rate. Cash flow projections are based on management’s estimates of economic and market conditions which drive key assumptions of revenue growth rates, operating margins, capital expenditures and working capital requirements. The discount rate in turn is based on the specific risk characteristics of the Company, the weighted average cost of capital and its underlying forecast.

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

The Company's intangible assets are amortized over their expected useful lives, which are six years for trade names and one and three years for software, whereas the intangibles obtained because of the Naples Wax Center acquisition have an estimated life of 5 to 12 years. During the years ended December 31, 2025 and 2024, the Company recorded amortization expense of \$302 and \$316, respectively. The remaining intangibles balance of \$101 will be fully amortized during 2026.

Note 8. Leases

The Company leases spa and clinic locations at various domestic and international airports. Additionally, the Company leases its corporate office in New York City and other off airport locations in various US cities. Leases entered into by the Company are accounted for in accordance with ASC 842. The Company determines if an arrangement is a lease at inception and if it qualifies under ASC 842. The Company's lease arrangements generally contain fixed payments throughout the term of the lease and most also contain a variable component to determine the lease obligation where a certain percentage of sales is used to calculate the lease payments. The Company enters into leases that expire, are amended and extended, or are extended on a month-to-month basis. Leases are not included in the calculation of the total lease liability and the right of use asset when they are month-to-month.

All qualifying leases held by the Company are classified as operating leases. Operating lease assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Company records its operating lease assets and liabilities based on required guaranteed payments under each lease agreement. The Company uses its incremental borrowing rate, which approximates the rate at which the Company can borrow funds on a secured basis, using the information available at commencement date of the lease in determining the present value of guaranteed lease payments. The interest rate implicit in the lease is generally not determinable in transactions where a company is the lessee.

The Company reviews all of its existing lease agreements to determine whether there were any modifications to lease agreements and to assess if any agreements should be accounted for pursuant to the guidance in ASC 842. If a lease is deemed to be modified, the operating lease ROU asset and lease liability is re-measured using the current incremental borrowing rate. There were various lease modifications that occurred for the years ended December 31, 2025 and 2024.

During the year ended December 31, 2024, the Company's Treat Salt Lake City International Airport ("SLC") location was terminated. When a termination occurs, the Company remeasures the related operating lease right of use asset and lease liability and recognizes those adjustments in the consolidated statements of operations and comprehensive loss. Since the related operating right of use asset was fully impaired for the Treat SLC location at the time of the termination, the Company recognized a gain from lease termination of approximately \$655 as a result of this termination.

During the year ended December 31, 2025, the Company's Treat Studios location was terminated. Since the related operating right of use asset was fully impaired for the Treat Studios location at the time of termination, the Company recognized a gain from lease termination of approximately \$410 as a result of this termination.

During the year ended December 31, 2025, there was an increase to the lease term for the XWELL corporate headquarters, located at 254 West 31st Street, New York, which has been accounted for as a lease renewal. A new operating lease right-of-use asset and lease liability were measured at the renewal date, resulting in an right-of-use asset and lease liability of \$200.

During the year ended December 31, 2025, there was an increase to the lease term for the XpresSpa Las Vegas Airport lease, which has been accounted for as a lease modification. The operating lease right-of-use asset and liability were remeasured at the modification date, resulting in an increase to both balances of \$80.

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

The following is a summary of the activity in the Company's current and long-term operating lease liabilities for the year ended December 31, 2025 and 2024:

	Year ended December 31,	
	2025	2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ (2,930)	\$ (3,480)
Leased assets obtained in exchange for new and modified operating lease liabilities	\$ 283	\$ 3,257

As of December 31, 2025, future minimum operating leases commitments are as follows:

Calendar Years ending December 31,	Amount
2026	\$ 2,371
2027	2,211
2028	1,700
2029	1,402
2030	1,243
Thereafter	1,610
Total future lease payments	10,537
Less: interest expense at incremental borrowing rate	(1,640)
Net present value of lease liabilities	\$ 8,897

Other assumptions and pertinent information related to the Company's accounting for operating leases are:

Weighted average remaining lease term:	5.30 years
Weighted average discount rate used to determine present value of operating lease liability:	6.67 %

Cash paid for minimum annual rental obligations for the years ended December 31, 2025 and 2024, were \$2,272 and \$1,668, respectively.

Variable lease payments calculated monthly as a percentage of a product and services revenue were \$1,396 and \$1,330 for the years ended December 31, 2025 and 2024, respectively.

Rent expense for operating leases for the years ended December 31, 2025 and 2024 were \$2,995 and \$3,110 respectively.

The Company performed assessments of its right of use lease assets for impairment for the years ended December 31, 2025 and 2024. Based upon the results of the impairment tests, the Company recorded impairment expenses of approximately \$1,736 and \$2,805 which is included in Impairment of operating lease right-of-use assets on the consolidated statement of operations and comprehensive loss for the years ended December 31, 2025 and 2024 respectively.

Note 9. Stockholders' Equity (deficit) and Warrants

Private Placement

On January 14, 2025, XWELL, Inc. entered into a Securities Purchase Agreement (the "Purchase Agreement") with certain accredited investors (the "Investors"), pursuant to which it agreed to sell to the Investors (i) an aggregate of 4,000 shares

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

of the Company's newly-designated Series G Convertible Preferred Stock, with a par value of \$0.01 per share and a stated value of \$1,000 per share, initially convertible into up to 2,673,797 shares of the Company's common stock, par value \$0.01 per share (the "Common Stock") at a conversion price of \$1.496 per share (the "Preferred Stock"), (ii) Series A warrants to acquire up to an aggregate of 2,673,797 shares of Common Stock (the "Series A Warrants") at an exercise price of \$1.496 per share, and (iii) Series B warrants to acquire up to an aggregate of 2,673,797 shares of Common Stock (the "Series B Warrants," and collectively with the Series A Warrants, the "Warrants") at an exercise price of \$1.7952 per share (collectively, the "Private Placement").

The closing of the Private Placement occurred on January 14, 2025 (the "Closing Date"). The Private Placement unit described above had a purchase price of \$1,000 per unit and aggregate gross proceeds from the Private Placement were \$4,000. The Company used the net proceeds from the Private Placement for general corporate purposes.

The Company engaged GP Nurmenkari Inc. (the "Placement Agent") to act as the placement agent in connection with the Private Placement. Pursuant to an Engagement Letter with the Placement Agent, the Company paid to the Placement Agent a cash fee equal to 2% of gross proceeds of the Private Placement.

Transaction costs totaling approximately \$255 were incurred related to the Private Placement consisting of cash expenses for placement agent fees, legal fees, and accounting costs related to the financing. These costs were proportionately allocated to the Series G Convertible Preferred Stock and the Warrants based on the allocated gross proceeds of the instruments. Accordingly, none of the transaction costs were allocated against the carrying value of the Preferred Stock and the total of approximately \$255 of transaction costs were immediately expensed related to the Warrants which are accounted for as liabilities in accordance with ASC 815, which is included as a component of loss on issuance of Series G Preferred Stock on the consolidated statement of operations. Net proceeds from the Private Placement totaled \$3,745.

In connection with the private placement consummated on January 14, 2025, the Company and the investors entered into a Registration Rights Agreement (the "Registration Rights Agreement"), pursuant to which the Company is required to file a resale registration statement (the "Registration Statement") with the SEC and to have such Registration Statement declared effective by the Effectiveness Deadline (as defined in the Registration Rights Agreement). The Company is obligated to pay certain liquidated damages to the investors if the Company fails to file the Registration Statement when required, fails to cause the Registration Statement to be declared effective by the SEC when required, or fails to maintain the effectiveness of the Registration Statement pursuant to the terms of the Registration Rights Agreement. The Registration Statement was filed on February 7, 2025. Following a series of waivers and amendments to the Registration Rights Agreement to extend the effectiveness date of the Registration Statement by and between the Company and the investors, the Registration Statement was declared effective on June 30, 2025.

Pursuant to the Registration Rights Agreement, the Company shall pay to each holder of Registrable Securities (as defined in the Registration Rights Agreement) relating to such Registration Statement an amount in cash equal to 2% of such investor's respective purchase price (as defined in the Securities Purchase Agreement) on the closing date (1) on the date of such filing failure, effectiveness failure, maintenance failure, or current public information failure, as applicable, and (2) on every 30 day anniversary of (I) a filing failure until such filing failure is cured; (II) an effectiveness failure until such effectiveness failure is cured; (III) a maintenance failure until such maintenance failure is cured; and (IV) a current public information failure until the earlier of (i) the date such current public information failure is cured and (ii) such time that such public information is no longer required pursuant to Rule 144 (in each case, prorated for periods totaling less than 30 days) (such payments to which a holder of Registrable Securities shall be entitled pursuant to the Registration Rights Agreement, the "Registration Delay Payments"). Following the initial Registration Delay Payment for any particular event or failure (which shall be paid on the date of such event or failure, as set forth above), without limiting the foregoing, if an event or failure giving rise to the Registration Delay Payments is cured prior to any 30 day anniversary of such event or failure, then such Registration Delay Payment shall be made on the third business day after such cure. In the event the Company fails to make Registration Delay Payments in a timely manner in accordance with the foregoing, such

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

Registration Delay Payments shall bear interest at the rate of one and 1.5% per month (prorated for partial months) until paid in full.

Series G Convertible Preferred Stock

The terms of the Preferred Stock are as set forth in the form of Certificate of Designations (the “Certificate of Designations”). The Preferred Stock are convertible into shares of Common Stock (the “Conversion Shares”) at the election of the holder at any time at an initial conversion price of \$1.496 per share (the “Conversion Price”). The Conversion Price is subject to customary adjustments for stock dividends, stock splits, reclassifications, stock combinations and the like (subject to certain exceptions). The Company is required to redeem the Preferred Stock in six (6) equal quarterly installments, commencing on July 1, 2025. The amortization payments due upon such redemption are payable, at the Company’s election, in cash at 107% of the applicable Installment Redemption Amount (as defined in the Certificate of Designations), or subject to certain limitations, in shares of Common Stock valued at the lower of (i) the Conversion Price then in effect and (ii) the greater of (A) 80% of the average of the three lowest closing prices of the Company’s Common Stock during the thirty consecutive trading day period ending and including the trading day immediately prior to the date the amortization payment is due or (B) the lower of (i) \$0.167 and (ii) 20% of the “Minimum Price” (as defined in Rule 5635 of the Rule of the Nasdaq Stock Market) (the “Floor Price”), and in each case subject to adjustment for stock splits, stock dividends, stock combinations, recapitalizations or other similar events.

The holders of the Preferred Stock are entitled to dividends of 8% per annum, compounded each calendar quarter, which are payable in arrears monthly in cash or shares of Common Stock at the Company’s option, in accordance with the terms of the Certificate of Designations. Upon the occurrence and during the continuance of a Triggering Event (as defined in the Certificate of Designations), the Preferred Stock accrue dividends at the rate of 15% per annum. Upon conversion or redemption, the holders of the Preferred Stock are also entitled to receive a dividend make-whole payment, assuming for calculation purposes that the stated value of such Preferred Stock remained outstanding through and including the one-year anniversary of the applicable date of conversion. The Company is required to maintain unrestricted cash and cash equivalents on hand in an amount equal to at least 200% of the sum of the stated value, accrued dividends, dividend make-whole payments payable, and any other required amounts payable pursuant to the Certificate of Designations for all outstanding shares of Preferred Stock. The holders of the Preferred Stock are entitled to vote with holders of the Common Stock on an as-converted basis, with the number of votes to which each holder of Preferred Stock is entitled to be calculated assuming a conversion price of \$1.36 per share, which was the Minimum Price (as defined in Rule 5635 of the Rules of the Nasdaq Stock Market) applicable immediately before the execution and delivery of the Purchase Agreement, subject to certain beneficial ownership limitations as set forth in the Certificate of Designations.

Notwithstanding the foregoing, the Company’s ability to settle conversions and make amortization and dividend make-whole payments using shares of Common Stock is subject to certain limitations set forth in the Certificate of Designations, including a limit on the number of shares that may be issued until the time, if any, that the Company has obtained the Stockholder Approval. Further, the Certificate of Designations contains a certain beneficial ownership limitation after giving effect to the issuance of shares of Common Stock issuable upon conversion of the Preferred Stock or as part of any amortization payment or dividend make-whole payment under the Certificate of Designations.

The Certificate of Designations includes certain Triggering Events, including, among other things, the Company’s failure to pay any amounts due to the holders of the Preferred Stock when due. In connection with a Triggering Event, each holder of Preferred Stock will be able to require the Company to redeem in cash any or all of the holder’s Preferred Stock at a premium set forth in the Certificate of Designations.

The Preferred Shares were determined to be more akin to a debt-like host than an equity-like host. The Company identified the following embedded features that are not clearly and closely related to the debt host instrument and met the requirements for bifurcation: 1) certain contingent redemption options, 2) variable share-settled conversions, and 3) certain contingent penalty features. These bifurcated derivative features were bundled together, assigned probabilities of being

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

affected and measured at fair value. Subsequent changes in fair value of these features are recognized in the Consolidated Statement of Operations. The Company estimated the \$1,315 fair value of the bifurcated embedded derivative at issuance using a Monte Carlo simulation, with the following inputs: the fair value of the Company's common stock of \$1.37 on the issuance date, estimated equity volatility of 86.0%, the time to maturity of 2.0 years, a discounted market interest rate of 6.4%, a risk-free rate of 4.28%, dividend rate of 8.0%, a penalty dividend rate of 15.0%, and probability of default of 9.9%. The fair value of the bifurcated derivative liability was estimated utilizing the with and without method which uses the probability weighted difference between the scenarios with the derivative and the plain vanilla maturity scenario without a derivative.

The discount to the fair value is included as a reduction to the carrying value of the Series G Preferred Shares. During the year ended December 31, 2025, the Company recorded a total discount of \$4,000 upon issuance of the Series G Preferred Shares, which was comprised of the issuance date fair value of the associated embedded derivative of \$1,315 and the remaining \$2,685 of gross proceeds after allocation to the derivative liability which represents the portion of the Warrant liability allocated to the discount. At issuance it was deemed probable that the Series G Preferred Shares will become redeemable, and thus the Company will accrete the carrying value of the Series G Preferred Shares to their redemption value over the expected life of the instruments pursuant to ASC 480-10-S99-3A utilizing the effective interest method. As the fair value of the liabilities required to be subsequently measured at fair value exceeded the net proceeds received, the Company recognized the excess of the fair value over the net proceeds received as a component of the loss upon issuance of preferred stock of \$3,188 which is included in other income (expense) in the consolidated statement of operations.

As of December 31, 2025, the Company had notified the investors of its intention to redeem installments due in cash and recorded a liability of \$538 representing the cash payable to investors which includes \$490 of the stated value of the Series G Preferred Shares, \$13 of accrued dividends payable of dividends, and \$35 of cash premiums which was recognized as a deemed dividend. During the year ended December 31, 2025, the Company redeemed a total of 1,510 Series G Preferred Shares for cash equal to \$1,794 and issued 304,621 shares of Common Stock, elected pursuant to the terms of the Series G Certificate of Designations, worth \$177.

During the year ended December 31, 2025, the Company recognized a total of \$509 of preferred dividends consisting of \$267 of preferred dividends at the stated dividend rate and \$242 of cash premiums recognized as deemed dividends.

Warrants

Pursuant to the Private Placement, the Company issued (i) the Series A Warrants to acquire up to an aggregate of 2,673,797 shares of Common Stock at an exercise price of \$1.496 per share, and (ii) the Series B Warrants to acquire up to an aggregate of 2,673,797 shares of Common Stock at an exercise price of \$1.7952 per share.

On January 14, 2025, the Company assessed the Warrants under ASC 815 and determined that the Warrants should be classified as liabilities as they do not meet the requirements to be considered indexed to the Company's own stock, due to the presence of certain Stockholder Approval-related provisions in the Warrants which potentially adjust the settlement value in conjunction with the Stockholder Approval event. Additionally, the Warrants include a provision related to certain tender or exchange offers which further preclude the Warrants from being accounted for as equity. As such, the Company recorded the Warrants as a liability at fair value with subsequent changes in fair value recognized in earnings. The Company utilized the Black Scholes Model to calculate the value of the Warrants issued on issuance. The fair value of the Warrants of approximately \$5,900 was estimated at January 14, 2025 utilizing the Black Scholes Model using the following weighted average assumptions: the fair value of the Company's common stock per share of \$1.37; remaining term of 5 years; equity volatility of 114.0%; and a risk-free interest rate of 4.49%.

On May 16, 2025, the Company entered into an omnibus amendment (the "Warrant Amendment") with each of the holders of the Series A Warrants and Series B Warrants. The Warrant Amendment makes certain adjustments to the definition of a "Fundamental Transaction" in each of the Warrants, as described in the Warrant Amendment, including changing the

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

scope of the definition applicable to tender or exchange offers that the Company makes, allows one or more Subject Entities (as defined in the Warrant Agreement) to make, or allows the Company to be subject to, to require such a tender or exchange offer to represent more than 50% of the outstanding voting power of the Company. Further, the Warrant Amendment modifies certain terms of the Warrants relating to the rights of the holders in the event of a Fundamental Transaction (as defined in each of the Series A Warrants and Series B Warrants, and as each amended by the Warrant Amendment) that is not within the Company's control, including that upon a Fundamental Transaction not being approved by the Company's Board of Directors, the holders of the Warrants shall only be entitled to receive from the Company or any successor entity the same type or form of consideration (and in the same proportion), at the Black Scholes Value (as defined in each of the Series A Warrants and Series B Warrants and as each amended by the Warrant Amendment, as described below) of the unexercised portion of such Warrants, that is being offered and paid to the holders of the Company's Common Stock. In addition, the Amendment revises the definition of Black Scholes Value related to the volatility input which is now an expected volatility equal to the 30 day volatility obtained from the "HVT" function on Bloomberg (determined utilizing a 365 day annualization factor) as of the trading day immediately following the earliest to occur of (1) the public disclosure of the applicable Fundamental Transaction and (2) the date of a holder's request. The Warrant Amendment resulted in the reclassification of the Warrants as equity, rather than liability, as upon reassessment, the Company concluded that the Warrants now met the requirements to be considered indexed to the Company's own stock and eligible for equity classification under ASC 815-40. The Company utilized the Black Scholes Model to calculate the value of the Warrants on the modification date. The fair value of the Warrants of approximately \$2,658 was estimated at May 16, 2025 utilizing the Black Scholes Model using the following weighted average assumptions: the fair value of the Company's common stock per share of \$0.91; remaining term of 4.67 years; equity volatility of 82.0%; and a risk-free interest rate of 3.97%. On May 16, 2025, the \$2,658 fair value of the warrants was reclassified to additional paid-in-capital (APIC) on the consolidated statements of changes in temporary equity and stockholders' equity and does not require remeasurement moving forward.

During the year ended December 31, 2025, the Company recorded a gain of approximately \$3,215 related to the change in fair value of the warrant liability, prior to reclassification, which is recorded in other income (expense) on the consolidated statements of operations.

November 2025 Securities Exchange and Amendment

On November 3, 2025, the Company entered into a Securities Exchange and Amendment Agreement (the "Exchange Agreement") with the Investors, pursuant to which the Company agreed to exchange a portion of the Company's outstanding shares of Series G Preferred Stock, including all accrued and unpaid dividends thereon equal to approximately \$1,800 in aggregate Stated Value, held by the Investors, for senior secured convertible notes (collectively, the "Notes") in the aggregate principal amount of \$3,387 (collectively, the "Exchange"). As a result of the Exchange Agreement, the Company exchanged a total of 1,804 shares of Series G Preferred Stock for the Notes.

In connection with the Exchange, the Company and the Investors agreed to (A) amend certain terms of the Company's Series G Preferred Stock as set forth in a Certificate of Amendment (the "Certificate of Amendment") to the Certificate of Designations as described below, and (B) amend and restate the Investors' (i) Series A Warrants (the "Amended and Restated Series A Warrants") and (ii) Series B Warrants (the "Amended and Restated Series B Warrants" and, collectively with the Amended and Restated Series A Warrants, the "Amended and Restated Warrants") to (A) reduce the exercise price of the Warrants to \$1.00, and (B) add certain anti-dilution provisions such that the exercise price of the Warrants will be subject to price-based adjustment in the event of any issuances of Common Stock, or securities convertible, exercisable or exchangeable for Common Stock, at a price below the then-applicable exercise price. The Certificate of Amendment amended the Certificate of Designations to (i) reduce the Series G Conversion Price to \$1.00, (ii) remove the restrictive covenant requiring the Company to maintain unencumbered, unrestricted cash and cash equivalents on hand in an amount equal to at least 200% of the shares of Common Stock issuable upon conversion of the outstanding shares of Series G Preferred Stock, (iii) amend the definition of "Make-Whole Amount," such that it now means an amount equal to the amount of additional dividends that would accrue at the dividend rate then in effect assuming for calculation purposes that

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

the Stated Value as of the Closing Date remained outstanding through and including the Maturity Date (as defined in the Certificate of Designations), (iv) add certain provisions such that the Series G Conversion Price will be subject to price-based adjustment in the event of any issuances of Common Stock, or securities convertible, exercisable or exchangeable for Common Stock, or the event of any change in the exercise or conversion price or rate for any such securities previously issued by the Company, at or to a price below the then-applicable Series G Conversion Price (subject to certain exceptions as defined in the Certificate of Designations), (v) add certain provisions such that the Company and the holder of the shares of Series G Preferred Stock may agree to accelerate the conversion of such shares (including any Deferral Amounts (as defined in the Certificate of Designations)) at a conversion price equal to the lower of (i) the Installment Conversion Price (as defined in the Certificate of Designations) applicable to the current Installment Date and (ii) the greater of the Floor Price and (x) 80% of the dollar volume-weighted average price (“VWAP”) of the Common Stock immediately prior to such acceleration, and (y) the average three daily VWAP during the thirty consecutive trading days immediately prior to such acceleration. These amendments did not result in any changes to the classification of the Series G Convertible Preferred Stock. However, due to the inclusion of certain provisions discussed in item (iv) above, certain conversion features of the surviving Series G Preferred Stock that were previously considered to be indexed to the Company’s common stock may no longer be considered indexed to the Company’s common stock, resulting in an additional feature that is required to be bifurcated and accounted for as a component of the compound embedded derivative liability.

The modification of the Warrants did not result in any changes to the Company’s prior conclusions related to the classification of the Warrants and therefore, the Amended and Restated Warrants remain classified within stockholders’ equity. Accordingly, the Company considers the modification of the Warrants as an equity-for-equity exchange, and therefore the increase in fair value of the Amended and Restated Warrants as a result of the amendments of \$2,334 is treated as a deemed dividend which represents a deduction from net loss attributable to common stockholders in the consolidated statement of operations for the year ended December 31, 2025.

The fair value of the Warrants before the modification of \$2,181 was estimated at November 10, 2025 utilizing the Black Scholes Model using the following weighted average assumptions: the exercise price of the Series A Warrants and Series B Warrants immediately before the modification of \$1.496 and \$1.795, respectively; the number of Series A Warrants and Series B Warrants immediately before the modification of 2,673,797 and 2,673,797, respectively; the fair value of the Company’s common stock per share of \$0.86; remaining term of 4.18 years; equity volatility of 79.0%; and a risk-free interest rate of 3.59%.

The fair value of the Amended and Restated Warrants after the modification of \$4,515 was estimated at November 10, 2025 utilizing the Black Scholes Model using the following weighted average assumptions: the exercise price of the Warrants immediately after the modification of \$1.00; the number of Series A Warrants and Series B Warrants immediately after the modification of 4,245,000 and 4,800,000, respectively; the fair value of the Company’s common stock per share of \$0.86; remaining term of 4.18 years; equity volatility of 79.0%; and a risk-free interest rate of 3.59%.

Given the economic nature of the transaction in that the Exchange and amendment of the Series G Convertible Preferred Stock was with the same holder of the Series G Convertible Preferred Stock, the Company accounted for these transactions as a single transaction (the “Exchange and Amendment”). The Company determined that the Exchange and Amendment represented an extinguishment of the original Series G Preferred Stock and the issuance of the Notes and reissuance of the Series G Convertible Preferred Stock as amended as new instruments, as the fair value of the Notes, amended Series G Convertible Preferred Stock, and incremental fair value of the Amended and Restated Warrants issued to the Investor were substantially higher than the Series G Convertible Preferred Stock shares that were exchanged.

As a result, immediately prior to extinguishment, the Series G Preferred Shares were adjusted to their redemption value as they became redeemable as a result of the Exchange and Amendment, and accordingly, during the year ended December 31, 2025, the Company recognized accretion of \$4,000 as a deduction from net loss attributable to common stockholders in the consolidated statement of operations which represents the entirety of the discount recognized upon the initial issuance of the Series G Preferred Shares. Additionally, the derivative liability was adjusted to its fair value of \$865

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

immediately prior to the Exchange. The Company estimated the \$865 fair value of the bifurcated embedded derivative prior to the Exchange on November 7, 2025 using a Monte Carlo simulation model, with the following inputs: the fair value of the Company's common stock of \$0.84 on the valuation date, estimated equity volatility of 76%, the time to maturity of 1.19 years, a discounted market interest rate of 5.4%, a risk-free rate of 3.55%, dividend rate of 8.0%, a penalty dividend rate of 15.0%, and probability of default of 3.7%. As a result of these adjustments, the Series G Preferred Shares' carrying value at November 7, 2025 prior to the Exchange totaled \$3,532, which comprised \$2,667 of Stated Value of the 2,667 Preferred Shares outstanding and the \$865 derivative liability.

In accordance with ASC Topic 260, Earnings Per Share, the Company treated the extinguishment of the Series G Convertible Preferred Stock as a redemption, and recognized a total of \$4,399 representing the difference between the total fair value of the consideration transferred to the Investors and the carrying amount of the Series G Preferred Shares as a deemed dividend, which is deducted from net loss attributable to common stockholders in the consolidated statement of operations and comprehensive loss for the year ended December 31, 2025.

The Company estimated the \$1,217 fair value of the reissued Series G shares at November 7, 2025, including the \$234 fair value of the embedded derivative, using a Monte Carlo simulation, with the following inputs: the fair value of the Company's common stock of \$0.84 on the valuation date, estimated equity volatility of 76%, the time to maturity of 1.19 years, a discounted market interest rate of 5.4%, a risk-free rate of 3.55%, dividend rate of 8.0%, a penalty dividend rate of 15.0%, and probability of default of 3.7%.

The Company estimated the \$6,689 fair value of the Notes at issuance using a Monte Carlo simulation, with the following inputs: the fair value of the Company's common stock of \$0.86 on the valuation date, estimated equity volatility of 81%, the time to maturity of 3.34 years, a discounted market interest rate of 6.1%, a risk-free rate of 3.52%, the stated interest rate of 8.0%, and probability of default of 13.2%.

Total cash costs of \$25 paid to Investors directly attributable to the Exchange were included in the calculation of the total fair value of the consideration transferred to Investors.

The following table summarizes the calculation of the deemed dividend on exchange of Series G Convertible Preferred Stock:

Net carrying value of Series G Preferred Shares before the Exchange	\$ 3,532
Fair value of consideration transferred in the Exchange:	
Issuance date fair value of reissued Series G Preferred Shares	1,217
Issuance date fair value of the Notes	6,689
Fees and costs paid to Series G investors	25
Total	7,931
Deemed dividend on exchange of Series G Convertible Preferred Stock	\$ (4,399)

During the year ended December 31, 2025, the Company recorded a gain of \$622 related to the change in fair value of the derivative liability related to the Series G Convertible Preferred Stock which is recorded in other income (expense) on the consolidated statements of operations. The Company estimated the \$62 fair value of the bifurcated embedded derivative at December 31, 2025 using a Monte Carlo simulation model, with the following inputs: the fair value of the Company's common stock of \$0.46 on the valuation date, estimated equity volatility of 80%, the time to maturity of 1.04 years, a discounted market interest rate of 5.4%, a risk-free rate of 3.42%, dividend rate of 8.0%, a penalty dividend rate of 15.0%, and probability of default of 4.6%.

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

The following table represents the activity related to the Company's warrants during year ended December 31, 2025:

	No. of Warrants	Weighted average exercise price	Remaining contractual term (years)
December 31, 2024	—	\$ —	—
Granted	9,045,000	\$ 1.00	—
December 31, 2025	<u>9,045,000</u>	\$ 1.00	4.18

All outstanding warrants were exercisable as of December 31, 2025 with an intrinsic value of \$0.

August 2024 Registered Direct Offering

On August 6, 2024, the Company entered into a securities purchase agreement with certain institutional and accredited investors, pursuant to which the Company agreed to sell and issue in a registered direct offering (the "August 2024 Offering"), an aggregate of 652,705 shares (the "August 2024 Shares") of the Company's common stock. The gross proceeds to the Company from the August 2024 Offering, prior to deducting estimated fees and expenses of \$100, were approximately \$1,400. The August 2024 Offering closed on August 8, 2024.

Note 10. Convertible Notes

On November 10, 2025, the Company issued the Notes to the Investors as part of the Exchange. The Notes are convertible into shares of the Company's Common Stock in accordance with their terms and will be secured by a first priority security interest in the assets of the Company and its subsidiaries.

The Notes will mature on the date that is three years and four months from the date of issuance (the "Notes Maturity Date"), which may be extended as set forth in the Notes. The Notes bear an interest rate of 8.0% per annum compounded each quarter, which are payable in arrears (i) on the first trading day of each quarter beginning February 2, 2026 (each such date, an "Interest Date"), in cash, (ii) on each Interest Date occurring on an Installment Date (as defined in the Notes), payable by way of inclusion of the interest in the applicable Installment Amount (as defined in the Notes), (iii) prior to the First Installment Date (as defined herein), payable by way of inclusion of interest in the Conversion Amount (as defined in the Notes) on each conversion date occurring prior to the First Installment Date, or (iv) upon any redemption or any required payment upon any Event of Default (as defined in the Notes). Upon the occurrence and during the continuance of an Event of Default, the Notes accrue interest at the rate of 15% per annum.

The Notes are convertible into shares of Common Stock at the election of the holder at any time at an initial conversion price of \$1.00 per share (the "Note Conversion Price"). The Note Conversion Price will be subject to customary adjustments for stock dividends, stock splits, reclassifications, stock combinations and the like (subject to certain exceptions). Additionally, the Note Conversion Price will be subject to price-based adjustment in the event of any issuances of Common Stock, or securities convertible, exercisable or exchangeable for Common Stock, at a price below the then-applicable Note Conversion Price (subject to certain exceptions).

The Company is required to redeem the outstanding principal amount of the Notes in quarterly installments beginning on April 1, 2026 (the "First Installment Date") in accordance with the schedule set forth in the Note. The Installment Amounts (as defined in the Notes) are redeemable, at the Company's election, in cash at 107% of the applicable Installment Redemption Amount, or subject to certain limitations, in shares of Common Stock valued at the lower of (i) the Note Conversion Price then in effect and (ii) the greater of (A) 80% of the average of the three lowest closing prices of the Company's Common Stock during the thirty consecutive trading day period ending and including the trading day

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

immediately prior to the date the amortization payment is due or (B) the Floor Price (as defined in the Notes), and in each case subject to adjustment for stock splits, stock dividends, stock combinations, recapitalizations or other similar events.

Upon any conversion or redemption of the Notes, the holders of the Notes are also entitled to receive interest make-whole payments, equal to an amount of additional interest that would accrue under Notes at the interest rate then in effect assuming that for calculation purposes, the outstanding principal balance remained outstanding through and including the Notes Maturity Date.

The Notes include certain events of default, including, among other things, the suspension from trading or the failure of the Company's Common Stock to be trading or listed (as applicable) on an eligible market for a period of five (5) consecutive trading days and the Company's failure to pay any amounts due to the holders of the Notes when due. The Notes contain certain customary restrictive covenants.

Notwithstanding the foregoing, the Company's ability to settle conversions using shares of Common Stock is subject to certain limitations set forth in the Notes, including a limit on the number of shares that may be issued until the time, if any, that the Company has obtained the Stockholder Approval. Further, a holder of a Note is prohibited from converting the Note into shares of Common Stock if, as a result of such conversion, the holder, together with its affiliates, would own more than 4.99% of the total number of shares of the Company's Common Stock then issued and outstanding immediately after giving effect to the issuance of the shares of Common Stock issuable upon conversion of the Note. However, any holder may increase or decrease such percentage to any other percentage not in excess of 9.99%, provided that any increase in such percentage shall not be effective until 61 days after such notice to the Company.

The Company identified the following embedded features that are not clearly and closely related to the debt host instrument, meet the definition of a derivative and require bifurcation from the Notes: 1) certain contingent redemption options, 2) certain fixed share-settled conversion options, and 3) certain contingent penalty features. These bifurcated derivative features were bundled together, assigned probabilities of being affected and measured at fair value. Subsequent changes in fair value of these features are recognized in the Consolidated Statement of Operations. The Company estimated the \$3,105 fair value of the bifurcated embedded derivative at issuance using a Monte Carlo simulation, with the following inputs: the fair value of the Company's common stock of \$0.86 on the issuance date, estimated equity volatility of 81.0%, the time to maturity of 3.34 years, a discounted market interest rate of 6.1%, a risk-free rate of 3.52%, and probability of default of 13.2%.

At issuance the Company recognized a premium on the Notes of approximately \$197, which represents the excess of Notes' fair value at issuance of \$6,689 over the Notes' total principal of approximately \$3,387 and the fair value of the bifurcated derivative at issuance of \$3,105.

During the year ended December 31, 2025, the Company recorded a loss of \$700 related to the change in fair value of the derivative liability related to the Notes which is recorded in other income (expense) on the consolidated statements of operations. The Company estimated the \$3,807 fair value of the bifurcated embedded derivative at December 31, 2025 using a Monte Carlo simulation model, with the following inputs: the fair value of the Company's common stock of \$0.46 on the valuation date, estimated equity volatility of 82%, the time to maturity of 3.2 years, a discounted market interest rate of 6.6%, a risk-free rate of 3.51%, and probability of default of 16.5%.

During the year ended December 31, 2025, the Company recognized interest expense totaling approximately \$41 reflecting an effective interest rate of 8.80%, which was comprised of approximately \$35 interest at the stated rate, and approximately \$6 representing the amortization of the premium recognized at issuance. There were no conversions of the principal of the Notes or cash payments of principal or interest made by the Company during the year ended December 31, 2025.

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

The Notes are recorded at amortized cost; the carrying value of the Notes as of December 31, 2025 exclusive of the bifurcated embedded derivative was \$3,590, comprising \$3,387 of outstanding principal and \$203 of unamortized premium.

The Notes were settled in full for cash during February 2026 via the Repurchase (as defined in Note 19). Accordingly, the full carrying value of the Notes is presented as a current liability on the accompanying consolidated balance sheet as of December 31, 2025.

Note 11. Fair Value Measurements

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy exists, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are:

Level 1: Inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reported date.

Level 3: Unobservable inputs, that are supported by little or no market activity and are developed based on the best information available in the circumstances. For example, inputs derived through extrapolation or interpolation that cannot be corroborated by observable market data.

The following table presents the placement in the fair value hierarchy of the Company's assets and liabilities measured at fair value on a recurring and nonrecurring basis as of December 31, 2025 and 2024. Assets and liabilities that are measured at fair value on a nonrecurring basis relate primarily to tangible property and equipment, right-of-use assets, and other intangible assets, which are remeasured when the derived fair value is below carrying value in the consolidated balance sheets. Recoverability is based on estimated undiscounted cash flows or other relevant observable/unobservable measures. For these assets, the Company does not periodically adjust carrying value to fair value except in the event of impairment. If it is determined that impairment has occurred, the carrying value of the asset is reduced to fair value and the difference is included in Impairment of long-lived assets and Impairment of operating lease right-of-use assets on the consolidated statements of operations and comprehensive loss.

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

	Balance	Fair value measurement at reporting date using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
As of December 31, 2025:				
Recurring fair value measurements				
Equity and debt securities:				
Route1, Inc.	\$ 112	\$ —	\$ 112	\$ —
Marketable securities	7	7	—	—
Total equity and debt securities	119	7	112	—
Derivatives:				
Derivative liability	3,870	—	—	3,870
Total derivatives	3,870	—	—	3,870
Total recurring fair value measurements	\$ 3,989	\$ 7	\$ 112	\$ 3,870
Nonrecurring fair value measurements				
Property, plant and equipment	\$ 1,665	\$ —	\$ —	\$ 1,665
Operating lease right-of-use asset	1,039	—	—	1,039
Convertible senior secured note	6,689	—	—	6,689
Total nonrecurring fair value measurements	\$ 9,393	\$ —	\$ —	\$ 9,393
As of December 31, 2024				
Recurring fair value measurements				
Equity and debt securities:				
Route1	\$ 85	\$ —	\$ 85	\$ —
Marketable securities	7,247	7,247	—	—
Total equity and debt securities	7,332	7,247	85	—
Derivatives:				
Derivative liability	—	—	—	—
Total derivatives	—	—	—	—
Total recurring fair value measurements	\$ 7,332	\$ 7,247	\$ 85	\$ —
Nonrecurring fair value measurements				
Property, plant and equipment	\$ 1,809	\$ —	\$ —	\$ 1,809
Operating lease right-of-use asset	3,409	—	—	3,409
Total nonrecurring fair value measurements	\$ 5,218	\$ —	\$ —	\$ 5,218

The following table sets forth a summary of the change in the fair value of the warrant liability that is measured at fair value on a recurring basis:

Balance on January 1, 2025	—
Issuance of warrants reported as fair value	5,873
Change in fair value of warrant liability	(3,215)
Reclassification to APIC due to warrant modification	(2,658)
Balance on December 31, 2025	\$ —

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

The following table sets forth a summary of the change in the fair value of the bifurcated embedded derivative liabilities that are measured at fair value on a recurring basis:

Balance on January 1, 2025	—
Issuance of convertible preferred stock with bifurcated embedded derivative	1,315
Change in fair value of bifurcated embedded derivative	80
Issuance of convertible debt with bifurcated embedded derivative	3,105
Extinguishment of convertible preferred stock with bifurcated embedded derivative	(630)
Balance on December 31, 2025	<u>\$ 3,870</u>

In addition to the above, the Company's financial instruments as of December 31, 2025 and 2024 consisted of cash and cash equivalents, receivables and accounts payable. The carrying amounts of all the aforementioned financial instruments approximate fair value because of the short-term maturities of these instruments.

The fair values of the Company's asset groups were determined using the income approach. The income approach incorporated the use of a discounted cash flow method in which the estimated future cash flows and terminal values for the Company were discounted to the present value using a discount rate. Cash flow projections are based on management's estimates of economic and market conditions which drive key assumptions of revenue growth rates, operating margins, capital expenditures and working capital requirements. The discount rate in turn is based on the specific risk characteristics of the Company, the weighted average cost of capital and its underlying forecast.

Note 12. Stock-based Compensation

The Company has a stock-based compensation plan available to grant stock options and RSUs to the Company's directors, employees and consultants.

In September 2020, the Board of Directors approved a new stock-based compensation plan available to grant stock options, restricted stock and Restricted Stock Units ("RSU's") aggregating to 250,000 shares of Common Stock, to the Company's directors, employees and consultants. Shareholder approval of the plan was subsequently obtained on October 28, 2020. On October 4, 2022, shareholders approved the amendment to the Company's 2020 Equity Incentive Plan to increase the number of shares authorized for issuance under the Plan by 375,000 shares of Common Stock to an aggregate of 625,000 shares. On February 13, 2025 shareholders approved an amendment to the Company's 2020 Equity Incentive Plan to increase the number of shares authorized for issuance under the Plan by approximately 2,500,000 shares of Common Stock to an aggregate of 3,125,000 shares. Under the 2020 Equity Incentive Plan (as amended, the "2020 Plan"), a maximum of 1,552,745 shares of Common Stock remained available for issuance as of December 31, 2025.

The Company's previous Employee, Director and Consultant Equity Incentive Plan (the "2012 Plan") was terminated upon receipt of shareholder approval of the 2020 Plan. Awards granted under the 2012 Plan remain in effect pursuant to their terms. Generally, stock options are granted with exercise prices equal to the fair market value on the date of grant, vest in four equal quarterly installments, and expire 10 years from the date of grant. RSU's granted generally vest over a period of one year.

The fair value of stock options is estimated as of the date of grant using the Black-Scholes option-pricing model. The Company uses the simplified method to estimate the expected term of options due to insufficient history and high turnover in the past.

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

The following variables were used as inputs in the model as of December 31, 2025:

	2025
Share price of the Company's Common Stock on the grant date:	\$ 0.97 - 1.52
Exercise price:	\$ 0.97 - 1.52
Expected volatility:	121.04 %
Expected dividend yield:	0 %
Annual average risk-free rate:	4.13 - 4.47 %
Expected term:	6.32 years

Total stock-based compensation expense for the years ended December 31, 2025 and 2024 was \$1,082 and \$893 respectively. All stock-based compensation for the periods ended December 31, 2025 and 2024 was presented on the consolidated Statements of Operations and Comprehensive Loss within general and administrative expense.

The following variables were used as inputs in the model as of December 31, 2024:

	2024
Share price of the Company's Common Stock on the grant date:	\$ 1.50 - 1.80
Exercise price:	\$ 1.50 - 1.80
Expected volatility:	121.04 %
Expected dividend yield:	0 %
Annual average risk-free rate:	3.62 - 4.33 %
Expected term:	6.32 years

The following tables summarize information about stock options and RSU activity during the year ended December 31, 2025:

	RSUs		Stock options		
	No. of RSUs	Weighted average grant date fair value	No. of options	Weighted average exercise price	Weighted average remaining term
Outstanding as of December 31, 2024	30,000	\$ 1.80	539,799	\$ 12.85	7.61 years
Granted	565,679	0.97	581,038	1.00	
Exercised/Vested	(540,679)	0.99	—	—	
Forfeited	—	—	(1,942)	28.71	
Expired	—	—	(197,628)	17.77	
Outstanding as of December 31, 2025	<u>55,000</u>	\$ 1.30	<u>921,267</u>	\$ 4.24	8.63 years
Exercisable as of December 31, 2025	—		<u>642,666</u>	\$ 5.58	8.30 years

The weighted average remaining contractual term for options outstanding as of December 31, 2025 and 2024 was 8.63 years and 7.61 years, respectively.

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

As of December 31, 2025 and 2024, Aggregate Intrinsic Value of Options Outstanding and Vested was \$0.

Unrecognized stock-based payment cost related to non-vested stock options as of December 31, 2025 and 2024 were \$200 and \$266, respectively. The 2025 balance is expected to be recognized over a weighted-average period of approximately 0.41 years.

Unrecognized stock-based payment cost related to non-vested RSUs as of December 31, 2025 and 2024 were \$59 and \$48, respectively. The 2025 balance is expected to be recognized over a weighted-average period of approximately 0.50 years.

Note 13. Segment Information

XWELL, Inc. transitioned to a pure-play wellness service company, which is organized primarily on the basis of products and services specific to individual entities within the group. The Company currently has three reportable operating segments: XpresSpa®, XpresTest® and Naples Wax Center. The Company analyzes the results of the Company's business through the three reportable segments. The following is a brief description of our reportable segments:

The XpresSpa segment provides travelers premium spa services, including massage, nail and skin care, as well as spa and travel products.

The XpresTest segment provides aircraft wastewater and passenger nasal sampling through the CDC's bio-surveillance program. XpresTest's HyperPointe business provided a broad range of service and support options for its customers, including technical support services and advanced services and is no longer operating as of December 31, 2025.

The Naples Wax Center segment operates six locations with core products and service offerings from face and body waxing to a range of skincare and cosmetic products.

The CODM evaluates performance and allocates resources for all of its reportable segments based on segment revenues and operating income.

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

The CODM uses segment revenues and segment operating income, to allocate resources (including employees, property, and financial or capital resources) for each segment predominantly in the annual budget and forecasting process. The CODM considers budget-to-actual variances on a monthly basis using the segment revenues and segment operating income when making decisions about allocating capital and personnel to the segments. The CODM also uses the segment revenues and operating income to assess the performance for each segment by comparing the results and return on assets of each segment with one another and in the compensation of certain employees. Expenses that can be specifically identified with a segment have been included as deductions in determining operating income. The Company separately presents the costs associated with certain corporate functions as Corporate and Other, primarily consisting of unallocated operating expenses including costs that were not specific to a particular segment but are general to the group, expenses incurred for insurance, legal fees, public company administrative costs, and other similar corporate expenses.

The table below presents information about reported segments for the year ended December 31, 2025 and 2024:

	2025				
	XpresSpa	XpresTest	Naples Wax	Corporate and other	Total
Revenue	\$ 18,649	\$ 8,249	\$ 2,312	\$ —	\$ 29,210
Operating (loss)/income	\$ (40)	\$ 4,314	\$ (5,845)	\$ (14,099)	\$ (15,670)

	2024				
	XpresSpa	XpresTest	Naples Wax	Corporate and other	Total
Revenue	\$ 18,765	\$ 13,055	\$ 2,077	\$ —	\$ 33,897
Operating (loss)/income	\$ (12,301)	\$ 5,192	\$ (496)	\$ (9,102)	\$ (16,707)

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

A reconciliation of total segment revenues to total consolidated revenue and of total segment operating (loss) income to total consolidated (loss) income, for the years ended December 31, 2025 and 2024, is as follows:

	2025				
	XpresSpa	XpresTest	Naples Wax	Corporate and other	Total
Revenue from external customers	\$ 18,649	\$ 8,249	\$ 2,312	\$ —	\$ 29,210
Less: Significant Expenses (1):					
Cost of Goods Sold - Labor	9,250	4,682	1,405	—	15,337
Cost of Goods Sold - Products & Services	1,318	—	32	—	1,350
Occupancy Cost	2,738	51	836	—	3,625
Other Cost of Revenue	850	197	345	—	1,392
Depreciation and amortization	481	8	308	65	862
Impairment of long-lived assets	959	—	2,190	—	3,149
Impairment of operating lease right-of-use assets	673	—	1,063	—	1,736
Impairment of goodwill	—	—	1,389	—	1,389
Loss on disposal of assets, net	21	19	—	—	40
Less: Other Segment Expenses (2):					
Other segment operating expenses	2,399	(1,022)	589	14,034	16,000
Segment operating (loss) income	\$ (40)	\$ 4,314	\$ (5,845)	\$ (14,099)	\$ (15,670)

	2024				
	XpresSpa	XpresTest	Naples Wax	Corporate and other	Total
Revenue from external customers	\$ 18,765	\$ 13,055	\$ 2,077	\$ —	\$ 33,897
Less: Significant Expenses (1):					
Cost of Goods Sold - Labor	10,039	6,148	1,258	32	17,477
Cost of Goods Sold - Products & Services	1,640	46	38	—	1,724
Occupancy Cost	3,417	35	260	—	3,712
Other Cost of Revenue	1,192	509	346	18	2,065
Depreciation and amortization	672	74	136	56	938
Impairment of long-lived assets	1,711	—	—	—	1,711
Impairment of operating lease right-of-use assets	2,805	—	—	—	2,805
Loss on disposal of assets, net	90	—	—	—	90
Less: Other Segment Expenses (2):					
Other segment operating expenses	9,500	1,051	535	8,996	20,082
Segment operating (loss) income	\$ (12,301)	\$ 5,192	\$ (496)	\$ (9,102)	\$ (16,707)

(1) The significant expense amounts align with the expenses that the CODM is regularly provided with to assess performance and allocate resources.

(2) For all segments, SGA consists of the following:

Salaries & Benefits, Rent & Utilities, Office Supplies & Shipping, Travel & Entertainment, IT & Telecom, Repairs & Maintenance, Accounting, Legal, Franchise/Property Tax, Management/DBE Fees, Advertising & Marketing, Insurance

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

Other Significant Items

	2025				
	XpresSpa	XpresTest	Naples Wax	Corporate and other	Total
Capital expenditures	\$ 1,780	\$ —	\$ 932	\$ 147	\$ 2,859
Assets	\$ 6,884	\$ 1,291	\$ 1,013	\$ 2,029	\$ 11,217
Stock based compensation	\$ 176	\$ 3	\$ —	\$ 903	\$ 1,082
Goodwill	\$ —	\$ —	\$ —	\$ —	\$ —
Impairment	\$ 1,632	\$ —	\$ 4,642	\$ —	\$ 6,274

	2024				
	XpresSpa	XpresTest	Naples Wax	Corporate and other	Total
Capital expenditures	\$ 755	\$ 49	\$ 959	\$ 18	\$ 1,781
Assets	\$ 8,545	\$ 2,133	\$ 6,216	\$ 8,458	\$ 25,352
Stock based compensation	\$ 799	\$ 94	\$ —	\$ —	\$ 893
Goodwill	\$ —	\$ —	\$ 1,389	\$ —	\$ 1,389
Impairment	\$ 4,516	\$ —	\$ —	\$ —	\$ 4,516

The Company currently operates in two geographical regions: United States and all other countries, which include Netherlands, Turkey and United Arab Emirates. The following table represents the geographical revenue, and total long-lived asset information as of and for the years ended December 31, 2025 and 2024. There were no concentrations of geographical revenue and long-lived assets related to any single foreign country that were material to the Company's consolidated financial statements. Long-lived assets include property and equipment and right of use lease assets.

	For the years ended December 31,	
	2025	2024
Revenue		
United States	\$ 23,420	\$ 27,813
All other countries	5,790	6,084
Total revenue	\$ 29,210	\$ 33,897
Long-lived assets		
United States	\$ 2,496	\$ 3,289
All other countries	208	1,929
Total long-lived assets	\$ 2,704	\$ 5,218

The Company performed impairment assessments of long-lived assets and operating lease right-of-use asset for the years ended December 31, 2025 and 2024. Based upon the results of the impairment tests, the Company recorded impairment expenses of long-lived assets for approximately \$959 and \$2,190 for its XpresSpa and Naples Wax segments for the year ended December 31, 2025. Additionally, the Company recorded impairment expenses of operating lease right-of-use assets for approximately \$673 and \$1,063 for its XpresSpa and Naples Wax segments for the year ended December 31, 2025. For the year ended December 31, 2024, the company recorded impairment expenses of long-lived assets for approximately \$1,308 and \$403 for its XpresSpa and Treat segments, respectively, and impairment expenses of operating lease right-of-use assets for approximately \$2,551 and \$254 for its XpresSpa and Treat segments, respectively.

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

Note 14. Revenue***Disaggregation of Revenue***

The following table provides information about disaggregated revenue from contracts with customers by the nature of products and services provided (in thousands):

	For the years ended	
	December 31,	
	2025	2024
Revenue, point in time	\$ 20,961	\$ 20,842
Revenue, over time	8,249	13,055
Total Revenue	\$ 29,210	\$ 33,897

As of December 31, 2025, the unrecognized committed amount of the Ginkgo/Bioworks contract is \$1,853.

Contract costs

For the years ended December 31, 2025 and 2024, the Company did not incur any incremental costs to obtain and/or fulfill contracts with customers.

Contract Liabilities

Contract liabilities are classified as deferred revenue in the consolidated balance sheets. The activity in deferred revenue for the years ended December 31, 2025 and December 31, 2024, was as follows:

	December 31, 2025	December 31, 2024
Beginning of the period contract liability	\$ 1,143	\$ 861
Revenue recognized from the contract liabilities included in the beginning balance	(709)	(461)
Increases due cash received net of amounts recognized revenue during the period	692	743
End of period contract liability	<u>\$ 1,126</u>	<u>\$ 1,143</u>

Of the \$1,143 outstanding as of December 31, 2024, \$709 has been recognized as revenue during the year ended December 31, 2025.

The Company has elected not to include in unfulfilled performance obligations for contracts in which the amount of revenue it recognizes is equal to the amount which the Company has a right to invoice. No revenue was recognized in the reporting period from performance obligations satisfied in previous periods. The Company applies the right-to-invoice practical expedient for its Priority Pass revenue stream and recognizes revenue in the amount it is entitled to invoice when that amount corresponds directly with the value of the performance to date. For the Company's XpresTest business unit, the Company's efforts toward satisfying each of the performance obligations are typically expended evenly throughout the period of performance. However, for the year ended December 31, 2025, portions of certain performance obligations relate to services not yet performed and are therefore recognized as deferred revenue in the amount of \$289. This amount is presented within deferred revenue on the consolidated balance sheets. Naples Wax Center offers prepaid wax packages that are either unlimited for one year or a set number of services. When the packages are purchased, the sales are recorded

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

as deferred revenue, which was \$837 and \$956 as of December 31, 2025 and December 31, 2024, respectively. As services related to prepaid packages are used, revenue is recognized as income.

Note 15. Accrued Expenses and Other Current Liabilities

As of December 31, 2025 and 2024, the Company's accrued expenses and other current liabilities were comprised of the following:

	December 31, 2025	December 31, 2024
Accrued compensation	\$ 905	\$ 2,384
Tax-related liabilities	527	571
Common area maintenance accruals	41	31
AP Accruals	78	340
Gift certificates	331	507
Other miscellaneous accruals	1,058	255
Total accrued expenses and other current liabilities	<u>\$ 2,940</u>	<u>\$ 4,088</u>

Note 16. Income Taxes

For the years ended December 31, 2025 and 2024, the loss from continuing operations before taxes consists of the following:

	2025	2024
Domestic	\$ (15,621)	\$ (15,026)
Foreign	(456)	(1,415)
	<u>\$ (16,077)</u>	<u>\$ (16,441)</u>

Income tax expense attributable to continued operations for the years ended December 31, 2025 and 2024 consisted of the following:

	For the years ended December 31,	
	2025	2024
Current:		
Federal	\$ —	\$ —
State	13	30
Foreign	16	19
Deferred:		
Federal	—	—
State	—	—
Foreign	—	—
	<u>\$ 29</u>	<u>\$ 49</u>

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

Income tax attributable to continuing operations differed from the amounts computed by applying the applicable U.S. federal income tax rate to loss from continuing operations before taxes on income as a result of the following:

	For the years ended December 31,	
	2025	
	In thousands	Percent
Income (loss) from operations before income taxes	\$ (3,376)	21 %
Tax rate		
State and Local Taxes (Net of Federal Income Tax Effect)	3	-0.02%
Foreign Tax Effects		
International Rate Differential - Netherlands	6	-0.04%
International Rate Differential - Other	(59)	0.37 %
Foreign Tax Effects - VA	164	-1.02%
Change in Valuation Allowance	2,927	-18.21%
Nontaxable or nondeductible items		
Meals & Entertainment	8	-0.05%
JV and Foreign Tax Activity	(38)	0.23 %
Loss on Preferred Stock	723	(4.50)%
Derivative Liability	17	(0.10)%
Impairment	62	-0.38%
Warrant Liability	(675)	4.20 %
Other Adjustments		
Return to Provision Adjustment	87	-0.54%
Asset Impairment Adjustment	24	-0.15%
Stock-Based Compensation Deferred Adjustment	160	(1.00)%
Deferred Adjustment	(4)	0.03 %
Effective Rate	<u>29</u>	<u>(0.18)%</u>

	For the year ended December 31,	
	2024	
Income (loss) from operations before income taxes	\$ (16,441)	
Tax rate		21 %
Computed “expected” tax benefit		(3,453)
State taxes, net of federal income tax benefit		(272)
Change in valuation allowance		2,556
Nondeductible expenses		268
Other Adjustments		1
Return to Provision Adjustment		(107)
International Rate Differential		(82)
State Deferred Rate Change		(100)
Asset Impairment Adjustment		37
Stock Option Forfeitures		1,074
Deferred Adjustment		127
Income tax expense	<u>\$ 49</u>	

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of December 31, 2025 and 2024 are as follows:

	December 31,	
	2025	2024
Deferred income tax assets		
Net operating loss carryforwards	\$ 68,541	\$ 64,730
Stock-based compensation	635	714
Intangible assets and fixed assets	6,741	6,775
Other	3,006	3,671
Total deferred tax assets	<u>78,923</u>	<u>75,890</u>
Valuation allowance	(75,618)	(71,980)
Net deferred income tax assets, net of valuation allowance	<u>\$ 3,305</u>	<u>\$ 3,910</u>
Deferred tax liabilities		
Right of use assets	(254)	(867)
Prepaid expenses	(280)	(272)
Investment in Partnership	<u>(2,771)</u>	<u>(2,771)</u>
Deferred tax assets (liabilities), net of valuation allowance	<u>—</u>	<u>—</u>

The Company assesses the need for a valuation allowance related to its deferred income tax assets by considering whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The company considered positive and negative evidence when evaluating its Valuation Allowance position. The most impactful evidence considered in this assessment is the Company's history of cumulative losses in recent years. Such cumulative losses are considered objective negative evidence under ASC 740 and carry substantial weight in the realizability analysis. Accordingly, a valuation allowance has been recorded against the Company's deferred income tax assets, as it is in the opinion of management that it is more likely than not that the net operating loss carryforwards ("NOL") will not be utilized in the foreseeable future.

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

The cumulative valuation allowance as of December 31, 2025 is \$75,618 which will be reduced if and when the Company determines that the deferred income tax assets are more likely than not to be realized.

As of January 1, 2024	\$ 69,424
Charged to cost and expenses	2,452
Return to provision true-up and other	105
As of December 31, 2024	<u>71,981</u>
Charged to cost and expenses	3,649
Return to provision true-up and other	(12)
As of December 31, 2025	<u>\$ 75,618</u>

As of December 31, 2025, the Company's estimated aggregate total NOLs were \$150,926 for U.S. federal purposes, expiring 20 years from the respective tax years to which they relate, and \$127,912 for U.S. federal purposes with an indefinite life due to new regulations in the TCJA. of 2017. The NOL amounts are presented before Internal Revenue Code, Section 382 limitations ("Section 382"). The Tax Reform Act of 1986 imposed substantial restrictions on the utilization of NOL and tax credits in the event of an ownership change of a corporation. Thus, the Company's ability to utilize all such NOL and credit carryforwards may be limited. An IRC Section 382 Study has not yet been completed.

On July 4, 2025, the One Big Beautiful Bill Act was signed into law. The Company assessed the income tax effects of the enacted legislation in accordance with ASC 740 during the period of enactment. Based on the Company's evaluation of the provisions applicable to its facts and circumstances, the Act did not result in a material impact to the Company's income tax provision, deferred tax balances, or consolidated financial statements for the period ended December 31, 2025. The Company will continue to evaluate additional guidance and interpretations issued with respect to the Act, although it does not currently expect such items to materially affect its accounting for income taxes conclusions.

The Company files its tax returns in the U.S. federal jurisdiction, as well as in various state and local jurisdictions. The company is not currently under audit in any taxing jurisdictions. The federal statute of limitations for audit consideration is 3 years from the filing date, and generally states implement a statute of limitations between 3 and 5 years.

The Company has also recorded state and foreign net operating loss deferred tax assets (tax - effected) of \$8,961 and \$1,024, respectively. A full valuation allowance has been established against these deferred tax assets and has been included in the net \$75,619 deferred tax asset.

The Company treats interest and penalties related to Uncertain Tax Positions as part of Income Tax Expense. The Company has not recorded any Uncertain Tax Positions as of December 31, 2025.

During the year ended December 31, 2025, the Company paid cash income taxes net of refunds received, of \$58. The Company paid cash taxes for State & Local of \$21, and Foreign cash taxes of \$37. The State & Local taxes paid included payments to tax authorities of \$15 in Virginia and \$6 in New York State. The Foreign cash taxes paid included payments to tax authorities of \$16 in Dubai and \$20 in the Netherlands. Cash tax payments can vary from year to year based on the timing of installment payments, the settlement of audits, the utilization of tax credits and net operating losses, the taxable income generated in each jurisdiction, and the receipt of refunds.

Note 17. Commitments and Contingencies

Certain of the Company's outstanding legal matters include speculative claims for substantial or indeterminate amounts of damages. The Company regularly evaluates developments in its legal matters that could affect the amount of any potential liability and makes adjustments as appropriate. Significant judgment is required to determine both the likelihood of there being any potential liability and the estimated amount of a loss related to the Company's legal matters.

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

With respect to the Company's outstanding legal matters, based on its current knowledge, the Company's management believes that the amount or range of a potential loss will not, either individually or in the aggregate, have a material adverse effect on its business, consolidated financial position, results of operations or cash flows. However, the outcome of such legal matters is inherently unpredictable and subject to significant uncertainties. The Company evaluated the outstanding legal matters and assessed the probability and likelihood of the occurrence of liability. Based on management's estimates, the Company has recorded accruals of \$0 and \$0 as of December 31, 2025 and December 31, 2024, respectively, which is included in Accrued expenses and other current liabilities in the consolidated balance sheets.

The Company expenses legal fees in the period in which they are incurred.

November 2025 Employment Litigation

On November 10, 2025, a former employee filed a complaint in the Circuit Court of the Eleventh Judicial Circuit in and for Miami-Dade County, Florida, against XpresSpa Holdings, LLC. The action was subsequently removed to the United States District Court for the Southern District of Florida on January 15, 2026.

The complaint alleged claims for age discrimination and retaliation under the Age Discrimination in Employment Act and the Florida Civil Rights Act, disability discrimination under the Americans with Disabilities Act and the Florida Civil Rights Act, and retaliation under Title VII and the Florida Civil Rights Act. The plaintiff alleged, among other things, that they were subjected to age-based and disability-related harassment and that their employment was terminated on July 25, 2024, in retaliation for complaints of discrimination. The complaint sought compensatory and punitive damages, backpay, front pay or reinstatement, injunctive relief, and attorneys' fees.

The Company denied the allegations and any liability. In order to avoid the expense and uncertainty of further litigation, the parties entered into a confidential settlement agreement. Under the terms of the agreement, the Company agreed to pay a de minimis settlement amount, allocated among alleged lost wages, non-wage damages, and attorneys' fees. In exchange, the plaintiff agreed to dismiss the action with prejudice and to provide a general release of claims against the Company and related parties. The agreement includes customary provisions regarding confidentiality, non-disparagement, and no admission of liability.

The Company does not expect this matter to have a material adverse effect on its financial condition, results of operations, or cash flows.

OTG Management PHL B v. XpresSpa Philadelphia Terminal B et al.

On May 9, 2022, a lawsuit was filed in the Philadelphia Court of Common Pleas by OTG Management at Philadelphia International Airport, claiming that XWELL improperly backed out of its sublease for space at Terminal B and now owes between \$864 and \$2,250 in accelerated rent for the 12-year contract. They claim that by refusing to complete the project, failing to commence and maintain operations, refusing to pay rent and improperly purporting to terminate the lease (among other acts and omissions), XWELL breached the lease. On June 20, 2024, an Order to Settle, Discontinue and End with Prejudice was filed as to all claims.

CPC Pain & Wellness SPV, LLC

On July 19, 2024, CPC Pain & Wellness SPV, LLC ("CPC"), a recently formed special purpose vehicle that announced it had acquired a 9.42% stake in XWELL in June 2024, filed suit in the Court of Chancery of the State of Delaware against the Company, Chairman Bruce T. Bernstein, and directors Michael Lebowitz, Robert Weinstein, Gaëlle Wizenberg, and Scott R. Milford (the "Action"). In the Action, CPC alleged, in pertinent part, that the Board of Directors breached their fiduciary duties and that the Company and Board of Directors engaged in an unlawful, unenforceable, and inequitable application of the Company's Third Amended and Restated Bylaws to reject CPC's notice of intent to propose its own slate of directors for election at the 2024 annual meeting of stockholders. On August 2, 2024, the Court set the Action for

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

trial on September 18-19, 2024. The Company has vigorously defended these claims. As a result of the Company's efforts, on August 9, 2024, CPC dismissed all claims in the Action, agreed to irrevocably withdraw its nominations, and agreed not assert any claims related to the 2024 annual meeting.

Settlement Agreement

On August 5, 2024, the Company, XpresSpa Middle East B.V., and certain parties thereto (such parties, the "Settlor Parties" entered into a Settlement Agreement (the "Settlement Agreement"), pursuant to which the Company agreed to issue an aggregate of 416,000 shares of common stock (the "Settlement Shares") which were issued on August 6, 2024, and have a fair market value of \$2.26 per share to the Settlor Parties in consideration for their entry into the Settlement Agreement. The Settlement Shares were not registered under the Securities Act of 1933, as amended (the "Securities Act"), and were issued in reliance on one or more exemptions from registration under the Securities Act, including pursuant to Rule 903 of Regulation S under the Securities Act.

XpresSpa Holdings, LLC ("XpresSpa") v. Cordial Endeavor Concessions of Atlanta, LLC ("Cordial"), et al., Arbitration Case No. 2126399.

The Company's subsidiary, XpressSpa Holdings, LLC, is party to an arbitration proceeding (the "Arbitration") which was mandated by the City of Atlanta, Georgia related to the Operating Agreements by and between Cordial and XpresSpa for the operation of the XpresSpa locations in Hartsfield-Jackson Atlanta International Airport ("ATL") in ATL Terminal A and ATL Terminal C. The City of Atlanta filed an application to compel arbitration in the Superior Court of Fulton County, and on November 5, 2024, the court granted that application and ordered the parties to arbitrate their disagreements.

This dispute arises out of the alleged breaches of various contracts between the parties as well as other improper conduct relating to the Operating Agreements. The matter is currently in the closing stages of arbitration. Although the evidentiary proceedings have concluded and a decision is pending, management does not believe that an unfavorable outcome is probable at this time and is unable to reasonably estimate the amount of loss, if any, that may result.

Other Arrangements

On May 16, 2025, the Company entered into a sales and marketing agreement with a vendor that obligates the Company to make payments totaling \$662 over the next three years. Payments are due quarterly, with the first installment beginning in July 2025.

In addition to those matters specifically set forth herein, the Company and its subsidiaries are involved in various other claims and legal actions that arise in the ordinary course of business. The Company does not believe that the ultimate resolution of these actions will have a material adverse effect on the Company's financial position, results of operations, liquidity, or capital resources. However, a significant increase in the number of these claims, or one or more successful claims under which the Company incurs greater liabilities than the Company currently anticipates, could materially adversely affect the Company's business, financial condition, results of operations and cash flows.

In the event that an action is brought against the Company or one of its subsidiaries, the Company will investigate the allegation and vigorously defend itself.

Leases

XWELL is contingently liable to a surety company under certain general indemnity agreements required by various airports relating to its lease agreements. XWELL agrees to indemnify the surety for any payments made on contracts of suretyship, guaranty, or indemnity. The Company believes that all contingent liabilities will be satisfied by its performance under the specified lease agreements.

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

Note 18. Related Party

On January 30, 2025, the Company entered into a consulting agreement (“Consulting Agreement”) with XWEL INV I, LLC (“XWEL INV I”) and Jason Aintabi (the “Consultant”) for the Consultant to provide advisory services to the Company. Mr. Aintabi serves as the Manager of XWEL INV I. The Consulting Agreement is deemed to be related party transaction as Mr. Aintabi is a greater than 5% beneficial owner of the Company’s securities. The Consulting Agreement was further extended on May 12, 2025 for a total period of twelve (12) months from the effective date of the agreement in exchange for a total amount for both the original and amended agreements of \$530. On December 15, 2025 the Consulting Agreement was further amended to increase the value of agreement by \$250, increasing the total amount for original and amended agreements to \$780. For the year ended December 31, 2025, \$558 of this contract was recognized in general and administrative expenses on the consolidated statement of operations and comprehensive loss, \$82 was recognized as a prepaid expense in other current assets and \$250 was recognized as an accrued liability on the consolidated balance sheets as of December 31, 2025.

Note 19. Subsequent Events

February 2026 Private Placement of Preferred Shares and Warrants

On February 24, 2026, the Company entered into the February 2026 Purchase Agreement with the February 2026 Purchaser for the issuance and sale in a private placement of an aggregate of (i) 31,333 shares of the Company’s newly-designated Series H Convertible Preferred Stock, with a par value of \$0.01 per share and a stated value of \$1,000 per share, initially convertible into up to 66,665,957 shares of Common Stock, at an initial conversion price of \$0.47 per share, subject to adjustment for certain customary adjustments, and (ii) the February 2026 Warrants to purchase up to 66,665,957 shares of Common Stock, at an initial exercise price of \$0.345 per share, subject to adjustment for certain customary adjustments. The February 2026 Warrants expire three years from the date of issuance. The February 2026 Private Placement closed on February 27, 2026. The aggregate gross proceeds from the February 2026 Private Placement were \$31,300.

In connection with the February 2026 Private Placement, pursuant to a placement agency agreement (the “Placement Agency Agreement”), dated as of February 24, 2026, by and between the Company and Dominari Securities LLC (the “Placement Agent”), the Company engaged the Placement Agent to act as an exclusive placement agent in connection with the February 2026 Private Placement and agreed to (i) pay to the Placement Agent (a) a cash fee equal to 8% of the gross proceeds of the February 2026 Private Placement and (b) reimbursements and payments of certain expenses, including non-accountable expense allowance equal to 1% of the gross proceeds raised in the February 2026 Private Placement and reasonable out-of-pocket expenses, not to exceed \$250,000, and (ii) issue to the Placement Agent warrants (the “Placement Agent Warrants”) to purchase up to an aggregate number of shares of Common Stock equal to 8% of the aggregate number of shares of Common Stock underlying the securities issued in the February 2026 Private Placement, with terms identical to the Warrants, except that the Placement Agent Warrants will have a term of five (5) years from the date of issuance. The Placement Agency Agreement contains customary representations, warranties and agreements of the parties, and customary indemnification obligations of the Company.

In connection with the Private Placement, the Company entered into a registration rights agreement (the “Registration Rights Agreement”) with the February 2026 Purchaser and the Placement Agent, pursuant to which the Company has agreed to prepare and file a registration statement with the SEC registering the resale of the shares of common stock underlying the Series H Preferred Stock and shares of common stock underlying the February 2026 Warrants and the Placement Agent Warrants no later than the earlier of (a) 50 days after the later of (1) the closing date of the February 2026 Private Placement or (2) the Escrow Release Date (as defined in the Registration Rights Agreement) and (b) the second trading day following the date on which the Company files its Annual Report on Form 10-K for the year ended December 31, 2025 (the “Filing Deadline”), and to use best efforts to have the registration statement declared effective as

XWELL, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except for share and per share data)

promptly as practical thereafter, and in any event no later than 60 days following the Filing Deadline (or 90 days following the Filing Deadline in the event of a “full review” by the SEC).

The Company used the net proceeds from the February 2026 Private Placement, in part, to repurchase certain outstanding indebtedness, redeem previously issued preferred equity and warrants in the Repurchase (see below Omnibus Agreement).

Omnibus Agreement

On February 24, 2026, the Company entered into the Omnibus Agreement, pursuant to which, the Company agreed to (i) repurchase from the January 2025 Investors \$5,673 of aggregate principal amount of the Notes, representing the entire outstanding principal amounts of the Notes and any accrued and unpaid interest thereon, (ii) redeem 196 shares of Series G Preferred Stock held by the January 2025 Investors, including \$283 of accrued and unpaid dividends thereon, representing all outstanding shares of Series G Preferred Stock, and (iii) redeem all Amended and Restated Warrants held by the January 2025 Investors, representing all outstanding Series A Warrants and Series B Warrants, for an aggregate cash purchase price of \$9,000, to be paid with the proceeds of the Private Placement (collectively, the “Repurchase”). The Repurchase closed on March 2, 2026.

On March 4, 2026, the Company filed a Certificate of Elimination (the “Certificate of Elimination”) with respect to its Series G Preferred Stock, with the Delaware Secretary of State. The Certificate of Elimination (i) eliminates the previous designation of 4,000 shares of Series G Preferred Stock, none of which were outstanding at the time of filing, (ii) causes such shares of Series G Preferred Stock to resume the status of authorized but unissued shares of preferred stock of the Company and (iii) eliminates all reference to the Series G Preferred Stock from the Company’s Amended and Restated Certificate of Incorporation, as amended.

Settlement of Preferred Stock Redemption Payables

During January and February of 2026, the Company issued a total of 1,855,442 shares of common stock upon conversion of the Series G Preferred Stock as elected pursuant to the Certificate of Designations.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned thereunto, duly authorized on the 1st day of April, 2026.

XWELL, Inc.

By: /s/ Ezra T. Ernst

Ezra T. Ernst
Chief Executive Officer
(Principal Executive Officer)

XWELL, Inc.

By: /s/ Ian Brown

Ian Brown
Chief Financial Officer
(Principal Financial and Accounting Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Ezra T. Ernst as his or her true and lawful attorney-in-fact and agents, with full power of substitution and re-substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the SEC, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming that all said attorneys-in-fact and agents, or any of them or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities indicated below and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ EZRA T. ERNST</u> Ezra T. Ernst	Chief Executive Officer and Director (Principal Executive Officer)	April 1, 2026
<u>/s/ IAN BROWN</u> Ian Brown	Chief Financial Officer (Principal Financial and Accounting Officer)	April 1, 2026
<u>/s/ BRUCE T. BERNSTEIN</u> Bruce T. Bernstein	Director	April 1, 2026
<u>/s/ ROBERT WEINSTEIN</u> Robert Weinstein	Director	April 1, 2026
<u>/s/ MICHAEL LEBOWITZ</u> Michael Lebowitz	Director	April 1, 2026
<u>/s/ GAELLE WIZENBERG</u> Gaelle Wizenberg	Director	April 1, 2026

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-284768, 333-273726, 333-239913, 333-225531, 333-233419 and 333-264026) and on Form S-8 (Nos. 333-254508, 333-268004 and 333-264028) of our report dated April 1, 2026, with respect to the consolidated financial statements of XWELL, Inc. included in this Annual Report on Form 10-K for the year ended December 31, 2025.

/s/ CBIZ CPAs P.C.

Morristown, New Jersey
April 1, 2026

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-284768, 333-273726, 333-239913, 333-225531, 333-233419 and 333-264026) and on Form S-8 (Nos. 333-254508, 333-268004 and 333-264028) of our report dated April 15, 2025 with respect to the consolidated financial statements of XWELL, Inc. included in this Annual Report on Form 10-K for the year ended December 31, 2025.

/s/ MARCUM LLP

Morristown, New Jersey

April 1, 2026

CERTIFICATIONS UNDER SECTION 302

I, Ezra T. Ernst, certify that:

1. I have reviewed this Annual Report on Form 10-K of XWELL, 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. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 1, 2026

/s/ Ezra T. Ernst

Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS UNDER SECTION 302

I, Thomas Ian Brown, certify that:

1. I have reviewed this Annual Report on Form 10-K of XWELL, 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. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 1, 2026

/s/ Thomas Ian Brown

Chief Financial Officer

(Principal Financial and Accounting Officer)

CERTIFICATIONS UNDER SECTION 906

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of XWELL, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report for the year ended December 31, 2025 (the "Form 10-K") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 1, 2026

/s/ Ezra T. Ernst

Chief Executive Officer

(Principal Executive Officer)

/s/ Thomas Ian Brown

Chief Financial Officer

(Principal Financial and Accounting Officer)
